UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 28, 2023

LEONARDO DRS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**001-41565**	**13-2632319**
(State of Incorporation)	**(Commission File Number)**	**(IRS Employer Identification Number)**

2345 Crystal Drive
Suite 1000
Arlington, Virginia 22202
(Address of principal executive offices)

(703) 416-8000
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2.below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.01 par value	DRS	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02. Results of Operation and Financial Condition.

On July 28, 2023, Leonardo DRS, Inc.'s (the "Company") majority stockholder, Leonardo S.p.A., an Italian società per azioni, listed on the Milan Stock Exchange ("Leonardo S.p.A"), of which the Company is a consolidated subsidiary, issued a press release announcing its consolidated financial results for the half year ended June 30, 2023 (the "Press Release") as well as a presentation related to the release of its consolidated financial results for the half year ended June 30, 2023 (the "Presentation"), which are attached hereto as Exhibit 99.1 and 99.2 respectively. The Presentation was followed by a live question and answer webcast (the "Q&A"). A transcript of the Presentation and Q&A is attached hereto as Exhibit 99.3.

The financial information contained in these materials includes, on a consolidated basis, information regarding the Company's results of operations and financial condition in accordance with International Financial Reporting Standards ("IFRS"), including but not limited to the financial information regarding the Company's performance in the first half of 2023 in the table on page 10 of the Press Release, which differs in some respects from the accounting principles generally accepted in the United States of America ("U.S. GAAP").

As previously announced, the Company plans to issue its quarterly earnings press release on August 2, 2023, which will contain financial information of the Company for the second quarter 2023 in accordance with U.S. GAAP.

The Press Release, Presentation, and transcript of the Presentation prepared remarks and Q&A are attached hereto as Exhibit 99.1, Exhibit 99.2, and Exhibit 99.3, respectively, and are being furnished to the Securities and Exchange Commission under both Item 2.02 "Results of Operations and Financial Condition" and Item 7.01 "Regulation FD Disclosure" of Form 8-K. The information furnished pursuant to this Form 8-K (including the exhibits hereto) shall not be considered "filed" under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor shall it be incorporated by reference into any of the Company's filings under the Securities Act of 1933, as amended, or under the Exchange Act, unless the Company expressly states in such filing that such information is to be considered "filed" or incorporated by reference therein.

Item 7.01 Regulation FD Disclosure.

To the extent applicable, the information in Item 2.02 of this Form 8-K is incorporated by reference into this Item 7.01.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit Number Exhibit Description

99.1 Leonardo S.p.A.'s HY 2023 Press Release

99.2 Leonardo S.p.A.'s HY 2023 Presentation

99.3 Leonardo S.p.A.'s HY 2023 Presentation and Q&A Transcript

104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

		LEONARDO DRS, INC.
		(Registrant)
Date: July 28, 2023	By:	/s/ Mark A. Dorfman
		Mark A. Dorfman
		Executive Vice President, General Counsel and Secretary

PRESS RELEASE

LEONARDO: **REVENUES € 6.9 BN (+6.**4%[1] **VS € 6.5 BN 1H 2022), EBITA € 430** MLN (+5.7%[1] **VS €** 407 1H 2022), **FOCF €** - 517 MLN (+46.9%[1] **VS €** - 973 **MLN 1H 2022), NET RESULT € 208 MLN (-22.1% VS € 267 MLN 1H 2022).**
FY GUIDANCE 2023 CONFIRMED.

Orders € 8,691 million (+21.4%[1] *vs € 7,161* million), Record Backlog *ca. € 40 billion*; book to bill of ca. 1.3x

Aerostructures continuing its gradual recovery to reach breakeven by end 2025

Group Net Debt of € 3,637 million, -24%, vs € *4*,793 million 1H 2022, thanks to lower cash absorption

Cash flow improving on track, with reduced seasonality

Rome, 28/07/2023 – Leonardo's Board of Directors, convened today under the Chairmanship of Stefano Pontecorvo, examined and unanimously approved 2023 first half results.

*"*The 2023 first half results show a clear improvement in orders, revenues, FOCF and debt. – Roberto Cingolani, Leonardo CEO and GM, stated – The results confirm solid and positive trends across the Group. Looking forward, we are starting to set up the new Industrial Plan which will be announced at the beginning of next year. The key pillars are the further strengthening and consolidation of the Core Business with a particular focus on defence products, as well as the expansion of new initiatives, with the strengthening of the fastest growing sectors, such as Space and Cybersecurity. We will also give a renewed boost to the digitalization of our entire product portfolio to further increase our competitiveness in all our domestic and international markets*"*.

(1) Adjusted perimeter to exclude the contribution of Global Enterprise Solutions, sold in July 2022.

1H 2023 financial results

The excellent performance already recorded by the Group already recorded in 2022 continued in the first half of 2023.

Such performance is far more significant if we compare the adjusted figures, which were restated to make the results of comparison more representative and take into account the changes in the Group's scope of consolidation as set out below.

New orders recorded a substantial increase of 18.9% which went up to 21.4% compared with the adjusted figure in the first half of 2022, especially driven by the Helicopters and Electronics businesses, thus confirming the strengthening of the Group market positioning in these sectors.

Revenues were up by 4.8% (6.4% against the Adjusted figure), regarding particular in Aeronautics business thanks to a significant recovery in Aerostructures (+40% against the first half of 2022). The growth in Revenues was accompanied by a growth of EBITA of 2.9%, which appears more evident in the Adjusted figure (5.7%), and sound profitability in any and all business segments.

A marked improvement of 46% (47% against the Adjusted figure) was recorded in Free Operating Cash Flow for the half-year, with a consequent positive impact on the Group Net Debt, which decreased by 25% compared with the first six months of 2022.

The Group's Key Performance Indicators are described below; for more details, reference should be made to the paragraph "Non-GAAP performance indicators" for definitions.

Key Performance Indicator with perimeter adjusted

For a better comparability of the Group's operating performance, we report below some Adjusted performance indicators for the comparative period, excluding the main deconsolidation transactions from the Group's scope of consolidation (GES business which was sold in July 2022). When compared with Adjusted data, the signs of growth in the Group's New Orders, Revenues and Operating Profit previously reported are further strengthened:

Group (Euro million)	1H2022 Reported	1H 2022 Adjusted	1H 2023	Chg. %
Orders	7,310	7,161	8,691	21.4%
Revenues	6,576	6,480	6,894	6.4%
EBITA	418	407	430	5.7%
ROS	6.4%	6.3%	6.2%	(0.1) p.p.
FOCF	(962)	(973)	(517)	46.9%

2023 Guidance

In view of the results achieved in the first half of 2023 and the expectations for the coming periods, we confirm the guidance for the entire year as drawn up when preparing the annual financial statements as at 31 December 2022.

		FY2022A	FY2023 Guidance(1)
New Orders	(€ bn)	17.3	ca. 17
Revenues	(€ bn)	14.7	15-15.6
EBITA	(€ mln)	1,218	1,260-1,310
FOCF	(€ mln)	539	ca. 600
Group Net Debt	(€ bn)	3.0	ca. 2.6(2)

2023 exchange rate assumptions: € / USD = 1.10 and € / GBP = 0.87
1) Based on the current assessment of the effects deriving from the geopolitical situation on the supply chain and the global economy and assuming no additional major deterioration.
2) Assuming dividend payment of € 0.14 per share and new leases for ca 100 mln.

Commercial Performance

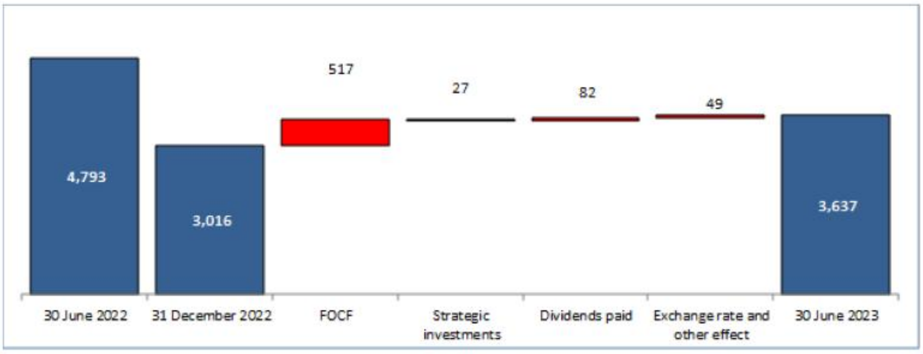
- New Orders, amounted to EUR 8.691 million significantly increased (+18.9% on the Reported value, +21.4% on the Adjusted value) compared to the first half of 2022, in particular thanks to the excellent performance of Helicopters mainly linked to orders for the Austrian Ministry of Defence and the US Air Force, with a constant growth of orders in Defence Electronics & Security. The Order level for the half-year is equal to a book to bill (the ratio of New orders to Revenues for the period) amounting to about 1.3x
- Backlog, amounted to EUR 39,119 million ensures a coverage in terms of production higher than 2.5 years

Business Performance

- Revenues, amounted to EUR 6,894 million, showed an increase compared to the first half of 2022 (+4.8% on the Reported value, +6.4% on the Adjusted value), in all business sectors, including Aerostructures, which benefitted from resuming deliveries of B-787
- EBITA, amounted to EUR 430 million, reflected the solid performance of the Group's business, showing an increase compared to the first half of 2022 (+2.9% on the Reported value, +5.7% on the Adjusted value), thanks to the higher volumes recorded in all business area
- EBIT, amounted to EUR 368 million, (€mil. 362 in the first half of 2022) showed growth as well, while incurring additional restructuring costs mainly due to the additions to the agreement for the early retirement of the workforce in the Corporate and Staff functions (€mil. 20), as well as the amortisation of the Purchase Price Allocation related to the acquisition of Rada, which was completed in the second half of 2022
- Net Result before extraordinary transactions, amounted to EUR 197 million, (€mil. 267 in the comparative period) reflected, on the other hand, the increase in borrowing costs, mainly linked to exchange rate operations and the effect of the non-strategic investments valued at equity, in addition to a higher impact of tax charges
- Net Result, equal to EUR 208 million (€mil. 267 in the comparative period) reflects, compared to the Net Result before extraordinary transactions, the capital gain of €mil. 11 arising from the sale of the ATM business unit on the part of Selex ES LLC

Financial performance

- Free Operating Cash Flow (FOCF), negative for EUR 517 million, improving significantly (+46.3%) compared to the figure at 30 June 2022 (negative for €mil. 962), thus confirming the path embarked on to reduce interim cash absorptions.
  The figure thus consolidates the positive results of the initiatives aimed at strengthening the performance of operations, of the streamlining measures and of a careful investment policy in a period of business growth and efficient financial strategy
- Group Net Debt, of EUR 3,637 million, showed a considerable reduction (approx. €bil. 1.2) against June 2022 thanks to the strengthening of the Group's cash generation. Compared to 31 December 2022 (€mil. 3,016) the figure increased mainly as a result of the FOCF performance, as well as of the payment of dividends for an amount of €mil. 82



1H 2023 Key Performance Indicator

Group (Euro million)	1H 2022	1H 2023	Chg.	Chg. %	2022
New Orders	7,310	8,691	1,381	18.9%	17,266
Order backlog	36,358	39,119	2,761	7.6%	37,506
Revenues	6,576	6,894	318	4.8%	14,713
EBITDA	679	703	24	3.5%	1,763
EBITA	418	430	12	2.9%	1,218
ROS	6.4%	6.2%	(0.2) p.p.		8.3%
EBIT	362	368	6	1.7%	961
EBIT Margin	5.5%	5.3%	(0.2) p.p.		6.5%
Net Result before extraordinary transactions	267	197	(70)	(26.2%)	697
Net result	267	208	(59)	(22.1%)	932
Group Net Debt	4,793	3,637	(1,156)	(24.1%)	3,016
FOCF	(962)	(517)	445	46.3%	539
ROI	10.5%	10.8%	0.3 p.p.		12.0%

(*) EBITDA is given by EBITA, as defined below, before amortisation and depreciation (excluding amortisation of intangible assets arising *from business combinations) and impairment losses (net of those relating to goodwill or classified among "non-recurring costs").*

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

(***) EBIT *is obtained by adding to Income before tax and financial expenses (defined as earnings before "financial income and expense", "share of* profits (losses) of equity- *accounted investees", "income taxes" and "Profit (loss) from discontinued operations") the Group's share of profit in the results of its strategic investments (MBDA, GIE ATR, TAS, Telespazio and Hensoldt), reported in the "share* of profits (losses) of equity-*accounted investees".*

SECTOR PERFORMANCE

The Key Performance Indicators of the business Sectors are reported below while pointing out that - starting with 2022 financial statements - the Group has set out a method of representing its performance that is increasingly consistent with corporate strategies and underlying business dynamics. The performance in the sectors will therefore be represented and commented on with reference to the operating sectors of Helicopters, Defence Electronics and Security, Aircraft, Aerostructures and Space (the results at 30 June 2022 of Helicopters, Defence Electronics and Security, Aeronautics and Space were restated to facilitate the performance comparison).

1H 2022 (Euro million)	New Orders	Order Backlog 31.12.2022	Revenues	EBITA	ROS
Helicopters	2,183	13,614	2,110	151	7.2%
Defence Electronics & Security	3,799	15,160	3,229	314	9.7%
Aicraft	1,490	8,554	1,261	149	11.8%
Of which GIE ATR				(1)	
Aerostructures	158	1,075	234	(88)	(37.6%)
Space	-	-	-	3	n.a.
Other activities	168	360	260	(111)	(42.7%)
Eliminations	(488)	(1,257)	(518)	-	n.a.
Total	7,310	37,506	6,576	418	6.4%

1H 2023 (Euro million)	New Orders	Order Backlog	Revenues	EBITA	ROS
Helicopters	2,805	14,421	2,160	157	7.3%
Defence Electronics & Security	4,355	15,979	3,296	309	9.4%
Aircraft	1,497	8,660	1,348	155	11.5%
Of which GIE ATR				(5)	
Aerostructures	225	962	327	(72)	(22.0%)
Space	-	-	-	2	n.a.
Other activities	323	425	363	(121)	(33.3%)
Eliminations	(514)	(1,328)	(600)	-	n.a.
Total	8,691	39,119	6,894	430	6.2%

Change %	New Orders	Order Backlog	Revenues	EBITA	ROS
Helicopters	28.5%	5.9%	2.4%	4.0%	0.1 p.p.
Defence Electronics & Security	14.6%	5.4%	2.1%	(1.6%)	(0.3) p.p.
Aircraft	0.5%	1.2%	6.9%	4.0%	(0.3) p.p.
Of which GIE ATR				(400%)	
Aerostructures	42.4%	(10.5%)	39.7%	18.2%	15.6 p.p.
Space	n.a.	n.a.	n.a.	(33.3%)	n.a.
Other activities	92.3%	18.1%	39.6%	(9.0%)	9.4 p.p.
Eliminations	n.a.	n.a.	n.a.	n.a.	n.a.
Total	18.9%	4.3%	4.8%	2.9%	(0.2) p.p.

Helicopters

During the first half of 2023, this Sector continued to show an excellent commercial performance, showing an increase of about 29% in New orders compared to the same period of 2022. Revenues showed a slight increase, with profitability essentially in line. During the period, 82 new helicopters were delivered compared to 50 in the first half of 2022.

New Orders: They reported a sharp increase as a result of major acquisitions in both the government and commercial context. Among the main acquisitions for the period we note.

- the contract deriving from the Italy-Austria Government-to-Government (G2G) Agreement Amendment signed in December 2022, for the supply of additional 18 AW169M LUH (Light Utility Helicopter) helicopters for the Austrian Ministry of Defence;
- the contracts relating to 3 AW159 helicopters, 10 AW109 Trekker helicopters and AW101 helicopters including mid-life update (MLU) for export customers;
- the contract with Boeing for the supply of 13 helicopters related to the starting of the production phase of the MH-139 programme for the US Air Force;
- the order for 6 AW139 helicopters to be used in offshore transport missions on the part of the operator Abu Dhabi Aviation (ADA) and other miscellaneous orders for helicopters in the Commercial sector

Revenues: slight growth due to increases in dual use helicopter lines, as well as on the CS&T, mitigated by a lower contribution of the NH90 Qatar programme.

EBITA: showed an increase linked to higher revenues.

Defence Electronics & Security

The results for the first half-year confirm the growth trend and are marked by a substantial commercial performance in all the business areas (+14.6% on the Reported value, +19.3% on the Adjusted value), with volumes and profits mainly increasing in the European component. Leonardo DRS recorded a decline in profitability during the period compared to the first half of 2022, which had benefitted from a particularly favourable mix of activities.

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

1H 2023 (Euro million)	New Orders	Revenues	EBITA	ROS %
EDS Europe	3,045	2,198	225	10.2%
Leonardo DRS	1,339	1,107	84	7.6%
Eliminations	(29)	(9)	-	n.a.
Total	4,355	3,296	309	9.4%

Change %	New Orders	Revenues	EBITA	ROS %
EDS Europe	19.9%	4.2%	7.1%	0.2 p.p.
Leonardo DRS	2.4%	(2.3%)	(19.2%)	(1.6) p.p.
Eliminations	n.a.	n.a.	n.a.	n.a.
Total	14.6%	2.1%	(1.6%)	(0.3) p.p.

Average €/USD exchange rate: 1.0811 (first six months of 2023) and 1.0940 (first six months of 2022)

	New Orders	Revenues	EBITA	ROS %
Leonardo DRS ($ mln) – 1H 2022	1,430	1,239	114	9.2%
Leonardo DRS ($ mln) – 1H 2023	1,447	1,197	91	7.6%

As previously indicated, the figures of the first half of 2022 included the contribution of the GES business disposed of in July 2022. Below are the adjusted performance indicators of the sector for the comparative period:

Group (Euro million)	1H 2022 Reported	1H 2022 Adjusted	1H 2023	Chg. %
New Orders	3,799	3,650	4,355	19.3%
Revenues	3,229	3,133	3,296	5.2%
EBITA	314	303	309	2.0%
ROS	9.7%	9.7%	9.4%	(0.3) p.p.

New Orders: These increased in all the business areas, despite the abovementioned different perimeter. Among the main acquisitions of the period in the European component are:

- the order to complete the development and integration of the new ECRS Mk2 (European Common Radar System) radar for the Royal Air Force (RAF) Typhoon fleet in the United Kingdom. The new sensor will ensure that RAF aircraft can simultaneously detect, identify and track multiple targets on land and at sea, thus enabling increased capabilities in terms of air power;
- the domestic contract for the supply of tented Command Posts for Brigades and Regiments to the Italian Army, which is part of the broader programme for the modernisation of land-based multi-domain command and control (C2) Capabilities;
- for the Cyber division, note the order for the construction of the Joint Operation Center (JOC) of the Joint Operations Command (Comando Operativo di Vertice Interforze, COVI) of the Italian Defence, through the setting up of Operations Rooms and Data Centres and the development of functionalities such as Joint Common Operational Picture (JCOP), Political Military Economic Social Information Infrastructure (PMESII) and Information Knowledge Management (IKM).

Leonardo DRS, as part of the broader Ohio-submarine class Replacement Programme (ORP), received an additional order to supply integrated electric propulsion components for the next-generation Columbia-class submarine for the US Navy.

Revenues: showed growing volumes (+2.1% on the Reported value, +5.2% on the Adjusted value), especially in the European component. The Leonardo DRS volumes slightly reduced, mainly due to the different perimeter following the abovementioned exit of the GES business, which took place in August 2022. Excluding such effect, the volumes of the subsidiary were on the rise compared to the same period of 2022 (+6.8% on the Adjusted figure in Euro).

EBITA: increase in all the main business areas of the DES European component. In DRS the profitability decreased compared to the same period of 2022, which had specifically benefitted from a favourable mix of activities and the lower absorption of fixed costs in the period.

Aircraft

The Sector recorded growth in its volumes, confirming the high profitability of the military business and a resumption in deliveries on the part of the GIE-ATR consortium.
From a production point of view:

- under the military programmes of the Aircraft Division 21 wings and 5 final assemblies were delivered to Lockheed Martin under the F-35 programme (22 wings and 6 final assemblies delivered in the first half-year of 2022).
- Furthermore, we must note 3 deliveries of Typhoon aircraft to Kuwait, up compared to 2 recorded in the same period of 2022;
- with regard to GIE, 12 deliveries were recorded compared to 6 in the previous period, thus reflecting the recovery in volume growth

1H 2022 (Euro million)	New Orders	Revenues	EBITA	ROS %
Aircraft	1,490	1,261	150	11.9%
GIE ATR	n.a.	n.a.	(1)	n.a.

1H 2023 (Euro million)	New Orders	Revenues	EBITA	ROS %
Aircraft	1,497	1,348	160	11.9%
GIE ATR	n.a.	n.a.	(5)	n.a.

Change %	New Orders	Revenues	EBITA	ROS %
Aircraft	0.5%	6.9%	6.7%	(0.0) p.p.
GIE ATR	n.a.	n.a.	(400.0%)	n.a.

New Orders: remained in line with the same period of 2022, with the acquisition of a large export order for no. 2 C-27J aircraft, higher orders for the logistic component of EFA, two special version ATR aircraft and the anticipation of orders for the JSF programme.
Revenues: growth thanks to the start of work on the Euromale programme (acquired in 2022) and higher production volumes on the JSF programme.
EBITA: higher contribution was given by the Aircraft Division. Specifically

- the Aircraft Division benefitted from higher volumes, confirming the high level of profitability, which was mainly supported by the international Typhoon programmes.
- despite doubling deliveries compared to 2022, the GIE-ATR consortium recorded a decrease due to the different mix of deliveries made and especially one-off events reported in 2022 for the finalization of major contractual redefinition

Aerostructures

The Sector confirms the expected improvement trend, in line with expectations of OEM recovery and effectiveness of the actions taken in terms of manufacturing. The use of the full capacity of industrial sites is gradually improving thanks to a gradual increase in production volumes.
From the production point of view, 18 fuselage sections and 16 stabilisers were delivered for the B787 programme (4 fuselages and 5 stabilisers delivered in 2022) and 13 fuselages delivered for the ATR programme (7 in 2022).
New Orders: an increase over the previous year, benefiting from the restart of demand for OEM, particularly from ATR and Boeing for the B-787 programme. A slight decrease was recorded in the new orders from Airbus due to the difficulties encountered by the customer in the ramp-up of new aircraft production.
Revenues: was a 40% increase compared to the first half of 2022, benefiting from higher business volumes from the GIE ATR consortium, and the resumption of deliveries under the B-787 programme.
EBITA: recovery in production volumes under various programmes entails an improvement in the use of the full capacity of industrial assets and workforce resulting in a recovery of profitability.

Space

The first half of 2023 showed a result substantially in line with the same period of the previous year.
The business segment of satellite services recorded a growing operating result, thus confirming the positive trend, which offset the impact of the costs associated with signing the early retirement agreement in accordance with Article 4 of the Fornero Act.
The manufacturing segment recorded significant development costs on the telecommunications component. Nevertheless, the result of operations was in line with the first half of 2022, which saw the recognition of non-recurring costs associated with the write-down of the exposure to countries involved in the conflict between Russia and Ukraine.

Industrial transactions

With regard to Industrial Operations, it should be noted that on 1 May 2023 the US company Selex ES, Llc completed the sale of the business unit of air navigation radio aids (ATM) to Indra Air Traffic, Inc., which is wholly owned by the Spanish company Indra Sistemas S.A., for an amount of, after transaction costs, around USDmil. 37. As a result of this transaction the Group recognised a capital gain of about €mil. 11.
During the half-year work continued on concentrating the assets held by Leonardo in the USA in a single legal entity started in 2022. During the first half of 2023, the following transactions were completed.

- Leonardo US Corporation established Leonardo US Subholding, wholly owned;
- Leonardo US Corporation contributed its stake in Leonardo US Aircraft to Leonardo US Subholding;
- Leonardo International contributed its stake in Selex ES, Llc to Leonardo US Holding. The same stake was subsequently transferred from Leonardo US Holding to Leonardo US Corporation, and from the latter to Leonardo US Subholding

Finally, in May 2023 Leonardo made additions to the agreement signed in December 2022 (early retirement plan under Article 4 of Law 92/2012, Fornero Act) up to a maximum of 490 employees and executives working in the Corporate and Staff functions of Leonardo S.p.a., Leonardo Global Solutions and Leonardo Logistics, who will meet any requirement for retirement by 30 November 2028, with planned exits during the two-year period from 2023 to 2024. The expansion of the scope of this measure resulted in the recognition in the period of additional charges of €mil. 20.

Financial transactions

No new transaction was carried out on the financial markets during the first half of 2023.

As at 30 June 2023 Leonardo SpA had sources of liquidity for a total of about €mil. 4,210, to meet the financing needs of the Group's recurring operations, all unused at the reporting date and broken-down as follows:

- an ESG-linked Revolving Credit Facility for an amount of €mil. 2,400, divided into two tranches of €mil. 600 and of €mil. 1,800 expiring on 7 October 2024 and 7 October 2026 respectively;
- additional unconfirmed short-term lines of credit of about €mil. 810;
- a framework programme for the issue of commercial papers on the European market (Multi-Currency Commercial Paper Programme) for a maximum amount of €bil. 1 expiring on 2 August 2025.

The Company also has a €mil. 260 Sustainability-linked financing granted by the European Investment Bank (EIB) – with a contract signed in November 2022 – entirely unused at the date of this report.

Furthermore, Leonardo has unconfirmed lines of credit for a total of €mil. 10,183, of which €mil. 2,824, still available as at 30 June 2023.

Finally, other Group subsidiaries have the following credit facilities.

- Leonardo DRS has a Revolving Credit Facility for an amount of USDmil. 275 (€mil. 253), which was entered into at the same time as the completion of the merger with RADA, and had been used for USDmil. 110 (€mil. 101) at 30 June 2023;
- Leonardo US Holding has short-term revocable credit lines, guaranteed by Leonardo Spa, for USDmil. 40 (€mil. 37), which had been used for USDmil. 14 (€mil. 13) at 30 June 2023;
- Leonardo US Corporation has short-term revocable credit lines, guaranteed by Leonardo Spa, for USDmil. 170 (€mil. 156), which had been used for USDmil. 25 (€mil. 23) at 30 June 2023.

Finally, it should be noted that in May 2023 Leonardo renewed the EMTN (Euro Medium Term Note) programme for further 12 months, which regulates possible bond issues on the European market for a maximum nominal value of €bil. 4 that, at the date of this report, was still available for €mil. 2,400. Outstanding bond issues (equal to a total nominal amount of €mil 1,600) are given a medium/long-term financial credit rating by the international rating agencies: Moody's Investors Service (Moody's), Standard & Poor's and Fitch.

Following the early redemption of bonds issued by Leonardo US Holding in the U.S. market as at the reporting date, Leonardo S.p.A. turns out to be the Group's only issuer in the bond market. Leonardo's issuance programmes 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, Leonardo and its Material Subsidiaries (i.e. entities in which Leonardo holds more than 50% of the capital and whose gross revenues and total assets account for at least 10% of consolidated gross revenues and total assets) are specifically prohibited from creating collaterals or any other encumbrance as security for their debt comprised of bonds or financial instruments that are either listed or capable of being listed, unless these guarantees are extended to all the bondholders. This prohibition shall not apply to securitisation transactions and to any set of assets intended for specific businesses pursuant to Articles 2447-bis and ff. of the Italian Civil Code. On the contrary, cross default clauses grant the bondholders the right to request early repayment of bonds in their possession upon the occurrence of an event of default on the part of Leonardo and/or any of its Material Subsidiaries, the result of which would be their failure to make payments above the established limits.

Financial covenants are also included both in the ESG-linked Revolving Credit Facility and in the Term Loan ESG-linked signed in 2021, which provide for compliance by Leonardo with two financial ratios (Group Net Debt, excluding payables to the joint ventures MBDA and Thales Alenia Space and lease liabilities/EBITDA, including amortisation of the rights of use) of not more than 3.75 and an EBITDA (including amortisation of the rights of use)/Net interest ratio of not less than 3.25), which are tested on an annual basis on consolidated data and which had been complied with in full at 31 December 2022. These covenants, which are always tested on an annual basis, are also included in the loan agreement with CDP for €mil. 100, as well as in any and all EIB loans in place (used for a total amount of €mil. 500 as at 30 June 2023).

In addition, the ESG-linked loans illustrated above envisaged margin adjustment clauses based on the achievement of certain indicators (KPIs) related to ESG objectives. In particular:

- Group's reduction in CO2 emissions; this KPI is included in the RCF and in the Term Loan signed in 2021 as well as in the "Sustainability-Linked" financing granted by the European Investment Bank in 2022;
- Promotion of female employment with STEM degrees; this KPI is included in the RCF and in the Term Loan signed in 2021;
- Increase in Group's per capita computing power; this KPI is included in the "Sustainability-Linked" financing granted by the European Investment Bank in 2022.

Financial covenants, in line with U.S. standard practices, are also provided for in bank loans granted in favour of Leonardo DRS, following its listing on the market. Also such financial ratios (Net debt / adj. EBITA no higher than 3.75 and adj. EBITA /Net interest no lower than 3.0, to be determined based on the data obtainable from the US GAAP financial statements of the Leonardo DRS Group) were met at the date of the last reported data.

Outstanding bond issues are given a medium/long-term financial credit rating by the international rating agencies: Moody's, Standard & Poor's and Fitch. In this regard, it should be noted that on 3 May 2023 Moody's deemed it appropriate to upgrade Leonardo's rating, bringing it back to an Investment Grade level, Baa3, compared to the previous rating Ba1, with stable outlook; this improvement was essentially due to:

- the Group's proper execution of the Business Plan, even during the pandemic period;
- a significant debt reduction achieved in the last 12-18 months and the confirmed commitment to further reduce it at a later time;
- the maintenance of stable remuneration to shareholders;
- the strong growth prospects for the Group, which are also demonstrated by the profile of new orders gained in 2022, in the geopolitical environment of reference.

At the date of presentation of this report, Leonardo's credit ratings, compared to those preceding the last change, were then as follows

Agency	Last update	Previous		Updated	
		Credit Rating	Outlook	Credit Rating	Outlook
Moody's	May 2023	Ba1	positive	Baa3	stable
Standard&Poor's	May 2022	BB+	stable	BB+	positive
Fitch	January 2022	BBB-	negative	BBB-	stable

With regard to the impact of positive or negative changes in Leonardo's credit ratings, the only possible effects deriving from further changes, if any, to the credit ratings refer to higher or lower finance costs on certain payables of the Group (Revolving Credit Facility and Term Loan).

Furthermore, it should be noted that the Funding Agreement between MBDA and its shareholders also provides, among other things, that any change in the rating assigned to the shareholders will result in a change in the applicable margin.

****

At today's meeting, the Board of Directors also established the new Surveillance Body, with a three-year term, composed by the following members:

- Federico Maurizio D'Andrea (Chairman, External Member)
- Giandomenico Caiazza (External Member)
- Raffaele Cusmai (External Member)
- Marco Di Capua (Internal Member, Head of Group Internal Audit)
- Romina Guglielmetti (External Member)

****

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

****

CONSOLIDATED INCOME STATEMENT

€mln.	1H 2022	1H 2023	Var. YoY	2Q 2022	2Q 2023	Var. YoY
Revenues	6,576	6,894	318	3,570	3,860	290
Purchases and personnel expense	(5,966)	(6,201)	(235)	(3,180)	(3,425)	(245)
Other net operating income/(expense)	40	(20)	(60)	22	(16)	(38)
Equity-accounted strategic JVs	29	29	-	16	43	27
Amortisation and depreciation	(261)	(272)	(11)	(142)	(137)	5
EBITA	418	430	12	286	325	39
ROS	6.4%	6.2%	(0.2) p.p.	8.0%	8.4%	0.4 p.p.
Non recurring income (expense)	(43)	(13)	30	(42)	(10)	32
Restructuring costs	(2)	(31)	(29)	-	(30)	(30)
Amortisation of intangible assets acquired as part of Business combinations	(11)	(18)	(7)	(5)	(10)	(5)
EBIT	362	368	6	239	275	36
EBIT Margin	5.5%	5.3%	(0.2) p.p.	6.7%	7.1%	0.4 p.p.
Net financial income/ (expense)	(47)	(97)	(50)	(17)	(56)	(39)
Income taxes	(48)	(74)	(26)	(29)	(62)	(33)
Net result before extraordinary transactions	267	197	(70)	193	157	(36)
Net result related to discontinued operations and extraordinary transactions	-	11	11	-	11	11
Net result	267	208	(59)	193	168	(25)
attributable to the owners of the parent	266	196	(70)	192	160	(32)
attributable to non-controlling interests	1	12	11	1	8	7
Earning per share (Euro)						
Basic e diluted	0.462	0.341	(0.121)	0.333	0.278	(0.055)
Earning per share of continuing operation (Euro)						
Basic e diluted	0.462	0.341	(0.121)	0.333	0.278	(0.055)
Earning per share of discontinuing operation (Euro)						
Basic e diluted	-	-	-	-	-	-

CONSOLIDATED BALANCE SHEET			
€mil.	30.06.2022	31.12.2022	30.06.2023
Non-current assets	13,458	13,943	13,876
Non-current liabilities	(2,111)	(2,174)	(2,216)
Capital assets	11,347	11,769	11,660
Inventories	1,764	975	1,183
Trade receivables	3,402	3,338	3,474
Trade payables	(2,873)	(3,054)	(2,739)
Working capital	2,293	1,259	1,918
Provisions for short-term risks and charges	(1,095)	(1,078)	(1,057)
Other net current assets (liabilities)	(1,216)	(1,260)	(978)
Net working capital	(18)	(1,079)	(117)
Net invested capital	11,329	10,690	11,543
Equity attributable to the Owners of the Parent	6.676	7,183	7,387
Equity attributable to non-controlling interests	27	516	520
Equity	6,703	7,699	7,907
Group Net Debt	4,793	3,016	3,637
Net (assets)/liabilities held for sale	(167)	(25)	(1)

CONSOLIDATED CASH FLOW STATEMENT		
€mil.	1H 2022	1H 2023
Cash flows used in operating activities	(804)	(405)
Dividends received	97	177
Cash flow from ordinary investing activities	(255)	(289)
Free operating cash flow (FOCF)	(962)	(517)
Strategic investments	(617)	27
Change in other investing activities	-	(13)
Net change in loans and borrowings	(490)	161
Dividends paid	(78)	(82)
Net increase/(decrease) in cash and cash equivalents	(2,147)	(424)
Cash and cash equivalents at 1 January	2,479	1,511
Exchange rate gain/losses and other movements	34	-
Cash and cash equivalents at 30 June	366	1,087

CONSOLIDATED FINANCIAL POSITION

€mil.	30.06.2022	31.12.2022	30.06.2023
Bonds	1,902	1,628	1,607
Bank debt	1,687	1,350	1,488
Cash and cash equivalents	(366)	(1,511)	(1,087)
Net bank debt and bonds	3,223	1,467	2,008
Current loans and receivables from related parties	(33)	(56)	(114)
Other current loans and receivables	(45)	(49)	(23)
Current loans and receivables and securities	(78)	(105)	(137)
Hedging derivatives in respect of debt items	9	19	(5)
Related-party loans and borrowings	966	962	1,070
Leasing liabilities	576	570	621
Other related-party leasing liabilities	0	0	0
Other loans and borrowings	97	103	80
Group net debt	4,793	3,016	3,637

EARNINGS PER SHARE

	1H 2022	1H 2023	Chg. YoY
Average shares outstanding during the reporting period (in thousands)	575,307	575,307	-
Earnings/(losses) for the period (excluding non-controlling interests) (€ million)	266	196	(70)
Earnings/(losses) - continuing operations (excluding non-controlling interests) (€ million)	266	196	(70)
Earnings/(losses) - discontinued operations (excluding non-controlling interests) (€ million)	-	-	-
BASIC AND DILUTED EPS (EUR)	0.462	0.341	(0.121)
BASIC AND DILUTED EPS from continuing operations	0.462	0.341	(0.121)
BASIC AND DILUTED EPS from discontinuing operations	-	-	-

1H 2022 (Euro million)	Helicopters	Defence Electronics & Security	Aircrafts	Aerostructures	Space	Other activities	Eliminations	Total
New orders	2,183	3,799	1,490	158	-	168	(488)	7,310
Order backlog 31.12.2022	13,614	15,160	8,554	1,075	-	360	(1,257)	37,506
Revenues	2,110	3,229	1,261	234	-	260	(518)	6,576
EBITA	151	314	149	(88)	3	(111)	-	418
EBITA margin	7.2%	9.7%	11.8%	(37.6%)	n.a.	(42.7%)	n.a.	6.4%
EBIT	123	292	147	(89)	3	(114)	-	362
Amortisation	47	83	12	23	-	41	-	206
Investments	100	90	22	23	-	27	-	262

1H 2023 (Euro million)	Helicopters	Defence Electronics & Security	Aircrafts	Aerostructures	Space	Other activities	Eliminations	Total
New orders	2,805	4,355	1,497	225	-	323	(514)	8,691
Orders backlog	14,421	15,979	8,660	962	-	425	(1,328)	39,119
Revenues	2,160	3,296	1,348	327	-	363	(600)	6,894
EBITA	157	309	155	(72)	2	(121)	-	430
EBITA margin	7.3%	9.4%	11.5%	(22.0%)	n.a.	(33.3%)	n.a.	6.2%
EBIT	152	265	154	(72)	2	(133)	-	368
Amortisation	44	101	12	25	-	47	-	229
Investments	91	100	40	24	-	33	-	288

2Q 2022 (Euro million)	Helicopters	Defence Electronics & Security	Aircrafts	Aerostructures	Space	Other activities	Eliminations	Total
New orders	1,320	1,645	709	64	-	100	(317)	3,521
Revenues	1,187	1,731	690	111	-	125	(274)	3,570
EBITA	115	168	107	(42)	(4)	(58)	-	286
EBITA margin	9.7%	9.7%	15.5%	(37.8%)	n.a.	(46.4%)	n.a.	8.0%
EBIT	88	152	104	(43)	(4)	(58)	-	239
Amortisation	27	44	5	12	-	20	-	108
Investments	60	46	15	14	-	20	-	155

2Q 2023 (Euro million)	Helicopters	Defence Electronics & Security	Aircrafts	Aerostructures	Space	Other activities	Eliminations	Total
New orders	916	2,051	766	99	-	190	(199)	3,823
Revenues	1,280	1,724	789	176	-	190	(299)	3,860
EBITA	119	189	117	(32)	1	(69)	-	325
EBITA margin	9.3%	11.0%	14.8%	(18.2%)	n.a.	(36.3%)	n.a.	8.4%
EBIT	115	155	116	(32)	1	(80)	-	275
Amortisation	23	51	7	12	-	26	-	119
Investments	46	55	26	14	-	20	-	161

Leonardo is a leading global Aerospace, Defence and Security (AD&S) company. With 51,000 employees worldwide, it operates in the fields of Helicopters, Electronics, Aircraft, Cyber & Security and Space, and is a key partner in major international programmes including Eurofighter, NH-90, FREMM, GCAP and Eurodrone. Leonardo has significant industrial capabilities in Italy, the UK, Poland, the US and Israel and also operates through subsidiaries, joint ventures and stakes, including Leonardo DRS (80.9%), MBDA (25%), ATR (50%), Hensoldt (25.1%), Telespazio (67%), Thales Alenia Space (33%) and Avio (29.6%). Listed on the Milan Stock Exchange (LDO), Leonardo reported new orders of €17.3 billion in 2022, with an order backlog of €37.5 billion and consolidated revenues of €14.7 billion. The company is included in the MIB ESG index and has been part of the Dow Jones Sustainability Indices (DJSI) since 2010.

Press Office
Ph +39 0632473313
leonardopressoffice@leonardo.com

Investor Relations
Ph +39 0632473512
ir@leonardo.com

leonardo.com

2Q/1H 2023 Results Presentation

Rome

28 July 2023

Electronics

Helicopters

Aircraft

Cyber & Security

Space

Unmanned Systems

Aerostructures

Agenda

- Key messages — Roberto Cingolani, Chief Executive Officer
- Financial review — Alessandra Genco, Chief Financial Officer
- Q&A
- Sector results
- Appendix

CEO Introduction

A great knowledge-based company with strong market position

- Leader across Helicopters and Defence Electronics
- Key player in international cooperation programmes
- Well positioned in key domestic markets
- Leading portfolio offering across the businesses
- Solid H1 performance; reconfirming FY guidance

Confirmed key pillars for creating value, deleveraging and improving cash flow generation …

…but this is also the right moment to think about the future

A new era of defence

Understanding how to best support our clients in fulfilling their future needs

- Changing nature of the conflict as demonstrated by the war in Ukraine
- Bytes instead of bullets
- Concept of conventional defence evolving into National Security
- Leonardo’s technology leadership to be boosted and accelerated to adapt to global changes underway

Leonardo's product portfolio and the company positioning in the international geopolitical scenario will have to evolve

Building the Leonardo of the future

Evolving product portfolio and positioning to meet geopolitical developments and technological transformation

New era of defence and technological transformation

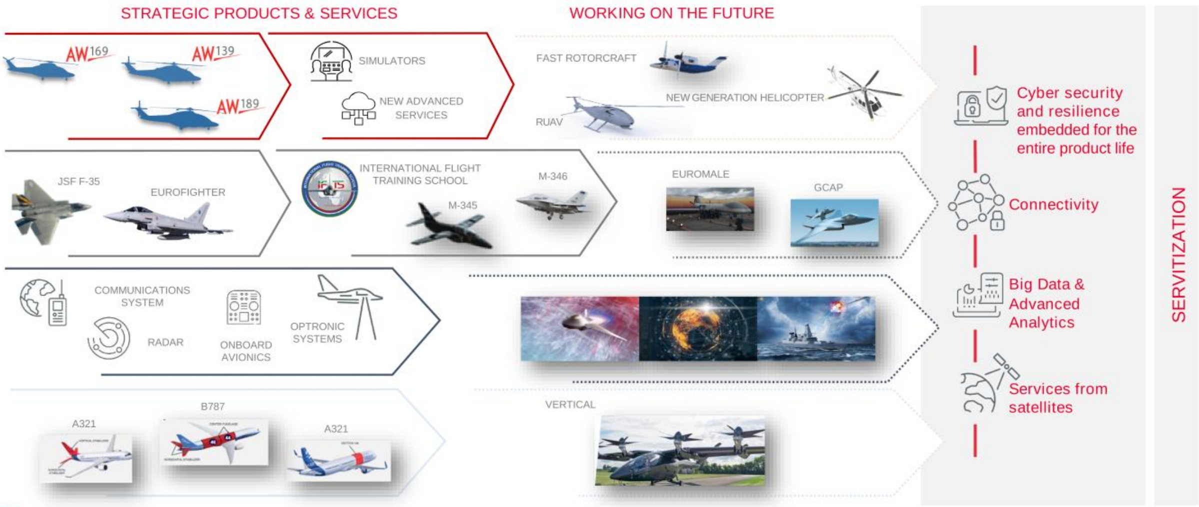
Geopolitical and strategic positioning	Leaner and stronger organisation	Products/technologies for the future
• More international • Leveraging existing strong businesses • Expanding into complementary and synergistic businesses	• Complementary and strong Leadership Team in place • New Co General Manager • Clear strategy of attraction, retention, and development of talent	• Massive digitalization to boost core products • Supporting communities to face global changes • Stronger and more focused R&D activities

Understanding customer needs in 10 years from now

An innovative and agile business that is strongly positioned for growth

Reinforcing and strengthening the core products

More recurrent revenues, higher margins and low capex requirements



List of products is not exhaustive

Making Space and Cyber strategic priorities

	SPACE	CYBER
	• Total market value of ~$350bn (~70% services and Ground equipment) • Estimated to reach a value of ~ $1tn in the next decade	• Cumulative market value of **~ €700bn** between 2024-28 • Estimated segment growth of 8% CAGR 2024-2028
LEONARDO TODAY	• Operates through JVs and Electronics Division • Present in the main space programmes (e.g. Prisma, Copernicus, Galileo, …)	• 4 capabilities: Secure Cloud & Data Valorisation, Global Monitoring & Transportation, Secure Communications, Cyber Security & resilience
OUR ROADMAP	• Leverage key assets to strengthen the offer of value-added services • Work on application domain of new technologies • Drive growth through digital transformation	• Upgrade existing products with a cyber by design approach over the entire lifecycle • Natively embed Cyber in new programs • Address evolving defence and institutional customer needs • Serve civil markets leveraging secure cloud and data valorisation platforms

Key takeaways

1. Strengthening the core business
2. Making the organisation more efficient
3. Optimising the product portfolio
4. Growing international presence
5. Improving cash generation and profitability through new high-tech service based products
6. More focused R&D to drive our transformation in an evolving environment
7. Targeting new business in Space and Cyber security domains helping to ensure increased cash conversion

This will be presented in the New Strategic Plan, to be delivered at the beginning of 2024

Agenda

- Key messages — Roberto Cingolani, Chief Executive Officer
- Financial review — Alessandra Genco, Chief Financial Officer
- Q&A
- Sector results
- Appendix

1H 2023 Highlights

- Strong commercial activity
- Continued strong demand for our products driving top line growth
- Solid profitability across all divisions
- Stepping up FOCF
- Confirming deleveraging path

	1H2022A	1H2022 Adj.[1]	1H2023	% Δ[1]
ORDERS (€bn)	7.3	7.2	8.7	+21.4%
REVENUES (€bn)	6.6	6.5	6.9	+6.4%
EBITA (€mln)	418	407	430	+5.7%
FOCF (€mln)	-962	-973	-517	+46.9%
NET DEBT (€bn)	4.8	4.8	3.6	-24.1%

1) Adjusted perimeter to exclude the contribution of Global Enterprise Solutions

Order Intake

Commercially strong, reflecting continued strength of defence-governmental business

	€ mln	Δ % YoY	
1H2022A*	7,161		
HELICOPTERS	2,805	+28.5%	18 AW169M LUH for Austria; 3 AW159 MLU; AW101 export; 13 MH-139 for the US Air Force; other civil orders
ELECTRONICS EUROPE	3,045	+19.9%	Growing across all business areas. ECRS Mk2 for UK RAF, C2 Capabilities in Italy, defense systems and logistic support for Philippines, Joint Operational Command of the Joint Forces (JOC-COVI) in Cyber
LEONARDO DRS	1,339	+15.6%*	Integrated electric propulsion components for Columbia-class and infrared countermeasures for the US Armed Forces
AIRCRAFT	1,497	+0.5%	2 C-27J export orders, EFA logistic support and further orders for JSF
AEROSTRUCTURES	225	+42.4%	Mainly driven by new orders for ATR and B787; Airbus orders slightly decreasing
ELIMINATIONS & OTHER	-220		
1H2023A**	8,691	+21.4%	

* Adjusted perimeter to exclude the contribution of Global Enterprise Solutions

** Including ca. €44 mln of negative forex

Revenues

Solid performance confirming growth path

	€ mln	Δ % YoY	
1H2022A*	6,480		
HELICOPTERS	2,160	+2.4%	Increase due to dual-use models, CS&T despite expected lower contribution from NH90 Qatar
ELECTRONICS EUROPE	2,198	+4.2%	Growing volumes in all business areas, mainly in Cyber and Defense Systems
LEONARDO DRS	1,107	+6.8%*	Increase on the IM-SHORAD and MFoCS programmes
AIRCRAFT	1,348	+6.9%	Mainly driven by Euromale and JSF
AEROSTRUCTURES	327	+39.7%	Driven by ATR and B787 production rate increase
ELIMINATIONS & OTHER	-246		
1H2023A**	6,894	+6.4%	

* Adjusted perimeter to exclude the contribution of Global Enterprise Solutions

** Including ca. € 30 mln of negative forex

EBITA and Profitability

Improving Profitability

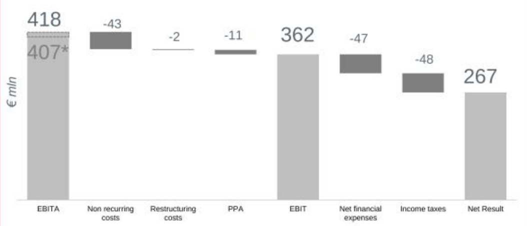
	€ mln	RoS	Δ % YoY	
1H2022A*	407	6.3%		
HELICOPTERS	157	7.3%	+4.0%	Solid performance driven by top-line growth
ELECTRONICS EUROPE	225	10.2%	+7.1%	Confirming strong profitability in core divisions
LEONARDO DRS	84	7.6%	-9.7%*	Lower profitability, as expected, due to business mix. 1H22 Columbia-Class profit step up
AIRCRAFT	160	11.9%	+6.7%	Strong profitability driven by EFA
AEROSTRUCTURES	-72	-22.0%	+18.2%	Higher asset utilisation from increased production volumes
ATR	-5	n.a.	n.m.	Lower contribution due to a one-off customer settlement in 1H22
SPACE	2		n.m.	Substantially flat YoY. Positive trend in Service. Manufacturing affected by Telco Business. Continued to be impacted by production delays due to persistent supply chain tension.
CORPORATE & OTHER	-121		-9.0%	
1H2023A**	430	6.2%	+5.7%	

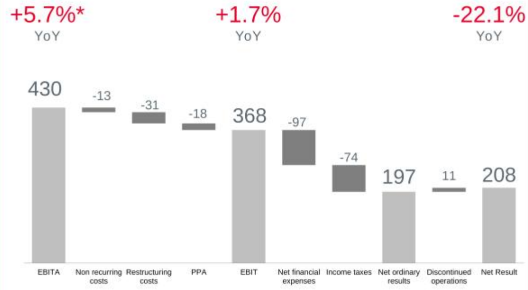
* Adjusted perimeter to exclude the contribution of Global Enterprise Solutions

** Including ca. € 3 mln of negative forex

From EBITA to Net Result

Solid bottom line





- Net Result impacted by higher financial expenses due to increasing rates and the performance of non strategic equity accounted JVs (in 1H22 financial expenses benefitted from fair value gains on FX hedges), higher income taxes also reflecting tax paid on dividend distribution within the Group and from JVs, and the gain for the disposal of ATM business in US

- Stepping up cash flow : 1H 2023 FOCF at € - 517 mln, up 46.9% vs 1H 2022 (€ - 973 mln*)
- Continued deleveraging with Net Debt down €1.2 bn vs 1H2022

* Adjusted perimeter to exclude the contribution of Global Enterprise Solutions, sold in July 2022

2023 Guidance Confirmed

	2022A	2023E[1]
ORDERS (€bn)	17.3	ca.17
REVENUES (€bn)	14.7	15-15.6
EBITA (€mln)	1,218	1,260-1,310
FOCF (€mln)	539	ca. 600
NET DEBT (€bn)	3.0	ca. 2.6[2]

- Continued solid commercial momentum, with book-to-bill>1x
- Successfully navigating inflationary pressures
- Continued improvement in FOCF and focus on deleveraging

2023 exchange rate assumptions: € / USD = 1.10 and € / GBP = 0.87
1) Based on the current assessment of the effects deriving from the geopolitical situation on the supply chain and the global economy and assuming no additional major deterioration
2) Assuming dividend payment od € 0.14 p.s. and new leases for ca 100 mln

Agenda

- Key messages — Roberto Cingolani, Chief Executive Officer
- Financial review — Alessandra Genco, Chief Financial Officer
- Q&A
- Sector results
- Appendix

Q&A

Agenda

- Key messages — Roberto Cingolani, Chief Executive Officer
- Financial review — Alessandra Genco, Chief Financial Officer
- Q&A
- Sector results
- Appendix

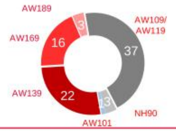
Helicopters

Strong order growth

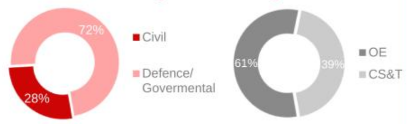
2018-2022 Results

Deliveries by programme

1H23
82 new units



Revenues by customer/segment



2Q/1H23 Results

€ mln	2Q 2022	2Q 2023	% Change
Orders	1,320	916	-30.6%
Revenues	1,187	1,280	+7.8%
EBITA	115	119	+3.5%
RoS	9.7%	9,2%	-0.5 p.p.

€ mln	1H 2022	1H 2023	% Change
Orders	2,183	2,805	+28.5%
Revenues	2,110	2,160	+2.4%
EBITA	151	157	+4.0%
RoS	7.2%	7.3%	+0.1 p.p.

2023 Outlook(*)

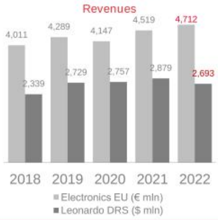
- Strong level of order intake expected both in civil and governmental; confirming increasing revenues and deliveries
- Good level of profitability supported by structured actions to offset inflationary pressure

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

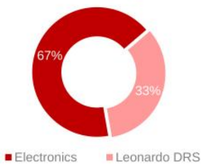
Electronics

Growing revenues and profitability

2018-2022 Results



1H23 Revenue by segment



2023 Outlook(**)

- Growing volumes and profitability driven by improving execution of backlog and investments
- Market dynamics still reflecting inflationary pressure and supply chain

2Q/1H23 Results

ELECTRONICS - EU

€ mln	2Q 2022	2Q 2023	% Change
Orders	1,051	1,421	+35.2%
Revenues	1,154	1,152	-0.2%
EBITA	119	136	+14.3%
RoS	10.3%	11.8%	+1.5 p.p.

€ mln	1H 2022	1H 2023	% Change
Orders	2,540	3,045	+19.9%
Revenues	2,109	2,198	+4.2%
EBITA	210	225	+7.1%
RoS	10.0%	10.2%	+0.2 p.p.

LEONARDO DRS

$ mln(*)	2Q 2022 [1]	2Q 2023	% Change
Orders	547	698	+27.6%
Revenues	576	628	+9.0%
EBITA	46	58	+26.1%
RoS	8.0%	9.2%	+1.2 p.p.

$ mln(*)	1H 2022 [1]	1H 2023	% Change
Orders	1,267	1,447	+14.2%
Revenues	1,134	1,197	+5.6%
EBITA	102	91	-10.8%
RoS	9.0%	7.6%	-1.4 p.p.

1) Adjusted perimeter to exclude the contribution of Global Enterprise Solutions

* Avg. exchange rate €/$ @ 1.09 in 1H22; Avg. exchange rate €/$ @ 1.08 in 1H23

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

Aircraft
Solid profitability

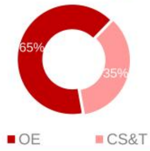
2018-2022 Results

2Q/1H23 Results

€ mln	2Q 2022	2Q 2023	% Change
Orders	709	766	+8.0%
Revenues	690	789	+14.3%
EBITA	98	106	+8.1%
RoS	14.2%	13.4%	-0.8 p.p.

€ mln	1H 2022	1H 2023	% Change
Orders	1,490	1,497	+0.5%
Revenues	1,261	1,348	+6.9%
EBITA	150	160	+6.7%
RoS	11.9%	11.9%	0 p.p.

1H23 Revenues by platform



2023 Outlook(*)

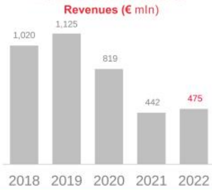
- Growing export market for proprietary platforms
- Confirming strong contribution from Fighter business lines (F-35 and Eurofighter)

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

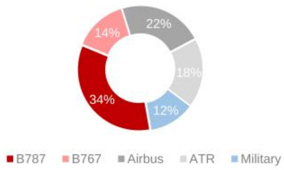
Aerostructures and ATR

Recovery on track

2018-2022 Results



1H23 Revenue by programme



2023 Outlook(*)

- Increasing volume driven by increasing production rate for Airbus and Boeing 787
- Better profitability driven by higher asset utilisation
- GIE-ATR expected increase deliveries

2Q/1H23 Results

Aerostructures

€ mln	2Q 2022	2Q 2023	% Change
Orders	64	99	+53.1%
Revenues	111	176	+59.5%
EBITA	(42)	(32)	+23.8%
RoS	(37.8%)	(18.2%)	- 19.6 p.p.

€ mln	1H 2022	1H 2023	% Change
Orders	158	225	+42.4%
Revenues	234	327	+39.7%
EBITA	(88)	(72)	+18.2%
RoS	(37.6%)	(22.0%)	+15.6 p.p.

ATR

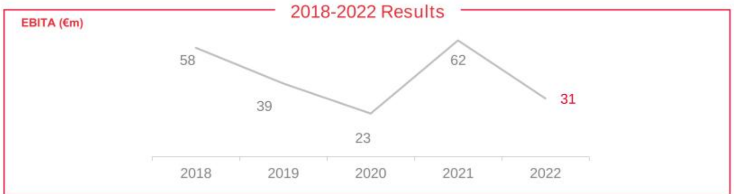
€ mln	2Q 2022	2Q 2023	% Change
EBITA	9	11	+22.2%

€ mln	1H 2022	1H 2023	% Change
EBITA	(1)	(5)	n.a.

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

Space
Solid performance of Satellite services

2018-2022 Results



2023 Outlook(*)

- Growing volumes driven by solid and increasing backlog

2Q/1H23 Results

€ mln	2Q 2022	2Q 2023	% Change
EBITA	-4	1	n.a.

€ mln	1H 2022	1H 2023	% Change
EBITA	3	2	-33.3%

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

Agenda

- Key messages — Roberto Cingolani, Chief Executive Officer
- Financial review — Alessandra Genco, Chief Financial Officer
- Q&A
- Sector results
- Appendix

2Q/1H 2022 Results

Group Performance

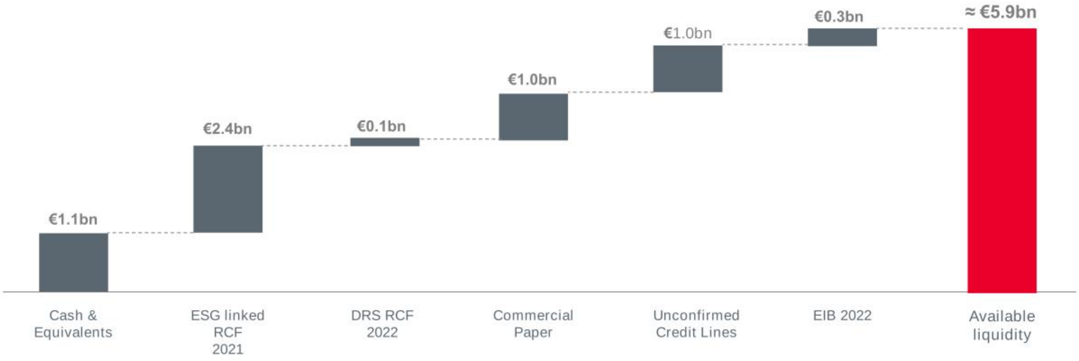
€ mln	2Q 2022	2Q 2023	% Change	1H2022	1H2023	% Change	FY 2022
New Orders	3,521	3,823	+8.6%	7,310	8,691	+18.9%	17,266
Backlog				36,358	39,119	+7.6%	37,506
Revenues	3,570	3,860	+8.1%	6,576	6,894	+4.8%	14,713
EBITA	286	325	+13.6%	418	430	+2.9%	1,218
RoS	8.0%	8.4%	+0.4 p.p.	6.4%	6.2%	-0.2 p.p.	8.3%
EBIT	239	275	+15.1%	362	368	+1.7%	961
EBIT Margin	6.7%	7.1%	+0.4 p.p.	5.5%	5.3%	-0.2 p.p.	6.5%
Net result before extraordinary transactions	193	157	-18.7%	267	197	-26.2%	697
Net result	193	168	-12.9%	267	208	-22.1%	932
EPS (€ cents)	0.333	0.278	-16.5%	0.462	0.341	-26.2%	1.611
FOCF	118	171	+44.9%	-962	-517	+46.3%	539
Group Net Debt				4,793	3,637	-24.1%	3,016
Headcount				50,441	52,306	3.7%	51,392

Free Operating Cash-Flow (FOCF): is the sum of the cash flows generated by (used in) operating activities (which includes interests and income taxes paid) and the cash flows generated by (used in) ordinary investment activity (property, plant and equipment and intangible assets) and dividends received

Solid Group liquidity ensures adequate financial flexibility

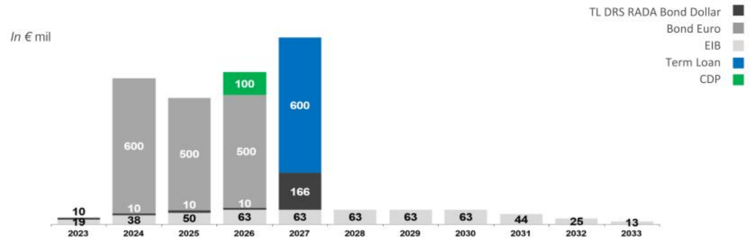
- Available credit lines
  - ESG Credit Line signed in October 2021 equal to € 2.4bn
  - Existing unconfirmed credit lines equal to € 1.0bn
  - Commercial Paper, signed in August 2022, equal to € 1.0bn
  - New «Sustainability-Linked» EIB loan equal to € 0.3bn

  together with the Revolving Credit Facility signed in November 2022 by Leonardo DRS, following the merger with RADA, available for € 0.1bn and cash in-hands ensure a Group's liquidity of approx. € 5.9bn



Balanced debt maturity profile

Debt maturity
Average life: ≈ 2.8 years



CREDIT RATING

	As of today	Before last review	Date of review
Moody's	Baa3 / Stable Outlook	Ba1 / Positive Outlook	May 2023
S&P	BB+ / Positive Outlook	BB+ / Stable Outlook	May 2022
Fitch	BBB- / Stable Outlook	BBB- / Negative Outlook	January 2022

Covenants FY2022

	FY2022A Post IFRS 16
EBITDA*	€ 1,671 mln
Net Interest	€ 104 mln
EBITDA / Net Interest	16.1
THRESHOLD	> 3.25

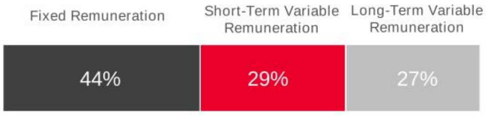
	FY2022A Post IFRS 16
Group Net Debt	€ 3,016 mln
Leasing (IFRS 16)	- € 570 mln
Financial Debt to MBDA	- € 713 mln
Group Net Debt for Covenant	€ 1,733 mln
EBITDA*	€ 1,671 mln
Group Net Debt / EBITDA	1.0
THRESHOLD	< 3.75

* EBITDA net of depreciation of rights of use

Remuneration Policy aligned with shareholders interests, business strategy and ESG criteria

- Convergence of interests between management and shareholders
- Aligning the remuneration package with international market best practices
- Including Sustainability/ESG objectives, consistently with business strategy
- Complying with transparency and merit system principles of the Group strategy
- Attracting / retaining key performer resources
- Reducing excessively risk-oriented behavior

CEO REMUNERATION COMPONENTS



VOTING IN FAVOR OF REMUNERATION REPORT

CEO short term variable remuneration (MBO)

	Type of objective	KPIs	Weight	Functioning mechanism	Target / Guidance	
Performance Gate	Economic and Financials	Group EBITA	30%	On / off	1,260 € mil. – 1,310 € mil.	If one or both of the following thresholds are not achieved: • Group EBITA: 85% of Budget • Group FOCF: 100% of Budget the bonus related to both KPIs is set to zero.
		Group Free Operating Cash Flow (FOCF)	30%	Range Payout: 100%-150%	ca. 600 € mil.	
	Strategic	Launch of 3 lines of research for Leonardo Labs	15%	On / off	Strategic Plan	
		Book to Bill	15%	On / off	≥ 1	
	Sustainability	Inclusion in Dow Jones Sustainability Indices	5%	On / off	Inclusion of Leonardo	
		Reduction in average accident frequency rate	5%	On / off	$I_f \leq 3{,}3$	

Long Term Incentive Plan (LTIP)

KPIs	Weight	Reference financial period	Performance range (Target / Guidance)	Payout range
Relative Total Shareholder Return	35%	2025 (**Delta vs 2023)**	1-4 5- 6 7 8-13	100% 50% 25% 0%
Group Net Debt	25%	2025	Target (< 1.6 € bil.)	100%
			Minimum	50%
Return on Invested Capital	20%	2025	Target (>13%)	100%
			Minimum	50%
Climate Change (Reduction in emissions scope 1 and 2)	10%	2025	32.0	100%
			Minimum	50%
Gender diversity (% of women of total new hires with a STEM degree)	10%	2023-2025	26%	100%
			Minimum	50%

Beneficiaries: Chief Executive Officer and key managers (executive in the Company, Subsidiaries, associates (former employees) in top management and/or other management positions in the Company or Subsidiaries) up to a maximum of 250 resources.

Connecting ESG progress and remuneration

Confirming alignment between Industrial plan and management performance

10%
of short-term variable remuneration linked to ESG objectives

20%
of long-term variable remuneration linked to ESG objectives

Short-term incentive

CEO & General Manager

- 5% → Inclusion of Leonardo in DJSI
- 5% → Average accident frequency rate*

- Managers
- 1,050+ managers, including Managers with Strategic Responsibilities and Senior Managers.

Long-term incentive

- CEO & General Manager
- 10% → Scope 1 & 2 GHG Emissions**
- 10% → Gender diversity, percentage of female new hires w/ STEM***

- Managers
- 215+ managers of the Group, including Managers with Strategic Responsibilities and Senior Managers

* Calculated according to the GRI method as number of accidents per 1,000,000 hours worked. The target is 3.3 at 2023
** Calculated according to the location-based method as a ratio of emissions of Scopes 1 and 2 location-based (tCO_2e) to revenues (€mil.) per year (Intensity of CO2 emissions on revenues). The target is 32 at 2025.
*** Calculated as the ratio of female new hires with a STEM degrees out of total new hires with a STEM degrees – The average target is 26% over the three-year period 2023-2025

SAFE HARBOR STATEMENT

NOTE: Some of the statements included in this document are not historical facts but rather statements of future expectations, also related to future economic and financial performance, to be considered forward-looking statements. These forward-looking statements are based on Company's views and assumptions as of the date of the statements and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Given these uncertainties, you should not rely on forward-looking statements.

The following factors could affect our forward-looking statements: the ability to obtain or the timing of obtaining future government awards; the availability of government funding and customer requirements both domestically and internationally; changes in government or customer priorities due to programme reviews or revisions to strategic objectives (including changes in priorities to respond to terrorist threats or to improve homeland security); difficulties in developing and producing operationally advanced technology systems; the competitive environment; economic business and political conditions domestically and internationally; programme performance and the timing of contract payments; the timing and customer acceptance of product deliveries and launches; our ability to achieve or realise savings for our customers or ourselves through our global cost-cutting programme and other financial management programmes; and the outcome of contingencies (including completion of any acquisitions and divestitures, litigation and environmental remediation efforts).

These are only some of the numerous factors that may affect the forward-looking statements contained in this document.

The Company undertakes no obligation to revise or update forward-looking statements as a result of new information since these statements may no longer be accurate or timely.

CONTACTS

Valeria Ricciotti

Head of Investor Relations and Credit Rating Agencies

+39 06 32473.697

valeria.ricciotti@leonardo.com

Leonardo Investor Relations and Credit Rating Agencies

+39 06 32473.512

ir@leonardo.com

FACTSET: callstreet

Leonardo SpA (LDO-IT) Express Transcript

Q2 2023 Earnings Call 12:30 PM | 28-Jul-2023

Valeria Ricciotti, Head-Investor Relations & Credit Rating Agencies, Leonardo SpA

Good evening, ladies and gentlemen, and welcome to our live first half 2023 results presentation. I'm Valeria Ricciotti, Head of Investor Relations and Credit Rating Agencies. Today, our CEO, Roberto Cingolani; and our CFO, Alessandra Genco, will take you through our progress during the first half of this year, the first half financial results and the outlook for the full year 2023. Our CEO will start with his initial perspective and outline of priority focus areas while the CFO will cover in more detail the financial results and outlook for the full year, and we will then welcome your questions.
I will now hand you over to our CEO.

Roberto Cingolani, Chief Executive Officer, GM & Director, Leonardo SpA

Thank you, Valeria. So, good evening, ladies and gentlemen. It's an honor to serve Leonardo as a CEO in the next years, and I look forward to meeting you in person as soon as possible. First of all, I'd like to spend a few words about my background. Except for the approximately two-year interlude as Technical Minister in the Draghi government, this happened between February 2021 and October 2022, I dedicated my entire life to the development of technologies in Europe, the US, Japan as a scientist and as a manager both in the private and the public sectors.

I started my career in Leonardo in September 2019 as Chief Technology Innovation Officer, launching the company's digital transformation program, the world-class cloud computing facility and the Leonardo Laboratories. The idea was to accelerate the transfer of the most innovative scientific and technological research in our products and in the marketplace. Also, I launched the sustainability plan that, over the last three years, placed Leonardo among the top-ranked companies according to the most reputable international ESG ratings.

Well, Leonardo is a great knowledge base company, its leader across helicopters and defense electronics, and is for sure a key player in the international cooperation markets. Some of the core capabilities of the company are really great. But there's also substantial room to improve efficiency and pace in other domains which must be further developed.

Today, Leonardo has good financial figures, debt under control and an order backlog of about €40 billion. As a result, it is improving in many key industrial and financial figures. Today, we announced that our first-half results saw the group new order intake is up by 21% to €8.7 billion. Revenues are up to 6.4%, up to €6.9 billion. EBITDA up to 5.7% to €430 million.

There's a further improvement cash flow and we are confirming our full-year guidance. Alessandra I will cover the results in detail later in the presentation. I will speak a bit longer about the new idea, the new strategy *[indiscernible]* implement, and this is for me is a sort of personal introduction to you, guys, the first time we meet.

In general, I believe it or not, is doing well, but it must be capable of delivering better earnings and cash conversion. Our results show that we are improving our performance despite the global difficulties over the last few years. However, looking at future competitors, it is also imperative to compare ourselves with a double-digit overall performance of the new sector operators. Just take, for example, space sectors with launchers, new constellations satellites, for instance, in space, and many other fields with very high-tech content.

So what is the new era of defense? The aerospace and defense sector is changing, and as demonstrated by the war in Ukraine, missiles and drones costing a few thousands of euros suitably guided by network of private satellites designed for civil use, are capable of destroying another flagship worth billions of euros or thousands of tanks, with therefore witnessing two very significant changes.

Number one, defense is increasingly made with bytes data instead of bullets. Number two, the concept of conventional defense must be incorporated into a more extensive concept of national security. That includes, in addition to defense itself, also the production and use of data, cybersecurity, space control, infrastructure security, energy security and dealing with my recent experience as Energy Minister, that was really something critical, forecasting capability based in advance of algorithms such as high-performance computing and big data analytics and artificial intelligence applied to attack and defense systems.

On that basis, Leonardo's product portfolio and the company positions in the international geopolitical scenario must evolve. The next few years are therefore essential to boost and accelerate the transition of the product portfolio and to adapt the strategic vision to the global change on the way. So how do we build Leonardo for the future?

We operate in three pillars. We already started in this 12 weeks of management. Number one, national and international geopolitical and strategic positioning of Leonardo. Number two, organization. Number three, products and technological choices.

Concerning national and international geopolitical and strategic positioning, Leonard's new competitors are not only the conventional aeronautical and electronic industries, but also space industries, data industries, and digital manufacturing companies. To remain competitive, we will have to ensure continuity in Leonardo's currently strong core business, such as aircraft, helicopters, electronics, which are a primary interest for conventional defense. And at the same time, we have to open as soon as possible to emerging sectors that allow

Leonardo to play a significant role in international geopolitical scenarios. Leonardo must be a strategic multinational company in global Atlantic and European alliances, adjusting to the GCAP with Japan and UK, the strategic 6th generation fighter, defense electronics with Germany and the UK, as well as major NATO programs. But its role and the international perception must grow with an increasing attention to previously untapped but potential markets.

Our president will go round over the next months in Thailand, Indonesia, Vietnam, Turkmenistan, Greece, India because there is a lot to discover there. There are a lot of opportunities. Also exploiting incremental opportunities generated by government-to-government contracts in line with international best practices that we should note much more than in the past. To be successful, there are few important actions to carry on. Number one, we must rationalize the product business portfolio. We are perfectly aware of that. Number two, we must have the courage to form strong international alliances and to develop new technologies with a greater capacity in research, development and innovation. There is only one way to ensure competitiveness. And know-how development opportunities because there is no shortcut to technological leadership. That means R&D at very high level.

Third, and this is valid in particular for the most advanced countries, Leonardo must significantly accelerate growth in disruptive market segments, primarily cybersecurity and space services, which are characterized by high technology skills and high cash conversion.

Concerning organization, which was my second pillar, Leonardo's new organization aims at simplifying governance to obtain more rapid and data-driven decision-making processes. In particular, we're focusing on a number of key areas. First one is the creation of a leaner organization with the rationalization of the corporate center focusing its mission on the adoption of strategic decisions with the less bureaucracy. This means making it slimmer, more efficient, less people, less expenditure.

Second point, greater operational flexibility of the division business units with careful accountability of the results. Third, the creation of a complementary and cohesive leadership team in terms of expertise and competence, and the new organization has a lower average age and much higher gender balance than in the past. Fourth, the creation of streamlined and deeply rooted local offices in strategic countries. Fifth the creation of an international culture with a strong sense of urgency for the forthcoming change. That's very important. We should feel the urgency of what's going on.

Sixth, clear strategy of attraction, retention, and development of managerial and technical talents. That was may be not very much pursued in the past. Business reinforcement will be ensured by the new unit of the co-general director for business and operation led by the colleague and friend, Lorenzo Mariani, who will support the divisions in their international competition and increase their commercial penetration in existing markets with a strong value proposition. This will be based on the improvement of the commercial model, with rationalization of marketing sales processes and strengthened – strengthening of market scouting skills; and, of course, the improvement of customer support solutions, the increase in the utilization of installed base and generating more recurrent revenues.

Lorenzo will work on the further development of other domestic markets UK, US, Poland and priority foreign markets. Finally, greater effort and focus on strengthening performance and increasing cash conversion capacity will be one of the streamline of our and his action.

We can also leverage in our role in some successful joint ventures such as MBDA, an example of a strong, profitable and cash generative business we built at the European level. By the way, Lorenzo Mariani was the CEO of the Italian partner MBDA. So he has the right expertise for that.

Finally, let me conclude with the third pillar of this global strategy. This is the pillar of dealing with a product and technology choices. Leonardo must ensure technological leadership in selected domains by leveraging innovation and competitiveness on strategic products.

To this end, it is necessary to boost technological innovation through innovative measures such as: first, strengthening of core products through a massive digitalization using artificial intelligence, cloud and supercomputing technologies, increasing the services offers such as connectivity, predictive maintenance, drastically reducing time to market aided by digital twins, and creating new opportunities in additional markets such as a manned or satellite services. All this should create new margin and revenues opportunities.

Second, supporting the country and the communities in which we operate to face major global change. Just think to health monitoring for climate change, monitoring of the security of critical infrastructures, satellite, Internet, water environment monitoring. This, all this does not require a complete reinvention of the company. Not at all. Just a better different management, a different vision and a constant update of the product portfolio.

Third, we have to integrate sustainability into the business and product portfolio. This is an additional value to improve Leonardo competitiveness. There are several actions in place now. Science-based target initiative to reduce emissions Scope 3, which is more than 90% of the total emission, we are working on that now. Sustainability of the supply chain, it's a lot of work with the over 1,000 companies that are working in our supply chain, at least the bigger. And finally, a lot of efforts in diversity, equity inclusion, our certification of the first Italian gender balance certification is underway and leveraging on our consolidated UK DE&I background to attract international talents.

Fourth, we need to strengthen R&D activity. In 2022, Leonardo invested around €2 billion in research and development. It's approximately 30% of the revenues, including research, development and product customization. I believe some extra effort is needed to increase the low TRL research and development to reach the average level of our best competitors. We just need to focus the research of Leonardo at the forefront of a selected list of cutting-edge and disrupting technology that will ultimately lead to the development of new products and services. Our focus efforts in R&D will also reduce the current fragmentation of investment in innovation initiatives and the rationalization of open innovation activities with academia and research. This is mandatory. We have to do a few things very well rather than many things in a mediocre way.

Reinforcing the strength of the core products is, of course, a key point. Today, we have a large and diversified product portfolio with a strong leadership position in intermediate dual-use helicopter: the AW139, AW169, AW189. And with the AW09 covering the Undeterred the 960 989 and with the A.W. oh nine covering the light twin segment and the AW609 projected – I mean, the vertical lift basically. We're a leading position in training and simulation aircraft such as the M-345, M-346, and the International Flight Training School.

We also have multi-domain capabilities in electronics with a unique strategic presence across air, land, sea, and space distinct to other sensor and many other applications. This ensures a strong role of Leonardo in international programs such as the well-established IFA, Eurofighter, USF, GCAP, and the proof-of-concept, the Euro Mail Development phase. So I confirm the intention to strengthen those core businesses by the – increasing digitalization, product development, and better commercial organization and customer support activities.

In this way, we will address a larger share of customers needs and bring more recurrent revenues and higher their margins with low capital requirements, with new products such as the pilot training courses of the International Flight Training School. We expect that thanks to the new co-general director of business and operational organization and to the new digital and cloud computing capability of Leonardo, the medium-term plan is not only confirmed, but there should be room for some more improvements. We'll see this with the new strategic plan.

Concerning aerostructures, we must recover profitability and ensure economic and financial breakeven. So we must continue working on increasing volumes and developing distinctive skills. For instance, on composite materials, we know that it is – that it will be necessary to explore the possibility of partial conversion to innovative products such as drones for dual-use, as well as evaluate future diversification pathway with the investor partnerships.

As you will see today, the aerostructure division figures continue to improve in line with our plan, and they are progressively recovering after the COVID interruption.

Let's go to the future now. I'm going to conclude soon. How can we make Space and Cyber strategic priorities of the future? If, on one end, we consolidate the core business; on the other hand, we feel the urgency to evolve into a company offering not only hardware products, but also more and more solutions and services. This means developing a so-called servitization model to enhance the value of our product portfolio. In this frame, Space and Cybersecurity must play a crucial role to position the company in the future.

As regards Space, the final goal to position Leonardo as a European leader and intercept much larger market shares than the current ones is a key goal. The space economy in 2022 had a total value of $350 billion, of which 70% comprises services and ground equipment. And that is expected to grow to $1 trillion in the next decade. I mean, I've seen forecasts. We expect to launch 2,500 satellites every year in the next 10 years. I mean, this is an immense amount of technology to be launched. We should access this market very soon.

We have a duty to grow substantially in this sector. We are working on reorganizing the space activities to create the space division which represent Leonardo at the national and European level, also acting as a catalyst for all other national operators. To accomplish such an ambitious target, we will work to unlock more value from the French-Italian space alliance and then some acquisitions of some more high-tech companies that add specific value to our products or strategic capability to the division. Such M&A will be made without extra cost or new debt for Leonardo. This has to be very clear.

Our focus will be on space as a service, leveraging on our new digital key assets, high-performance computing facility and the new artificial intelligence laboratory to strengthen the offer of value-added services such as earth observation, monitoring of infrastructures, territories and threats, earth digital twin and related services like predicted capability, safety and positioning and navigation-related applications.

The second point we'll be working in application domain of new technologies such as again, AI and AI immersive product from satellite connectivity, a connectivity for all Leonardo and third-party platform and systems. There's a wide market on robotics for in-orbit servicing, building and transport and space monitoring of all assets. Finally driving the market by digital transformation of design, production and capability of the space system produced by Leonardo groups. This is a system conceptual ability, robotics, serious production for commercial market, on-orbit, artificial intelligence and cloud computing enabled by into inter-satellite link and onboard advanced chips. Those things do not require a revolution again. They just require focusing our effort and the proper use of all our skills to create new high-tech, added value services.

On the same footing, cybersecurity is a growing market with a target of 8% over the 2024-2028 period. We must grow substantially with the aim of ensuring the protection of national important country data and guaranteeing cybersecurity by design of Leonardo products and solutions enabling new services as previously mentioned. We see the cyber division playing a key role in supporting all the other businesses in cyber resilience, certification of products, of solutions and platforms. The final goal is to have Leonardo products which are cyber secure by design, embedding the service of cybersecurity maintenance over the years into a high-tech product of Leonardo.

The cybersecurity becomes a service integrated in the product itself. Examples are upgrading of the existing products with the cyber by design approach over the entire lifecycle, radars for cost protection, surveillance and space applications or natively embedding cybersecurity new programs such as the GCAP or addressing the defense of the future, bytes, not only bullets, as I said in the beginning, and institutional customer needs for secure communication, cybersecurity resilience and global monitoring.

Finally, in addition to defense serving the civil market, the public administration and the enterprises leveraging secure cloud and data validation platform. We are presently currently working on the national cloud *[ph]* poll at domestic level. Also in this case, we will consider the possibility of merger and acquisition of small companies adding specific value to our products or strategic capabilities to the cybersecurity division. Again, without extra cost or new debt for Leonardo.

Key takeaways I'm concluding. These are the pillars we are focusing on. The overall outcome of the combined action described with the three pillars will be rigorously and constantly monitored to assess the improvement of our operational industrial performance, the revenue stream and the profitability. We will keep our focus on cash generation and conversion, providing constant returns for our shareholders.

Let me summarize with a few takeaway messages. Number 1, the core business will be strengthened. Number 2, the organization will be more efficient. Number 3, the product portfolio will be optimized. Number 4, the international – internationalization of Leonardo will increase. Number 5, cash generation and profitability must improve also through new high-tech service, service-based products. Number 6, the sense of urgency to face the change and the awareness of a stronger and more focused R&D will drive our revolution. Number 7, we will expand towards new businesses and services in the Space and Cybersecurity domains, ensuring better cash conversion. We will use the next year to lay the foundation of the Leonardo Company of the next decade, a more international, more innovative, more agile Leonardo projected into the future. This will be presented in more depth in the new industrial plan, which will be delivered at the beginning of 2024. And thank you for your attention.

Unverified Participant

Thanks, Roberto, for this very thoughtful and very impressive presentation about the way forward for Leonardo. Let me now talk you through the first half results and the performance business by business. We have delivered a good first half performance on track and in line with plan and confirming solid and positive trends across the group. We're carrying this momentum into the second half. We can see growth confirming, leveraging our continued strong commercial performance with significant levels of new order intake, €8.7 billion in the first half, up 21% on last year, adjusting 2022 to exclude the contribution of GES, the business that Leonardo DRS sold last year.

With very strong performances in helicopters and defense electronics and increasing our group backlog to an all-time high of 39-plus billion. Revenues showed solid growth at 6.9 billion, up 6.4% on a perimeter-adjusted basis, again, a good performance in the wider industry context. EBITA grew to €430 million in the first half, up 5.7% on an adjusted basis and profitability slightly improved in line with plan with a return on sales of 6.2%.

The defense and governmental businesses have continued to perform well with strong profitability.

Aerostructures has continued its consistent and gradual recovery in line with the plan to reach breakeven by end 2025. The group achieved material improvement in cash during the first half, reducing the level of seasonal outflow by more than €450 million with free operating cash flow of negative €517 million versus negative €973 million last year. All of this underpins our confidence in our full-year guidance.

Let's now look at the key group metrics for the first half. Starting with new order intake. We have contributed and continued to demonstrate our commercial strength in both domestic and international markets with good performances across the group and across geographies, and a total order intake of €8.7 billion, up 21% on year – year-over-year on a perimeter adjusted basis. Again, achieving a good book-to-bill solidly above 1. We have seen a smoother pace of order intake, less lumpy and without any jumbo orders.

New order intake was strong and grew across the group. Helicopters delivered an excellent performance, increasing new orders to €2.8 billion in the first half, up 28%. Well spread geographically, seeing strong demand on defense and governmental both from domestic and both in international customers. Plus, we saw an increase in orders on the civil side, as well as in customer support. Major orders included 18 AW169 for the Austrian Ministry of Defence, 13 MH-139 for the US Air Force, and the number of orders on the civil side mainly related to the AW139, with further evidence of steadily recovering civil market.

Defense Electronics also stepped up new orders to a total of €4.4 billion, up 19.3% on a perimeter adjusted basis. On the European side, higher orders in defense systems helped drive new order intake to €3 billion, with an increase of 20%. We continue to see strong demand across products, both sensors systems and defense systems solutions. We want to highlight that what we – that we signed in June, last June, a major UK order for the Mk2, the game changing new radar for the Royal Air Force that will be utilized on the Eurofighter fleet, which will transform the aircraft control of the air and provide significant additional advanced electronics warfare capabilities.

In other domestic markets, we saw orders for the Italian Army Command posts with the capability for effective deployments across the full spectrum, multi-domain operations. On the export side, including the supply of defense systems for the Philippine Navy, plus the logistical support. We're also pleased to see more orders in the cyber division, including the order for the establishment of the Joint Operational Center, the JOC, of the Joint Operational Command of Joint Forces, COVI, for – of the Defense Department, through the setting up of operation rooms, datacenters and the development of a joint common operational picture functions. This all shows how we are more and more leveraging our strong electronics capability to provide key cyber solutions for all our customers. On the US side, DRS achieved good order intake of €1.3 billion, showing its strength and positioning on key DOD programs, winning additonal orders for the US Navy new generation Columbia submarine program for the supply of electric propulsion components plus additional orders for the supply of infrared countermeasures for the US armed forces

Aircraft maintained its solid order intake at €1.5 billion with an important C-27J export order and increased orders for the logistics component of Eurofighter plus orders under the JSF program. Aerostructures continue to improve gradually with orders rising to €225 million, up from €158 million last year and benefiting from growing demand across a range of programs. So overall a very strong half year with new order intake of a relevant size, delivering on track, book to bill above 1.2 times, increasing order backlog to an all-time high of €39 billion-plus.

We've also continued to grow our revenues. At group level, we're up 6.4% to €6.9 billion, on track with plan, leveraging our strong backlog and the important long term programs on which we are engaged. In helicopters, the first half revenues were €2.2 million, slightly ahead of last year with strong contributions from dual-use platforms as well as customer support and training with a lower contribution from NH90 Qatar as expected. Helicopters continues to deliver well on its major programs, and we are also very focused on the development and ramp-up of new programs.

Moving on to defense electronics. Revenues rose 4.2% to €2.2 billion, continuing to deliver well on its backlog. DRS reported revenues at €1.1 billion, up 6.8% on a perimeter adjusted basis, which translates into $1.2 billion reflecting the change in perimeter after the sale of GS and a strong performance in the first quarter last year due to a non-recurring step up in the Columbia-class submarine program.

Leonardo DRS, concluding these adjusted perimeters, sees underlying volumes higher versus last year. Aircraft grew first half revenues by 6.9% to €1.3 billion with three aircraft deliveries to Kuwait, plus the first activities on the Euromale program and higher production on the JSF. Aerostructures increased revenues from €234 million to €327 million with volumes benefiting from increased activity in ATR and the resumption of deliveries on the B787 program.

Leonardo has also delivered an improved overall performance in EBITDA. Group EBITDA stands at €430 million in the first half, up 5.7% on a perimeter adjusted basis with a return on sales of 6.2%. We had solid performances from all our main businesses with further gradual recovery in aerostructures. Helicopters improved EBIDTA in the first half to €157 million, up 4% and maintaining its return on sales at 7.3%

On the European side, Defence Electronics EBITA grew 7.1% to €225 million, and a good performance across its business areas, with strong profitability rising to 10.2%. We also saw a good contribution from MBDA, noting that last year's comparator was very strong. MBDA's underlying trends is very positive looking forward for this year.

DRS reported EBITA lower at 87 – €84 million as expected due to business mix. Also, we have to remember that in the first half last year, DRS had benefited from a nonrecurring step up in profitability on the Colombia class program, moving from development to production stage. Going forward, DRS expects growth and profitability to step out throughout the year.

Aircraft grew first half EBITA by 6.7% to €160 million and confirm the robust profitability of its defense business, with a return on sales of 11.9%. Aerostructures showed gradual improvement and reduced its loss in the first half to €72 million, compared to €88 million last year, in line with the recovery plan we outlined.

ATR doubled its level of deliveries in the first half to 12 aircraft versus six last year and improved its operating performance. Its contribution in the first half was slightly lower as expected, down from negative 1 last year to negative 5, reflecting a one-off settlement agreement in 2022. That said, we feel encouraged by ATR's recent new order intake, its growing backlog and improving market outlook and confirm their expectation of higher deliveries by year end. The contribution from Space was substantially in line with last year at €2 million. The satellite services continues to perform well, delivering consistent good results

On the other hand, in the Manufacturing segment, we continue to experience pressures. There had been some R&D extra costs impacting EBITA, and we're also seeing some production delays caused by persistent supply chain pressures. We're working with our co-shareholder, Thales, with a view to improving its future performance.

Moving to below the line, you can see EBIT is up 1.7% to €368 million; last year, it was €362 million, reflecting the solid performance of the group's businesses and after providing for three – for €31 million of restructuring costs, including €20 million of early retirements in central corporate functions also after PPA amortization linked to the acquisition of Rada completed in the second half of last year. The net result was €208 million, reflecting some increase in financial expenses to a more normal level.

The higher financial expenses are also reflecting increasing interest rates and the performance of nonstrategic equity-accounted holdings. While the higher tax charge reflects tax paid on dividend distributions from the group to Leonardo SpA as well as from joint ventures.

We also booked again on the disposal of the ATM business in the US.

In the first half, we also achieved a material improvement in cash flow as you have heard from Roberto before. The usual seasonal outflow in the first half was much lower at €517 million versus €973 million last year on a perimeter adjusted basis. A good performance on track and in line with plan, this improvement in the first half is in part due to continued strengthening of our cash flow with improved operating performance, much reduced factoring in the lower level of seasonality. It is also partially due to a concentration in the first half of cash-ins or milestones from customers. To be clear, these are receipts related to the delivery of existing programs and are not advance payments on new order intake.

So good progress on cash in the first half and underpinning our targets of free operating cash flow of €600 million for the full year. We continue to strongly be committed to our deleveraging process with net debt down over a $1 billion versus June 2022.

Now moving on to guidance. You can see that we have delivered a good performance in the first half. We are achieving very good commercial momentum across the group and our book-to-bill is solidly above 1. All this translates into a reconfirmation of our full year guidance on all key metrics. Our confidence in the full-year guidance is underpinned by the progress we have made in the first half, the sustained demand we are seeing throughout the group and throughout geographies. And we are on track with our growth path in revenues and EBIDTA, seeing good progress on delivery of programs. We're confirming our targets with a balanced contribution from all the divisions, with electronics being a key contributor to growth, aircraft maintaining its top profitability levels, helicopters performing in line with plan, and aerostructure continuing to be on track consistently with its recovery plan, and with the contribution from our strategic joint ventures being in line with plan.

All of the division have been absorbing the macro inflation pressures into their margins, thanks to the mitigation measures we have undertaken starting from last year, including pricing on contracts and renegotiation with suppliers so we can maintain solid control on our profitability. You have also seen we have also been stepping up our cash flow on track and in line with plan, strengthening our organic cash generation, and showing a better quality, also progressing on our deleveraging plan.

So, in summary, good first half results confirming our growth path and the fundamental strength of our group, delivering stronger commercial, operating, and financial performances across the group, on track for the full year with full year guidance reconfirmed. Thank you all. And now, we are pleased to take your questions.

Unverified Participant

Can we please take the questions from the call?

Operator: Certainly. Our first question is from the line of Alessandro Pozzi of Mediobanca. Alessandro, your line is open.

Q – Alessandro Pozzi – Analyst, Mediobanca SpA (United Kingdom:): Yeah. Thank you. Thank you for taking my questions. I have two for Roberto. First of all, congratulations for the new role. The first question is, I believe you laid out a vision for Leonardo, which is quite different from what the company is today. And as you know full well, Leonardo has a lot of inertia and it will probably take time to achieve this objective that you have for the group. But I guess there are also low-hanging fruits, which could generate opportunities just by their range and existing resources. And so the question here is, what do you think can be achieved relatively easily in the short-term versus longer-term?

And the second question is, it's just quite clear that you are putting a lot more emphasis on space and cyber. And I was wondering, in terms of size, what do you think is the potential for these two business lines within Leonardo in the next few years? And how can M&A shape the growth of these two lines? And for space, just a clarification. Are you planning to strengthen the JVs, TAS and Telespazio or are you planning to build a new in-house group? Thank you.

A: Yeah. Thank you for the question. Yeah, I know, we need some ambition. For the time being, wouldn't be any – wouldn't be any useful to go ahead in continuity initially, so we need some change. Actually, it's not so different in the end of the day because I'm leveraging on the knowledge and the skill and the capabilities that existing. I made a – at the end of the day I made a clear statement. Core products will be reinforced through specific organization dedicated to reinforcing commercial activity and specific technological investment in terms of digitalization and the rationalization of the portfolio.

The new part, if we can say really new because we already work in space and cyber is to make those two areas synergistic. Developing with this specific choice, I mean, going towards space services that I think that are less capital intensive and more service based, so brain-based, that means ultimately better – a better cash conversion.

I mean, again, today, we have to consider that with this exploding market of space, if you see what Leonardo gathers at the end of the year through the four participating companies Avvio, and Telespazio, and e-GEOS, and ASI, it's about €1.4 billion. And this is nothing on a market €350 billion. We have to be more ambitious and we have to do more. Of course, we need to reorganize the layout of the participated company. We need to reinforce parts of the business for space technologies, which is embedded into the divisions.

And to go to your last question. So if the size of the space economy market goes from €350 billion to €1 trillion in eight years, well, I think €1.4 billion today is not enough. And we should grow and we should grow at least linearly with the offer of the market. So, of course, in the final – n the new strategic plan, we will put ideas, numbers and plan. But I think we should think to a serious competitive layout of the space business for Leonardo.

You correctly asked me the difference between short and long term. Well, in the short term, of course, we will see in a few months in the strategic plan we have clear these, what kind of intervention we have to do. I think it will be highly desirable in three years to have the space division up and running properly with well-characterized programs. And the merger acquisitions, they have to be not very big. We just need specific technologies to be introduced in our products. So completing what we already know, I mean, don't forget that Leonardo has almost the entire pipeline of space applications from launchers to AI in image reconstruction, satellite services and so on. We just need to rationalize and improve what we do.

Joint ventures, of course, this is important. We have to analyze for the time being, I think the most important thing is to recover symmetry with our French joint ventures. Symmetry is very important and I want to have symmetry in our relationship with the French partners.

Q: Very helpful. Thank you very much.

A: Thank you.

Operator: Thank you. The next question from the phone is from the line of Daniela Costa of Goldman Sachs. Daniela, your line is now open.

Q – Victor Allard – Analyst, Goldman Sachs International: Hello. Can you hear me? *[Foreign Language]* Roberto, all the best for the new role. Hi, Alessandra. This is Victor from Goldman Sachs from Daniela's line actually. I have a couple of questions. So the first one is so relating to statements, I was wondering if you could help us understand the restructuring cost of about €31 million that I think you reported in 1H, first question.

And looking also at the net financial expense which *[indiscernible]* year-over-year, I was wondering if you could explain the driver of here. I presume that it's driven by floating and the rise in the rates that we have seen. But I – if I remember well, your guidance for financial charges this year, it's about €230 million. So is this 1H figure in line with the guidance that you've told us earlier this year or should we expect a figure higher than this looking for the rest of the year? So I'm wondering if you could get – I just want to understand the cost of debt that you're expecting for this year and if you could frame like possibly on how you see the free cash flow operation hit some *[indiscernible]* change after especially when thinking about the working capital, I think you gave some color already in your presentation. That's it. Thank you very much.

A: Sure, Victor. So I'll start answering the question in the order in which we have post them. The restructuring costs of €31 million include mainly for €20 million, the extension of the accelerated retirement plan for staff function of Leonardo to a higher number of employees, which now accounts for 490 people totally. And those are the – this is the provision that is added to the provision that we booked last year on the balance sheet.

The remainder is associated with the restructuring that Leonardo DRS has done in one of its businesses to right size the workforce and modify the production layout. With respect to financial expenses, the guidance for the full year is unchanged. So the €230 million that you have in mind is confirmed. The year-over-year comparison is as planned. So it's no surprise. The Delta is mainly accounted by higher interest rates on funding, on variable rates. And there are two other elements. One is associated with the FX performance. As usual, there are some movements on FX activities done to hedge, our commercial business, as well as on a holding that we do not consider strategic, and we value with the equity method. Last year, we had a one-off exceptionally positive, which this year is not repeated and that accounts for a delta of €20 million out of the €50 million that we recorded in financial expenses.

Finally, on the profile of free operating cash flow, well, I would expect is that in the month and in the quarters to come, we will continue to see a relationship between last year and this year, which encompasses the improvement in free operating cash flow that we have experienced in the first two quarters, reflecting the speed at which we are collecting cash-ins from customers, as well as a tight control on working capital. So all of this is progressing in the right direction in terms of operational actions, industrial action, and it's translated into a year-over-year significant improvement in cash flow.

Q: Okay. Thank you very much.

A: Thank you.

A: We have two questions from the web. The first one is from Ross Lowe, Morgan Stanley. What level of leverage do you expect for the group going forward given your plans to make investments and potential M&A in the space and cyber domain?

A: I can't mix the answer. You can start. I want to say something later.

A: Sure. The plan is to maintain the leverage target that we have – that we have had to date. We have a very disciplined financial strategy that has proved us right that has delivered a rating upgrade, an important rating upgrade from Moody's to investment grade. And we want to continue on this path. As Roberto mentioned, all M&A opportunities will be in line with this financial discipline that we have adopted to-date. Please, Roberto.

A: Yeah, yeah. Well, I want to say that we'll be no step longer than the lag. We know exactly what we need. This is a kind of improvement to some of our technologies. We are monitoring carefully the market of small and medium enterprises. We will do what we can do we can afford for. We have some different possibilities. Of course we are analyzing from the financial point of view. But as I said, no step will be longer than the lag. This – you can be really sure. We know exactly where we want to go.

A: Let's take another question from the Web. Good afternoon. You mentioned increased spend on R&D. Can you please be more precise? How do you see cash R&D trending at Leonardo? Also, how important is M&A to your strategy? And do you plan to wait and settle in the position of CEO for some time before engaging in M&A? Or do you think that you can go ahead and move ahead sooner versus later?

A: Good. I like the question. So, we invest remarkably on R&D. As I said, I like to see the internal structure of the global investment, which is 13%. As I said in my presentation, there is a part of this – real research and other part which is development, and the other part, the majority, which is product customization.

This all contributes to the global idea of R&D. If you see the peers, the high-tech peers, they're not that far from what we do. They invest a little bit more in the R. So this is normally – let's say, R&D should be in the range of 5% globally if you take the real R&D, that means TRL from 2%, 3% to maybe 6%, 7%. Don't take this too strictly, just to give you an idea. We don't need to do that much. We need to focus a little bit the investment to redirect some investment on marginal activities on something which is more core, eventually investing a bit more, but well within our possibilities.

Don't forget that we are investing. We're – Actually, we're making basically our strategy on a brain-driven technology. I mean, I want to make examples so I clarify what I'm saying. These are not the simple words. If I make a satellite service interpreting images for infrastructure protection, I want to do the same thing I'm doing now, but with generative AI. So I want to have much more advanced models to evaluate to get the information, to extract information from images. So this means investing in AI and brains, not investing in hardware or big CapEx. Similarly, when you make a cybersecurity product by design, you're investing on services. So this does not need money. This needs brain primarily. We have to invest more in brain.

Second thing, the CIO, the chief innovation officer, that's a very good question. Thank you. You give me the possibility to anticipate. I kept my, let's say, transitory under my direction, the CTO and CIO. The situation now is – fortunately is over. I think already next month, I will change the organization, complete the organization. There will be a chief innovation officer and there will be a strategist and an M&A officer. So with this, the pipeline will be that the organization will be completed. I don't want to wait. We are in hurry. As I said, sense of urgency is very important. We have three years We don't have 20 years. And the world is faster than we are. So we need to accelerate.

A: Let's take again another question from the Web. I'm putting together two questions and both of them from Monica Bosio, Intesa Sanpaolo. I know that the details will be given indication of the business plan. But can you indicate a rough percentage of R&D going forward and if you will push some capitalization or not? And the second one is, would you see feasible in the future the disposal of some activities that you – that do not perfectly fit with Leonardo's higher technological content going forward?

A: I answer the first – the second question before. We're going to cut things that are outside the ambition and outside the domains that we have identified. This is already ongoing, actually. It's in progress. I mean, today before this meeting, we had our board. And I anticipated to my board members there are three or four activities that will be cut in the next few months. To be very frank, that money will be recovered to make a bit more research. So it's saving that is transforming it into investment. So investment, I mean, in brain investment.

So I can't give you a number now for the R&D. Honestly, I expect to go from 15% to 15%. That will be possible. And my CFO here for sure would kill me. Let's say we can redistribute internally to a specific amount of money what could be mandatory to develop quickly our new products and our new services. But as I said, we'll be – everything will be under control with a very – with a very prudent approach to the – to the change and to the development.

A: Let's move again, unless you want to add anything. Let's move again from question coming from the call.

Operator: Thank you. Next question is from the line of Virginia Montorsi of Bank of America. Your line is now open.

Q – Virginia Montorsi – Analyst, BofA Securities, Inc.: Good afternoon and thank you for taking my questions. And Roberto, good luck with this new adventure. I just had a quick question for you. When you talk about portfolio optimization, could you give us a little bit more color on what exactly you're thinking of? Thank you very much.

A – Roberto Cingolani – Chief Executive Officer, GM & Director, : Sure. A few examples where we are working on investing on specific drones, technologies like the Skydweller. This would be cut. No point. There's no point in them. Apparently no big market. It's a little bit of side focus. There are activities that I found here like electric buses. This will be cut. It's outside of the portfolio. We're going to rationalize a little bit the wide portfolio of electronics, very high quality portfolio, by the way, but we can do some rationalization.

Yesterday, we were discussing with our colleagues in DRS. There is some overlap we're trying to optimize a little bit the interaction. Of course, these are different defense markets. We are perfectly aware that some technologies are USA-only, some other is maybe Italy-only. But there is also room for improvement and synergy and refinement of the portfolio. About space, there is a lot of activity ongoing, but maybe some of the – some of the other – just to make an example, I would never invest on the – at the moment, on telco satellites. I mean, the market is going towards €0.01 per kilobyte. So this is going to be a tough market, especially for telco operators. I don't think this is in our DNA, so I wouldn't go in that direction.

So this is the kind of technical analysis which is immediately connected to the market analysis, and it's very easy to establish to set the line above which we cannot go.

Q: Thank you very much. That's very clear.

A – Roberto Cingolani – Chief Executive Officer, GM & Director, : Very welcome.

A – Valeria Ricciotti – Head-Investor Relations & Credit Rating Agencies, : Let's take some additional questions from the web. The first one from Nick Cunningham, Agency Partners. Have you talked to Thales about moving to 50/50 control of space? Do you expect to inject capital or more operating assets to get to 50%? Will the French government agree?

And probably I will put also another call – another question here, which is coming from Ian from UBS, who says what does recover asymmetry with JV partners mean when you were talking about Thales? Are you happy with the partnership? And then you spoke about the need to rationalize some businesses and not do lots of things but focus. Which business lines do you feel are non-core or do not help you achieve your vision? And final one, There is a lot of new information here. When will you hold a Capital Market Day or go through these in some details?

A – Roberto Cingolani – Chief Executive Officer, GM & Director, : Yeah. So concerning the question about rationalizing the portfolio, I think I answered to the question the previous speaker from Bank of America, I hope this was enough. Possibly this question came before. I'm, of course, available to give more details, but I hope I gave a clear idea. So I will go over this, but please write again if you want more.

Concerning the symmetrization of the collaboration, I mean, first of all, I have to say that I met the CEO of Thales. So we started the discussion very frankly and very friendly. Second, I never said I want to have 50/50 joint venture. We don't have 50/50 joint venture. We have participated companies that are two-thirds Thales and one-third Leonardo and vice versa. And the symmetry should be eventually in how we manage budget-wise, balance-wise and the relationships among the two controlled companies. But this is very simple to be done. So there is maximum agreement. It's something we have to discuss.

Over the years, things have been changing. Those are agreements that started 15 years ago. I don't have a legacy on that. I want to see very clear, transparent things. We are all convinced that we have to work together because we have to do much better. But as I said, this is just the maintenance of agreements that are 15 years long and old. So, honestly, this would never be seen as a sort of competitive behavior, competition behavior. This is a collaborative behavior, but we have to do a very clear and symmetric basis because we are talking of technology and technology needs clear agreements of the very – as a main point. You will see those things much better over the next few months. We are working on that. So in some sense, I keep a little bit confidential and then I cannot say much more. But this is the spirit I'm working on.

A: Then maybe question from the call.

Operator: Thank you. Next question is from the line of Martino de Ambroggi of Equita. Martino, your line is now open.

Q – Martino de Ambroggi – Analyst, Equita SIM SpA: Thank you. Good evening, everybody. All the best, Roberto, also from my side. The first question is understood from a strategic standpoint. What's your view on DRS as a separate listed entity?

Second, on Hensoldt, 25% stake, and the third on *[indiscernible]* , which was under discussion, I think, in the recent past for M&A and so on.

And the last question for you is on the risks because you talked a lot about opportunities, about the strategy but what are the main risks that you are worried about? And last question is for Alessandra, we are talking about cyber but what are the starting figures in terms of sales, margins and so on for this separate entity? Thank you.

A: Thank you. So let me ask – let me answer to your basic question about the risks. I'll be very sharp and very clear. The risk is that if we don't evolve, we will be more and more followers. So this is the risk I see with all the consequences on the long-term. So, I don't want to talk about the risk because those are evident. Technology, defense, warfare but even civil applications of technology are growing so fast, digitalization has changed the pace completely and no one can work with inertia. 10 years ago, if I have told you that, NASA would have stopped launching things and would have collaborated with private organizations, possibly you would have not believed. So things are changing so fast that we have to be fast.

So once again, I want to transfer the sense of urgency. There is no risk in feeling urgency. The risk is if you don't feel urgency to my opinion. Concerning your broad question about the land defense programs, okay? DRS is an asset, prestigious, working very well. At the moment, we control DRS by 82%, I think of them correctly, good. We are thinking what to do. We are in close contact with our collaborators. We'll see over the next months. Concerning the land, European space defense, because I'd like to talk in terms of European space or defense, not really OTO Melara, versus KDNS (sic) *[KNDS]* or versus ANSOL versus *[ph]* KDNS or versus *[ph]* Ansell In *[ph]* Leberje I had the chance to talk to the Defense and the Secretary of the German Government to talk to the CEO of *[ph]* Ansell to talk to many other stakeholders. And we were analyzing very carefully the situation and please be aware that well, no, no. I mean, I know you are aware. You are aware. You know that over the last two years, the geopolitical situation in Europe has changed dramatically so that the plans and programs that were anticipated were designed five years ago, four years ago, all of a sudden became old or eventually impossible. And this is what we were discussing.

So we are working now with a Germany, – with the German companies and with our experts trying to find through analyzing all the possibilities to have a stronger European space of defense, but with mutual benefits among the companies. So what I can tell you now is that we are really working every day for long – for many hours on the analysis of those programs. Things have changed a little bit compared to maybe 18 months ago, and we are responsibly analyzing all of those things. And in the strategic plan at the end of the year, beginning of 2024, you will find the idea that we're developing.

Allow me now not to be too explicit because you understand it will be too early. Whatever I say now will be – it could be wrong, potentially. But what you can believe me, we are really focused on this issue, but really focused. There is a task force of people that is doing this, 2024, almost.

Q: Okay, Martino. On...

Q: OTO Melara?

A: OTO Melara is part of the game because as you know when you think to land defense, yeah .OTO Melara is a part of the game.

A: On your final question, Martin on cyber. The cyber business within Leonardo is a good business, has been growing well at the same pace as the market, which translates, as you know, in a high growth rate. We have been engaged in key strategic programs such as the poll for the national cloud, for the public administration, the Italian public administration, that has been an opportunity that we have brought home last year and which we are going to deliver over the coming decade at a fast pace.

As I've mentioned at the beginning, commenting of the first half results, we have also won orders combining the cyber capabilities with the defense electronics capability of Leonardo, and working on the JOC-COVI, the Joint Command Operational Center for the Joint Inter Force Center. So that is another important milestone that we have achieved. And going forward, we do see opportunities to leverage the platforms of products as well as the defense electronics capability in combination with cyber and make all the products native cyber with the model that Roberto articulated before.

A: Martino, let me add something to what some of the told you so far. I mean, of course, as you know, during such a fast evolution, a lot of the result depends on people. So cybersecurity was a little bit undersize, let's say, not very performing, and we had a managing team that was really doing a good job. And today cybersecurity works well, but there is a lot of room for improvement. So we have changed now the top management with the new class of people having a different profile, more technical, more market-oriented, and the new cybersecurity division has been moved into new building where there is the high-performance computing facility, the cloud computing facility, the Leonardo Labs with about 70 experts, young people below in the range of 25 to 30, the AI experts. And so, this people that work all together, I expect the second phase of the Cyber division to benefit of this change in terms of vision management. And this is possible because the previous management of Cyber division did a good job.

So, I expect this to be a sort of small game changer within the company. This is the – this is why I dare to say we should make cybersecure product by design. So, product that's cybersecure by design. And we also should have the strength to guarantee the service because if I sell you an object and this object is cybersecure, in the end of the day, the value is no longer, the object itself is the platform, but is in the service to upgrade the cybersecurity over the years and years. And this is one way to increase cash conversion using the same skill we have now. So, it's a smart revolution if we manage to make it.

A: Let's take two additional questions from the Web. The first one from Zafar of SocGén. Roberto, how do you feel about the diverse number of JVs and small stakes? Is there some thinking on having more control?

A – Roberto Cingolani – Chief Executive Officer, GM & Director, : Thank you. That's a very good question. I'm the CEO since 18 weeks. So, you imagine maybe I even don't know everything. I was in Leonardo for two years before having this long parenthesis administer, so I might lack a complete vision. However, what I've seen, to me, it needs some work.

I don't like very much to have many minority participation in JVs, but of course this comes from the past. So, we had a meeting two days ago, and Alessandra is here witnessing this. We were discussing how to do this. I would – I mean, I would like to avoid too many small participation, minority participation in joint ventures. Since we cannot make big discontinuous jumps because we are all reasonable, I like the idea maybe to transform progressively the most important initiatives in something like the MBDA model where at least we are one-third, one-third, and one third in the idea of a multi-stakeholder European venture. So that could be a reasonable progress of the most important joint ventures.

But in general, I don't like to be the minority part of all the ventures, to be honest. Yeah, I would like to change this. It might require a little bit of time, but I'm gently hostile to the concept to participate in too many things without leaving.

A: One more again from the Web. The follow-up from Ian at UBS. In the release, there is a language within a restructure, suggesting demand from Airbus was reduced. I don't see this language in the Q1 release. Did their demand *[indiscernible]* change downwards in Q2?

A: What we are seeing is that the pace at which Airbus is progressing is clearly a good and solid upward trend. Evidently, there are some challenges that all of us in the Aerospace and Defence business are facing, and that is an element that I think you have heard also from the recent Airbus presentation, where the focus is now more on a medium to long-term objective versus a 2023 plan to raise production.

So in summary, we do see a good increase in demand from Airbus in a context that within the supply chain for our key customers, – key customers in our – in their supply chain may be facing some elements of slowdown, which is not represented by Leonardo, to be very clear, but by other suppliers. And that may determine a slower pace in growth in any case for the entire system.

A: Let's take the final question from the call. I think, Gabriele, up to you.

Operator: Thank you. From the line of Gabriele Gambarova of Banca Akros. Your line is now open.

Q – Gabriele Gambarova – Analyst, Banca Akros SpA: Yes. Thank you and congratulations for the new role even for my side. I was just wondering if you can share with us your thoughts on the Aerostructures business. I mean, how do you see it in general?

A: Yeah. Yeah.

Q – Gabriele Gambarova – Analyst, Banca Akros SpA: And regarding again the defense electronics business, even in this case, I was wondering, very generally speaking, if you can share with us your thoughts, I mean, in terms of size, in terms of presence? I mean, how do you...

A: Yeah.

Q – Gabriele Gambarova – Analyst, Banca Akros SpA: ...perceive this business?

A: All right. So let me start with Aerostructures. Clearly, Aaerostructures underwent a dramatic crisis with COVID because there were no orders of aircrafts. And those people are manufacturing big parts of aircraft. So that was – I mean, it was really difficult for them. However, let's say that ATR orders are increasing, Boeing 787 are increasing. According to our plan and according to the agreement we have with the mother companies, with increasing the number of orders at the given point, I think, by 2025, we should reach the limit of I guess 10 or 14 *[indiscernible]* I don't remember the number, so from that point on we should be at the breakeven point. The good start is that people there are growing with the expected pace, but also this time has been used to improve substantially the quality of the manufacturing. We changed a lot of equipment there and now we have digital assistants, very high precision, the quality is really remarkable. We heard about other providers in the supply chain of the big names, Boeing and Airbus having problems in the quality.

So maybe we should in one hand wait for 2025 reaching the breakeven point according to the market request, which is constantly growing. But on the other hand, we should also leverage on the – on this advanced capability. The improvement was remarkable actually. That was not expected at the beginning. So maybe this could open new perspective – new perspectives. And as I said in my presentation, we should never stop searching for new applications and new market areas for a plan or for a group of plans that actually as expertise in assembling fiber-based composites and this is not only for aircraft. So maybe in the future we could identify other classes of products, maybe a month, maybe space applications. So we should seriously consider other opportunities of business. But of course, right now we have to keep on track. We have to go to the breakeven point and we have to hope that the aircraft market grows as expected. *[indiscernible]* at the moment, the trend is seems to be favorable.

Consumer electronics or consumer electronics. Well, you know, this people have revenues for more than €6 billion of the year and they have really excellent products. I know that we can optimize a little bit of the portfolio. Maybe some overlap or some minor product can be cut. But let me tell you something and I have in mind the challenge for that. In some product like the hyperspectral or some of the radars, they are really world class. And maybe, they are making products that are kind of Ferrari like. State of the art, high-end, super tough, very expensive, but of course, we don't sell many of those products every year.

But if you – if you are able to do very high quality product, maybe you can scale down a little bit and making something cheaper for, let's say, easier applications. That could be something to consider, especially given the fact that I told you before, 2,500 satellites would be launched every year in the next 10 years. Those satellites will need spectrum either sensors, optics, hyperspectral, all those things.

So may be considering the possibility to occupy part of that market of, let's say, the low end – the low end market could be a way – could be a pathway to follow for increasing the revenues and the margins. But this is something we are discussing with our engineers and with the top management of the vision. Anyway, I think this is – this is a very competitive division. So I'm not so worried, to be honest. I think they have their market and they know where to go. This is some additional idea that we are investigating at the moment. I hope I answered.

Q: Yes. Thank you very much, Roberto.

A: Welcome.

Valeria Ricciotti, Head-Investor Relations & Credit Rating Agencies, Leonardo SpA

This was the final one.

Roberto Cingolani, Chief Executive Officer, GM & Director, Leonardo SpA

Last? Okay.

Valeria Ricciotti, Head-Investor Relations & Credit Rating Agencies, Leonardo SpA

Yeah. So thank you very much to all of you for this call. Thanks, Roberto, Alessandra. As usual, the IR team is available for followups. Thank you.

Roberto Cingolani, Chief Executive Officer, GM & Director, Leonardo SpA

Thank you, guys. Goodbye.