



**REPORT OF THE BOARD OF DIRECTORS  
REGARDING MERGER BY INCORPORATION OPERATION  
INTO LEONARDO – SOCIETÀ PER AZIONI  
OF THE COMPANY SISTEMI DINAMICI S.P.A.**

**LEONARDO - Società per azioni**  
Registered office in Rome, Piazza Monte Grappa 4  
leonardo @pec.leonardocompany.com  
Fully paid up registered capital € 2,543,861,738.00  
Tax Code & Company Register No. 00401990585  
VAT No. 00881841001

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

## REPORT OF THE BOARD OF DIRECTORS

**REGARDING MERGER BY INCORPORATION OPERATION (hereinafter referred as the “Operation”) INTO LEONARDO – SOCIETA’ PER AZIONI (hereinafter referred as the “Incorporating Company” or the “Company” or “Leonardo”) OF THE COMPANY SISTEMI DINAMICI S.P.A. (hereinafter referred as the “Merged Company” or “Sistemi Dinamici”)**

This report of the Board of Directors of Leonardo - Società per azioni has been drafted – also based on the provisions of Article 2501 – *quinquies*, first paragraph of the Italian Civil Code and of Article 70, second paragraph, of the Issuer’s Regulations (CONSOB Resolution No. 11971/1999 as amended and supplemented) - in order to provide the broadest information to the public regarding the economic and legal purposes of the Operation, although not required pursuant to the provisions of Article 2505, first paragraph, of the Italian Civil Code.

The Operation is proposed both for economic and organizational reasons and, more generally, is part of the overall “One Company” project, aimed to achieve the strategic and corporate optimization of some assets included in the core sectors of Aerospace, Defence and Security. In particular, the proposed Operation represents the natural completion of the integration/interaction, at both organizational and management level, between the Merged Company (whose business shall be merged into Leonardo’s Helicopter Division) and Leonardo - already started in 2016 when, following the acquisition of the remain 60% of Merged Company share capital owned by third parties, Leonardo became the sole shareholder of Sistemi Dinamici - with the aim of strengthening the positioning of Leonardo in the Unmanned Aerial Vehicle sector.

The proposed Operation would allow to satisfy the efficiency and affordability requirements and, at the same time, the goals of optimization and streamlining of deliberative/authorization processes, also with the purpose of enhancing the marketing strategy of the product.

The choice of operating by means of merger by incorporation of Sistemi Dinamici appears to be the best legal and economic solution, because it meets the need of incorporating all

the activities of the Merged Company into Leonardo and consequently to enhance the skills and the specific know how gained by Sistemi Dinamici into a more structured corporate context, with the necessary financial and economic solidity.

As the share capital of the Merged Company is entirely held by Leonardo and such shareholding structure will remain as such upon completion of the Operation, consequently the Incorporating Company shall not issue any new shares nor assign Company's shares; the Operation shall be performed applying the simplified procedure laid down in Article 2505 of the Italian Civil Code; therefore, the Merger plan do not include the information referred to in numbers 3), 4) and 5) of the first paragraph of Article 2501 *ter* of the Italian Civil Code and the Experts' report about consistency of the exchange ratio according to Article 2501 *sexies* of the Italian Civil Code has not been prepared, nor – by the Merged Company - the Board of Directors' report ex Article 2501 *quinques* of the Italian Civil Code.

The Operation shall be effective, also for accounting and tax purposes, as from 1st January 2020. If the last of the registrations pursuant to Article 2504 of the Italian Civil Code should take place after 1st January 2020, the Operation shall be effective as from the first day of the month after that last registration; in such case, for accounting and tax purposes the Operation shall anyway be effective as from 1st January 2020.

As for the tax effects of the Operation, it is worth noting that this is a tax-neutral Operation and do not generate losses or profits with tax impact. The assets and liabilities of the Merged Company are acquired in the Financial Statements of the Incorporating Company on a continuous tax basis.

The Operation, as such, do not produce any effect on the significant shareholding structure neither on the controlling structure of the Incorporating Company.

With reference to Leonardo and Sistemi Dinamici (taking also into account the fact that the Merged Company's is totally owned by Leonardo), there are no results of significant shareholder's agreements pursuant to Article 122 of Legislative Decree no. 58 of 24 February 1998 ("Consolidated Law on Financial Intermediation").

Article 117 – *bis* of Consolidated Law on Financial Intermediation shall not apply, considering that the Incorporating listed Company's assets, other than liquid balances and financial assets that are not fixed assets, are not less than the assets of the Merged Company.

The Operation shall be conducted based on the Financial statements as of 31 December 2018, approved by the Shareholders' meeting of Leonardo on 16 May 2019 and by the Shareholders' meeting of Sistemi Dinamici on 2 April 2019, respectively.

According to the law the following documents shall remain filed at the Merging Companies registered offices: i) the Merger plan, approved by the Board of Directors of the Merging Companies, also filed with the relevant Companies Register, and ii) the Financial statement as of 31 December 2018 , as well as iii) the Financial statements of the last three financial years of both companies .

Moreover, in compliance with Leonardo's obligations as listed Company, the Merger plan and the additional documents required by Article 70 of Issuer's Regulations shall be made publicly available and filed with the Consob according to the terms and conditions established therein.

In view of the fact that Leonardo - Società per azioni is the sole shareholder of the Merged Company, the Operation will not involve any capital increase of the Incorporating Company.

Upon completion of the Operation, the shares held by Leonardo in Sistemi Dinamici will be cancelled.

Rome, 27 June 2019

On behalf of the Board of Director  
The Chairman  
(Giovanni De Gennaro)