INTEGRATED ANNUAL REPORT 2023

Disclaimer

This Integrated Annual Report 2023 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 compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815.

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GUIDE TO THE DOCUMENT

Since 2020 Leonardo (hereinafter also referred to as the Group, the Enterprise or the Company) has adopted an integrated approach to reporting financial performance and environmental, social and governance (ESG) information, with the aim of offering in a single document a complete, measurable and transparent view of the value generated by the company. The Integrated Annual Report describes in fact the development strategies of Leonardo, driven by the vision for the next years expressed in the Industrial Plan, and the performance achieved, the way in which the company creates innovative solutions with its supply chain partners and the scientific research ecosystem, operating responsibly in the countries where it is present, and enhancing the value of all its capital, people and expertise, technology and intellectual property, financial resources, industrial assets, relations and partnerships, energy and natural resources.

The Integrated Annual Report is composed of:

> **the Report on Operations**, which includes the Consolidated Non-Financial Statement (NFS) pursuant to Legislative Decree 254/2016, prepared in accordance with the GRI Sustainability Reporting Standards of the Global Reporting Initiative (GRI), including the correlation table and the methodology note of the NFS;

> the **Consolidated Financial Statements**;

> the **Separate Financial Statements of Leonardo SpA**.

Leonardo's decision to integrate financial performance and ESG information somewhat anticipates what is envisaged by the Corporate Sustainability Reporting Directive, the new European directive on sustainability reporting that will gradually come into force in 2025 and will require companies to publish sustainability disclosures in the Report on Operations. With this obligation, the European Union intends to pursue the goal of making the links between financial and sustainability information clearer and more evident while increasing its availability, accessibility and reliability.

In preparing the Integrated Annual Report, the following have been taken into account: the priorities reported by ESMA (European Securities and Markets Authority) for financial statements prepared according to the International Financial Reporting Standards (IFRS) and for non-financial disclosures, the Integrated Reporting Framework, the standards of the Sustainability Accounting Standards Board (SASB) for the Aerospace & Defence sector, the Sustainable Development Goals (SDGs), the Ten Principles of the UN Global Compact, the recommendations of the Task Force on Climate–related Financial Disclosure (TCFD) and the core metrics laid down in the White Paper "Measuring Stakeholder Capitalism - Towards Common Metrics and Consistent Reporting of Sustainable Value Creation" del World Economic Forum (WEF), as based on four pillars: **Governance**, **People, Planet and Prosperity**.

The GRI, SASB, and TCFD content indices in the section of Annex attached to the Report on Operations – Notes to the NFS allow you to identify content with respect to the respective standards or recommendations.

Furthermore, in 2023, a selection of indicators (ref. Annex attached to the Report on Operations – Notes to the NFS) was subjected to full examination (reasonable assurance) for the third year running, as required by the International Standard on "Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB), on the part of EY S.p.A.. The audit was carried out according to the procedures set out in the "Independent Auditors' Report of the Non-Financial Statement at 31 December 2023", which is included herein.

Content of the Integrated Annual Report 2023

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LETTER TO STAKEHOLDERS

Dear Stakeholders,

We are very pleased to present the Group's fourth Integrated Report, providing you with an update on 2023 and the significant progress made by Leonardo over the last year.

2023 was an intensive year of transition which confirmed the growth path of the Company and laid the foundations for a new phase of development. A new Board of Directors was appointed and a new management team which immediately began working with clear three fundamental pillars: making the organization more streamlined and efficient, making Leonardo a key player in the international geopolitical scenario, and transforming the processes and products through innovation and digitalisation.

Over the last year, the geopolitical framework has been characterized by the continuation of the Russian-Ukrainian conflict and more recently by the worsening of tensions in the Middle East, which have resulted in an increase in supply chain criticalities, and which have highlighted how energy insecurity, cyber insecurity and war-related insecurity are now part of our daily lives.

We have therefore learned that the concept of "traditional" defense must evolve and adapt in favour of a broader concept of global security, which also includes cyber, energy, food and critical infrastructure security. These are areas in which the cybernetic and space dimensions will take on ever greater importance: conventional weapons will increasingly be joined by digital technologies, satellite applications and drones.

In terms of sustainable development, we are witnessing the worsening of the climate crisis at a global level, with a growing recognition of the importance of adopting adequate environmental strategies at corporate level to face the challenges of decarbonisation and the efficient use of natural resources which in prospects will become increasingly scarce.

These conditions confirm the consequence of a major modification of global balances, leading to an epochal paradigm shift at a technological, cultural, social and economic level.

It is in this context that Leonardo has maintained a solid growth path, with particularly important results both from a commercial and economic-financial point of view and with a particularly positive trend in terms of cash generation.

2023 saw an increase in Order volumes (+3.8% vs 2022), confirming the strength of the Group's commercial offering thanks to the diversification and quality of integrated products and solutions and the widespread geographical distribution of the commercial organisation. The Order Backlog stood at €40 billion, with a book-to-bill of 1.2x, strengthening growth forecasts for the coming years and offering long-term visibility.

This growth was accompanied by the increase in Revenues (+3.9% vs 2022) and EBITA (+5.8% vs 2022), driven mainly by Defense Electronics & Security, with a particular contribution from the European component, and by the recovery of Aerostructures, bringing the ROS to 8.4%.

These results were supported by solid cash generation, with an important improvement in FOCF (+17.8% vs 2022), thanks to the effect of initiatives to strengthen operational performance, a careful investment policy in a period of growth business, the rationalization and efficiency of working capital and an efficient financial strategy.

The performance was also positive in terms of reduction in net debt, improved by 23% compared to 2022, thanks to the significant cash generation and the sale of the minority stake in Leonardo DRS.

These results achieved have allowed us to reach our goal of investment grade rating by the three main rating agencies (S&P, Moody's and Fitch). A result that we are committed to maintaining for the future.

The economic-financial performance becomes even more relevant if read in the light of the non-financial one, from an integrated perspective, confirming the centrality that sustainability has in the Group's strategy.

In fact, during 2023, the decarbonisation process continued with the reduction of Scope 1 and 2 (market-based) CO_2 emissions in line with the commitment to the Science Based Targets initiative. The further reduction of 9.5% was achieved, despite the increase in business volumes, mainly thanks to the progressive replacement of SF_6 gas with a gas with a lower environmental impact, to energy efficiency initiatives and to the increase in the share of energy from renewable sources purchased from the grid.

We have continued to work to promote a work environment that values gender diversity, a commitment demonstrated by the increase in both female managers and the hiring of women with STEM degrees compared to 2022.

Looking at innovation as the cornerstone of our strategy, we have invested in internal developments and external collaborations, including with customers, increasing R&D expenses by approximately 10% compared to 2022, with the aim of fuelling the product portfolio and improving competitiveness.

As evidence of how the digitalisation process is increasingly integrated into business and daily activities, we have strengthened our digital infrastructure, thus generating an increase in computing power and storage capacity per capita (+4.3% and +13.9% towards 2022).

Our actions with respect to environmental, social and good governance issues have been recognized by the assessments expressed by the ESG rating agencies which confirmed our role as a leader in sustainability in the sector also for 2023. Among the main recognitions obtained, the inclusion for the 14th consecutive year in the Dow Jones Sustainability Index and confirmed among the leaders in the fight against climate change by the international non-profit organization CDP (former Carbon Disclosure Project).

In 2023, we have made great strides in terms of strategy and positioning on the European and international scene. We began working with important players with the aim of forging international alliances and developing strong synergistic models, aware that no company can move forward alone in Europe. With this in mind, we have signed a Memorandum of Understanding with KNDS in the armaments sector and an agreement for the joint implementation of the Main Battle Tank (MBT) based on the LEOPARD 2 A8 for the Italian Army. At an international level, important progress has also been made in relation to the Global Combat Air Program (GCAP) with the signing of the government agreement between Italy, Japan and the United Kingdom.

What we achieved in 2023 confirmed the Group's growth trend and represents a solid foundation for the further development path outlined in the new 2024-2028 Industrial Plan. And Leonardo is therefore in the best conditions to face the next challenges and to operate as a key player in the global market with its innovative technologies and solutions, seizing the best opportunities even in a highly challenging and changing context.

The results achieved and those we aim to pursue cannot ignore the constant commitment of the management and all the Group's people, to whom we extend our thanks.

For the Board of Directors

The President   The CEO and General Manager

REPORT ON OPERATIONS AT 31 DECEMBER 2023

PART 1 – GROUP PROFILE, STRATEGY AND RESULTS

GROUP PROFILE

- ✓ **PROFILE**
- ✓ **BUSINESS MODEL**

Profile

Leonardo is a global industrial group that builds technological capabilities in Aerospace, Defence & Security. The company plays a prominent role in major international strategic programmes and is a trusted technological partner of governments, defence agencies, institutions and enterprises.

Revenues	New orders	EBITA	Backlog	R&D	Employees
€ 15.3 bil.	€ 17.9 bil.	€ 1.3 bil.	€ 39.5 bil.	€2.2 bil.	53,566

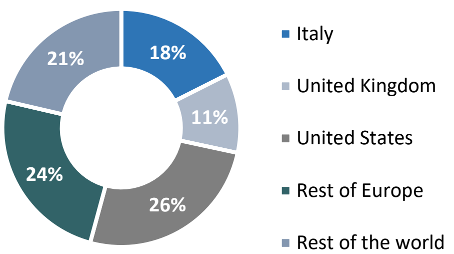
Leonardo operates in **150 countries** in the world offering **customised solutions** and innovative, value-added **after-sales support services** in order to be a trusted partner for its customers. It competes in the most important international markets by leveraging technology and product leadership in its business areas (Helicopters, Aircraft, Aerostructures, Electronics, Cyber Security and Space).

ESG Leadership

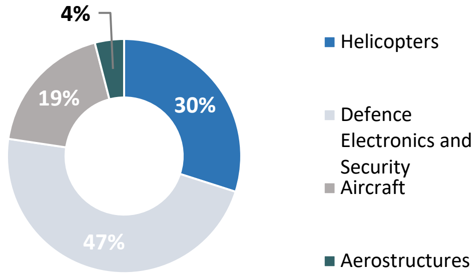
Sustainability Leader in the Dow Jones Sustainability Indices of S&P Global for 14 years, with the highest score in the Aerospace and Defence sector for the fifth year running[1]**.**	Among the companies included in the **MIB ESG INDEX** of the Italian Stock Exchange (Euronext), the first Italian blue-chip index dedicated to the 40 companies with the best ESG performance[2].	**Confirmed among the leaders** in the fight against climate change by **CDP** (no profit international organisation), among the best Aerospace & Defence companies.
Ranked in **A band** in the Defence Companies Index on Anti-Corruption and Corporate Transparency (DCI) of **Transparency International**.	Included in the **Bloomberg Gender-Equality Index 2023** for the third year[3].	Awarded "**Platinum medal**" by EcoVadis.

[1] Evaluation based on the data of the Corporate Sustainability Assessment (CSA), as of 8 December 2023.
[2] Review dated December 2023.
[3] 2024 GEI results are not yet available at the time of publication of this Report.

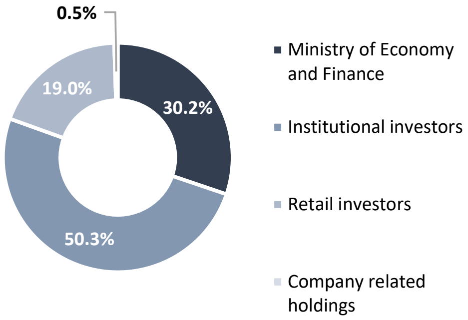
Revenues by geographic area



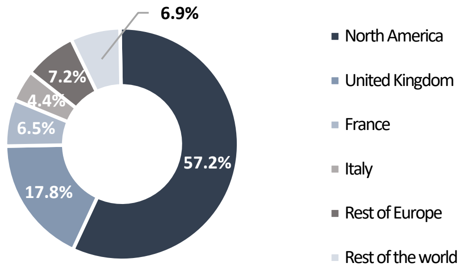
Revenues by sector



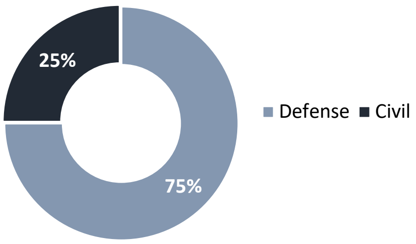
Shareholders



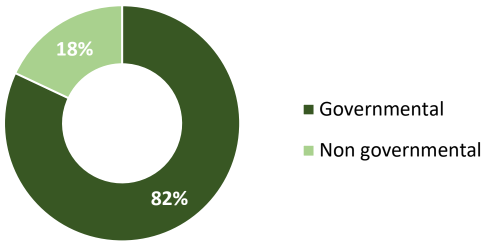
Institutional shareholders by geographical area



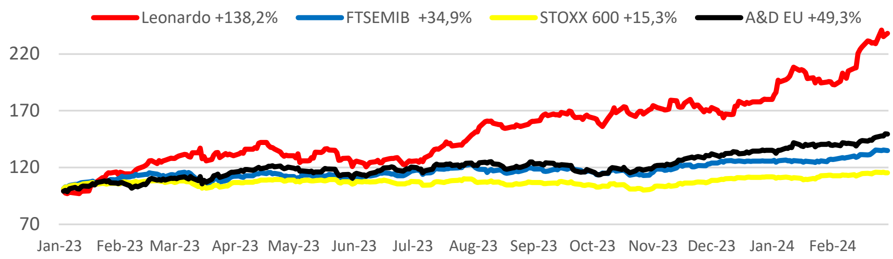
Defense / Civil turnover



Governmental / Non governmental turnover



Leonardo share price[4]



[4] Performance of the Leonardo stock from January 2023 to 29 February 2024 compared to the European sector index Bloomberg EMEA Aerospace & Defense (BEUAERO, A&D EU) and to the main Italian and European stock market indices: the index of the 40 main securities of the Milan Stock Exchange (FTSE -MIB) and the index representative of the 600 largest stocks in Europe (STOXX Europe 600).

Business sectors

Leonardo is organised into five business Sectors[5]. It also operates through subsidiaries, such as Leonardo DRS (Defence Electronics), joint ventures and investees.

SECTORS	RESULTS 2023 (€mil.) ORDERS	BACKLOG	REVENUES	EBITA	DIVISIONS *MAIN LEGAL ENTITY*	MAIN COUNTRIES
Helicopters	5,513	14,426	4,725	422	Helicopters Division > *Leonardo SpA* > *Leonardo UK Ltd* > *PZL-Swidnik SA* > *AgustaWestland Philadelphia* > *Kopter Group AG*	Italy United Kingdom Poland United States Switzerland
Electronics Defence & Security	9,717	16,844	7,483	852	Electronics Division > *Leonardo SpA* > *Leonardo UK Ltd* Leonardo DRS Cyber Security Division > *Leonardo SpA* > *Leonardo UK Ltd* MBDA (25%*) Elettronica SpA (31.33%) Hensoldt AG (22.8%)	Italy United Kingdom United States Germany Israel Canada France
Aircraft	2,395	7,972	2,938	419	Aircraft Division > *Leonardo SpA*	Italy
Aerostructures	644	1,095	636	(151)	Aerostructures Division > *Leonardo SpA* > *GIE ATR (50%*)*	Italy France
Space				16	Telespazio (67%*) Thales Alenia Space (33%*) Avio SpA (29.63%)	Italy France

(*) Joint Venture.
Other main subsidiaries and investee: Leonardo Global Solutions SpA, NHIndustries SAS., Orizzonte Sistemi Navali SpA.

[5] The Space sector is consolidated under the equity method and does not contribute to the Group revenues. Still, as starting from 1 January 2024 the consolidation of the Telespazio group will be carried out, in this Financial Report at 31 December 2023 a set of pro-forma indicators is provided.

Business Model

Research & Development

Innovation, technology and sustainability are the factors underlying Leonardo’s strategy which are integrated with each other and on which its competitiveness and future growth are founded. The company’s objective is to become a driver of innovation, through the creation of an ecosystem centred on the research for product development and on technological research.

€bil. 2.2 in R&D and product engineering

Collaborations with 90 universities and research centres in the world

Solutions and customer support

Leonardo business model aims at partnerships with customers offering customised products and solutions, as well as value-added and innovative post-sale support services: from the offer of integrated services to the ongoing update of hardware and software, whereby it ensures its customers a long-lasting performance, to training programs necessary to keep a direct contact with end-users and feed long-term strategic relationships. The business model is based on the capital that the company is committed to enhancing - people and skills, technologies and intellectual property, financial resources, industrial assets, relations and partnerships, energy and natural resources - to create long-term value.

More than 50,000 training hours through flight simulators

More than 13,000 pilots and operators of helicopters and aircraft trained

1st in the ProPilot’s ranking for quality of after-sales support and in the Product Support Survey’s ranking of AIN (Aviation International News)

2023 data

MAIN TRENDS

- Geopolitical tensions
- Big data, AI and security
- Digital, environmental and technological transition
- Reduction in strategic dependence
- Integrated sustainability and sustainable finance
- New skills and inclusion

CAPITALS

PEOPLE AND SKILLS

- **53,566** employees
- **13,000** people in R&D and engineering

FINANCIAL RESOURCES

- **€9.9 billion in purchase of goods and services**
- **€4.3 billion personnel cost**
- **€10.9 billion of net invested capital**

TECHNOLOGIES AND INTELLECTUAL PROPERTY

- **6.6** petaflop of computing power
- **31.9** petabyte of storage capacity
- **11** Leonardo Labs

INDUSTRIAL ASSETS

- **111** sites and main plants
- **€543** million investments in tangible assets

RELATIONS AND COLLABORATIONS

- **More than 90** Universities and research centres
- **12,000** suppliers

ENERGY AND NATURAL RESOURCES

- **85%** of electricity from renewable sources
- **49%** of waste recovered

BUSINESS MODEL

R&D

€2.2 billion in R&D

Operations

Investments on people and competencies
Energy and industrial efficiency
Sustainable supply chain

Solutions and customer support

27% of revenues from Customer Support, Service and Training

Business sector

	RoS	Backlog
	8.9%	37%
	11.4%	42%
	14.3%	20%
	(23.7%)	3%

The order backlog ensures a coverage in terms of equivalent production equal to about 2.6 years

Strategic vision: Leonardo's Industrial Plan 24-28

IMPACTS

People

- **6,118** new hires, **43%** hold a STEM degree, **49%** under 30 and **25%** women
- **1.3 million** hours of training delivered to employees
- **938** training opportunities including internship, apprenticeship, traineeship and school-to-work alternation programmes
- **13%** reduction in the injury rate compared to 2022

Planet

- **4.4%** intensity of scope 1 and 2 CO_{2e} emissions reduction (LB) (*)
- **9.5%** scope 1 and 2 CO_{2e} emissions reduction (MB)
- **2.3%** intensity of energy consumption reduction (*)
- **7.5%** of water withdrawals reduction
- **10.2%** of waste produced increase and **11.5%** of hazardous share reduction

(*) Calculated on revenues and vs 2022

Prosperity

- **55%** of sources of financing linked to ESG parameters
- **84%** of purchases related to domestic markets
- **32%** of investors are signatories to PRI(**)
- Solutions for security and progress in **150 countries**

(**) It is linked to share capital owned by Leonardo's institutional investors only

2023 data

STRATEGY AND OUTLOOK

- ✓ TREND AND VISION
- ✓ MATERIALITY ANALYSIS
- ✓ INDUSTRIAL PLAN
- ✓ SUSTAINABILITY PLAN
- ✓ 2024 GUIDANCE

Trend and vision

The markets in which Leonardo operates, both nationally and internationally, are characterised by highly complex ongoing transformation processes and an ever-increasing level of competition, which is exacerbated by the entry of new players coming from countries that either do not traditionally have an AD&S industry or for which the export of defence systems is gaining more importance as a tool of geopolitical and industrial strategy. These are countries with experiences and capabilities of different nature and maturity, but which are growing even in emerging technology segments, beginning to cover domestic demand and attacking, in some cases with increasing success, the international market: South Korea, Turkey, Iran and Israel can be cited as examples.

To these new players in the defence sector must be added players from “adjacent” civil and commercial sectors, which possess well-established expertise in innovative technologies, such as Artificial Intelligence (AI) and quantum technology, and which may gradually modify the traditional power relations and dynamics of the AD&S industry with effects on competitive pressure and, consequently, on prices and profit margins.

The geopolitical environment and the international economic system, already strained by the Covid-19 pandemic, has deteriorated further as a result of the Russia-Ukraine conflict and, albeit to a lesser extent, the more recent tensions in the Middle East region, resulting in increased supply chain criticality and macroeconomic impacts, from the scope of protectionist policies to a resurgence of inflation, albeit temporary for the time being. In addition, rising geopolitical and economic tensions in the Indo-Pacific region, as well as the deepening climate crisis, are likely to further disrupt the global scenario. These conditions confirm the profound and lasting change in the pre-existing balances, which started in 2020, leading to an epochal paradigm shift at a technological, cultural, social and economic level, the effects of which will still continue for a long time.

In this scenario, Leonardo pursues its objectives concerning the improvement in the competitive positioning on domestic and international markets, and the creation of long-term value through responsible business conduct, the ongoing monitoring and an effective management of risks and opportunities, the protection of business continuity, a growing integration of sustainability into its business and listening to and collaborating with stakeholders.

The processes and technological solutions developed by the Group are marked by a sustainable and inclusive development, in support of double transition, both digital and ecological, with the aim of safeguarding citizens, companies, institutions, territories and strategic infrastructures, which are increasingly exposed to the fragility of systems. However, the same solutions take on additional significance in the context of the political crises mentioned above, as they are dedicated to contributing significantly to the security and sustainability of the citizens and institutions in the states to which they are provided.

The main technological and market trends and Leonardo’s related position, which is dealt with in detail in the reference paragraphs, are reported below.

Main trends

Leonardo's position

Geopolitical tensions – The Russia-Ukraine conflict is a disruptive event, with both short- and long-term effects. Furthermore, the conflict that erupted in the Middle East in 2023, leading to increased friction in an increasingly critical area, is likely to further worsen the international scenario. To these must be added potential hotbeds in Africa and in the Indo-Pacific region. The most direct consequences of this situation are an increased focus on security and defence issues in the political debate and the clear and stated willingness to increase the defence budgets of major countries (primarily NATO/European countries) compared to the past.

- In 2022 the world military spending reached USDbil. 2,240, up by 7% compared to 2021[6].
- In 2022 there were at least 56 active armed conflicts (5 more than in 2021) and 64 multilateral peace operations (1 more compared to the previous year)[7].
- In 2023 the areas of friction in the immediate vicinity of Europe – in addition to the ongoing high-intensity war in Europe with the Russian-Ukrainian war - were mainly related to regional crises in the Enlarged Mediterranean area, primarily in the Middle East area (Israel, Syria, Iran and Yemen, in addition to lingering tensions in North Africa) with new sparks in Nagorno-Karabakh. The Indo-Pacific region became the scenario of greatest attention by the U.S. and other Allies in the region.

> *Segment results and outlook*
> *Respect for human rights*
> *Customer intimacy, quality and safety*

Big data, AI and security – The scenario on the business side is increasingly characterised by the opportunity and need to extract value from data, which has long since been called "The New Oil." On the other hand, in the context of international conflicts and frictions that is also "hybrid" in nature, there is strong interest on the side of security for citizens and institutions in countering disinformation and misinformation, which requires an integrated approach from the technological, political and social perspectives. Big data management technologies and the explosion from 2023 of content production through generative artificial intelligence (GenAI) techniques will be increasingly important in managing opportunities and risks, flows and sensitive information. This very area is the object of intense activity at the European level, with regulations that are coming to maturity and will begin to generate impacts in the coming years, such as, for example, the Data Act, the AI Act, and the Cyber Resilience Act, but also with development initiatives related to, for example, secure satellite communications, the European HPC network, and increased cooperation on the cybersecurity front.

- Sources estimate there will be 40 billion Internet of Things (IoT) devices connected to the Internet and USDbil. 800 in investments worldwide, which will exceed USDbil. 1,000 by 2026[8].
- The size of the IoT security market is expected to grow from USDbil. 19.6 in 2023 to USD.bil 92.4 by 2030[9], confirming the universally recognized need to increase the security of new data generation and processing technologies.
- Although initial estimates of the use of GenAI techniques in 2023 are biased[10], an initial structured research by McKinsey[11] shows a clear trend of adoption and identification of focus areas to be monitored and mitigated to enable productive use, which can lead, in some cases, to reduced process times in the order of 50%.

> *Innovation*
> *Cybersecurity and data protection*

[6] Source: Jane's Defence Budgets worldwide.
[7] Source: Sipri, Yearbook 2023.
[8] Source: International Data Corporation.
[9] Source: 360 Research Reports Insights.
[10] According to various research reports, about 50% of Internet users have heard of it, about 25% have tried it, and less than 10% use it. About 70% of Generation Z is already an occasional user.
[11] Source: McKinsey, What's the future of generative AI?, 2023.

Digital and environmental transition – The economic recovery is still driven, not only in Europe, by digital and ecological transitions, accelerated by urgency and extraordinary programmes (such as the European Recovery and Resilience Facility, which translates in Italy into the National Recovery and Resilience Plan - NRRP), with the aim of being the engine of a new technological development. The European quest for technological sovereignty to be understood as an effective and equitable collaboration with allied industries and countries, for supply chain security and optimisation of investments in disruptive technology, may entail positive implications for the AD&S sector, and more so in the defence sector. Even before the Ukraine crisis, the issue was in fact at the centre of the debate in the AD&S industry to support the renewed strategic ambition of Europe and its member states, including at international level.

> Industrial Plan
> Sustainability Plan
> Decarbonisation path
> Innovation

- To achieve Net Zero Transition, investments estimated at about USDbil. 275,000 will be required globally over the period from 2021 to 2050, equal to an average of USDbil. 9,200 per year[12].
- Air transport is essential for economic and social development, ensuring global connections. With the Destination 2050 initiative, the five major European aviation associations committed to achieve "net zero CO_2 emissions" in the European civil aviation sector within 2050[13]; a similar commitment was undertaken first by the International Air Transport Association (IATA) and then by the International Civil Aviation Organization (ICAO) in October 2022, thus aligning the goals of industry and national governments.
- Digitalisation now accounts for an extremely large share of the value generated by the economy: the World Bank[14] estimates that digital economy already accounts for 15% of global GDP, and the World Economic Forum estimates that 70% of new value created over the next 10 years will be based on products, services and solutions made possible by digitalisation[15].

Reducing strategic dependencies – Geopolitical instability and the Russian-Ukrainian conflict have led, among indirect effects, to shocks with regard to the procurement of energy resources and various raw materials for the precision engineering and electronics industry. The same issues have also emphasised the need to proceed with increasing autonomous production capabilities in the defence sector. This has highlighted even more prominently the importance of the concept of strategic independence, which already emerged during the pandemic crisis with the disruption of global supply chains. Technologies that, along with process innovation, have continued to be the drivers of institutional, business and individual resilience, are also being characterized as one of the tools of geopolitics, offering new strategic significance to investments in frontier technology and a key role for companies in hi-tech sectors.

> Supply chain value
> Business continuity

- In the automotive market, lower demand for high-volume (about 3,000 chips per vehicle), low-value-added automotive components has resulted in manufacturers losing priority to the growing demand for chips for higher value-added solutions (smartphones and computers)[16].
- The importance of establishing a footprint in the business segment of semiconductor supply chain is further reaffirmed by the investment plans of the European Union (Chips Act), which came into force in 2023, and the U.S. (Chips & Science Act) and, even more so, by the export control project put in place by the U.S. to limit Chinese access to the most advanced semiconductors.
- In 2023 the European Union launched initiatives and allocated funds, for the first time, to boost joint procurement of defence solutions and equipment[17], although it has not yet significantly increased its investment, and has

[12] Source: "The net-zero transition. What it would cost, what it could bring" – McKinsey.
[13] Source: Destination 2050 website. For more details on the initiative, please also see the paragraph on Planet.
[14] Source: World Economic Forum 2022, Why digital trust is key to building thriving economies.
[15] Source: World Economic Forum website, "Discover the digital economy" section.
[16] Source: IHS markit, New York Times.
[17] European Defence Industry Reinforcement through common Procurement Act (EDIRPA), Act in Support of Ammunition Production (ASAP).

commenced work on the development of an industrial strategy dedicated to the defence sector and to its industrial base.

Integrated sustainability and sustainable finance - Sustainability is increasingly being used as a reference framework to assess how a company manages the risks and opportunities created by changing market and context conditions. These changes can affect natural, social and economic systems, altering the system in which a company operates. Sustainability is about the ability to create and sustain long-term value in a rapidly evolving marketplace and manage the risks and opportunities associated with these changes. The growing integration of ESG factors into business strategies and processes also involves the AD&S sector, which must be recognised as a key sector for sustainability from an environmental and social perspective. Indeed, work continues on the process of gaining awareness of and commitment to sustainability issues, with respect to which companies in the sector and financial institutions are being called upon to direct their strategies. The integration of the ESG criteria into the investment decisions is a fundamental step to create a sustainable strategy.

- Based on the Green Deal and its related Net Zero strategy, the European Commission has begun to build a new regulatory framework that aims to bring the European industrial structure to integrate sustainability and finance. The European legislation proposed and approved in recent years goes in this direction (for example, EU Taxonomy, Corporate Sustainability Reporting Directive, Corporate Sustainability Due Diligence Directive), leading entities towards full integration of sustainability into strategy and management decisions on the part of European companies.
- In a "joint statement"[18] published in November 2023, the European Defence Agency (EDA) reiterated the need to facilitate access to public and private finance, both by avoiding discrimination against Defence investments by investors and by giving proper consideration to the sector's role played in favour of the society within sustainable finance policies, regulations and reporting requirements at the European level. The EDA has also urged greater coordination between national and European institutions on ESG issues in order to mitigate adverse effects and define alternative ways to make defence investments more attractive to investors.
- As of 2023 the investors that are signatories of the Principles of Responsible Investment supported by the United Nations were 5,500 and managed assets under management for more than USDbil. 131,000 according to the ESG criteria [19].

> *Sustainability plan*

> *Financial planning and investment management*

> *Profile*

> *Information on EU Taxonomy for sustainable activities*

New skills and inclusion – The implementation and management of ecological and digital transition requires widespread development of new skills, scientific and digital above all, on which the competitiveness of businesses depends. A recent McKinsey research on the health and trajectory of the AD&S[20] labour market faces new challenges, including increasing competition for talent and a gradual transition from a "gray" to a "green" workforce. Indeed, while there is a strong wave of retirements, the sector is faced with attracting young talent with very different preferences from its precursors, including a greater propensity to change jobs and aspire to more lucrative opportunities. The reskilling of workforce – more flexible working conditions and the promotion of gender equality are among the main levers on which to act in the AD&S sector.

- McKinsey predicts that demand for physical and manual skills in repeatable tasks, such as those on assembly lines, will decline by nearly 30%, demand for basic math skills will decline by nearly 20% while demand for technological skills, such as code development, will increase by more than 50%. In Europe and the United States, demand for physical and manual skills in repeatable tasks is expected to decline by 30% over the next decade, according to McKinsey, while demand for technological skills such as programming is expected to grow by more than 50%.

> *Sustainability plan*

> *Employment protection, people wellbeing and engagement*

> *Employer branding and talent attraction*

> *Innovation*

> *Value for communities and territories*

[18] For more details, please see the joint statement on “Strengthening the EDTIB’s access to finance and its ability to contribute to peace, stability, and sustainability in Europe”, which was published by EDA on 14 November 2023 and is available at the following link.

[19] Source: PRI website.

[20] Source: Europe’s gray-to-green workforce transition in aerospace and defense.

- Goldman Sachs[21] predicts that 300 million jobs will be lost or varied due to the adoption of artificial intelligence techniques within business processes.
- 4 million jobs related to cybersecurity remain unfilled globally[22]. In addition, more than 30% of business leaders surveyed in a World Economic Forum study either do not have or are not confident that they have the necessary skills to achieve cybersecurity goals within their organisation[23].

[21] Source: The Potentially Large Effects of Artificial Intelligence on Economic Growth, Briggs/Kodnani | Goldman Sachs, March 23, 2023.
[22] Source: study from the International Information System Security Certification Consortium (ISC2).
[23] Source: Global Cybersecurity Outlook 2024.

Materiality Analysis

Listening to the Group's most relevant stakeholders, both internal and external, is key to Leonardo’s strategy and business development. The materiality analysis aims precisely to establish Leonardo’s priority issues while integrating the perspectives of major stakeholder groups with management's vision. The analysis supports and guides the design of strategic objectives, the definition of the Sustainability Plan and the preparation of the Integrated Annual Report. Under strong impetus from changes in the regulatory framework and market trends, the process has focused on identifying the main impacts generated by the Group, throughout the value chain, with respect to economy, environment and society, including human rights. This approach incorporates the main requirements of the GRI Universal Standards. The materiality analysis process directly involved more than 500 external and internal stakeholders, representing 13 categories of stakeholders that are relevant to the Group, as well as to its management and the Board of Directors, in order to capture all the main instances of the ecosystem in which Leonardo operates. The process was carried out in 3 stages: the analysis and understanding of the regulatory framework, the identification of impacts and the assessment of their significance, which was also carried out by involving internal and external stakeholders. The results of the analysis led to the definition of the following 15 material issues for the Group.

List of material topics

PILLAR	TOPICS
Governance	Business integrity, compliance and anti-corruption
	Protection of human rights[24]
People	Diversity, equity and inclusion
	Health and safety
	Skill development, talent attraction and wellbeing of employees
Planet	Climate change, adaptation/mitigation
	Natural resources and biodiversity management
	Environmental impact of the use of materials and circularity
Prosperity	Sustainable supply chain
	Cybersecurity and data protection[25]
	Solutions’ quality, security and performance
	Relations with local areas and communities
	R&D, innovation and advanced technologies [26]
	Citizens’ security
	Digital transformation[27]

[24] This topic is also covered in the pillar People.
[25] This topic is also covered in the pillar Governance.
[26] This topic is also covered in the pillar Planet.
[22] This topic is also covered in the pillars People and Planet.

The results that have been obtained show a correlation between the impacts regarded as priorities and the core business activities of Leonardo and reflect the present security scenario and its connection with sustainability, the emerging applications of technology to combating climate change, the key role of cyber solutions, the technology and innovation environment, and the growing centrality of social impacts. The main differences from 2022 include the identification of a topic dedicated to the protection of human rights and the elimination of topics related to tools and ways of conducting business, prerequisites of Leonardo's value creation process and foundational elements of the Group and for this reason not included in the enhanced impact perspective in 2023.

Industrial Plan

As already described in the "Trend and vision" paragraph, the AD&S sector is undergoing a deep transformation with increasingly challenging competitive scenario in terms of industrial structures and technological disruption. Notably, in a context that continues to experience epochal changes, with a significant increase in conflicts and global crises, Countries are confronted with three major challenges with radical impacts on the Defence sector:

1. **More and more bullets and an avalanche of bytes** - Warfare is changing, exploiting a combination of traditional and new systems and digital technologies, satellite applications, and drones capable of neutralizing targets valued many orders of magnitude higher;

2. **From conventional Defence to the broader concept of "global security"** - Globalization as an element of fragility, regional wars bringing massive repercussions on global security (energy, food, cyber, and infrastructure security) exacerbating the need for global awareness based on secure data orchestration.

3. **Security as a continental problem rather than national** - No single European Country can make it on its own and the fragmented expenditure on Defence makes Europe even weaker. The pace of tech advancement and sudden shifts in the global geopolitical balance call for increased and optimized investments and standardization / synergy.

On this basis, Leonardo's ambition and positioning are ready to evolve, adapting the strategic vision to ongoing global changes. Over the Industrial Plan horizon, Leonardo aims to transform itself leaning towards a two-fold strategic posture:

- Strengthening the core business by sharpening strategic selectivity, via business/product portfolio optimization and a renewed approach to innovation driven by focused R&I and massive digitalization, meanwhile candidating as a catalyst for European Defence consolidation, steering international alliances;
- Paving the way to the future by investing in emerging markets, such as cyber and space domains and by focalizing its portfolio of solutions towards a more efficient capital allocation.

This new posture will drive Leonardo in its transformation, with the aim of being:

Electronics - Global player with European leadership and catalyst for European cooperation, leveraging GCAP spillovers, alliances/JV (land and naval Defense systems), and a rationalized portfolio, with a distinctive US presence

- **Helicopters** - Global civil leader and military key player, upgrading the portfolio, pioneering new technologies, and exploring strategic partnerships;
- **Aircraft -** Leading Player in cooperative programs (next generation combat aircraft and UAV), with evolved proprietary products and boosted training services;
- **Aerostructures** - Profitable supplier thanks to operational excellence and market recovery, further scaling up via diversification and strategic partnerships;
- **Cyber Security** - European key player in cyber security, Secure Digital Platforms and Mission Critical Communications, with a technology-based value proposition, focused on Defense, Space and National Strategic Organizations;
- **Space** - European leader on high-value segments, leveraging Group-wide and space alliance capabilities, with an active role on a potential European consolidation.

To deliver on this vision, Leonardo is setting its path on three horizons to boost inertial baseline, mapping an arsenal of initiatives to achieve the full potential of the plan:

- guaranteeing an organic revenue growth and innovation potential with focused R&D and technological efforts, a massive digitization of solutions and operations, and a stronger emphasis on client-centricity and service excellence;
- boosting a company-wide efficiency through product and business rationalization/focalization, while optimizing engineering and manufacturing and reducing group-wide procurement and Corporate costs;
- complementing growth with inorganic initiatives / M&A, steering international alliances to achieve technological relevance in emerging techs and markets.

Objectives and Sustainability Plan

PILLAR	OBJECTIVES	PROGRESS	TARGET YEAR	SDG/*Material topics*
Governance	Annual renewal/maintenance of the ISO 37001:2016 "Anti-Bribery Management System" certification	Objective achieved	2023	*Business integrity, compliance and anti-corruption* *Protection of human rights*
		New Objective	2024-2026 (renewal and maintenance)	
People	Women equal to at least 32% of total new hires	On track	2025	*Diversity, equity and inclusion* *Health and safety* *Skill development, talent attraction and employee well-being*
	Women equal to 30% of total new hires in STEM areas	On track	2025	
	20% female representation at management levels	On track	2025	
	Women equal to 20% of total employees	On track	2025	
	27% of women in succession plans	On track	2025	
Planet	10% reduction in consumption of electricity withdrawn from external grid[I]	On track	2025	*Climate change, adaptation/ mitigation* *Natural resources and biodiversity management* *Environmental impact of the use of materials and circularity*
	50% reduction in Scope 1 + Scope 2 emissions (market based)[II]	On track	2030	
	25% reduction in water withdrawals[III]	On track	2030	
	15% reduction in the amount of waste produced[III]	On track	2030	
Prosperity	Implementing supply chain development programmes and medium/long-term partnerships, focused on SMEs, to improve business sustainability	Objective achieved	2023	*Sustainable supply chain* *Cyber security and data protection* *Solutions' quality, security and performance* *Relations with local areas and communities* *R&D, innovation and advanced technology* *Citizen security* *Digital transformation*
	Raising awareness of/delivering training on SDGs and supporting tools for reporting to more than 80% of key suppliers (over 500 suppliers)	Objective achieved	2023	
	100% of LEAP partners with set targets and plans on green energy, CO_2 emission reduction, waste recycling, water consumption	Objective achieved	2023	
	Training In sustainable supply chain issues to at least 500 key suppliers	New Objective	2027	
	Inclusion of ESG criteria/requirements in more than 70% of major new tenders awarded[iv]	New Objective	2028	
	Increasing computing power by 40% per capita[V]	On track	2025	
	Increasing storage capacity by 40% per capita[V]	On track	2025	

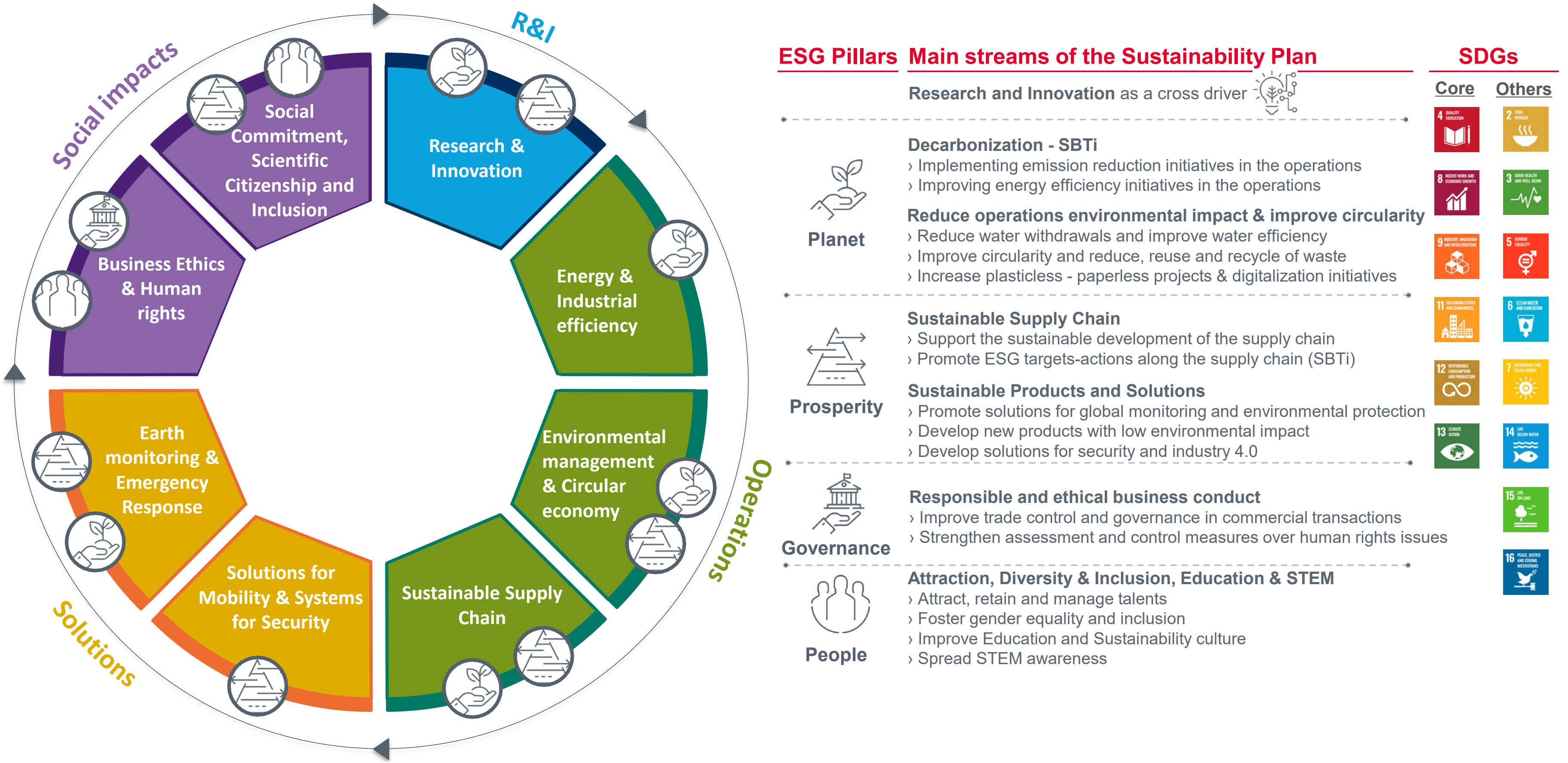
[I] Calculated as a ratio to revenues. 2019 year baseline.
[II] Reduction in absolute value. 2020 year baseline.
[III] Reduction in absolute value. 2019 year baseline.
[IV] Calculated on tenders valued > 1 M€ managed through Leonardo portal, does not include DRS, the Electronics Division of Leonardo UK and local purchases on the part of foreign subsidiaries.
[V] Calculated as the number of flops (Floating Point Operations Per Second) and bytes in relation to employees in Italy. 2020 year baseline.

Objective achieved   On track   New Objective

Guided by the Sustainable Development Goals (SDGs) of the United Nations 2030 Agenda and by the integration of environmental, social and governance (ESG) dimensions into business, the sustainability goals defined by Leonardo – covering the fields of Governance, People, Planet, Prosperity with specific targets and related monitoring KPIs for each area – underpin long-term growth and demonstrate the Company's commitment to its stakeholders with regards to ESG issues. During 2023, work continued on its path to decarbonisation by submitting its direct and indirect CO2 emission reduction targets to the Science Based Targets initiative, in line with the commitment made in 2022. The achievement of the goals to 2023 in the Prosperity and Governance areas, related to the certification of anti-corruption management processes and sustainable supply chain training and development, under the programmes of dialogue and collaboration with the main suppliers carried out for years by the Group, pushed Leonardo to set new and more ambitious goals on training for key suppliers on sustainability issues, integration of ESG requirements in the selection criteria of suppliers, certification of anti-corruption management processes and employee training on trade compliance and human rights.

The Sustainability Plan

The first Sustainability Plan was defined in 2021, with the aim of translating the Group's sustainability vision and objectives into projects and initiatives that can be measured in the short, medium and long-term, through a structured model guided by a data-driven approach measuring its performance through specific ESG KPIs monitored also to achieve Sustainability Goals. The Plan is subject to an annual review and update process to better target the strategy. With 2023, work was completed on the update cycle of the three-year plan, which enabled the group to achieve important results across the entire value chain. The Plan was, in fact, updated in 2023, in line with the guidelines provided in the 2022 materiality analysis counting 110 projects distributed on the eight clusters across the entire value chain and classified in two main types: 55 “tactical” projects, which look at short- to medium-term benefits and contribute to the achievement of the Group's Sustainability Goals, and other 55 “transformative” projects, which will produce medium- to long-term impacts. The robustness, consistency and coherence of ESG data are ensured by a bottom-up collection and verification process. Both progress data on single projects and economic data are collected and analyzed to verify the performance of the activity and to direct actions and resources towards the achievement of the objectives communicated to stakeholders. The new strategic positioning of the Group sees Leonardo increasingly involved in the energy and digital transition by developing products and solutions that ensure the security and safety of communities, institutions and infrastructure. This commitment is reflected in the new Sustainability Plan 2024-2028, approved by Top Management in the first months of 2024. It is aligned with the strategic vision of the Group's Industrial Plan, gathering, according to a shared framework, projects with the greatest impact across the entire value chain and a focus on specific priorities such as eco-design and digital twin, decarbonization, environmental footprint management, circularity and LCA, sustainable supply chain, sustainable products and solutions and social impact.



The Plan focuses on six core SDGs: development of competencies (SDG 4), creation of decent work and growth of partners (SDG 8), support to innovation and digital transformation (SDG 9), development of solutions for the security of people, infrastructures and territories (SDG 11) and climate action (SDG 13), adding sustainable production models (SDG 12) to its business activity. The Plan also has significant impact on additional SDGs: the reduction of food waste (SDG 2), the development of solutions to combat health emergencies and promote well-being initiatives for people (SDG 3), the promotion of a culture that fosters gender equality (SDG 5), water resource optimization (SDG 6), energy efficiency and the higher use of renewable sources (SDG7), the mitigation of environmental impact on the seas and in support of biodiversity (SDGs 14, 15), the continuous strengthening of the responsible business model and the protection of human rights (SDG 16). The following is a summary of the progress of the Sustainability Plan, on each of the pillars.

Pillar	Progress of the Plan
Governance	The Governance and People pillars are associated with initiatives aimed at strengthening business integrity and respect for human rights and those related to social engagement, promoting scientific citizenship and inclusion: > **Business integrity and human rights** – It Includes some of the initiatives that underpin the responsible business model. Among them are trade compliance guidelines that have been integrated with the Human Rights Impact Assessment tool, which aims to assess the main risk factors of human rights violations in Sensitive Countries and along the value chain.
People	> **Social engagement, scientific citizenship and inclusion** – It encapsulates initiatives to spread a culture of sustainability, stimulate engagement, promote STEM disciplines, and foster diversity and inclusion (DE&I). In 2023, particular attention was given to strengthening recruitment and skills management, and to several sustainability training initiatives aimed at all employees and the management. Several projects involved the active involvement of employees, such as, for example, the SustainAble gamification platform, the promotion of scientific culture among new generations and in support of the educational system that was enhanced through role modeling, the free educational platform STEM Lab and collaboration with the association Il Cielo Itinerante - with STEM workshops for young people in disadvantaged areas -, confirming the Group's commitment to the new generations, the community and the local areas in which it operates. Finally, the culture of diversity, equity and inclusion was further strengthened in 2023 with the publication of the relevant policy, the appointment of the DE&I Manager and the commencement of work on the path to gender certification.
Planet	The Planet pillar is impacted by the Sustainability Plan's along all the value chain: > **Research and development** – The R&D cluster, which is an integral part of the Group's technology and innovation DNA, contains most of the transformative initiatives linked to long-term goals, which also serve as a cross-cutting driver for other clusters of the Plan: from reducing environmental impact of operations to the study into new products and solutions with lower carbon footprint. These include projects in line with the commitment to SBTi, such as the Next Generation Tiltrotor, virtual training technologies, and the use of Sustainable Aviation Fuels, as well as the development of new materials and technologies for recycling of carbon resins, which are key elements in the transition to a circular business model. > **Energy and Industrial Efficiency** – It encompasses all tactical projects aimed at streamlining operations, improving industrial performance, decarbonising production activities, and reducing energy consumption, in line with the commitment to SBTi. The year 2023 saw the implementation of major energy efficiency and saving projects, such as the LED full potential programme, the self-production programme, and the replacement of gas SF_6 in the helicopter production cycle. > **Environmental management and circular economy** – It contains tactical initiatives aimed at minimising environmental impacts and fostering the transition to a circular economy model. Among the major projects are recycling of carbon fiber composite materials and of WEEE (Waste from Electrical and Electronic Equipment), as well as initiatives aimed at decreasing water withdrawals and waste. The Smart Water project plays a key role, which, when fully implemented, will make it possible to reduce water withdrawals, particularly at sites located in water-stressed areas.
Prosperity	The Prosperity pillar is associated with numerous initiatives that mainly concern the development of a sustainable supply chain and the Group's services and solutions that enable sustainability and safety of communities, infrastructures and of the environment: > **Sustainable Supply Chain** – It encapsulates the Plan's projects involving Leonardo's suppliers - mostly SMEs - in initiatives focused on digital transformation, cyber security, and social and environmental responsibility. During 2023 specific training initiatives were conducted to improve suppliers' awareness of ESG issues and related sustainability performance, even with a view to decarbonisation, in line with the Science Based Targets. > **Earth observation and Emergency management** – It contains projects that can monitor the condition of the planet and improve the lives of citizens. These include satellite monitoring for precision agriculture and that of infrastructure, Space Situational Awareness, for the study into security and sustainability of space, monitoring for climate change, and the development of digital platforms for coordinating interventions in emergency and disaster situations. > **Mobility solutions and safety systems** – It includes cutting-edge technologies to enable sustainable and safe mobility. These include smart mobility solutions, which, through the use of technology such as 5G and Machine Learning algorithms, enable improved efficiency in public transport, such as in the case of the “Genova 4 assi” project.

Guidance 2024

The expected 2024 performance confirms the sustainable growth path accompanied by increasing profitability and cash flow generation, in a context characterized by high demand for defense and security.

The actions that have been promptly implemented by the Group allow the mitigation of effects generated by inflationary pressures due to the Russia-Ukraine conflict.

Based on the current assessment of the effects deriving from the geopolitical situation on supply chain, inflation and global economy, and assuming no additional major deterioration, Leonardo expects to deliver in 2024:

- Progressive growth in **new orders of ca. € 19.5 billion**, driven mainly by Defence Electronics & Security and by the continuing recovery of the Aeronautics sector, confirming a strong positioning of the Group's products and solutions and presence in key markets;
- **Revenues of ca. € 16.8 billion**, up compared to 2023, thanks to the contribution of new orders and the development of portfolio activities, delivering off a backlog at a record value of ca. € 40 billion;
- **Increasing profitability, with EBITA of ca. € 1,440 million,** driven by growth in volumes and confirmed solid industrial profitability of the main business areas. The estimated improvement in profit also reflects the progressive recovery of the Aerostructures business, and is notwithstanding the difficulties in the manufacturing segment of satellites for commercial telecommunications through its subsidiary TAS;
- **FOCF of ca. € 770 million,** with the defence/governmental business delivering solid cash generation, while Aerostructures continues to absorb slightly less cash than 2023;
- **Group Net Debt of ca. € 2.0 billion** driven by cash flow generation and assuming the increased dividend payment from € 0.14 to € 0.28 per share, new leasing contracts, strategic investments, and other minor transactions.

Below is the summary table:

	FY 2023 (Proforma) (1)	*2024 Guidance*(2)
New Orders (€bn)	18.7	ca. 19.5
Revenues (€bn)	16.0	ca. 16.8
EBITA (€mln)	1,326	ca. 1,440
FOCF (€mln)	652	ca. 770
Group Net Debt (€bn)	2.3	ca. 2.0

Exchange rate assumptions: €/USD= 1.15 and €/GBP= 0.89

(1) *The values shown for the year 2023 enhance the full consolidation of Telespazio which will be operational from 2024*

(2) *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*

GROUP RESULTS AND FINANCIAL POSITION

- ✓ 2023 PERFORMANCE AND FINANCIAL RESULTS
- ✓ ESG PERFORMANCE INDICATORS

2023 Performance and financial results

The financial results for 2023 confirm the excellent performance of the Group, with a particularly positive trend in cash-flow generation in the period.

As described in more detail below, pro-forma KPIs are provided in addition to the ordinary KPIs to reflect the upcoming consolidation of the Telespazio group.

New orders showed steady, structural growth, nearing the threshold of €bil. 18 (€bil. 18.7 of the pro-forma figure), with a particularly positive performance in the European component of the Defence Electronics & Security business. The sustainability of commercial growth is even more pronounced considering that New orders in 2022 included the order from the Polish Ministry of Defence for the AW149 helicopters.

Revenues showed an increase of 3.9% (4.1% compared to the pro-forma figure), thanks also to the remarkable recovery of the Aerostructures (+34%) and the performance of Defence Electronics & Security and of Helicopters. The growth of revenues is accompanied by an increase in EBITA of 5.8% (6.1% compared to the pro-forma figure).

The EBITA continued to be driven by Defence Electronics & Security, with a particular contribution from the European component, and by the recovery of Aerostructures, bringing ROS to 8.4 %.

Worth noting is the remarkable financial performance, with the free operating cash flows (FOCF) showing an increase of 18% compared with the figure recorded in 2022, which demonstrates the Group's ability to keep on the path to strengthen cash generation it has embarked on.

The Group net debt continued to decrease, with an improvement of 23% from 2022, standing at €bil. 2.3; the significant cash-flow generation and the proceeds from the sale of the minority stake in DRS allowed the Group to continue the process of reducing its indebtedness.

Key Performance Indicators (KPI)

The KPIs for the period and the main changes in the Group's performance are shown below (for the definition of ratios, reference should be made to the paragraph on "Non-GAAP Alternative Performance Indicators"). Insights into the Business sectors performance are dealt with in the specific section dedicated to the trend in each of them.

Pro-forma data are also provided in relation to some Key Performance Indicators which translate in numbers the notional effect of the line-by-line consolidation of Telespazio. The aim is to already provide an indicator which is representative of the KPIs that will be presented from 2024[28]:

				Proforma		
	2022	2023	Change	2022	2023	Change
New orders	17,266	17,926	3.8%	18,041	18,668	3.5%
Order backlog	37,506	39,529	5.4%			
Revenues	14,713	15,291	3.9%	15,354	15,982	4.1%
EBITDA	1,763	1,883	6.8%			
EBITA	1,218	1,289	5.8%	1,250	1,326	6.1%
ROS	*8.3%*	*8.4%*	*0.1 p.p.*	*8.1%*	*8.3%*	*0.2 p.p.*
EBIT	961	1,085	12.9%			
EBIT Margin	*6.5%*	*7.1%*	*0.6 p.p.*			
Net result before extraordinary transactions	697	742	6.5%			
Net result	932	695	(25.4%)			
Group Net Debt	3,016	2,323	(23.0%)	2,991	2,322	(22.4%)
FOCF	539	635	17.8%	559	652	16.6%
ROI	*12.0%*	*11.9%*	*(0.1) p.p.*			

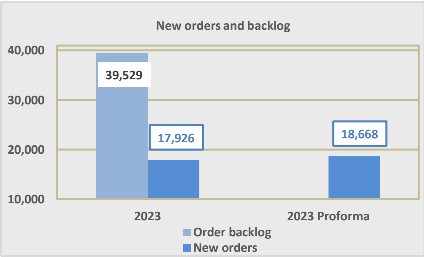
For the definition of indices, reference should be made to the paragraph on "NON-GAAP Alternative Performance Indicators".

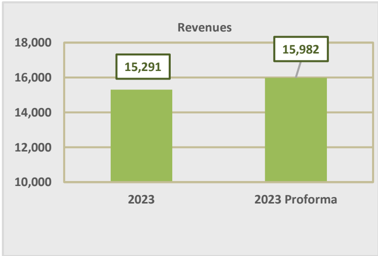
The Group data do not include the contribution given by the Joint Ventures (JVs) and associates invested in by the Group (mainly including GIE-ATR in the Aerostructures sector, MBDA and Hensoldt in the Defence Electronics & Security sector and JVs in the Space sector). The Group's business conducted through the JVs and associates and their strategic and financial importance remain unchanged, while for reporting purposes the contribution given by the aforesaid companies is only reflected at the level of profitability ratios (EBITA, EBIT and Net Result) as a result of the valuation at equity and, from a financial point of view, limited to the dividends collected. In 2023 the Group strategic JVs and associates recorded total revenues of €bil. 3.3 (€bil. 3.0 in 2022) as concerns Leonardo's share: as a result, the Group's aggregate pro-forma revenues would come to about €bil. 18.6 (€bil. 17.7 in 2022).

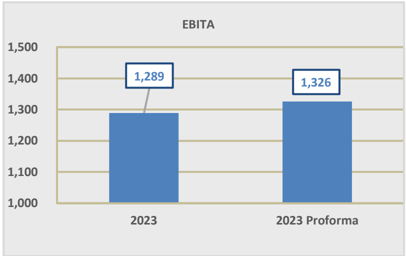
[28] As described below, following the amendment made to the shareholders' agreements between Leonardo and Thales, the Telespazio group will be consolidated on a line-by-line basis starting from 1st January 2024. Until the present financial statements Telespazio was valued on the equity method being qualified as a jointly controlled entity. On that basis, the data pro-forma 2022 and 2023 were presented simulating the line-by-line consolidation of the Telespazio group.

Commercial and business performance

The graphs below show the main business and economic ratios, including with regard to proforma data:







New orders came to €bil. 17.9 (€bil. 18.7 of the pro-forma figure), showing a growth from 2022 (+3.8%, +3.5% compared to pro-forma data), thanks to the major contribution given by Defence Electronics & Security, in all business areas of its European component. The increase in the year represents an important sign of consolidation for the Group considering that the comparative figure included the important acquisition of the order for AW149 helicopters from the Polish Ministry of Defense (€bil. 1.4).

The trend in New orders clearly highlights the effectiveness of the Leonardo Group's commercial offer thanks to a diversified offering, widespread geographic distribution of its sales organization and the competitiveness of the Group. Quality of products and integrated solutions that meet the complex operational requirements imposed by the customers, and innovation are the Group's sound distinguishing features that have made it possible to strengthen and expand the Group's market presence, which, despite the lack of major individual orders, allow for the growth of the portfolio of future businesses.

The aforesaid level of new orders corresponds to a book-to-bill (ratio of New Orders to Revenues for the period) equal to about 1.2. The **Order Backlog** ensures a coverage in terms of equivalent production equal to 2.6 years (2.5 years in 2022), nearing the threshold of €bil. 40 thanks to the success of the commercial campaigns begun in the last years.

Revenues (€bil. 15.3, €bil. 16 of the pro-forma figure) were increasing compared to 2022 (+3.9%, +4.1% against pro-forma data) in almost all business areas, including Aerostructures, which benefitted from the resumption of deliveries of B-787. Particularly significant is the contribution from the European component of Defence Electronics & Security.

EBITA (€mil. 1,289, €mil. 1,326 of the pro-forma figure) reflects the solid performance of the Group businesses and showed a growth on 2022 (+5.8%, +6.1% compared to pro-forma data) thanks to the major contribution from the European component of Defence Electronics & Security and the lower loss in Aerostructures, in line with the plan to revive the business and thereby confirming the gradual recovery in civil aeronautics.

EBIT, amounting to €mil. 1,085 benefitted, compared to 2022 (€mil. 961), from the improvement of EBITA, as well as from the lower incidence of the restructuring costs due to the ongoing early retirement plans.

The **Net result before extraordinary transactions**, equal to €mil. 742 (€mil. 697 in 2022), reflects the performance of EBIT, and the taxation that in 2022 mainly benefitted from a lower tax burden on foreign companies.

The **Net Result**, amounting to €mil. 695 (€mil. 932 in 2022) included, in addition to the Net result before extraordinary transactions, the recognition for €mil. 57 of costs for the evaluation of the road transport business in view of future disposal, net of a capital gain of €mil. 10 relating to the disposal of the ATM business unit by Selex ES Llc set out in the "Industrial Transactions" section. The 2022 figure, on the contrary, reflected the capital gain obtained from the sales of Leonardo DRS Global Enterprise Solutions and Advanced Acoustic Concepts businesses.

Reclassified income statement

(€ millions)	*Note*	*2022*	*Proforma*	*2023*	*Proforma*	*Change*	*% Change*
Revenues		14,713	*15,354*	15,291	*15,982*	578	3.9%
Purchase and personnel expenses	*(*)*	(12,976)		(13,532)			
Other net operating income/(expenses)	*(**)*	(106)		(30)			
Equity-accounted strategic investments	*(***)*	132		154			
Amortisation, depreciation and write-offs	*(****)*	(545)		(594)			
EBITA		**1,218**	***1,250***	**1,289**	***1,326***	**71**	**5.8%**
ROS		*8.3%*	*8.1%*	*8.4%*	*8.3%*	0.1 p.p.	
Non-recurring income/(expenses)		(114)		(110)			
Restructuring costs		(119)		(59)			
Amortisation of intangible assets acquired as part of business combinations		(24)		(35)			
EBIT		**961**		**1,085**		**124**	**12.9%**
EBIT Margin		*6.5%*		*7.1%*		*0.6 p.p.*	
Net financial income/(expenses)	*(*****)*	(213)		(214)			
Income taxes		(51)		(129)			
Net result before extraordinary transactions		**697**		**742**		**45**	**6.5%**
Net result related to discontinued operations and extraordinary transactions	*(******)*	235		(47)			
Net result		**932**		**695**		**(237)**	**(25.4%)**

Notes to the reconciliation between the reclassified income statement and the statutory income statement (for more details, reference should be made to the Note on "Non-GAAP alternative performance indicators"):

(*) Includes "Purchases and Personnel expense" (excluding restructuring costs and non-recurring costs) and "Accruals (reversals) for onerous contracts (final losses on orders)."

(**) Includes the net amount of "Other operating income" and "Other operating expenses" (excluding restructuring costs, non-recurring income/(expense) and accruals (reversals) for onerous contracts (final losses on orders).

(***) Includes the effects of the valuation at equity, classified under the "Share of profits (losses) of equity-accounted investees", of strategic investments only;

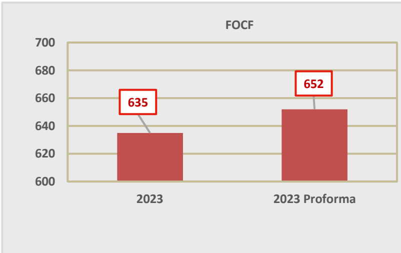
(****) Includes "Amortisation, depreciation and impairment losses and value adjustments to financial assets", excluding the amortisation charge referable to intangible assets acquired as part of business combinations, goodwill impairment and write-downs regarded as "Non-recurring costs";

(*****) Includes "Financial income", "Financial expenses" (net of the gains and losses relating to extraordinary transactions) and "Share of profits (losses) of equity-accounted investees" (net of the results of strategic investments).

(******) Includes "Profit (loss) from discontinued operations" and gains and losses relating to extraordinary transactions (key acquisitions and disposals).

Financial performance

The **FOCF**, amounting to of €mil. 635 (€mil. 652 of the pro-forma figure), showed an increase of 17.8% compared to the 2022 FOCF of €mil. 539 (+16.6% on the pro-forma figure €mil. 559), confirming the positive trend that had already been highlighted in recent years. The targets achieved are due to the actions aimed at strengthening the performance of operations, a careful investment policy in a period of business growth, to the streamlining and making working capital more efficient and to an effective financial strategy.



Reclassified cash flow statement

(€ millions)	*Note*	*2022*	*Proforma*	*2023*	*Proforma*	*Change*	*% Change*
Cash flows generated from operating activities	*(*)*	**1,163**		**1,206**		**43**	**3.7%**
Dividends received		133		186			
Cash flows from ordinary investing activities	*(**)*	(757)		(757)			
Free Operating Cash Flow (FOCF)		**539**	***559***	**635**	***652***	**96**	**17.8%**
Strategic transactions	*(***)*	(172)		352			
Change in other investing activities	*(****)*	(6)		(63)			
Net change in borrowings		(1,322)		71			
Dividends paid		(80)		(83)			
Net increase (decrease) in cash and cash equivalents		**(1,041)**		**912**			
Cash and cash equivalents at 1 January		2,479		1,511			
Exchange rate differences and other changes		73		(16)			
Cash and cash equivalents at 31 December		**1,511**		**2,407**			

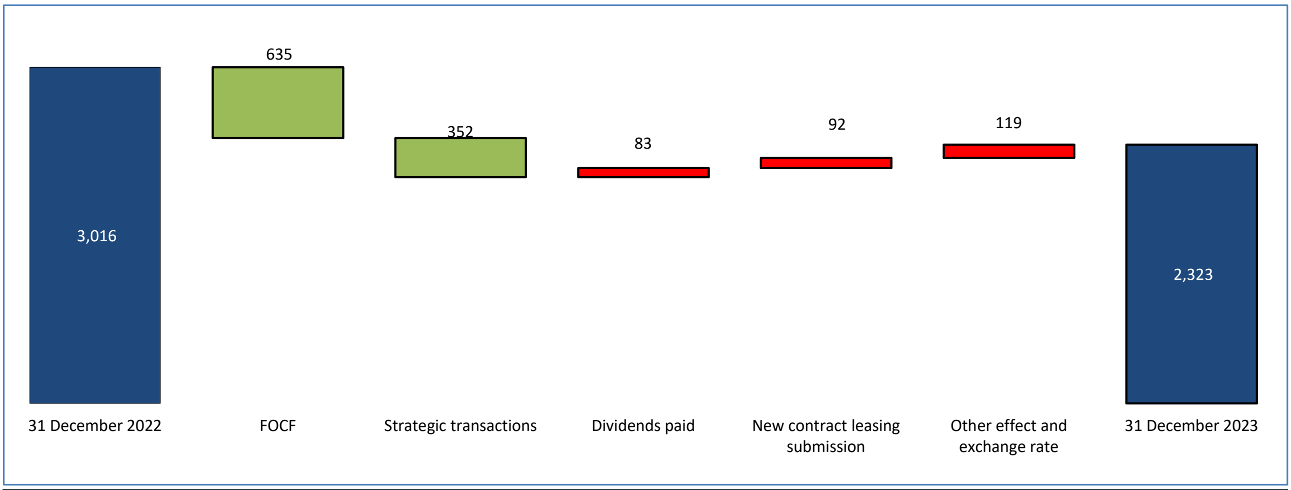
Notes on the reconciliation between the reclassified cash flow and the statutory cash flow:
(*) Includes "Cash flows generated from (used in) operating activities", excluding debt payments pursuant to Law 808/1985;
(**) Includes "Cash flow generated from (used in) investing activities", including payments and receipts related to Law 808/1985, net of dividends collected;
(***) Includes "Other investing or divesting activities" classified as "Strategic transactions";
(****) Includes "Other investing or divesting activities", excluding dividends collected, the effect of transactions classified as "Strategic transactions" and receipts from Law 808/1985.

The Group Net Debt, equal to €mil. 2,323, showed an improvement compared to 31 December 2022 (€mil. 3,016); the figure benefitted from the aforesaid trend in the FOCF while also including the financial effects of the transactions that are described below:

- the sale completed in November of Leonardo DRS ordinary shares (a transaction widely described in section "Industrial and financial transactions"), which resulted in a cash-in – after transaction costs – of about €mil. 327 (USDmil. 352);

- the sale, completed in May by the US subsidiary Selex ES Llc, of the business unit of Air Traffic Management ("ATM") to Indra Air Traffic, Inc., fully owned by the Spanish company Indra Sistemas S.A., for a total amount of about USDmil. 37;
- the dividend that was paid in July for €mil. 83;
- the execution of new lease agreements for €mil. 92;
- the translation of foreign currency positions and other items.

Changes in Group Net Debt



Reclassified statement of financial position

(€ millions)	Note	31 December 2022	Proforma	31 December 2023	Proforma
Non-current assets		13,943		14,295	
Non-current liabilities		(2,174)		(2,248)	
Capital assets	*(*)*	**11,769**		**12,047**	
Inventories	*(**)*	975		596	
Trade receivables		3,338		3,685	
Trade payables		(3,054)		(3,268)	
Working capital		**1,259**		**1,013**	
Provisions for short-term risks and charges		(1,078)		(1,087)	
Other net current assets (liabilities)	*(***)*	(1,260)		(1,049)	
Net working capital		**(1,079)**		**(1,123)**	
Net invested capital		**10,690**		**10,924**	
Equity attributable to the Owners of the Parent		7,183		7,800	
Equity attributable to non-controlling interests		516		761	
Equity		**7,699**		**8,561**	
Group Net Debt		**3,016**	*2,991*	**2,323**	*2,322*
Net (assets)/liabilities held for sale	*(****)*	**(25)**		**40**	

Notes to the reconciliation between the reclassified and the statutory statements of financial position (for more details, reference should be made to the Note on "Non-GAAP alternative performance indicators"):

(*) Includes all non-current assets and all non-current liabilities, excluding "Non-current loans and borrowings".

(**) Includes "Inventories", "Contract Assets" and "Contract Liabilities".

(***) Includes "Income tax receivables" and "Other current assets" (excluding "Hedging derivatives in respect of debt items"), net of "Income tax payables" and "Other current liabilities" (excluding "Hedging derivatives in respect of debt items").

(****) Includes the net amount of "Non-current assets held for sale" and "Liabilities associated with assets held for sale".

Group Net Debt

(€ millions)	31 December 2022	of which current	31 December 2023	of which current
Bonds	1,628	*36*	1,631	*635*
Bank debt	1,350	*71*	1,312	*87*
Cash and cash equivalents	(1,511)	*(1,511)*	(2,407)	*(2,407)*
Net bank debt and bonds	**1,467**		**536**	
Current loans and receivables from related parties	(56)	*(56)*	(183)	*(183)*
Other current loans and receivables	(49)	*(49)*	(22)	*(22)*
Current loans and receivables and securities	**(105)**		**(205)**	
Hedging derivatives in respect of debt items	19	*19*	6	*6*
Other related party borrowings	962	*862*	1,292	*1,192*
Lease liabilities	570	*78*	610	*79*
Other borrowings	103	*35*	84	*51*
Group Net Debt	**3,016**		**2,323**	

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

As at 31 December 2023, Leonardo S.p.A. had sources of liquidity available for a total of about €mil. 4,210 to meet the financing needs of the Group's recurring operations, 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 €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. 10,877, of which €mil. 3,051, still available as at 31 December 2023.

Finally, other Group subsidiaries have the following credit facilities:

- Leonardo DRS has a Revolving Credit Facility for an amount of USDmil. 275 (€mil. 249), which was entered into at the same time as the completion of the merger with RADA, entirely unused at 31 December 2023;
- Leonardo US Corporation has short-term revocable credit lines, guaranteed by Leonardo Spa, for USDmil. 210 (€mil. 190), which had been used for USDmil. 40 at 31 December 2023 (€mil. 36);

ESG performance indicators

The ESG KPIs for the period and the main changes that characterised the Group's performance are reported below. More details of the management of these indicators are provided in the People, Planet and Prosperity sections.

	2022	2023	Change
Social			
Workforce (no.)	51,392	53,566	4.2%
Women on total workforce (%)	19.0	19.6	0.6 p.p.
Employees under 30 on total employees (%)	11.2	13.0	1.8 p.p.
Women in managerial positions on total managers and junior managers (%)	18.7	19.5	0.8 p.p.
Hires under 30 on total hires (%)	43.9	48.7	4.8 p.p.
Women hires on total hires (%)	24.1	24.5	0.4 p.p.
Women hires with STEM degree on total hires with STEM degree (%)	22.1	22.4	0.3 p.p.
Average hours of training per employee (no.)	20.6	24.1	17.1%
Injury rate (injuries per 1,000,000 worked hours)	2.35	2.03	(13.4%)
Employees at ISO 45001-certified sites on total employees (%)	80	81	1 p.p.
Innovation			
Total R&D expenses (€ million)	2,003	2,201	9.9%
of which self-funded	542	579	6.7%
Computing power per capita (Gigaflops on no. of Italian employees)	190	199	4.3%
Data storage capacity per capita (Gigabyte on no. of Italian employees)	840	957	13.9%
Environmental			
Energy consumption (TJ)	5,435	5,311	(2.3%)
Water withdrawals (megaliters)	5,329	4,929	(7.5%)
Waste produced (tons)	30,001	33,065	10.2%
of which hazardous (tons)	9,528	8,437	(11.5%)
Scope 1 and 2 (market-based) CO_2 emissions (ktons)	277	251	(9.5%)
Scope 1 and 2 CO_2 emissions intensity on revenues (g/€) location based	28.96	27.70	(4.4%)
Employees at ISO 14001-certified sites on total employees (%)	75	82	7 p.p.

The reported indicators are part of the Consolidated Non-financial Statement

In 2023 the workforce increased of 2,174 employees compared to 2022. Growth is mainly focused in Italy (about +1,000), in the UK (about +570) and in Poland (about +350), thanks also to the stabilisation of the employment contracts. In other Countries, the workforce remained substantially in line with the previous year.

In 2023, employees under 30 years of age account for 13.0% of total workforce (+1.8 p.p. compared to 2022), confirming the positive trend of last years (hires under 30 years of age on total hires rose of +4.8 p.p. vs 2022).

The commitment to creating an environment which enhances gender diversity is witnessed by the increase in the number of female managers who achieved 19.5% of total managers and middle managers, and by the new female hires with STEM degrees, the ratio of which to total hires of workers with STEM degrees sligthly increased compared to 2022 (+0.3 p.p.), standing at 22.4%.

The injury rate showed a reduction of 13.4% compared to 2022, confirming last years improvements. The company's commitment continues to extend the sites that are ISO 45001 certified with a health and safety management system where, as of today, 81% of employees work (+1.1 p.p. compared to 2022).

The 2023 figure on training hours per employee is higher than 2022 (+17%), thanks mostly to a relevant upskilling funded plan aimed at strenghtening the skills needed by the Digital Transition ("Fondo Nuove

Competenze") in the Aerostructures sector, and to induction initiatives in the Aircraft sector for new-hires who are employed in new business opportunities outside of Italy.

Total R&D expenses increased of about 10% compared to 2022 and accounted for 14.4% of revenues, allowing the Group to invest in internal developments and external collaborations, including with customers, with the objective of fuelling the product portfolio and improving competitiveness.

Computing power and data storage capacity per employee showed an increase (of +4.3% and +13.9% compared to 2022, respectively), thanks to upgrading investments made in 2023. Morevoer, in 2024, implementation of further upgrading is expected, in line with the Group's investment plan.

Reduction of Scope 1 and 2 market-based GHG emissions (-9.5% compared to 2022), achieved despite growth of business volumes, is mainly related to the progressive replacement of SF6 gas with a gas with minimal environmental impact, used as an inert substance in a specific helicopteristic production process, and to the increase of the share of energy from renewable sources purchased from the grid.

Also, water withdrawals and energy consumption showed a reduction (of 7.5% and 2,3% compared to 2022, respectively), through industrial and energy efficiency interventions and projects to reduce water withdrawals, confirming the company's commitment in managing natural resources, consistently with the objectives set out in its sustainability plan. Regarding waste, an overall growth is shown (+10.2% compared to 2022), mainly caused by the increase of the non-hazardous share related to maintenance activities and non-ordinary works in some Italian sites, despite the relevant reduction of hazardous waste (-11.5% compared to 2022).

More than 80% of employees works within sites with environmental management system ISO 14001 certified, with an increase of 7 p.p. compared to 2022.

Finally, from 2021, on a voluntary basis, Leonardo has required to the Independent Legal Auditors to perform the full assurance ("Reasonable assurance engagement") on a set of non-financial performance indicators (ESG) that are considered important and strategic for the Group[29].

ESG financial planning and investment management

Leonardo's investments have a direct and indirect impact on various industrial sectors and areas of society, looking across the board at the needs of customers, citizens and territories and contributing to achieving the Sustainable Development Goals (SDGs).

Financial planning and investment choices are aimed at supporting the Group's Industrial Plan, while taking account of the identified risks and opportunities, the ongoing monitoring of market trends and binding and non-binding regulations, as well as stakeholder expectations. The evaluation and selection of investments takes into account strategic, economic-financial, technical, commercial and sustainability parameters.

Furthermore, within the scope of the participation in the CFO Coalition of the UN Global Compact, Leonardo supports the Principles on Integrated SDG Investments and Finance to contribute to creating a sustainable financial model for the prosperity of businesses and communities.

At the end of 2023, 55% of the total sources of financing available to the Group are linked to ESG parameters. This result was achieved thanks to:

[29] For more information, please see Methodology note of the NFS.

- the execution of the first ESG-linked Revolving Credit Facility, amounting to €bil. 2.4,
- the first ESG Term Loan, amounting to €mil. 600,
- the first ESG-linked loan granted by the European Investment Bank, amounting to €mil. 260.

All sources described above are linked to specific KPIs, including the reduction in CO_2 emissions through eco-efficiency of industrial processes, the promotion of female employment with STEM[30] degrees, and the increase in Leonardo's per capita computing power as a key enabler and booster in research, numerical simulation, big data analytics and artificial intelligence.

As regards capital allocation, Leonardo set the objective of having at least 50% of investments in support of the SDGs in 2023-2025 out of a total investment value of approximately €mil. 750-850 per year, including capitalised R&D expenses, capital expenditures (CapEx), Tooling and other investments in intangibles. In particular, the main impacts reported for the investments are linked to SDG 8 "Decent work and economic growth", SDG 9 "Industry, Innovation & Infrastructure" and SDG 12 "Responsible Consumption and Production", giving a direct contribution to strengthening innovation processes, developing the supply chain, creating skilled jobs and to continuous research into innovative solutions for the society, the environment and the safety of people, infrastructures, and territories.

[30] For more details, please see Industrial and Financial Operations paragraph.

SEGMENT RESULTS AND OUTLOOK

✓ KEY PERFORMANCE INDICATORS BY SECTOR

1. HELICOPTERS
2. DEFENCE ELECTRONICS & SECURITY
3. AIRCRAFT
4. AEROSTRUCTURES
5. SPACE

Key Performance Indicators by segment

Leonardo continued the path to growth in all sectors of its core business.

As pointed out above, in this Annual Financial Report a set of Key Performance Indicators are provided for to represent the business performance considering the entire contribution from Telespazio group, in consideration of its upcoming consolidation in 2024.

December 2022	New orders	*Proforma*	Order backlog	Revenues	*Proforma*	EBITA	*Proforma*	ROS %	*Proforma*
Helicopters	6,060	6,060	13,614	4,547	4,547	415	415	9.1%	9.1%
Defense Electronics & Security	8,558	8,558	15,160	7,212	7,212	805	805	11.2%	11.2%
Aircraft	2,800	2,800	8,554	3,085	3,085	421	421	13.6%	13.6%
Aerostructures	420	420	1,075	475	475	(189)	(189)	(39.8%)	(39.8%)
- of which GIE ATR		*-*			*-*	*(6)*	*(6)*		
Space	-	780	-	-	650	31	63	n.a.	9.7%
Other activities	400	400	360	579	579	(265)	(265)	(45.8%)	(45.8%)
Eliminations	*(972)*	*(977)*	*(1,257)*	*(1,185)*	*(1,194)*	-	-	*n.a.*	*n.a.*
Total	**17,266**	**18,041**	**37,506**	**14,713**	**15,354**	**1,218**	**1,250**	**8.3%**	**8.1%**

December 2023	New orders	*Proforma*	Order backlog	Revenues	*Proforma*	EBITA	*Proforma*	ROS %	*Proforma*
Helicopters	5,513	5,513	14,426	4,725	4,725	422	422	8.9%	8.9%
Defense Electronics & Security	9,717	9,717	16,844	7,483	7,483	852	852	11.4%	11.4%
Aircraft	2,395	2,395	7,972	2,938	2,938	419	419	14.3%	14.3%
Aerostructures	644	644	1,095	636	636	(151)	(151)	(23.7%)	(23.7%)
- of which GIE ATR		*-*			*-*	*12*	*12*		
Space	-	763	-	-	701	16	53	n.a.	7.6%
Other activities	534	534	375	760	760	(269)	(269)	(35.4%)	(35.4%)
Eliminations	*(877)*	*(898)*	*(1,183)*	*(1,251)*	*(1,261)*	-	-	*n.a.*	*n.a.*
Total	**17,926**	**18,668**	**39,529**	**15,291**	**15,982**	**1,289**	**1,326**	**8.4%**	**8.3%**

Change %	New orders	*Proforma*	Order backlog	Revenues	*Proforma*	EBITA	*Proforma*	ROS %	*Proforma*
Helicopters	(9.0%)	(9.0%)	6.0%	3.9%	3.9%	1.7%	1.7%	(0.2) p.p.	(0.2) p.p.
Defense Electronics & Security	13.5%	13.5%	11.1%	3.8%	3.8%	5.8%	5.8%	0.2 p.p.	0.2 p.p.
Aircraft	(14.5%)	(14.5%)	(6.8%)	(4.8%)	(4.8%)	(0.5%)	(0.5%)	0.7 p.p.	0.7 p.p.
Aerostructures	53.3%	53.3%	1.9%	33.9%	33.9%	20.1%	20.1%	16.1 p.p.	16.1 p.p.
- of which GIE ATR						*300%*	*300%*		
Space	n.a.	(2.2%)	n.a.	n.a.	7.8%	n.a.	(15.9%)	n.a.	(2.1) p.p.
Other activities	33.5%	33.5%	4.2%	31.3%	31.3%	(1.5%)	(1.5%)	10.4 p.p.	10.4 p.p.
Eliminations	*9.8%*	*8.1%*	*5.9%*	*(5.6%)*	*(5.6%)*	n.a.	n.a.	*n.a.*	*n.a.*
Total	**3.8%**	**3.5%**	**5.4%**	**3.9%**	**4.1%**	**5.8%**	**6.1%**	**0.1 p.p.**	**0.2 p.p.**

The business sectors are commented on below in terms of competitive position, financial performance, total market[31] and research & development. It should be noted that Leonardo has the objective of strengthening

[31] Processed by Leonardo starting from Jane's data.

its positioning in the more attractive markets in which the portfolio of its products can benefit from specific competitive advantage: the considerations reported below relate to the analysis of the present competitive position, based on these two dimensions.

1. Helicopters

Leonardo is a leading group in some rotary-wing sectors at global level, delivering excellence in products worldwide. In the defence sector, Leonardo has recognised expertise in multi-role (thanks to the development of dual-use platforms, as well as specialised ones), naval and combat applications, while its own leadership remains on a sound footing in various applications such as Emergency Medical Service (EMS) missions, Law Enforcement, offshore (Oil & Gas and Offshore Wind Farm) and passenger transport in the civil market. On this last front Leonardo relies on its well-established expertise gained over the years, in particular thanks to the AW109 models in the past and, more recently, the AW139, AW189 and AW169 models.

The trend in 2023 confirmed the solidity of the business, with a positive performance in line with expectations. Revenues and EBITA were on the rise on 2022, with a high level of New orders, even though lower than the previous year. New orders in 2022 were in fact affected by the acquisition of the contract for the supply of 32 AW149 helicopters to the Polish Ministry of Defence worth €bil. 1.4.

185 new helicopters were delivered in the period compared to 149 recorded in 2022.

New orders. New orders, equal to €bil. 5.5, reflect the strong positioning of the AW Family with dual employment, accompanied by major contracts signed in the military segment. Among the main acquisitions for the period, we must note:

- the contract, signed in December 2022 as part of the Italy-Austria Government-to-Government (G2G) Agreement amendment, 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 and to 10 AW109 Trekker helicopters and the order for 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 from the operator Abu Dhabi Aviation (ADA), for 5 AW139 helicopters from the operator Weststar Aviation Services and for 4 AW189 helicopters from the operator Omni Helicopters International (OHI), all of which to be used in offshore transport missions, as well as the order for 6 AW139 helicopters to be used in VIP rescue and transport missions from the operator The Helicopter Company in Saudi Arabia, and contracts for 7 AW169 with Babcock Canada, also for rescue missions, together with other miscellaneous orders for helicopters in the commercial sector.

Revenues. They were on the rise in dual use helicopter lines, as well as on the CS&T, mitigated by a lower contribution of the NH90 Qatar programme.

EBITA. This figure increased due to higher revenues, with profitability substantially aligned.

Total market of the sector and 2023 Outlook

Market (*) 2023-2032	CAGR 2023-2032	Impact on the businesses in which Leonardo operates
€bil. 51	+3.1%	Civil sector: The market of civil helicopters – both private, public, and parapublic – returned to pre-Covid volumes as early as in 2023, driven by the Intermediate class and the EMS, SAR and Law Enforcement roles. On the other hand, the Energy sector showed evolving trends: while there is a gradual reduction in Oil & Gas demand caused by the energy transition, the latter creates, on the other hand, new demand related to the need for new sources of energy supply (e.g., wind farms). Even for the passenger transport segment, there was a recovery (in the second half of the period under review) due to the resumption in passenger transport and the renewal of related fleets.
€bil. 134	+0.1%	Defence sector: The market remained stable as a whole, showing a trend estimated to grow in the first part of the period analysed due to the fleet replacement process already in progress in the main countries (e.g., the United States and various European and Asian countries). In the second part of the period under review, however, there will be a gradual decline due to the expected availability of the new generation of medium multi-role machines, based on new technologies, which is expected at the beginning of the new decade.

(*) deliveries of new helicopters only

Expectations for 2024 follow the positive trend of the Sector, with a stable high volume of new orders and continuous growth in deliveries and revenues. Profitability is also confirmed at good levels thanks to actions aimed at containing costs and optimizing industrial processes.

Research, development and product engineering

Research into the field of helicopters as well is increasingly oriented towards sustainability, in line with the European Green Deal plan, which sets out a roadmap for environmental objectives for 2050. In taking part in European programs such as Clean Aviation, which is the successor of Clean Sky 2, Leonardo is developing and will develop technologies and solutions to reduce emissions. Aircraft electrification and digitalisation are the other areas in research in this sector that will have favourable impacts also in terms of security, growth and profitability.

The race to digitalisation is a further key aspect in all the product's life cycle: from design, with the introduction of digital certification criteria (Certification-by-Simulation), to advanced manufacturing systems (Digital Factory), autonomous flight operations and customer support, with the application of advanced Big Data & Analytics algorithms for diagnostics and predictive maintenance. Furthermore, other digital instruments have been developed for the training of pilots and to ease the work of maintenance workers and fleet managers using enhanced reality instruments for remote maintenance operations. Again within the digitalisation of processes, work commenced on the development of the Digital Twin of the helicopter, which exploits research into the simulation of Leonardo Innovation Labs[32] and the advanced calculation capabilities of the supercomputer davinci-1. Digitalisation also plays a key role in the definition of Life Cycle Assessment (LCA) methodologies that Leonardo is establishing to analyse the environmental impact of its helicopters, putting eco-design at the heart of new product development.

Leonardo is also considering the development of a hybrid/electric propulsion system for light helicopters, which will be implemented through the construction of a demonstrator equipped with hybrid-electric propulsion, envisaging an architecture that allows for further future developments, including fuel cells. This

[32] For more details on Leonardo Innovation Labs, please see the chapter on Innovation of the "Prosperity" section.

demonstrator will be a first platform of a family of new light aircraft equipped with a conventional architecture but with non-conventional propulsion and will also allow the validation and certification process to be supported, while considering that regulations to govern new propulsion systems are still under development. Hybrid propulsion will not only reduce environmental impacts but also increase both flight safety and aircraft performance. For example, the results obtained in the area of hybridisation will provide a significant contribution to the development of the full-electric platform in Advanced Air Mobility (AAM - LIBRA). In particular, electric propulsion enables the integration of a distributed propulsion architecture that provides the same thrust/weight performance with increased operability and efficiency.

The authorisation to operate its fleet by using Sustainable Aviation Fuels (SAFs) is another avenue Leonardo is already pursuing to reduce the environmental impact of its products. All models of Leonardo helicopters are to date compatible to fly with a SAF blend of up to 50%. Further developments in this area have led to the successful flight of AW139 by using 100% SAF, with no performance change from conventional fuel.

In 2023, Leonardo started preliminary activities on the long-term "EU Next Generation Rotorcraft Technologies Project (ENGRT)" project, which aims to lay the foundation for the development of the next generation of European military rotary-wing aircraft, as part of the collaborative framework with key European industrial players funded by the European Defence Fund (EDF). Common requirements for the different countries involved, which are necessary for identifying the best architecture, are still in the process of being harmonised. Leonardo intends to focus its work on the Tiltrotor architecture.

Developments in 2023 – Helicopters

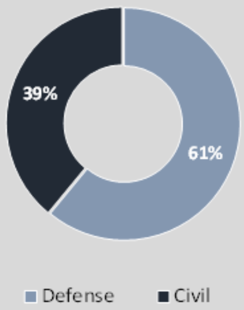
Next Generation Civil Tiltrotor (NGCTR) - Leonardo is developing a new model of a more efficient, eco-friendly next generation civil tiltrotor within the Clean Sky 2 Programme, with the objective of reducing CO_2 emissions up to 50% and noise emissions by 30% in the take-off phase and up to 75% in the flyover condition compared to the average values of rotary-wing aircraft that are currently on the market. Leonardo develops eco-design approaches to the development of specific NGCTR sub-systems within the Programme. Life Cycle Assessment (LCA) models have been developed to quantify the environmental benefits obtained from the design of additive manufacturing transmission components and composite wing structures. Supported by detailed LCA models, eco-design approaches will be gradually extended to more complex macro-systems of products in the Helicopters sector. Based on these activities, Leonardo will implement, in the future, an approach in line with the standards ISO 14040 and 14044, delivering training to the main partners in order to gather the data required for LCA assessments. The work performed will allow the first demonstrator flight to be carried out during 2024.

Aircraft electrification - Research projects, in collaboration with Leonardo Innovation Labs, for the introduction of new power generation and distribution systems for primary functions, such as in-flight power control, and in critical systems, such as rotor anti-icing systems, will allow greater operational flexibility, efficiency and cost reduction to be obtained, all in accordance with the most stringent safety requirements. The Emergency POwer System (EPOS) project involves the hybridisation of the AW09 single-engine platform to increase its performance and safety.

Advanced Air Mobility – Several technological developments are underway to build a platform for the Advanced Air Mobility (AAM) and Urban Air Mobility (UAM) markets. In particular, batteries with high specific capacity, electric propulsion distribution architectures and advanced materials are being studied. Developments of a hybrid demonstrator and a full-electric demonstrator have also been initiated, with the final concept planned to be full-electric.

Sector carbon footprint and decarbonization levers

Defence/civil revenues



Main industrial footprint(*)

- Italy
- United Kingdom
- United States
- Poland
- Other

Relevant GHG emissions

GHG emissions in the operations

- Scope 1 ✓
- Scope 2 ✓

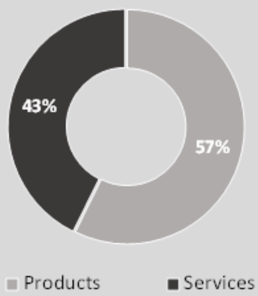
GHG emissions in the value chain

- Scope 3 upstream ✓
- Scope 3 downstream ✓

Main purchased goods and services(**)

- Metallic manufactured components
- Electrical and electronic equipment
- Research, development and testing services

Products/ services revenues



Main decarbonization levers(***)

- Continued reduction of direct emissions through: renewable electricity purchase through Guarantees of Origin and self-production thanks to a specific program (within which the main sites involved are Yeovil, Brindisi and Cascina Costa), energy efficiency also through the replacement of lighting systems with LED technology and electrification measures, replacement of jet fuel used for tests and training with SAF, replacement of SF6 with R134a, with a lower GWP and reducing GHG emissions by about 180,000 tons versus 2020;
- Strong push on virtual product offering, such as simulators, which consume only 1/10 of the GHG emissions of real flights;
- Structured engagement and support to the supply chain for the decarbonization also by offering training to more than 500 suppliers on sustainability reporting, decarbonization topics and the Science Based Targets initiative;
- Development of new low carbon products and promotion of SAF adoption via technological & business collaboration with fuel producers. With this regard, Leonardo and Pratt & Whitney Canada announced in December 2023 the successful completion of the first flight of a AW139 helicopter using 100% SAF fuel.

* For more details on industrial presence, see 'Reporting Perimeter' in the Annex to the Report on Operations - Note to the NFS 2023.
** According to IAEG categories. IAEG, International Aerospace Environmental Group, is a non-profit organisation comprising 54 leading Aerospace, Defence and Security companies that together account for over 70% of the industry at a global level.
*** For more information on Leonardo's decarbonization levers please see the paragraph "Decarbonisation path" of the Planet Chapter.

2. Defence Electronics & Security

Leonardo designs, develops and manufactures advanced defence solutions in the air, land, sea, space and cyber domains, for the security of national borders and the management of complex civil infrastructures while being able to take on a different role depending on contexts and contracts, from main contractor and provider of complete systems to provider of apparatuses.

As for this sector, Leonardo participates in the main national strategic programmes and in major international programmes, and is a technology partner of Governments, Defence Authorities, Institutions and Enterprises.

In particular, among the applications in the land domain, Leonardo's portfolio includes battlefield command and control and air and border defence systems, as well as weapon and ammunitions systems.

In the naval domain integrated systems are particularly important for combat and maritime surveillance, installed both on board naval ships and in the command and control centres, and weapon and protection systems for naval ships, completed by simulation and training solutions.

Leonardo creates advanced avionic solutions in the aircraft and space areas for surveillance and combat, the latest generation of manned and unmanned aircraft, both company-owned and third-party vehicles, and components for satellites or interplanetary probes.

As far as security is concerned, areas of greatest interest are focused on solutions for cyber- and physical protection and resilience for governments and critical infrastructure, based on advanced information analysis and enhancement systems and secure communications.

The year just ended showed a remarkable commercial performance, with the book-to-bill above 1 in all the main business areas, and volumes and profitability on the rise with particular reference to the European component. The subsidiary DRS reported a higher level of acquisitions on 2022, with an increase in volumes and profitability, despite the unfavourable trend in the USD/€ exchange rate and the different perimeter (the 2022 data benefitted from the contribution from the GES business sold on 1 August 2022).

Key Performance Indicators for the sector

December 2022	New orders	Revenues	EBITA	ROS %
DES Europe	5,628	4,712	553	11.7%
Leonardo DRS	2,997	2,558	252	9.8%
Eliminations	*(67)*	*(58)*	-	*n.a.*
Total	**8,558**	**7,212**	**805**	**11.2%**
December 2023	**New orders**	**Revenues**	**EBITA**	**ROS %**
DES Europe	6,521	4,907	600	12.2%
Leonardo DRS	3,251	2,613	252	9.7%
Eliminations	*(55)*	*(37)*	-	*n.a.*
Total	**9,717**	**7,483**	**852**	**11.4%**
Change %	**New orders**	**Revenues**	**EBITA**	**ROS %**
DES Europe	15.9%	4.1%	8.5%	0.5 p.p.
Leonardo DRS	8.5%	2.2%	0.0%	(0.1) p.p.
Eliminations	*17.9%*	*36.2%*	*n.a.*	*n.a.*
Total	**13.5%**	**3.8%**	**5.8%**	**0.2 p.p.**

Average exchange rate €/USD: 1.0813 for 2023 and 1.0530 for 2022

Leonardo DRS data in USD

	New orders	Revenues	EBITA	ROS %
DRS ($mil.) December 2022	3,156	2,693	265	9.8%
DRS ($mil.) December 2023	3,516	2,826	273	9.7%

New orders. These showed a sharp increase of above 13% in all business areas, despite the mentioned different perimeter of the US component. Among the main acquisitions of the period, we note:

For the European component:

- 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;
- as part of the SAMP/T NG next generation air defence ground systems programme, we note the order for the supply of Kronos Grand Mobile High Power (KGM-HP) radars that will be integrated with the FCU (Fire Control Unit) system provided by MBDA Italia for the Italian Air Force;
- for the Cyber division, note the order for the formation 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);
- the contract for the mid-life update (*Ammodernamento di mezza vita* - AMV) of no. 90 Ariete C1 tanks to the C2 standard, and related logistics support. The upgrade to the new C2 standard includes – among others – the supply, for the electronics component, of digital optronics systems and a suite of last-generation command, control and communication which, together with new surveillance systems, will tangibly increase the day/night capacity of engagement. This new equipment has been for most part taken from the armored vehicle Centauro II ensuring a shared logistics between the two lines of vehicles.

For the subsidiary Leonardo DRS:

- the additional order, as part of the broader Ohio-submarine class Replacement Programme (ORP), to supply integrated electric propulsion components for the next-generation Columbia-class submarine for the US Navy;
- the order for the production of the Family of Weapon Sights – Individual (FWS-I), that are sights with wireless connectivity with vision systems mounted on helmets, including the enhanced night vision goggle-binocular (ENVG-B) and the new generation integrated vision system (IVAS). It also provides users with target acquisition capability in day or night and in the presence of smoke or fog or in other low visibility conditions enabling strategic and tactical advantages.

Revenues. They showed growing volumes (+3.8%) in all the main business areas. The volumes of the subsidiary Leonardo DRS, netted of the unfavourable impact of the USD/€ exchange rate, were increasing by 4.9%.

EBITA. This increased in all the main European business areas, with particular reference to the Cyber Security Division and the major contribution from the Joint Ventures. The profitability of the European component proved to be solid again and aligned with the previous year, despite the inflationary pressure. The profitability of Leonardo DRS also recorded an increase compared with 2022, offsetting the impact of the different business perimeter and the unfavourable trend in the USD/€ exchange rate.

With regard to MBDA, the company recorded an improved profitability compared to 2022, thus confirming operational and financial strength.

Total market of the sector and 2023 Outlook

Market 2023-2032	CAGR 2023-2032	Impact on the businesses in which Leonardo operates
€bil 3,605	5.3%	Civil sector: Ever-growing demand, in particular in the cyber security and secure cloud & data valorisation segments, driven by increasing needs in terms of physical and digital protection, critical infrastructure and institutions. The adoption of Artificial Intelligence (IA) techniques will be one of the next drivers of business development. Defence sector: In the Air domain, we must note the growth in the avionics, electronic warfare and AESA (Active Electronically Scanned Array) radar systems, driven by growing demand for air combat systems. In the Land domain, we must note the growth in C4ISR (Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance) systems, radar and communication systems in the face of increasing geopolitical tensions and threats to security; there was also a growing demand for systems to counter threats from unmanned aircraft (Counter Unmanned Aerial Systems). In the Naval domain, we must note the growth in demand for command and control and integrated solutions for radar and electronic warfare systems; new programmes for naval surface and underwater vessels will drive demand for artillery and related ammunition; and, for the underwater segment, demand for torpedoes and countermeasures. The general trend toward multi-domain operations also opens up new developments in the areas of sensor and system integration, data fusion, and data analysis and presentation, including through AI techniques.

For 2024 volumes and profit margins are expected to grow in all the main business area in both the European component and in the subsidiary DRS, with a solid contribution from the interests in Joint Ventures. As regards the supply chain, procurement times continue to be monitored in certain electronic components which could undergo slight postponements within an inflationary environment that is expected to be contained compared to recent years.

Research, development and product engineering

A fundamentally important challenge for the Defence Electronics & Security sector is to gain the utmost benefit from research and the latest technological innovations, many of which have come into being in commercial and civil contexts, with an increasing focus on the sovereignty of technologies, materials and security of the entire supply chain. To this effect, it is now paramount to implement artificial intelligence, quantum sensing and security, big data analytics, 5G and 6G communications, and blockchain in platforms and systems that operate in the field of Defence, at the same time as the development of technologies that enable product size, weight and power (SWaP) to be reduced and extend the autonomy of platforms and systems.

In order to meet requirements for greater autonomy of systems, digitalisation and cyber resilience of products and information systems are essential elements for technological development and in order to remain competitive. The R&D and product engineering activities that are carried out by Leonardo aim to increasingly insert these technologies in its products to meet a growing need for security and resilience, in synergy with the Group's Sustainability Plan.

As for development, great importance is attached to national and international defence programmes, including: the Eurofighter Typhoon for the Mid Life Update phase, Forza NEC (Network Enabled Capabilities) for the modernisation of the Italian Armed Forces (with the “Posti comando su tenda”, “Soldato sicuro” and VTLM2 vehicle projects), the "Naval Law" for the Italian Navy's Multipurpose Offshore Patrol Vessels (PPA, *Pattugliatori Polivalenti d'Altura*) and the sixth-generation GCAP fighter aircraft, the Horizon-class naval units for the Mid life Update phase, the development of Software Defined Radio systems and new broadband waveforms, sensors, terminals and networks (narrowband and broadband on LTE / 5G networks), network computing and cloud computing, as well as the evolution of receiver products within the scope of the Galileo program of PRS (Public Regulated Service) geo-localisation, which are the main areas of research in the field of professional communications systems and secure satellite communications, with applications for public security and defence. It should be noted that Leonardo participates in the European military research and development programmes, such as the EDF (European Defence Fund) programmes and, previously, the EDIDP (European Defence Industrial Development Programme) programmes, with the aim to increase the competitiveness, efficiency and innovation of European Defence at both technological and industrial level and thus make it autonomous with respect to countries that are outside the European Union.

Investments are aimed at a broad range of products and services: avionic, ground and naval radar systems, new mission planning and command and control systems in the domains of air, land and sea, guided ammunition, development of ground, naval and underwater weapon and defence systems, integrated mission systems (including anti-drone technology), electronic warfare systems and laser and electro-optical systems, satellite systems for communication, positioning and navigation, logistics 4.0 for the Armed Forces, integrated physical security solutions for critical infrastructure with command and control platform.

In the field of cyber security and intelligence services, Leonardo is continuing to invest to expand its professional consulting solutions such as risk assessment, professional services to third parties for the design and development of cyber security solutions and systems, the management of security services delivered through proprietary infrastructure for monitoring (SOC - Security Operations Centre), response (CERT - Cyber Emergency Readiness Team) and identification of threats (Threat Intelligence) and training (Cyber trainer and Cyber Range).

Under the European SESAR programme, innovative architecture for LeadInSky command and control centers was finalised and a new air-ground data link prototype was developed. For the air traffic control radar family, evolutionary maintenance was performed, in order to also mitigate interference from wind farms.

For baggage and parcel sorting, Leonardo continues its efforts to increase the modularity of facilities, integrating robotic arms and AI capabilities in order to further reduce human intervention.

Finally, work continued on both the study to optimise turbulence detection functions (shear detection) with radar and lidar sensors in the weather systems environment and the integration of AI capabilities on remote peripherals of license plate recognition systems.

Developments 2023 – Defense and Security Electronics

Radar Systems - The technologies developed and now available on the flagship products of the Kronos family for the naval and land domains - particularly the fully digital antenna of the Kronos Powershield with GaN (gallium nitride) modules – are key elements for ongoing developments of next-generation radars and for modernisations of products already on the market. For the avionics domain, work continued on the evolution of the latest generation of AESA radars in order to also meet the needs of the Typhoon and GCAP programmes.

EO/IR turret – Work continued on qualification for the new high-performance electro-optical, gyro-stabilised, multi-sensor turret, designed for aviation applications and multi-role environments, with two versions: for surveillance missions and for surveillance plus target acquisition missions.

Global Combat Air Programme (GCAP) - The Electronics Division of Leonardo is engaged in the development of future technologies, knowledge, capability and know-how for the sixth-generation fighter aircraft, which will operate in the scenarios of 2040 and later. Leonardo is developing vital technologies such as ISANKE & ICS (Integrated Sensing And Non Kinetic Effects & Integrated Communication System) in order to be able to provide the next generation of sensors and communication systems ("Cyber Information Superiority"), which, through integration of a proprietary EDR (Endpoint Detection and Response) into products, are able to ensure ongoing monitoring and analysis of the most advanced threats.

Cyber resilience of products - The continuing demand for products and systems capable of performing missions with increasing levels of autonomy to respond to more integrated, faster and more extensive threats requires an increasing focus on cyber resilience of products from the very beginning of the system design, covering

Infra Red Search & Track (IRST) – Work continued on development of a smaller version of IRST, also compatible with Light Combat Aircraft-type fixed-wing platforms.

Data-link – Work was completed on the development of the broadband aeronautical datalink, in versions for direct fleet communications and satellite-supported communications.

Helicopter pilot support – Developments of the rotary-wing platform device for warning of static obstacles along the direction of flight are nearing completion, which will improve flight safety, for example, in conditions of reduced visibility due to adverse weather.

Electronic warfare systems – Work continued on developing miniaturisation of high-performance devices and upgrading of technologies.

Kinetic effectors - Developments continued for countering even emerging threats such as swarms of mini/micro drones and for the evolution of guided munitions in both land and naval domains.

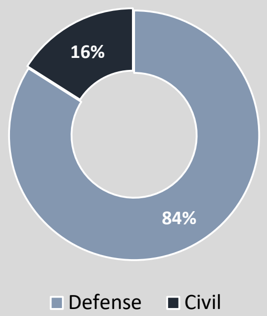
the entire product life cycle. There is also a need to develop capabilities for detecting security vulnerabilities and/or errors in integrated products by monitoring and analysing data generated by specialist probes deployed in subsystems.

Secure Cloud Management Platform - In order to ensure the security and effective interoperability of Public Administration data, including through Cloud Based application platforms, work has commenced on the development of a Secure Cloud Management platform for Multi Cloud environments, as well as on tools and methodologies to support the migration strategy to the Cloud, which may also be used to support the National Strategic Hub (NSH) financed with funds under the NRRP.

Transportation – Work of development commenced on an Android app for bus fleet management, with integrated services such as vehicle location and health status, and communication with the central station.

Sector carbon footprint and decarbonization levers

Defence/civil revenues



Main industrial footprint[*]

- Italy
- United Kingdom
- United States
- Other

Relevant GHG emissions

GHG emissions in the operations

- Scope 1 ✓
- Scope 2 ✓

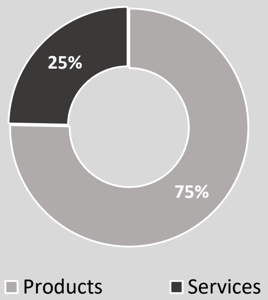
GHG emissions in the value chain

- Scope 3 upstream ✓

Main purchased goods and services[**]

> Electrical and electronic equipment
> Metallic assembly and structural components
> Professional services

Products/ services revenues[***]



Main decarbonization levers[****]

> Continued reduction of direct emissions through: renewable electricity purchase through Guarantees of Origin and self-production thanks to a specific program (within which the main sites involved are Cisterna di Latina and Campi Bisenzio), energy efficiency also through the replacement of lighting systems with LED technology and electrification measures;

> In the UK, Leonardo launched a Carbon Reduction Plan which include significant measures such as: the achievement of ISO 14064-1 certified management systems at all UK operations, achieving 25% of self-produced energy under power purchase agreements, having 100% of executive cars and corporate fleet, implementing a system to monitor and reduce electricity and gas consumption at all sites;

> Structured engagement and support to the supply chain for the decarbonization also by offering training to more than 500 suppliers on sustainability reporting, decarbonization topics and the Science Based Targets initiative.

[*] For more details on industrial presence, see 'Reporting Perimeter' in the Annex to the Report on Operations - Note to the NFS 2023.
[**] According to IAEG categories. IAEG, International Aerospace Environmental Group, is a non-profit organisation comprising 54 leading Aerospace, Defence and Security companies that together account for over 70% of the industry at a global level.
[***] Perimeter DES Europe.
[****] For more information on Leonardo's decarbonization levers please see the paragraph "Decarbonisation path" of the Planet Chapter.

3. Aircraft

The market is divided into two macro-segments, defence and civil, characterized by very different dynamics. As regards the defence segment, there is an increase in demand, in particular for combat aircraft, driven by international tensions and the technological evolution of platforms.

In the field of military aircraft, Leonardo confirms itself as a major player, thus giving its contribution, at various levels, to all generations of air platforms: from the Typhoon, which remains, with more than 590 units produced and 680 ordered, one of the most appreciated 4+ generation multi-role fighters, to the production part of the 5th-generation F-35A and F-35B multi-role fighters, and to the new 6th-generation fighter, the Global Compact Air Programme (GCAP), previously known as Tempest, which will operate within a "system of systems", which Leonardo is developing together with industrial partners in the United Kingdom and Japan.

The Aircraft Sector confirms high profitability with a reduction from the commercial point of view due to the postponing of certain export orders.

From a production point of view:

- under the military programmes of the Aircraft division 43 wings and 14 final assemblies were delivered to Lockheed Martin under the F-35 programme, in line with 2022;
- note 9 deliveries of Typhoon aircraft to Kuwait, compared to 4 recorded in the same period of 2022, bringing the number of total aircraft delivered to 15 out of a total of 28 aircraft.

New orders: The Sector recorded a reduction in volumes mainly due to the postponement of some export programmes. It should be noted that in 2022 there was the recognition of the first phase of design of the remotely piloted aircraft system Euromale and the order for the avionic upgrade of the C-27J fleet for the Italian Military Aviation. Among the major acquisitions for the period we note, beside important acquisitions for the supply of wings and final assemblies for the JSF programme of Lockheed Martin and various logistic support orders in particular for the Typhoon aircraft:

- the supply of no. 2 ATR Long Range Patrol Aircraft (LRPA) to an export customer for special missions in Maritime Patrol Aircraft (MPA) configuration;
- the supply of no. 2 C-27J tactical transport aircraft to the Azerbaijan armed forces;
- the supply of no. 1 C-27J tactical transport aircraft to Slovenia which follows the previous acquisition occurred in 2022, under the new Fire Fighter configuration.

Revenues: Volumes were slightly lower than 2022, which had benefitted from the production ramp-up of the aircraft for Kuwait. High levels of revenues are confirmed in relation to the EFA, JSF programmes and the proprietary platforms.

EBITA: The Sector profitability – albeit a reduction in volumes – was in line with 2022, confirming the double-digit value of ROS.

Total market of the sector and 2023 Outlook

Market (*) 2023-2032	CAGR 2023-2032	Impact on the businesses in which Leonardo operates
Civil €bil 1,566	4.1%	Civil sector: see the Aerostructures sector.
Defence €bil 915	7.7%	Defence sector: more than half of the world's demand for military aircraft will be accounted for by next-generation combat aircraft such as F-35, GCAP (Global Combat Air Programme) and Future Combat Air System (FCAS/SCAF), mainly concentrated in the USA, in the Indo-Pacific region and Europe. At the same time, demand for trainer aircraft will also grow, driven by the progress towards the sixth generation and the introduction of multi-aircraft systems, which will result in a substantial evolution in flight operations and therefore the need for pilot training.

(*) The "Civil" market includes commercial aircraft, aerostructures and components, net of MRO services. The "Defence" market includes manned and unmanned aircraft, net of logistic support services.

A remarkable increase in new orders is expected for 2024 on the export market of proprietary platforms. Moreover, forecasts confirm the solid contribution from the F-35 and EFA KW programmes (10 additional deliveries).

Research, development and product engineering

In the aeronautics sector, products increasingly evolve towards complex systems that integrate high-tech components and systems and enable their functionality, even within highly integrated and cyber resilient multi-domain environments. The next generation of aeronautical products/systems will need to be able to meet even more stringent requirements in terms of product quality, cost competitiveness and sustainability across the lifecycle. It is in this context that the technology upgrade and development initiatives affecting some of Leonardo's key sectors such as trainers (345 and 346), fighter aircraft (EFA and F-35), and the tactical (C-27J) family of transport aircraft are included.

In fact, R&D activities have also been extended to the implementation of methodologies and the development of technologies that foster a reduction in environmental impact and the application of circular economy logics; this approach has also been implemented at the production sites. The areas that are most investigated are digitalisation, which involves all company processes and the entire product life cycle, electrification, autonomy, simulation and innovative materials and production processes. Technological developments and growth in the areas mentioned above are supported through enabling technologies such as Artificial Intelligence and High Performance Computing.

Leonardo is committed to actively supporting technological transformation and growth with research investments financed in the civil sector at national (Aerospace City - Turin) and European (Clean Aviation) level, aimed at producing technologies capable of enabling the development of solutions with reduced environmental impact in line with the principles of the Green Deal, and at developing innovative solutions in the Defence sector by enhancing the opportunities of the European Defence Fund.

R&D investments create value for Leonardo on a wide-ranging basis by providing the expertise and footprint in the technological frontier in order to ensure the competitiveness of current and future products and services. For example, the Digital Twin in its different phases is now under development: the design phase in which simulation aims to optimise the aircraft design, the production phase that enables the optimisation of manufacturing processes, and the service phase for which the Digital Twin enables the monitoring of health of on-board equipment, and thus to organise maintenance activities and optimise missions. The development of Digital Twins is enabled by the advanced simulation capabilities of the davinci-1 supercomputer.

Developments in 2023 - Aircraft

Eurofighter Kuwait – A major upgrade of embedded weapon system will be completed in 2028, which will aim to exploit the full capabilities of the electronically scanned radar and keep the aircraft's operational capabilities appropriate to the context of use. In addition, the aircraft's long-term evolution plan will enable it to sustain the fleet in service with customer countries until its end-of-service date and is a natural technological bridge to the sixth-generation air superiority fighter.

C-27J Fire fighter – In 2023, work commenced on the development of the Fire fighting (FF) version with the goal of increasing the C-27J's "multi-mission" capabilities by integrating a kit that also enables firefighting operations. The solution is palletised, compatible with the existing cargo system, and allows the aircraft to be transformed from a transport configuration to an FF in less than two hours, providing maximum flexibility. In the short to medium term, FF is proposed as an optimal solution to: maximize the operational availability of firefighting assets; maximise situational awareness by operating as a net-centric aircraft fully integrated to earth, sky and space resources; minimise operating costs by leveraging the multi-mission characteristics of C-27J; optimise territory coverage by taking

M-345 HET / FC&C - Numerous flight tests aimed at obtaining Trainer certification were carried out in 2023, and work was strengthened on the development of the Leonardo Embedded Training System (L-ETS), which enables advanced training with tactical scenario simulation. This development completes Leonardo’s offer for basic and advanced training.

Falco Family – Work commenced on the second flight campaign (performed 47 flights between the first and second ones). Preparatory activities were carried out for propulsion and avionics system qualification. The mission system was integrated with electro-optical turret for surveillance, radar and inertial system, IFF transponder and Beyond Line Of Sight (BLOS) satellite data-link. Work then commenced on insourcing production of critical aero-structural elements.

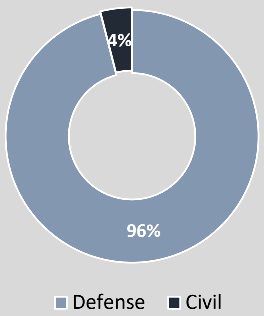
International Flight Training School - As part of the international flight school, the service has evolved to also simulate aggressor capabilities (Red Air) while strengthening the pay-per-use approach to on-site exploitation for third-party customers.

advantage of night hours for mission accomplishment; maximise the effectiveness of operations through the concentrated quantity, accuracy and release length of the embedded system; and provide an adequate backup solution for operations in adverse environmental conditions or water sources away from the fire.

GCAP (Global Combat Air Programme) – Leonardo is engaged in the development of future technologies, knowledge, capability and know-how for the sixth-generation fighter aircraft, which will operate in the scenarios of 2040 and later. Also thanks to the PC2Lab-T laboratory, set up in Turin, the first scenarios, including core platforms and unmanned adjunct aircraft, were developed and work commenced on strategic technological developments in Digital Twin mode. The primary objective of the current phase of the programme is to bring selected technologies of Italian interest to maturity and enable their development consistent with Italy's strategic ambitions.

Sector carbon footprint and decarbonization levers

Defence/civil revenues



Main industrial footprint(*)

Italy

Relevant GHG emissions

GHG emissions in the operations

Scope 1 ✓

Scope 2 ✓

GHG emissions in the value chain

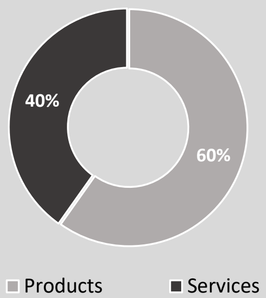
Scope 3 upstream ✓

Scope 3 downstream ✓

Main purchased goods and services according to IAEG categories(**)

> Metallic manufactured components
> Electrical and electronic equipment
> Repair and overhaul

Products/ services revenues



Main decarbonization levers(***)

> Continued reduction of direct emissions through renewable electricity purchase through Guarantees of Origin and self-production thanks to a specific program (within which the main sites involved are Cameri and Caselle), energy efficiency also through the replacement of lighting systems with LED technology and electrification measures, replacement of jet fuel used for tests and training with SAF;
> Development of new low carbon products and strong push on virtual product offering, such as simulators, which consume only 1/10 of the GHG emissions of real flights;
> Structured engagement and support to the supply chain for the decarbonization also by offering training to more than 500 suppliers on sustainability reporting, decarbonization topics and the Science Based Targets initiative.

* For more details on industrial presence, see 'Reporting Perimeter' in the Annex to the Report on Operations - Note to the NFS 2023.
** According to IAEG categories. IAEG, International Aerospace Environmental Group, is a non-profit organisation comprising 54 leading Aerospace, Defence and Security companies that together account for over 70% of the industry at a global level.
*** For more information on Leonardo's decarbonization levers please see the paragraph "Decarbonisation path" of the Planet Chapter.

4. Aerostuctures

The civil aviation segment is completing its recovery, especially in the narrow-body segment, after the sharp fall due to the pandemic that affected the wide-body aircraft segment more than others, which was already undergoing a phase of profound change. The sector's recovery is also driving the search for increasingly eco-sustainable solutions from a Green Deal perspective.

In the regional transport segment, Leonardo strengthens its market leadership with the best-selling turboprop ATR, which may further benefit from the main competitor's decision to postpone the implementation of a new platform of similar engine size.

In the segment of **aerostructures**, Leonardo plays a significant role in the supply of large structural components both in traditional materials (aluminium alloys) and in advanced materials (composites and hybrids), for the commercial aviation programmes of the main world airliner manufacturers (Boeing and Airbus), for 787, 767, A321 and A220 aircraft, respectively, as well as for the production of ATR aircraft.

The increase in deliveries, resulting from a higher demand for OEM, accompanied by the gradual improvement of the industrial sites working at a higher capacity (with particular reference to the Grottaglie site), confirms the continuous improvement in the performance of the Aerostructures Division supported by the recovery of GIE ATR, even if below pre-Covid levels.

From an industrial point of view

- 39 fuselage sections and 32 stabilisers were delivered under the B787 programme (22 fuselages and 13 stabilisers were delivered in 2022) and 31 fuselages were delivered under the ATR programme (24 in 2022);
- for GIE ATR we note 36 deliveries compared with the 25 recorded in 2022, confirming an upturn in volumes.

Key Performance Indicators for the sector

December 2022	New orders	Revenues	EBITA	ROS %
Aerostructures	420	475	(183)	(38.5%)
GIE ATR	-	-	(6)	n.a.
Total	**420**	**475**	**(189)**	**(39.8%)**

December 2023	New orders	Revenues	EBITA	ROS %
Aerostructures	644	636	(163)	(25.6%)
GIE ATR	-	-	12	n.a.
Total	**644**	**636**	**(151)**	**(23.7%)**

Change %	New orders	Revenues	EBITA	ROS %
Aerostructures	53.3%	33.9%	10.9%	12.9 p.p.
GIE ATR	n.a.	n.a.	300.0%	n.a.
Total	**53.3%**	**33.9%**	**20.1%**	**16.1 p.p.**

New orders: Worth noting is a considerable increase in the commercial performance. In particular, new orders were recorded for the B787 and ATR series after the effect of the crisis due to the pandemic and to new programmes (Vertical and Boom).

Revenues: The year 2023 confirmed the growth in volumes thanks to higher activities to ready products on all the lines.

EBITA: Profitability showed a remarkable improvement mainly thanks to an increased capacity of industrial assets (in particular at Grottaglie) and workforce to work at a higher rate, resulting in a recovery of profitability. The GIE ATR also reported a significant increase in the number of deliveries, improving all the performances recorded in 2022.

Total market of the sector and 2023 Outlook

Market (*) 2023-2032	CAGR 2023-2032	Impact on the businesses in which Leonardo operates
Civil €bil. 1,566	4.1%	All the aviation programmes, primarily Airbus and Boeing, and, although to a lesser extent, those of ATR, were affected by a sharp decline in demand due to the pandemic. However, estimates for the period under review indicate a market that is now recovering, as evidenced by a higher value in absolute terms, together with a lower growth rate than estimates for previous years. Increased demand for aircraft will consequently lead to increased demand for the supply of aerostructures for airliners and regional transport aircraft.

(*) The Aerostructures sector market coincides with the civil aviation market, as already represented for the Aircraft sector, thus including commercial aircraft, aerostructures and components, net of MRO services. The values stated above are therefore identical to those reported in the market for the Aircraft sector.

In 2024 a further increase is expected in the volumes of the Aerostructures Division, linked to higher production rates under the Boeing (i.e. B787) and ATR programmes with an improvement in profitability due to a reduction in the rate of the main production sites working at a lower capacity. A gradual recovery in deliveries is confirmed for the GIE Consortium.

Research, development and product engineering

The Aerostructures sector paid great attention to the research and innovation projects envisaged under the Sustainability Plan in the aeronautical sector, with particular focus on process improvement and recycling for polymeric materials and epoxy matrix composites reinforced with carbon fiber. New Out-of-Autoclave processes are being studied for the manufacture of these components with reduced energy consumption that allow the use of easily recyclable technopolymers. As part of sustainable mobility solutions, work has been commenced on studies for the industrialisation and production of platforms structures for the Urban Air Mobility (for example, fuselage, pylons and blades for Vertical Vx4 and fuselage and wings for Otto Aviation) and HAPS (High Altitude Platform Systems) of the HTA (Heavier Than Air) type.

Low-cost and recyclable composite lamination tools have been developed and used for the purpose of reducing non-recurring program start-up costs. In this way, prototype stages become more cost-effective and faster with reduced environmental impacts. Studies and related demonstrators have also been started for the use of Artificial Intelligence in the field of non-destructive inspection (NDI) on all types of materials.

Studies have also been initiated to use the potential of the davinci-1 for real-time monitoring of process parameters and part quality, so as to make the process itself stable by avoiding process drifts.

Developments in 2023 - Aerostructures

Engineered Materials and Advanced manufacturing processes – Research work continued on the development of composite materials for processes with a high production rate to target new markets in addition to strengthening the positioning in traditional markets through advanced and proprietary manufacturing processes. Research work also commenced on materials and processes for supersonic aircraft design and manufacturing and in particular on technopolymer matrix composites and advanced ceramics.

Thermoplastic Materials – Leonardo has developed processes for the production of technopolymer and standard thermoplastic matrix composite parts by using both highly automated and single-step (press-forming) processes under European and Italian funding programmes. Work was strengthened on the research and development campaign for a new thermoplastic material (covered by its own patent), which can be used for on-site consolidation, a technology that may allow large, complex structures to be made in the future without the use of autoclaves, with benefits in terms of lower energy consumption. Additional benefits include the ability to greatly increase the production rate of complex parts. In this regard, a prototype rolling plant with anthropomorphic robot and electromagnetic induction heating has been developed (Leonardo Patent).

Integrated Smart Assembly factory - Digital twin solutions for the assembly of large components. Automatic surface generation and shim fabrication using subtractive and additive digital technologies. In 2023 work was completed on the phase of characterisation of the prototype material in preparation for the test campaign in 2024 and subsequent introduction into the production environment. Automatic installation of connecting parts with quality control of installations, improving cycle times and quality of assemblies.

Injection molding – Polymer and metal injection molding techniques are used to manufacture structural components with greater flexibility and lower energy consumption. This technique is of fundamental importance for the recycling of carbon fiber waste.

Robots and cobots - Robots and, especially, cobots are used in working environments to assist operators in repetitive and low-added-value operations (e.g., dust extraction and kit making), as well as for performing part inspections such as visual inspection, CND (non-destructive testing) and measurements. Generation of proprietary alignment algorithms and automatic and simplified cobot referencing. In 2023 work was completed on testing to improve alignment accuracy while patenting of the system is nearing completion.

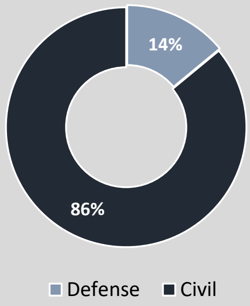
Recyclable Materials and environmental sustainability – An agreement has been signed to enhance the study on recycling of CFRPs (Carbon Fiber Reinforced Polymers) and subsequent start-up of a carbon fiber recovery plant by pyrogasification. The fibers recovered in this manner are used in the process of "Injection molding" or 3D printing by impregnating them with thermoplastic polymers, which are reusable and recyclable countless times, thus making the production chain totally circular. Such processes will be used for the production of secondary structures and equipment for composite manufacturing, as well as in other markets. Further studies have been initiated for water savings in non-destructive testing processes using laser systems, in addition to optimisations on energy consumption through smart resource management systems.

Artificial Intelligence and Big Data – Study and application of AI algorithms for surface defect detection, map analysis related to non-destructive testing and defect prevention on laminates and automatic defect detection. Through initiatives related to the Aerotech Campus, algorithms capable of analysing noise from machining operations have been tested in order to optimise working parameters and predict wear and tear of tools. These projects aim to further increase the already high quality of products and improve the operational comfort of inspectors. In fact, AI-based systems assist operators in searching for part imperfections. In addition, systems based on the analysis of Big Data from the various process steps have been initiated to make direct correlations between defects and the stage that generated them: this will allow total control of production by preventing the generation of non-conformities in a fully automated manner.

New Engineering & Manufacturing Enhanced System Innovation (NEMESI), LAMPO – This is a project that will allow the transformation of Leonardo's Pomigliano d'Arco and Nola sites into smart factories. Through a process of transformation of ATR aircraft manufacturing processes based on digitisation, production automation and application of technologies inspired by the Industry 4.0 model. The NEMESI project is able to ensure high process optimisation, generating positive impacts also in terms of sustainability. In 2023, automatic (AI-based) defect detection functionality of 3D parts was integrated. With the LAMPO project, the industrialisation and qualification of automated horizontal stabiliser assembly processes, as well as the testing of advanced and proprietary composite repair methods that will improve the quality of laminates are nearing completion.

Sector carbon footprint and decarbonization levers

Defence/civil revenues



Main industrial footprint[*]

Italy

Relevant GHG emissions

GHG emissions in the operations

Scope 1 ✓

Scope 2 ✓

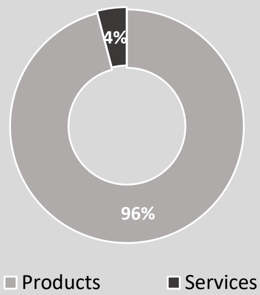
GHG emissions in the value chain

Scope 3 upstream ✓

Main purchased goods and services according to IAEG categories[**]

- Metallic manufactured components
- Gases and chemicals
- Non-metallic assembly and structural components

Products/ services revenues



Main decarbonization levers[***]

- Continued reduction of direct emissions through renewable electricity purchase through Guarantees of Origin and self-production thanks to a specific program (e.g., in the site of Nola, a photovoltaic plant with an installed capacity of about 8 MWp is under construction), energy efficiency also through the replacement of lighting systems with LED technology and electrification measures;
- Launch of a project (NEMESI) based on new criteria of digitalization, human-machine interaction and production automation which will allow to reduce also technical inefficiencies and environmental impacts;
- Structured engagement and support to the supply chain for the decarbonization also by offering training to more than 500 suppliers on sustainability reporting, decarbonization topics and the Science Based Targets initiative.

[*] For more details on industrial presence, see 'Reporting Perimeter' in the Annex to the Report on Operations - Note to the NFS 2023.
[**] According to IAEG categories. IAEG, International Aerospace Environmental Group, is a non-profit organisation comprising 54 leading Aerospace, Defence and Security companies that together account for over 70% of the industry at a global level.
[***] For more information on Leonardo's decarbonization levers please see the paragraph "Decarbonisation path" of the Planet Chapter.

5. Space

The Sector is of supreme importance, both in the civil and in the defence segment, because it makes it possible, on the one hand, to carry out ongoing monitoring of the planet's resources, both natural and artificial, as well as to offer communication and localisation solutions in remote areas, thus ensuring access to basic services for communities and connecting activities and citizens, and on the other hand, is assuming an increasingly important role in ensuring autonomy and independence, as well as the protection of national interests. The market in this sector is divided between upstream (manufacturing of space and ground-based systems), midstream (manufacturing of launch systems and services, satellite operations services) and downstream (end-user services, including communication, geoinformation, navigation and related infrastructure) activities.

Leonardo is present in this market through the **Space Alliance** with Thales - through its investment in Thales Alenia Space (33%) and Telespazio (67%), with the abovementioned construction of electronic space systems and its investment in Avio (29.63%). Specifically, Telespazio offers a complete series of services in the main operational domains of the space market – from communications to navigation, from Earth observation to space exploration. These services support various tasks from supporting healthcare institutions to logistics, from monitoring vehicle fleets to monitoring critical infrastructure and hazardous sites, from precision agriculture to civil protection, from the prevention of hydrogeological instability and support in caring for architectural sites to monitoring natural resources and pollution. These applications have a key role in everyday life, in the protection and sustainable development of the Planet, as well as in the safety of citizens, readily supporting the Institutions with the capacity to combine big volumes of satellite data and very high resolution images with data from land-based sensors, at sea or in aeroplanes, and with archives and social media.

Furthermore, Leonardo manufactures, through the Electronics Division, essential components of space systems, such as electro-optical payloads for Earth observation and planetary exploration (e.g., COSMO SkyMed, PRISMA, MTG, EarthCare, Rosetta, ExoMars, LISA Pathfinder, BepiColombo), as well as attitude sensors and atomic clocks, which are required for satellite navigation systems (e.g. Galileo).

The Sector underperformed compared to 2022 due to the **manufacturing segment** which recorded significant costs for the development of commercial telecommunications business.

The business segment of **satellite services** recorded a growing operating result, which confirms the ongoing positive trend marked by a solid performance of production volumes of Lob Satellite Systems and Operations, the improved performance of Lob GeoInformation, and by the remarkable recovery of the orders in the Satcom business. The increase in the operating result offset the impact of costs due to the early retirement plan under article 4 of the Fornero Act on net profits.

With regard to the Sector, it should be reiterated that, as from 2024, the Leonardo Group will fully consolidate the contribution of the Telespazio group, following the subsequent contractual changes that changed its investment from a jointly-controlled company to a subsidiary.

Total market of the sector and 2023 Outlook

Market 2023-2032	CAGR 2023-2032	Impact on the businesses in which Leonardo operates
€bil. 1,618	5.3%	Manufacturing: Growing market, driven by demand for smaller, more efficient and higher-performing satellite constellations of lower complexity. Services: The increasing competition associated with the advent of NewSpace (private companies established in a sector that was a de facto monopoly of governments) has triggered the need for a statutory pattern of service offerings in the space sector as well, pushing the market towards increasingly higher value-added solutions and/or new business models (HTS/IoT for telecommunications, data from innovative sensors to be combined with traditional optical sensors for Earth observation, and as-a-Service business models for the ground segment). There is also a growing interest in innovative services especially related to space exploration, SATCOM sector, new integrated geo-information solutions and Ground Segment.

2024 is expected to be characterised by growing business volumes supported by a robust backlog overall. However, operating profitability is expected to worsen due to development delays as well as to low backlog coverage resulting in excess capacity in the Telecommunications Domain of the manufacturing segment.

Excellent fundamentals are confirmed for the satellite services of Telespazio predicting growth in both topline and operating results thanks to a consolidated leadership in Europe and Latin America.

Research, development and product engineering

Space infrastructure and technology are an enabling factor, through new services and applications, for the attainment of each of the 17 Sustainable Development Goals (SDGs) of the 2030 Agenda. The various geo-information applications and services that Leonardo is able to provide, in fact, have a strong environmental and social impact. The fact that there is such a variety of possible applications shows that Space is, and will continue to be, an area of steadily increasing development with a continuous increase in players and services, with civil and military applications, borne witness to by the rapidly growing numbers of private firms operating in all segments of space and which also develop launching or transport technologies that were the prerogative of governments for years; these newcomers are now starting to show that they have greater and greater business potential for communication and surveillance of critical asset on the ground, both in military and civil sectors, while governments and space agencies increasingly focus their attention on space exploration and the possible exploitation of extraplanetary resources, taking into high consideration the protection of space assets that will contribute thereto.

In the area of satellite communications, the Group has initiated research studies for the creation of the infrastructure for quantum key exchange in Europe.

In the area of space robotics, Leonardo is engaged in the definition of a broad portfolio of In Orbit Services (IOS), which includes operations such as space debris removal, raising the operational altitude of active platforms, changing the orbit of satellites, maintaining in visibility from Earth for Geosatellites, in-orbit refuelling, spare parts transportation with installation and removal of obsolete or damaged equipment, and in-orbit inspection or assembly. The IOS service portfolio also includes the development of the platform for management from Earth. Finally, the definition of OTT (Over The Top) services dedicated to future space exploration activities proves to be of considerable importance.

Developments in 2023 – Space

Space exploration - The theme originates from the ESA Moonlight initiative aimed at the creation of Lunar Communications and Navigation Services (LCNS) and the related infrastructures to support commercial and institutional missions for the exploration of the Moon, thus creating the chance of a true Lunar Economy. The Moonlight project, which is coordinated by Telespazio and started in 2021, aims, through a system of terrestrial stations and a network of satellites, coordinated by the Fucino's Space Center, to provide communication and navigation services to all missions in the cislunar domain. The technological challenge is to increase efficiency and reliability by decreasing the complexity and cost of sensors and communication systems to Earth. In this context, Telespazio has also initiated preliminary studies for future value-added services, such as for accurate navigation on the dark side of the Moon or for scientific applications on future commercial space stations. Another topic of interest is robust communications between Earth and the Moon, for which Telespazio is developing innovative protocols and standards. For example, preliminary studies for a new protocol for space communications were completed in 2023.

Quantum Communication - EuroQCI (European Quantum Communication Infrastructure) is a European Commission project that aims to build an integrated terrestrial-satellite communication network based on quantum technology. The intended application is "quantum key distribution," one of the first uses of which is the construction of the security infrastructure

Space Domain Awareness - These activities are aimed at protecting critical space assets from intentional and unintentional threats and managing the growing number of orbiting objects. Telespazio is advancing the developments of a digital platform, which, through the fusion of data from heterogeneous sources, the adoption of AI on HPC for rapid situation assessment and the subsequent proposal of any possible compensatory manoeuvres, will deliver Space Traffic Management, Space Intelligence and Space Weather services.

In-orbit services - In 2023, Telespazio launched a preliminary study to define the necessary technology roadmaps, e.g. based on space robotics, computer vision, flight dynamics, evolved mission planning, and manoeuvre autonomy.

Navigation services - Interesting developments concern positioning and navigation services in environments where Global Navigation Satellite System (GNSS) is not available. In such a case, the idea is to use hybrid techniques that make use of heterogeneous data from 5G, as well as measurements from inertial platforms, adopting interference mitigation methods and ionospheric correction algorithms. Other significant development activities, although preliminary, involve PNT (Positioning, Navigation, Timing) services from Low Earth Orbit (LEO) constellations, dedicated to future piloted or self-driving vehicles on the Moon.

for the communications of the Member States through the new Iris satellite constellation planned by the European Commission. In this context, Telespazio participated, in 2023 too, in the preliminary design phases of the space component, which is managed by ESA under the parallel SAGA (Satellite Advanced Global Architecture) programme. The future goal is to contribute to the realisation of the infrastructure and the definition of the service, so that it can then bid for its management and operations of the space component by exploiting the potential of its own space centers.

Solutions for protecting environment and climate

Leonardo offer solutions capable of offering an effective response to the increasingly challenging demands of sustainability in space, as well as global security(*).

Emergency response solutions	**Emergency Mapping services** > The service provides reference maps over the area affected by critical natural or man driven events allowing to assess their impact with respect to pre-event situation, as well as to monitor evolution in time through post event damage assessment maps, in support to field intervention.
Territory management solutions	**Land Monitoring and Displacement Monitoring Services** > The Land Monitoring service provides land cover and land change maps at different levels of detail for an extensive knowledge of the territory and its changes. The Displacement service provides information on slow deformations on artifacts as well as on natural sites, to identify situations potentially affecting territory resilience and population integrity (as landslides and infrastructures/building collapses).
Satellites to monitor the safety of space from space	**Space Situational Awareness** > Telespazio is developing Space Situational Awareness services together with NorthStar to monitor all near-Earth orbit regimes and improve tracking of space objects capable of damaging satellites and interrupting the provision of critical services. **In Orbit Servicing** > Leonardo will develop enabling technologies to make space more sustainable and safer, for example, refuelling satellites directly into space, or repairing or replacing their components, moving them to other orbits or facilitating their smooth atmospheric re-entry.

* For more information on Leonardo's decarbonization levers please see the paragraph "Decarbonisation path" of the Planet Chapter.

"Non-GAAP" alternative performance indicators

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

It should be noted that in relation to certain of these alternative performance indicators, this Financial Report at 31 December 2023 also presents a set of pro-forma indicators to give a view of the business that already reflects the consolidation of the Telespazio group, which will be carried out starting from 1 January 2024.

The reconciliation with the Proforma KPIs is shown below:

	2022					2023				
	New orders	Revenues	EBITA	FOCF	Group Net Debt	New orders	Revenues	EBITA	FOCF	Group Net Debt
Key Performance Indicator	17,266	14,713	1,218	539	3,016	17,926	15,291	1,289	635	2,323
Dividends received by Telespazio				(21)					(23)	
Telespazio Equity-accounted			(28)					(29)		
Consolidation of Telespazio	780	650	60	41	(25)	763	701	66	40	(1)
Eliminations	(5)	(9)	-	-	-	(21)	(10)	-	-	-
Proforma	**18,041**	**15,354**	**1,250**	**559**	**2,991**	**18,668**	**15,982**	**1,326**	**652**	**2,322**

As required by CONSOB Communication no. 0092543 of 3 December 2015 in adopting the ESMA 2015/1415 guidelines on alternative performance indicators, below is a description of the components of each of these indicators.

- **New orders*:*** this includes contracts entered into with customers during the period that have commercial substance and represent an obligation for both parties to fulfil the contract.
- **Order backlog*:*** this figure is the sum of the order backlog for the preceding period and new orders, less revenues during the reference period.
- **EBITDA**: this is given by EBITA, as defined below, before amortisation (excluding amortisation of intangible assets from business combinations), depreciation and impairment losses (net of those relating to goodwill or classified among "non-recurring costs").
- **EBITA*:*** it is arrived at by eliminating from EBIT, as defined below, the following items:
  - any impairment in goodwill;
  - amortisation and impairment, if any, of the portion of the purchase price allocated to intangible assets as part of business combinations, as required by IFRS 3;
  - restructuring costs that are a part of defined and significant plans. This item includes personnel costs as well as any and all other costs deriving from the reorganisation (e.g., impairment of assets, costs for the closure of sites, relocation costs, etc.);
  - other non-recurring or unusual costs or income, i.e., connected to particularly significant or exceptional events that are not related to the ordinary performance of the business. The item includes charges incurred during M&A transactions, charges linked to disposed businesses and/or products and systems, and the recognition of losses on contracts that have become onerous as a result of non-operating events.

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

A reconciliation of Income before tax and financial expense, EBIT and EBITA is shown below (the reconciliation by segment is reported in Note 8):

(€ millions)	2022	2023
Income before tax and financial expenses	829	931
Equity-accounted strategic investments	132	154
EBIT	**961**	**1,085**
Amortisation of intangible assets acquired as part of business combinations	24	35
Restructuring costs	119	59
Non-recurring income	114	110
EBITA	**1,218**	**1,289**

The restructuring costs for the period are made up of €mil. 20 relating to the additions to the early retirement of the Corporate and Staff functions' workforce and €mil. 18 of the Aerostructure division's workforce. The 2022 figure reflected the preliminary estimation of the mentioned measure under the Fornero Act within the Corporate and Staff functions only.

The amortisation of the Purchase Price Allocation included the component related to the acquisition of RADA, which was completed in November 2022 and therefore encompassed in the comparative data for immaterial amounts.

The non-recurring costs for the period reflected certain preliminary estimations in connection with pending litigation with the Norwegian customer and related to the DOHA contract. Without prejudice of the position set forth in the Litigation Section (Note 22) but taking into account that it is ongoing a mediation process, whose outcome is currently uncertain, regarding the termination requested by the Norwegian Defence Materiel Agency (NDMA) with respect to contract for the supply of 14 NH90 helicopters entered into with NH Industries, Leonardo made a provision of €mil. 44 against the relevant net working capital. The allocation of costs associated with the DOHA contract, including any estimated legal costs, was equal to €mil. 47.

In 2022 these costs mainly included the write-down of the exposure to the countries involved in the conflict existing between Russia and Ukraine (€mil. 36) and the transaction costs related to the completion of the acquisition of RADA and subsequent listing of Leonardo DRS (€mil. 31).

- **Return on Sales (ROS):** this is calculated as the ratio of EBITA to revenue**.**
- **EBIT**: this is obtained by adding to Income before tax and financial expenses (defined as earnings before "financial income and expense", "share of profits (losses) of equity-accounted investees", "income taxes" and "Profit (loss) from discontinued operations") the Group's share of profit in the results of its strategic investees (MBDA, GIE ATR, TAS, Telespazio and Hensoldt), reported in the "share of profits (losses) of equity-accounted investees".
- **Net result before extraordinary transactions**: this is the Net Result before the result from discontinued operations and the effects of the extraordinary transactions (key acquisitions and disposals). Below is the reconciliation:

(€ millions)	2022	2023
Net result	932	695
Effect on extraordinary transactions	(235)	47
Net result before extraordinary transactions	**697**	**742**

- **Group Net Debt**: this includes cash, financial receivables and current securities, net of (current and non-current) loans and borrowings and of the fair value of foreign exchange derivatives covering financial debt items. The reconciliation with the net financial position required by the CONSOB communication no. DEM/6064293 of 28 July 2006 and updated in accordance with the ESMA guidelines 32-382-1138 of 4 March 2021 as implemented in the CONSOB warning notice no. 5/21 of 29 April 2021 is reported in Note 21 of consolidated financial statements.
- **Free Operating Cash-Flow (FOCF)**: this is the sum of the cash flows generated by (used in) operating activities (excluding the changes in the Group Net Debt), the cash flows generated by (used in) ordinary investing activities (investment and divestment of intangible assets, property, plant and equipment, and equity investments, net of cash flows from the purchase or sale of equity investments that, due to their nature or significance, are considered "strategic investments"), dividends received and collections received pursuant to Law 808/1985. The calculation of FOCF is presented in the reclassified statement of cash flows shown in the section "Group results and financial position".
- **Return on Investments (ROI):** this is calculated as the ratio of EBITA to the average net capital invested in the two comparative periods.
- **Funds From Operations (FFO)**: this is cash flow generated by (used in) operating activities net of changes in working capital and the repayment of debts under Law 808/1985, included within "Cash flow from ordinary investing activities" in the reclassified statement of cash flows. The FFO also includes dividends received.
- **Net interest*:*** this is calculated as the sum of the items "Interest", "Premiums (paid) received on IRSs" and "Commissions on borrowings" (see the Note on "Financial income and expense" of the consolidated financial statements).

Below are also provided the reconciliation statements between the items in the reclassified tables reported in the Report on Operations and the accounting statements shown in the notes to consolidated financial statements:

Report on operations at 31 December 2023

	Scheme	PPA amortis.	Restruct. and non recurring costs	Strategic JVs	Onereous contracts (losses at completion)	Extraord. transactions.	Reclassified scheme
Revenues	15,291						15,291
Purchase and personnel expenses	(13,641)		67		42		(13,532)
Other net operating income/(expenses)	(74)		86		(42)		(30)
Equity-accounted strategic investments				154			154
Amortisation, depreciation and write-offs	(645)	35	16				(594)
EBITA							**1,289**
Non-recurring income/(expenses)			(110)				(110)
Restructuring costs			(59)				(59)
Amortisation of intangible assets acquired as part of business combinations		(35)					(35)
EBIT							**1,085**
Net financial income/(expenses)	(107)			(154)		47	(214)
Income taxes	(129)						(129)
Net result before extraordinary transactions							**742**
Net result related to discontinued operations and extraordinary transactions	-					(47)	(47)
Net result	**695**						**695**

	Scheme	Financial receivables and cash	Financial payables	Hedging derivatives on debt items	Reclassified scheme
Non-current assets	14,295				14,295
Non-current liabilities	(5,133)		2,885		(2,248)
Capital assets					**12,047**
Current assets	16,398	(2,612)		(1)	13,785
Current liabilities	(16,959)		2,044	7	(14,908)
Net working capital					**(1,123)**
Total equity	8,561				**8,561**
Group Net Debt		(2,612)	4,929	6	**2,323**
Net (assets)/liabilities held for sale	40				**40**

	Scheme	Dividends received	Royalties / Law no. 808 payables and receipts	Strategic investments	Reclassified scheme
Cash flows generated (used) from operating activities	1,186		20		1,206
Dividends received		186			186
Investments in property, plant and equipment and intangible assets	(782)				
Sales of property, plant and equipment and intangible assets	13				
Cash flows from ordinary investing activities	(769)		12		(757)
Free Operating Cash Flow (FOCF)					**635**
Strategic transactions				352	352
Other investing activities	507	(186)	(32)	(352)	(63)
Cash flows generated (used) from investing activities	**(262)**				
BEI Loan and Term Loan repayment	(19)				
Net change in other borrowings	90				
Net change in borrowings	**71**				71
Dividends paid	(83)				(83)
Cash flows generated (used) from financing activities	**(12)**				
Net increase (decrease) in cash and cash equivalents	912				912
Exchange rate differences and other changes	(16)				(16)
Cash and cash equivalents at 1 January	1,511				1,511
Cash and cash equivalents at 31 December	**2,407**				**2,407**

INDUSTRIAL AND FINANCIAL TRANSACTIONS

Industrial transactions. 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, net of costs of disposal, around USDmil. 37. As a result of this transaction, the Group recognised a capital gain of about €mil. 10, after transaction costs.

During the period work continued on concentrating the assets held by Leonardo in the USA in a single legal entity started in 2022. During the period, 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.

On 13 December 2023, under the auspices of the Italian Ministry of Defense, Leonardo and KNDS signed a strategic alliance to create a European defense group through a structural partnership. Such strategic alliance will enable the implementation of programs in cooperation among the European nations, by strengthening their national industrial base and jointly developing the future generation of armored vehicle platforms, including Main Ground Combat System (MGCS). Additionally, Leonardo and KNDS signed an understanding calling for the joint implementation of the procurement programme named Main Battle Tank (MBT) based on LEOPARD 2 A8 for the Italian Army. The companies will collaborate in the development, manufacturing and maintenance of LEOPARD 2 A8, as well as the support platforms. This partnership represents the natural development of a cooperation between the industries of the respective nations, aimed at enhancing the complementarity of expertise, set-ups and investments as much as possible.

Finally, on 5 December 2023 Leonardo made known that it had not subscribed for the potential capital increase announced by Hensoldt AG as part of the acquisition of the German company ESG Elektroniksystem und Logistik GmbH, although it was fully supportive of its strategic rationale. After this decision, Leonardo's equity investment in Hensoldt was slightly decreased (from 25.1% to 22.8%). This does not entail any waiver of the company governance which sees Leonardo as reference industrial investor; there is still, in fact, the ambition to pursue the European partnership with Hensoldt in accordance with the prerogatives of each country.

As touched on earlier, in January 2024 the Group amended the arrangements behind the incorporation of the Space Alliance with Thales. As a result of this amendment, the Telespazio group is no longer subject to the joint control by the two shareholders but is now under the control of Leonardo. Accordingly, starting from 2024, the Group data will include the line-by-line consolidation of Telespazio and its subsidiaries.

With reference to the **Industrial Relations**, in May 2023 Leonardo made supplements to the agreement signed in December 2022 (early retirement plan under art. 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.

31 July 2023 saw the signature of the agreement with the Trade Unions for the regulation of the Performance Bonus and Target Bonus 2023, as well as the distinct component of pay (in Italian, EDR 2021 – *Elemento Distinto della Retribuzione*) for the portion related to 2023.

On 20 December 2023, the Company signed the agreement for renewal of Leonardo's supplementary contract. Such agreement sets for the three-year period 2024-2026 not just better economic conditions for employees, but additional measures reinforcing corporate welfare and experimental solutions to reformulate working hours, finetuning the path to harmonization started in 2016 with the creation of the One Company.

Financial transactions. During the 2023 financial year Leonardo completed the following capital market transactions:

- on 27 September 2023, Leonardo DRS Inc. announced and then voluntarily withdrew its ordinary shares from the Tel Aviv Stock Exchange (TASE). Under Israeli law, this transaction took effect three months after the Company's request. During the transitory period, the ordinary shares of Leonardo DRS continued to be traded on the TASE. This transaction did not affect Leonardo DRS listing on Nasdaq under the DRS symbol and all the ordinary shares traded on the TASE were transferred to Nasdaq. Furthermore, this transaction had no impact on the commitment of Leonardo and Leonardo DRS to the Israeli market or any transaction in the country. The Company continued to file public reports and to public information in compliance with the regulations of the US Securities and Exchange Commission and Nasdaq;
- on 21 November 2023, Leonardo S.p.A. finalized, through the subholding Leonardo US Holding, LLC, ("LUSH"), the sale on the US market of a parcel of shares in Leonardo DRS ("DRS").

  As is known, 29 November 2022 marked the completion of the merger between DRS and the Israeli company RADA Electronic Industries Ltd. ("RADA") whereby Leonardo DRS was automatically listed on the New York Stock Exchange ("NASDAQ") and on the Tel Aviv Stock Exchange ("TASE"). As a result of this transaction, Leonardo retained – through LUSH – full ownership of a quota of 80.2% in DRS, with the former shareholders of RADA owning the remaining stock. From the closing of the merger with RADA up to the launch date of the secondary offering in the USA, the DRS share price recorded significant growth.

  Against this backdrop, on 15 November 2023 Leonardo S.p.A. announced the launch of secondary offering in the United States by LUSH of a minority stake of 16,500,000 (6.3%) of common stock of DRS, granting the underwriters a 30-day option to purchase up to an additional 2,475,000 shares (equal to 15% of the offered shares). The transaction was completed on 22 November 2023 with the sale of 20,700,000 ordinary shares of DRS, at a price of USD 17.75 per share. The amount of the shares sold includes the sale of 18,000,000 ordinary shares (increased vis-à-vis the initial offering) and of an additional 2,700,000 shares (equal to 15% of the above-mentioned 18,000,000 shares) subject to the exercise in full by the underwriter banks of their option to purchase the shares.

  The shares sold, which represent approximately 7.9% of the ordinary shares issued by DRS at the date of the transaction, brought Leonardo US Holding, LLC proceeds equal to about USDmil. 352, after transaction costs. The proceeds from such transaction enable Leonardo to increase its financial flexibility for investments and acquisitions and to maintain at the same time a solid financial structure and a significant industrial and commercial footprint in the US Defense business;

- in May 2023 the EMTN (Euro Medium Term Note) programme was renewed for further 12 months, which regulates possible bond issues on the European market for a maximum nominal value of €bil. 4. At the date of this report, the Programme could be still used for €mil. 2,400.

Following the early redemption (occurred in 2022) of bonds issued by Leonardo US Holding in the U.S. market, 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 securitization 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. In relation to this Annual Financial Report financial covenants have been complied with in full: the two indicators amount to 0.4 and 18.8, respectively.

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. 481 as at 31 December 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. Specifically

- Reduction in CO_2 emissions of the Group; such KPI is included in the RCF and in the Term Loan signed in 2021 as well as in the Sustainability-Linked Loan granted by the European Investment Bank in 2022;
- Promotion of female employment with STEM degrees; such KPI is included in the RCF and in the Term Loan signed in 2021;
- Increase in per capita computing power of the Group; such KPI is included in the Sustainability-Linked Loan 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 this reporting date.

Outstanding bond issues (equal to a nominal amount of €mil. 1,600) 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 in the geopolitical environment of reference.

- on 4 August 2023, Standard&Poor's also decided to upgrade Leonardo’s rating back to the Investment Grade, BBB- compared to the previous BB+, with stable outlook; this upgrade was mainly due to:
    - the solid operating performance reported by the Group;
    - the management’s commitment to keeping solid accounts;
    - the strengthening of revenues and cash flows accompanied by a growing generation of cash which will be used to reduce gross debt.

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	August 2023	BB+	positive	BBB-	stable
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 rate margins applied to certain payables of Leonardo (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.

Other information

- OTHER PERFORMANCE INDICATORS
- RELATED PARTY TRANSACTIONS
- CONSOB – MARKET REGULATION NO. 20249/2017, ART. 15
- INFORMATION PURSUANT TO ARTICLES 70 AND 71 OF ISSUERS' REGULATIONS

Other performance indicators

	2022	2023	Change
FFO	1,535	1,441	(6.1%)
Net Interest	(104)	(95)	8.7%

For the definition of indices, reference should be made to the paragraph on "NON-GAAP Alternative Performance Indicators".

Related-Party transactions

In 2010 Leonardo adopted a specific "Procedure for Related Parties Transactions" (hereinafter referred to as the "Procedure"), which was mostly recently updated in October 2023 pursuant to CONSOB Regulation no. 17221 of 12 March 2010, as amended and supplemented, containing provisions on "related party transactions" (hereinafter referred to as the "Regulation"), as well as in implementation of Article 2391-*bis* of the Italian Civil Code. The abovementioned Procedure is available on the Company's website (www.leonardo.com, under Corporate Governance section, "Related Parties" area").

Pursuant to Article 5.8 of the Regulation, during 2023 the following transaction of greater importance, as defined by Article 4.1.a of the Regulation and identified by the abovementioned Procedure pursuant to Annex 3 attached to the Regulation, was carried out:

Parties to the transaction		Nature of relationship with related parties	Object of the transaction	Consideration for the transaction
Leonardo S.p.A	PZL Swidnik	Subsidiary (100%)	Supply contract guarantee	€mil. 570

Since it was carried out with a subsidiary, the aforesaid transaction benefited from the exemption provided for in Article 14.2 of the Regulation, as well as in Article 11.2(e) of the aforementioned Procedure.

No changes or developments took place in relation to the related-party transactions described in the 2022 Report on Operations.

CONSOB Market Regulation no. 20249/2017, Article 15

In accordance with CONSOB provisions contained in the Market Regulation adopted by CONSOB Resolution no. 20249 of 28 December 2017 and subsequently updated by the latest amendments made by Resolution no. 21624 of 10 December 2020, Leonardo S.p.a. performed the verifications on the Group subsidiaries that were incorporated and are governed under the laws of non-EU Member States and that, as a result, were deemed “material” based on the requirements under Article 151 of the Issuers’ Regulations adopted with CONSOB Resolution no. 11971 of 14 May 1999, as amended by CONSOB Resolution no. 2214421639 of 22 December 2021. As regards the non-EU foreign subsidiaries (Leonardo DRS Inc., Leonardo US Holding LLC., AgustaWestland Philadelphia Co., Leonardo UK Ltd) identified based on the above regulations and in compliance with the provisions of local laws, these verifications revealed that the administrative and accounting system, which oversees the preparation of Financial Reports, falls within the scope of a control environment that is effectively operating and substantially suitable to the requirements envisaged in said Article 15. Therefore, it is not necessary to prepare an adaptation plan pursuant to the abovementioned article.

Information pursuant to articles 70 and 71 of Issuers' Regulations

By resolution of the Board of Directors on 23 January 2013, the Company adopted the simplification regime under Articles 70/8 and 71/1-*bis* of the Issuers’ Regulations, adopted with CONSOB Resolution no. 11971/1999, as subsequently amended and supplemented. By this resolution, the Company chose the option to make exceptions to the obligation to issue the documents required by the law when transactions of greater importance (such as mergers, spin-offs, capital increases by means of the contribution of assets in kind, acquisitions or disposals) occur.

PART 2 – CONSOLIDATED NON-FINANCIAL STATEMENT (NFS)

GOVERNANCE

- ✓ CORPORATE GOVERNANCE
- ✓ RESPONSIBLE BUSINESS CONDUCT
- ✓ RISK MANAGEMENT
- ✓ STAKEHOLDER ENGAGEMENT

Leonardo’s corporate governance is aimed at protecting and maximising the long-term value of the Company for the pursuit of sustainable success, via the optimal management of resources with respect to strategic objectives, effective company risk control, utmost market transparency and integrity of decision-making processes, in the interest of all stakeholders.

Priority topics

- Business integrity, compliance and anti-corruption
- Protection of human rights
- Cybersecurity and data protection

SDGs

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Objectives	Progress	Target year
Annual renewal/maintenance of the ISO 37001:2016 “Anti-Bribery Management System” certification	Objective achieved	**2023**
	New objectives	**2024-2026 (renewal and maintenance)**

Objective achieved *New objectives*

Impact indicators

42% of women sitting on the Board of Directors **40%** on the Board of Statutory Auditors **100%** of women as chairmain of board committees	**20%** of long-term variable remuneration and **10%** of short-term variable remuneration linked to **ESG objectives**	**55% of total financing sources linked to ESG parameters,** for a total of € 3.26 billion

“Our future together”, the new Supplier Code of Conduct

With the publication of the new Code of Conduct for Suppliers "Our future together"[33] at the beginning of 2024, Leonardo reaffirms the importance of ethical principles in the conduct of business, promoting them more decisively not only internally but also to external partners. In particular, the Code reaffirms the value of respecting human rights, diversity and inclusion, both of direct and suppliers’ workers, as well as the right to privacy and personal data protection. Moreover, it further emphasizes the importance of integrity and business ethics, as well as the principles of environmental sustainability and decarbonisation, as necessary prerequisites to ensure lasting progress for the benefit of people and the planet[34].

[33] The Code is available at this link.

[34] For more information on the new Code of Conduct for Suppliers, see the section Supply chain value in the chapter "Prosperity".

Corporate Governance

Leonardo's corporate governance model, based on a traditional organisational structure, complies with the Corporate Governance Code (approved by the Corporate Governance Committee and promoted by, among others, the Italian Stock Exchange) which is adhered to by the Company and with the international best practices.

As part of this model, the Board of Directors (BoD) is the main body entrusted with the power to define business strategy and structures in coherence with the Company's management and control activities. During its term, the BoD may draw on support from the Board internal committees that make proposals and provide advice.

The current BoD was appointed by the Shareholders' Meeting held on 9 May 2023 for the three-year period from 2023 to 2025, in compliance with the criteria for gender, age, skills and experience balance set in the policies on diversity. Following its appointment, the Board set up four committees from among its members, with functions in the areas of Control and Risks, Remuneration, Nomination and Governance, Sustainability and Innovation.

Corporate governance model

Shareholders' meeting

Board of Directors
(for the 2023 – 2025 three-year period)

STEFANO PONTECORVO
Chairman

ROBERTO CINGOLANI
Chief Executive Officer and General Director

TRIFONE ALTIERI
Director (A,B)

GIANCARLO GHISLANZONI
Director (B,D)
Lead Independent Director

ENRICA GIORGETTI
Chiarwoman (B)
Director (B,C)

DOMINIQUE LEVY
Director (A, C)

FRANCESCO MACRI'
Director (C,D)

CRISTINA MANARA
Chariwoman (D)
Director (A,D)

MARCELLO SALA
Director (A,D)

SILVIA STEFINI
Chariwoman (A)
Director (A,C)

ELENA VASCO
Chairwoman (C)
Director (B,C)

STEVEN DUNCAN WOOD
Director (B,D)

A) Control and Risks Committee

B) Remuneration Committee

C) Nomination and Governance Committee

D) Sustainability and Innovation Committee

Board of Statutory Auditors
(for the 2021 – 2023 three-year period)

Regular Statutory Auditors

LUCA ROSSI
Chairman

SARA FORNASIERO
AMEDEO SAGRESTANO
LEONARDO QUAGLIATA
ANNA RITA DE MAURO

Alternate Statutory Auditors

EUGENIO PINTO
GIUSEPPE CERATI

Independent legal auditors
EY S.p.A.
(for the 2021 – 2029 period)

Coordination and consultation body for the prevention of corruption*

Chief Audit Executive
MARCO DI CAPUA

Officer in charge of financial reporting
ALESSANDRA GENCO

Surveillance Body
(for the 2023-2025 three-year period)

FEDERICO MAURIZIO D'ANDREA
Chariman

GIANDOMENICO CAIAZZA
External member

RAFFAELE CUSMAI
External member

ROMINA GUGLIELMETTI
External member

MARCO DI CAPUA
Chief Audit Executive

* Made up of Leonardo's Chairman and of the Chairmen of the Control and Risks Committee, of the Board of Statutory Auditors and of the Surveillance Body

NOTE 1: The previous Board of Directors, whose term of office expired with the Shareholders' Meeting of 9 May 2023, was composed of the following: Luciano Carta (Chairman), Alessandro Profumo (Chief Executive Officer), Carmine America, Pierfrancesco Barletta, Elena Comparato, Dario Frigerio, Patrizia Michela Giangualano, Paola Giannetakis, Federica Guidi, Maurizio Pinnarò, Ferruccio Resta and Marina Rubini.

NOTE 2: The previous Supervisory Board for the three-year period 2020-2022 expired on 25 June 2023 and was composed of RAFFAELE SQUITIERI (Chairman) GIORGIO BENI (External Member) CHIARA MANCINI (External Member) CLAUDIA TEDESCHI (External Member) MARCO DI CAPUA (Chief Audit Executive) ANDREA PARRELLA (Group General Counsel).

Features of the BoD [35]

	Leonardo	Average FTSE-MIB [36]
Number of Directors	12	12.3
Number of Directors appointed by minority shareholders	4	2.3
Number of independent Directors	10	7.8
Number of women Directors	5	5.3
Average age	56	58
Average tenure (years)	1	4.9
Meetings held in 2023	13	14.1
Attendance rate (%)	100	96

Board committees

a) Control and Risks

Directors: 5

% independent: 80%

Meetings held in 2023: 11

Attendance rate: 100%

b) Remuneration

Directors: 5

% independent: 100%

Meetings held in 2023: 8

Attendance rate: 96%

c) Nomination and Governance

Directors: 5

% independent: 100%

Meetings held in 2023: 9

Attendance rate: 100%

d) Sustainability and Innovation

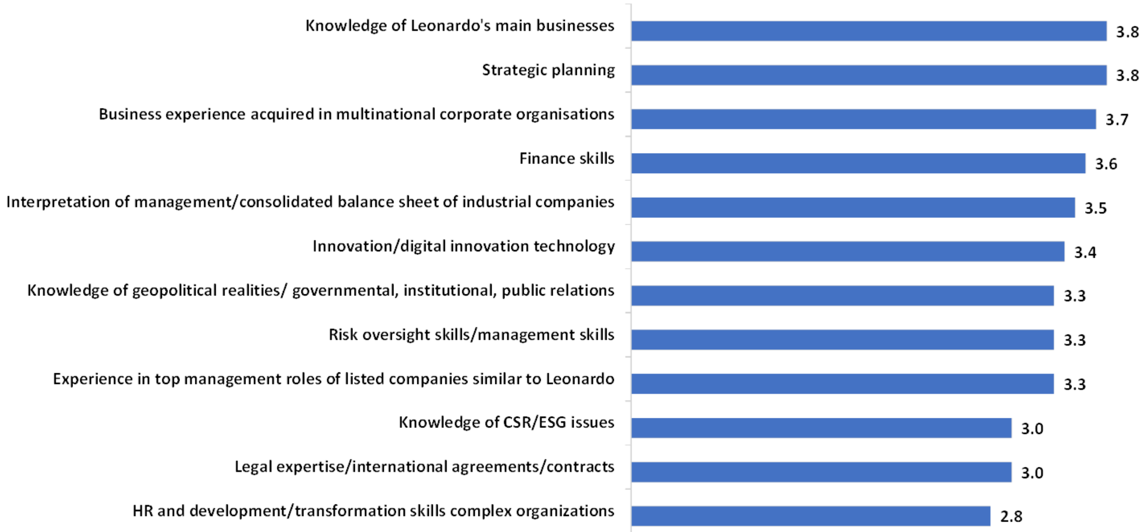
Directors: 5

% independent: 80%

Meetings held in 2023: 8

Attendance rate: 92%

BoD competences and experiences



Leonardo has adopted an engagement policy aimed at promoting and regulating opportunities to meet and discuss with financial stakeholders ("Policy for the management of dialogue with shareholders in general and with other stakeholders"). The scope of the policy includes the requests for direct interaction with the Company that are submitted by financial stakeholders on issues concerning the economic and financial results and outlook, the Industrial and Strategic Plan, corporate governance, social and environmental sustainability, the remuneration policy for directors and managers with strategic responsibilities, the internal

[35] The indicators are related to the BoD appointed on 9 May 2023, except for the value relating to the number of meetings held, which refers to the total for 2023. The attendance rate is calculated as the number of events attended/number of meetings convened. The source of the FTSE MIB data is Assonime.

[36] Year 2022.

control and risk management system, and the Company's policies on ethics, transparency and anti-corruption[37].

Remuneration policy

The objective of the remuneration and incentive policy in 2023 was to attract and motivate people with the professional skills to carry out assignments and fulfil responsibilities assigned to them, in line with the management's interests and with the priority objective of creating value in the medium- to long-term. To do this, the policy has been designed in order to ensure a balance between the variable component of remuneration and the fixed one, while also establishing a balance between short- and long-term incentives, and an alignment of the remuneration and incentive system with the pursuit of long-term interests (in terms of both economic-financial performance and ESG), ensuring that the variable component of remuneration is connected with the results achieved and paying great attention to the objectivity of metrics used to measure performance[38]. In addition to the Chief Executive Officer, population involved in the Short-Term Incentive Plan (MBO) of Leonardo Group is equal to about 1,070 Group executives, including Managers with Strategic Responsibilities and Top Managers of Leonardo. Population involved in the Long-Term Incentive Plan of Leonardo Group is equal to about 200 Group executives, including Managers with Strategic Responsibilities and Top Managers of Leonardo. Starting from 2021, middle managers in Italy have been assigned a bonus target, as agreed in the Company Supplementary Agreement on 21 May 2021. Furthermore, under the same agreement, a portion of the remuneration of all other employees was linked to a variable component (performance bonus) linked to the Group's results of operations and, depending on the levels, to individual performance.

20% of long-term variable remuneration and **10%** of short-term variable remuneration linked to ESG objectives	**98.19%** Favourable votes cast by the 2023 Shareholders' Meeting on Remuneration Policy	**36x** ratio of total CEO remuneration to employees' median remuneration

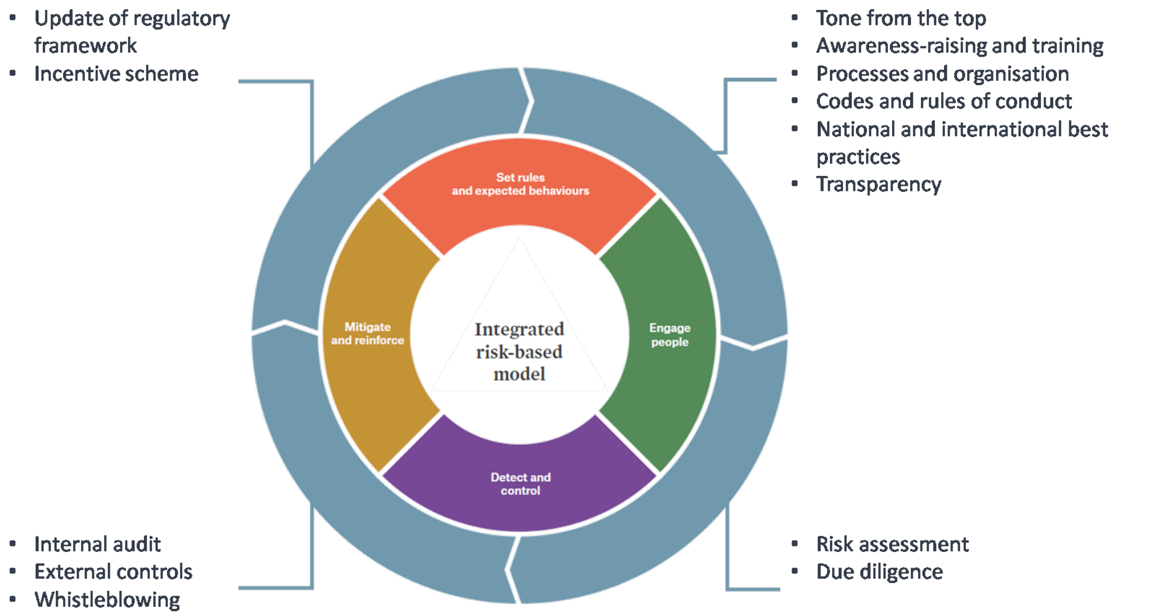
[37] For more details on the financial stakeholder engagement policy, please see 2023 Corporate Governance Report, paragraph "Investor Relations".

[38] Notably, long term remuneration of CEO and management is tied to the achievement of targets related to CO_2 emissions Scope 1 and 2 location-based, calculated as a ratio to revenues, and to the increase of hires of women with STEM degree. For more details please see Remuneration Report 2023.

Responsible business conduct

Leonardo acts with integrity and transparency in compliance with regulations and with zero tolerance for any type of corruption to ensure the most proper management of the business and to establish relationships of trust and collaboration with employees, customers, suppliers and all other counterparties, asked to accept and apply the principles and values stated in the Charter of Values, Code of Ethics and other codes of conduct[39]. In conducting its business, Leonardo confirms its commitment to respecting and promoting the Ten Principles of the United Nations Global Compact related to human rights, labour, the environment and anti-corruption. Leonardo's model for the responsible conduct of business, inspired by national and international best practices, is based on company codes of conduct and a system of clear rules, periodically updated, that guide compliant and responsible behaviour. Constantly raising the awareness and training of employees and third parties, due diligence tools and internal audits, risk assessment methods, in addition to the adoption of an increasingly transparent approach on corporate information and processes, help to strengthen a governance and management system capable of preventing any possible risk, promoting and developing an ethical business culture. Leonardo has also adopted the Common Industry Standards of the Aerospace and Defence Industries Association of Europe (ASD) and the Global Principles of Business Ethics for the Aerospace and Defence Industry of the International Forum on Business Ethical Conduct (IFBEC) and collaborates with TRACE International.

Responsible business conduct model



[39] Including the Anti-Corruption Code, the Whistleblowing Management Guidelines, Organisational, Management and Control models and Compliance Programmes developed in accordance with the applicable regulations of each Country in which the Company operates (Leonardo SpA adopted an Organisational, Management and Control Model pursuant to Legislative Decree no. 231/2001).

Set rules and expected behaviours

Guidelines and procedures – main updates

- Work has been commenced on the update of the 231/2001 Model following the amendments made to Legislative Decree 231/2001, as well as the organisational changes that have occurred since the date of the last update of the Model (13 December 2022).
- The Whistleblowing Management Guidelines were updated following the entry into force of Legislative Decree 24/2023 implementing Directive (EU) 2019/1937 on the protection of persons who report breaches of Union Law.
- The new company rules on the matter of commercial advisors, sales promoters, distributors and resellers have been implemented through the adoption of a single document for Leonardo and its subsidiaries.
- The new company rules on the matter of Trade Compliance have been implemented through the adoption of a single document for Leonardo and its subsidiaries, which incorporates the new international norms and standards governing smuggling and respect for human rights.
- The procedure on the matter of personnel selection and recruitment has been updated.
- The update of the Operating Instructions on Supply Chain Security Resilience Risk Management has been published.
- The Company Procedure for National Security Checks on recruits (including Labs researchers) and/or applicants has been set up in accordance with regulatory or contractual requirements, identified as applicable in relation to privacy, processing of personal data, workers' statute and information security.
- The relevant company regulatory documentation has been prepared in the application of the directives issued by the Security Information Department, Central Secrecy Office (DIS-UCSe), for the management of classified information in compliance with the Company Security Rules and Operating Instructions.
- The reference documentation has been drafted for the extension of the Security management system at the foreign offices of the Group.
- Security strategies and measures have been extended to geographical areas of interest for business development through the implementation of the management system, Foreign Entities Security Management System.

Engage people

Continuous training

- About 15,900 hours of business compliance training delivered to more than 13,600 people in the year.
- More than 16,900 hours of training on national and international trade compliance regulations delivered to more than 8,800 people from various departments and external suppliers and providers.
- More than 1,000 hours of training on Project and Enterprise Risk Management delivered to over 350 people, including through operational sessions extended to several functions, designed on the peculiar features of each operating entity involved and also through innovative delivery modes.
- More than 28,300 people involved in anti-corruption training.
- About 19,350 hours of training delivered on cyber security.
- Involvement of employees and counterparties in training activities related to anti-corruption, business compliance, with respect to the values and principles laid down in the Code of Ethics, the Charter of Values, and the Supplier Code of Conduct.
- More than 10,000 people trained in the protection of classified information.
- More than 25,700 people trained on the General Part and Special Parts of Model 231.
- Training courses preparatory to the awarding of the assignment have been delivered to 102 commercial intermediaries.
- Live webinars on Supply Chain Security Meetings have been held, which have involved the Electronics, Cyber & Security Solutions, Aircraft and Aerostructures Divisions. The initiative will continue in 2024 by involving other Divisions/Subsidiaries.
- In the area of Compliance the second edition of the training and development project has been implemented on the "Cross-Training Program," which has involved more than 25% of the people from Compliance department in the various roles provided (participants, internal lecturers and experts). There have been 17 resources trained with a total of 680 hours of training.
- The Travel Security training portfolio has been enlarged by adding online Travel Awareness courses on Workday. Work has been continued on the specific Female Travellers Awareness Training course[40].

[40] For more information on Leonardo's approach to travel security, please see the paragraph on Health and safety.

- The Traveler Leaflet Vademecum, providing tips for safer and more conscious travel, has been made available on the Security Portal.

Mitigate and reinforce

Certifications

- ISO 37001: 2016 “Anti-bribery Management System” certification has been maintained following successful completion of the annual surveillance audit conducted by the Certifying Body.
- ISO 27001 certification of the information security management system has been maintained at Group level and for the perimeter of National Security (Physical Security & T.U.L.P.S.). The ISO 27001 certification has been extended to the perimeter of PSOC (Physical Security Operation Center). ISO 27701 (Privacy Information Management System) and ISO 27035 certifications have also been obtained for the Cyber & Information Security perimeter.
- FIRST and Trusted Introducer certification of Leonardo's CERT (Cyber Emergency Readiness Team) was maintained, as was the recognition from Carnegie Mellon University on the matter of Cyber & Information Security.
- ISO 22301 certification has been renewed for the three-year period from 2023 to 2026 for the Business Continuity Management System in some perimeters involving the Corporate of Leonardo (Administration and Budget, Security – Travel Security, Supply Chain Security and Security Threat, Research and Analysis OUs), the Genoa and Pomigliano d’Arco Data Centres, and the SOC (Security Operation Center) in Chieti.
- Work has been completed on preliminary and audit activities to obtain the 27001 certification in Travel Security.
- The Cyber Essentials and Cyber Essentials Plus certifications have been renewed for the appropriate perimeters of the Cyber, Electronics and Helicopters divisions of Leonardo UK, and of the Electronics division of Leonardo SpA, a prerequisite for bidding and contracting with UK government agencies.
- Quality certification for Internal Audit activities has been maintained: 10 quality reviews have been conducted, all of which have obtained General Compliance with International standards IIA and activities have been carried out on company self-evaluation and continuous improvement.
- The Authorised Economic Operator (AEO) certification has been maintained.
- The Strategic Industrial Security Clearance (NOSIS) up to the TOP SECRET level and NATO/EU/OCCAR/ESA qualifications has been maintained.

Security

- In 2023 no data breaches were detected which impacted or originated from company systems relevant in accordance with the regulations in force. Data breaches were detected on third-party systems (unrelated to Leonardo’s management) with potential impact on employees' personal data. These events were carefully monitored and addressed in terms of information and security actions to protect those concerned. Even with reference to the IT and cyber security services offered by Leonardo, no data breach notices were received in 2023, which involved customers' personal data relevant under current regulations.
- Developing security risk analysis management tools with suppliers and providers.
- An incident response/prevention automation system has been maintained through malicious IP blocking.
- Searching, monitoring, and analysing information for subsequent collation, integration, interpretation, and processing of data useful for threat prevention toward assets and employees.

Risk Management

- Work has been completed on the process of dissemination and implementation of risk management of Leonardo’s subsidiaries against the backdrop of the activity carried out in recent years.
- The specialist risk and opportunity management vertical system in HSE has been updated and a dedicated risk scoring system has been implemented to support the identification of main risks with any possible impact on business objectives.
- Work has been continued on the integration of risk management into business processes with simultaneous updating of company rules in order to promote risk-based thinking.

Detect and control

Risk assessment

- More than 2,200 people involved in risk analysis activities regarding business processes, investment projects and projects in bidding and execution phase.
- Risk assessment and monitoring activities carried out for anti-corruption purposes involving more than 500 people and using a methodology with elements to assess each country in which Leonardo operates.
- Work has been continued on the Independent Risk Review programmes in relation to a selection of medium/high-risk projects in which the project team has been supported by risk managers who are not involved directly in activities.
- Machine learning engines have been developed and put in operation to support risk detection, as part of Artificial Intelligence applied to the Risk Management process, with the involvement of the Cyber & Security Solutions division.

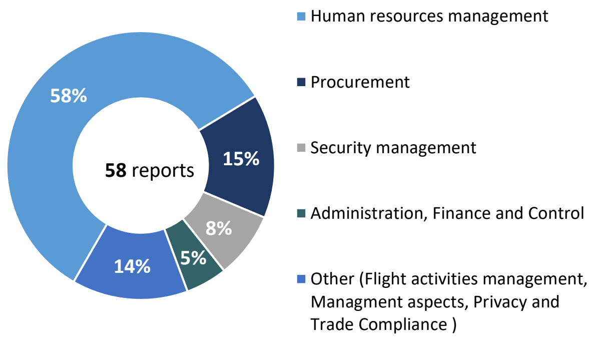
Third-party due diligence

- 115 enhanced due diligence audits on sales promoters, commercial advisors, distributors, resellers and lobbyists. The red flags reported have been mitigated with necessary remedial actions, and none of them have led to the impossibility of awarding the assignments.
- 394 audits carried out before payments to sales promoters, commercial advisors and lobbyists.
- More than 400 audits on potential customers, service centres and business partners.
- 210 reputational risk reports for sponsorships, supply and commercial contracts.
- 200 enhanced anti-fraud due diligence audits carried out on natural and legal persons of interest to Leonardo SpA.
- 90 National Security Audits reports.
- Analysing, producing and sharing more than 1,200 threat analysis reports with top management and business and security operating structures in the domestic and international context from more than 1,500 sources.

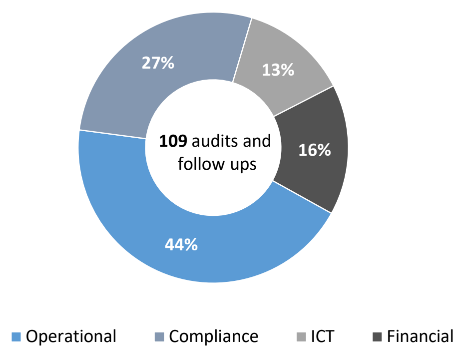
Whistleblowing

- A total of 58 reports were received in 2023, concerning both Leonardo SpA and Group companies, both in Italy and abroad.
- The reports have been found to be of a qualified nature in 54% of cases.
- From the analysis of the reported content, the reports have concerned issues attributable to the following business processes of Leonardo: Human Resources management, procurement, corporate security (Security) management, administration, finance and control, and residually other areas, including flight operations management, as well as operational and Privacy and Trade Compliance issues.
- All of the reports have been involved in information-gathering activities and, of these, 23 have been dismissed by the various Surveillance Bodies and the Whistleblowing Committee (on the grounds that they are unfounded or too general and/or lacking the minimum elements to initiate any investigation).
- 46% of the reports for which an investigation work has been completed provided evidence, some of which partial.
- The results of the audits carried out have made it possible to take, where elements of well-founded evidence have been found, disciplinary actions and/or sanctions and to adopt organisational measures and/or company rules aimed at improving and strengthening the Internal Control and Risk Management System.

Status of the reports



Scope of audits and follow ups



Anti-corruption, business compliance and third-party risk

Leonardo has implemented a process for the vetting of counterparties that includes ethical-reputational analyses and an in-depth assessment of the risks related to each specific engagement in accordance with company rules and in full compliance with applicable regulations. Due diligence audits are also carried out on counterparties under industrial offset agreements[41].

In continuity with the path it embarked on 2021, Leonardo further strengthened the system to identify the level of risk associated with the positions of Sales Promotion, Commercial Advisory, Lobbying, Distribution and Reseller. In particular, some risk factors ("red flags") on which the "Risk Grid"[42] is based were reshaped to achieve greater clarity and effectiveness of the risk assessment tool at the time of updating the company Business Compliance rules in 2023 and in light of the experience gained in previous years.

197 counterparties including sales promoters, commercial advisors, distributors, resellers and lobbyists, with contracts in place, 1 of which for offset support	**911 due diligence and reputational risk analyses** carried out on counterparties and potential commercial partners	**More than 200 hours of training** delivered to sales promoters, commercial advisors and lobbyists through 102 online courses

Leonardo carries out activities aimed at institutions to support its reputation and business strategy, present the company's position on specific issues and seize potential future business opportunities. These activities, which are carried out in compliance with current regulations, as well as with the principles and standards of conduct set out in Leonardo's Code of Ethics, Anti-Corruption Code and other company rules, mainly consist of monitoring specific regulatory developments and organising meetings with government and parliamentary representatives on matters of interest. Leonardo's representatives who carry out these activities are enrolled in special public registers.

With the recent update of the company rules, Leonardo has confirmed its intention not to allow the Italian Group companies to sign lobbying contracts, on the basis of the current wording of Art. 346-bis of the Italian Criminal Code and in consideration of the lack of organic regulations governing lobbying in Italy. This option remains for subsidiaries under non-Italian law, albeit with reference only to those countries where the regulations permit the conclusion of such contracts.

In 2023, the expenses for lobbying activities carried out exclusively by the Group's non-Italian subsidiaries in the countries in which it is permitted by the relevant regulations in force, amounted to approximately USDmil.2 (about USDmil. 1.7 in 2022 and USDmil. 1.8 in 2021) and related to North America (mainly the United States), Canada, Germany and Poland. In particular, among the main areas for which the Group's non-Italian subsidiaries made use of the support from lobbyists during 2023 are those involving technologies for infrastructure and transport, the purchase and/or upgrade of helicopters on the part of government

[41] For more information on the offsets, please refer to the paragraph Social collaboration value and industrial programmes.

[42] This is a tool designed internally by Leonardo and used to assess the specific risks associated with awarding commercial brokerage assignments, with reference to two types of risk factors ("Red Flags"): the "Gates" related to cases that could give rise to the risk of commission of crimes and which, if found, determine the impossibility of proceeding with awarding the assignment and the "Drivers," which instead concern ethical and reputational issues.

agencies, including those for firefighting, search and rescue missions, naval systems and research and development programmes for submarines, technology for advanced protection systems, ground-based and satellite communication systems, air navigation support tools and laser systems.

Trade compliance

Leonardo has set out an internal compliance programme (ICP) - Trade Compliance Program – in order to ensure full compliance with applicable laws and the provisions issued by the competent authorities in the field of Trade Compliance. The programme allows for the prompt identification and implementation of compliance with any applicable Italian, EU and international regulations regarding the export and import of defence, dual-use or commercial goods and/or services subject to regulatory requirements, as well as obligations related to embargoes, sanctions or other trade restrictions, including political commitments made under the Common Foreign and Security Policy (CFSP) framework and international regulations and conventions signed by Italy and the European Union[43].

Furthermore, the Trade Compliance Program also provides for due diligence audits on potential customers and end-users, verifying whether they are mentioned in restriction lists and additional checks in the case of transactions linked to Sensitive Countries, as well as specific checks to verify that internationally recognised human rights are respected. In this regard, the Human Rights Impact Assessment (HRIA) tool has been introduced as a key element of Leonardo's Trade Compliance Program with the aim of setting out the main risk factors with reference to the issue of human rights and the potential impact of the activities carried out by the company[44].

Cybersecurity and data protection

Leonardo guarantees the security of data, sensitive information and intellectual property by managing the entire cycle from defining security requirements for information systems to detecting threats and establishing the countermeasures to take in response to attacks that have taken place. The cyber defence system provides for specific organisational measures - in compliance with regulations and standards that set out specific requirements and time limits for reporting incidents or data breaches -, as well as continuous training of operators and operational tools, concentrated in Italy, which are updated on an ongoing basis. Leonardo also fosters a cyber risk prevention culture both inside the company and towards the outside world through the participation in working groups at national and international level, with collaborations involving institutional and governmental players and sectors such as telecommunications, banking/finance, energy, manufacturing and services. Courses and awareness initiatives are provided periodically on cybersecurity-related issues, including through bulletins and news published on the Security Portal accessible by employees.

[43] Leonardo operates in strict compliance with all international treaties and conventions signed and ratified by the Italian Government, which include – but are not limited – to: “The Biological and Chemical Weapons Convention”, “The Anti-Personnel Landmines Convention”, “1980 Convention on Certain Conventional Weapons (Protocol III and IV)”, “The Convention on Cluster Munitions”, the “Treaty on the Non-Proliferation of Nuclear Weapons” (NPT) and the “Nuclear Suppliers Group (NSG.)”

[44] For more information please refer to the paragraph Respect of human rights.

Cyber, physical and industrial security initiatives

Protection of classified information – Leonardo collaborates with key institutional stakeholders to ensure the protection of classified information. With about 800 classified contracts, Leonardo has handled more than 10,000 provisional personal security, facility security clearances and authorisations for CIFRA access, and has delivered training on a six-monthly basis.

PSOC (Physical Security Operation Centre) – The PSOC enables all alarms and images from the video surveillance systems of more than 50 Italian sites to be handled centrally. The TSS (Travel Security System) has also been integrated, allowing continuous operational support in case of alarm, as has the Mosaic application for Security Threat Research & Analysis. In addition, the prototype of the International Security Kit (ISK) has been completed, which will be used to raise the security level of branch offices and representative offices abroad through the remote support of the PSOC. Finally, the first French foreign site in Aix-En-Provence has been connected to the PSOC.

Response to cyber threats – Leonardo has increased H24 staff in service to cope with growing cyber threats, even in relation to the Russia-Ukraine conflict. Systems have been put in place to protect company devices and automate incident response, thus improving response times and process efficiency.

Cyber protection of assets, networks and information - Leonardo has designed advanced systems and devices to protect company assets, networks and information through innovative technologies, which will be used to enhance capabilities to identify, prevent and manage cyber threats.

Vulnerability analysis - Leonardo wages various types of cyber threat prevention, including exercises with certified and international Cyber Defence specialists, security awareness campaigns for its employees, vulnerability assessments and penetration tests on specific environments and parts of the company infrastructure. Furthermore, activities have been carried out to improve the computer security of company workstations, even if they are connected remotely to the company network (smart working).

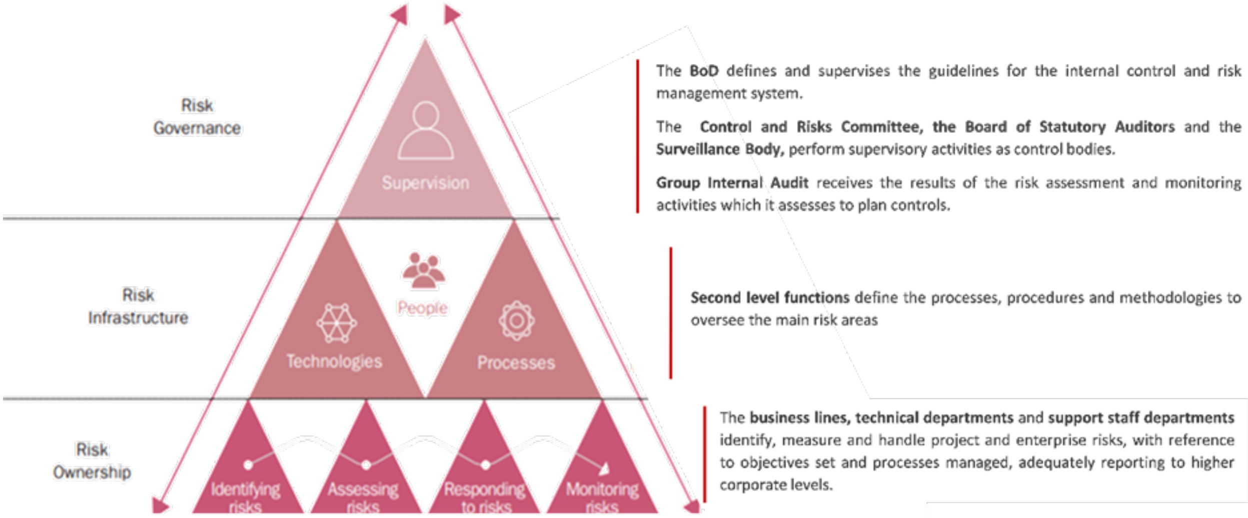
Business Continuity

Leonardo guarantees its business continuity and resilience through effective responses and reactions, in order to safeguard the sustainability of its business, as well as the reputation and integrity of its organisation, in addition to the interests of its stakeholders. The Business Continuity Management System (BCMS), which is certified ISO 22301 for some perimeters concerning the Corporate functions of Leonardo SpA (Administration and Budget, Security – Travel Security, Supply Chain Security and Security Threat Research and Analysis OUs), the Genoa and Pomigliano Data Centres, and the SOC (Security Operation Center) in Chieti - supports the definition, implementation and handling of procedures that ensure continuity of its company processes necessary for priority activities. In accordance with the provisions of standard ISO 22301, Leonardo has updated its operational methodology, confirmed in company procedures, such as Policies, directives and Operational guidelines. In 2023 Leonardo started the BCMS cycle on the perimeters specified by the management and continued work on the activities that had already started in 2022. The Business Impact Analysis and related results have allowed strategies and solutions to be set out as countermeasures to any possible business disruption, which are reported in the Continuity Plans, allowing a reduction in the insurance premium on the properties of Leonardo.

Risk management

The risk governance model is in line with national and international standards and best practices[45] and is compliant with the Corporate Governance Code for Listed Companies, the Organisational, Management and Control Model and the Group's Anti-Corruption Code. It has three levels, provides for clear-cut roles and responsibilities for the various departments and ensures a suitable exchange of information flows, to guarantee effectiveness.

Risk governance model



The operating risk management, which involves the entire organisation, is based on the identification, assessment and monitoring of the enterprise and project risks and the related mitigation plans. It is supported by specific methodologies, instruments and metrics for the related analysis and management. The processes underlying Project Risk Management and Enterprise Risk Management, which are in turn integrated into the company business and support processes, are regularly improved, with the aim of innovating and spreading an effective risk-based organisational culture. Risk management processes support, in fact, the risk owners, along the entire corporate value chain, in identifying and managing risks and opportunities, including those linked to ESG factors. In particular, the Enterprise Risk Management methodology fosters the identification and management of the cause-effect link between ESG factors and the potential impact on the Company (strategic, operational, financial, compliance and reputational) and supports the preparation of the Industrial Plan, which also includes the strategic vision and sustainability initiatives.

Risks for the Group

The Group is subject to a number of risks that may affect the achievement of its objectives and results. Therefore, risk analysis and management processes are implemented systematically, including any related treatment action, with specific methodologies and practices that consider the probability of occurrence and related impacts in accordance with international regulations and standards. The examination of risks and consequent actions reported below is supplemented by the more detailed information provided in Note 37 of the Consolidated Financial Statements for the component of merely financial risks.

[45] Main references: ISO 31000:2018 - Risk Management - Principles and guidelines; PMI - Practice Standard for Project Risk Management; Enterprise Risk Management Integrated Framework - CoSO ERM; ISO 37001:2016 - Anti-bribery management system; ISO/IEC 27005:2018 Information Security Risk Management.

	Main risks	Actions
Conflicts and geopolitical tensions increase the complexity and instability of the global scenario	The resurgence of violent military conflicts between Israel and the Palestinians has led to a highly tense situation, with the possibility of them extending to countries in the Middle East region. The situation has global repercussions, thus heightening tensions between individual world and regional powers. In addition to a deterioration of economy, any escalation of the conflict could shape new geopolitical balances and change the markets eligible for Leonardo in the medium-to-long term. Growing instability in the Middle East region also affects the security of shipping of goods and cargo, primarily in the Red Sea, leading to the need to take alternative routes and incur increasing time and costs for delivery to businesses and end customers. At the same time, degrading security conditions in the target geographic area could jeopardise the safety of Leonardo's people, assets and business continuity in Israel, as well as of the Israeli supply chain and customers. The protracted Russian-Ukrainian war and the possibility of conflict escalation bring Europe and NATO into the centre of growing geopolitical tensions, which increase the complexity and instability of the global scenario, also from a geo-economic perspective. Faced with the new bloc opposition, various countries, including some of those closest to the conflict zones in Ukraine, are seeking and allocating incremental resources for defence, also in the wake of NATO spending targets with regard to GDP. At the same time, markets are experiencing increasing variability, fuelled by repeated phases of insecurity and mistrust on the part of citizens and businesses, still restrictive monetary policies following inflationary trends, and growing public debt which add up to the difficulties and bottlenecks of the post-Covid-19 recovery, with respect to which smaller companies in particular have already seen deterioration in their risk profile.	The Group has an integrated strategic planning process, aimed at supporting the achievement of a sustainable competitive advantage, based on an in-depth knowledge of the markets and the reference scenario, regularly fed by specific external analysis activities on the context and its evolutionary dynamics, including in relation to geopolitical issues.
The change in the level of expenditure of national governments and public institutions may affect business performance	The major customers of the Group are national governments or public institutions. Moreover, the Group takes part in numerous national and international programmes funded by the European Union, governments or multinational collaborations. Therefore, it is influenced by economic and geopolitical factors at global and regional level, the rating or risk profile of countries, the expense policies of the public institutions, also for research and development programmes funding, in addition to the medium/long-term plans of the governments. Increases in defence spending, identified by several countries as necessary given the rising geopolitical tensions, may lead to peaks in demand in the short/medium term and make international competition even tighter, benefiting companies with more immediately available production capacity.	The Group pursues an international diversification strategy, placing it in its main markets, as well as in emerging markets marked by significant growth rates, in the aerospace, defence and security sectors. Development and production plans are updated according to the demand evolution and the order trend.

	Main risks	Actions
The Group operates in civil sectors that are highly exposed to growing levels of competition	In the civil sectors, customers' spending remodulation not only gives rise to delays in obtaining new orders or falls in the numbers of orders themselves, but also affect their economic and financial conditions. These sectors are also characterised by the entry and success of competitors even from other fields of activity, mostly with the help of anti-cyclical M&A transactions carried out by international investment funds. The market positioning of these players could have an impact on the Group's volumes, results and debt, thus prospectively enabling a growing competitive challenge on government customers. The time-to-market of products and their development and upgrade is a critical success factor for market positioning, given the strong competitive drive and speed of innovation.	In addition to balancing its customer portfolio suitably between government and non-government entities, the Group systematically pursues its objectives in order to increase industrial efficiency, diversify its customer base and improve its ability to perform contracts, while reducing overhead costs with a view to enhance its competitive capacity. The Group ensures highly qualitative and innovative product standards, and an integrated value proposition aimed at maintaining its technological edge, including thanks to open innovation and the interaction with innovative startups and SMEs.
The capacity for innovation and growth depends on the strategic planning and management of skills	Incessant technological innovation and the growing complexity of the Group's businesses require constant alignment of skills, in order to provide high added-value products and services. Especially in a market environment characterised by sharp demand for innovation skills, any shortage of special expertise could have impacts on the full achievement of short- and medium/long-term business objectives, including possible repercussions in terms of time-to-market of new products and services, as well as of access to emerging business segments. Companies compete for skills and talent by leveraging, among other things, the distinctiveness of the brand, the ESG (Environmental, Social, Governance) profile, the welfare offer and the work-life balance, which are positively valued by the new generations entering the labour market.	The Group monitors and manages competencies and professional skills by means of plans of action directed at attracting, retaining and motivating its human resources, managing talents, providing ongoing specialist training and reskilling/upskilling, insourcing core competencies and defining succession plans, with the gradual adoption of state-of-the-art tools of People Analytics and new Lifelong Learning development and training platforms for all personnel, particularly in the STEM (Science, Technology, Engineering & Mathematics) area.
The Group operates in some business segments through partnerships or joint ventures	The corporate strategies contemplate the possibility of gaining business opportunities partly through joint ventures or commercial alliances in order to integrate its technology portfolio or strengthen its presence in the market. The operation of partnerships and joint ventures is subject to both strategic positioning and management risks and uncertainties. Divergences can arise between partners about the identification and achievement of operational and strategic objectives, as well as core business operations.	The Group systematically carries out due diligence activities before and after the completion of partnerships and joint ventures. At this purpose, the active involvement of its top management in any related operation is aimed, among other things, at directing its strategies and identifying and managing any critical issue in a timely fashion.
The Group is exposed to the risk of fraud or illegal activities on the part of employees and third parties	The Group adopts and updates its organisational, control, procedural and training system to ensure fraud risk monitoring and compliance with any and all anti-corruption laws applicable in the domestic and foreign markets in which it operates. However, the possibility of employees or third parties behaving in an ethically incorrect or not fully compliant manner cannot be ruled out, nor can be ruled out the possibility of judicial authorities initiating proceedings aimed at establishing	The Group has set out a model of responsible business conduct aimed at preventing, identifying and responding to the risk of corruption. Thanks to its model, Leonardo SpA has reached the highest level of Transparency International's Defence Companies Index on Anti-Corruption and Corporate Transparency (DCI), in addition to

	Main risks	Actions
	any possible liability attributable to the Group, the results and timing of which are difficult to determine and which might entail temporary suspensions from the market concerned.	having its ISO 37001 certification, the first international standard on anti-corruption management system, confirmed. Leonardo was the first company in the world's top ten in Aerospace, Defence and Security to obtain this certification. The model also provides for the responsible management of the supply chain, through the qualification, selection and management of suppliers, as well as the adoption of a risk analysis tool within the scope of due diligence audits within the process of engagement assignation to sales promoters, commercial advisor and lobbyists.
The settlement of legal disputes can be extremely complex and might require a considerable period of time	The Group is party to judicial, civil and administrative proceedings; for some of these, the Group has established specific provisions for risks and charges in the consolidated financial statements to cover any potential liabilities that could derive. Some of these proceedings in which the Group is involved – for which a negative outcome is unlikely or that cannot be quantified – are not covered by the provisions referred to above. Further developments of judicial proceedings, presently unforeseeable and indefinable, together with the possible consequential impact on Leonardo's reputation, could also have a significant impact on its relationships with customers.	The Group regularly monitors potential and existing disputes, taking the necessary corrective actions and adjusting its provisions for risks on a quarterly basis.
The Group operates in particularly complex and regulated markets, which require compliance with specific regulations (e.g. export control)	Defence solutions are of particular importance in terms of compliance with regulatory obligations and, therefore, their export is strictly regulated and is subject to prior authorization, based on specific national and foreign regulations (such as, for example, Italian Law 185/1990 and the U.S. ITAR and EAR), as well as to customs formalities. The prohibition on, limitation or any possible revocation (for example in the case of embargoes, geopolitical tensions or the occurrence of wars) of export authorisations for defence or dual-use products, as well as failure to comply with any applicable customs regime, may have substantial adverse effects on the Group's business, financial position, results of operations and cash flows. Moreover, failure to comply with these regulations could also make it impossible for the Group to operate in specific regulated areas.	The Group ensures, through specific functions, a timely implementation and management of the formalities required by the relevant regulations, monitoring their updating on an ongoing basis in order to allow the day-to-day performance of commercial and operational activities, in compliance with the provisions of law and with any possible authorisation and/or limitation and of its Policy of respect for human rights. The Group has promptly made arrangements to carry out the changes necessary as a result of Britain's exit from the European Union and is continuing to follow developments in customs regulations in order to carry out the necessary modifications immediately.
Pandemics can have time-varying effects and lead to systemic crises	A pandemic can undermine people's health to the point of jeopardising the resilience of the health and socio-economic systems of the countries involved, leading to systemic or large-scale crises that may take a long time to normalise. The duration and magnitude of a pandemic depend, among other things, on the timeliness and effectiveness of health actions taken at	The Leonardo Group guarantees every possible effort to preserve the safety and health of its people wherever they are located, in full compliance with the relevant regulations. The Group has put in place and maintains specific action plans to contain possible impacts

	Main risks	Actions
	global level, the possible mutations of the virus, and the coverage and decay of immunisation. A single epidemic event not properly addressed at regional or local level can quickly turn into a pandemic. As was the case with Covid-19, the Leonardo Group performance, can be affected by declines in target sectors, as well as by additional risk factors, including economy and market trends, asymmetries between demand for and supply of certain goods and services, inflationary effects, shortages of certain professional skills, the ability of customers and suppliers to meet contractual obligations undertaken and to undertake new ones, the revision, by customers, of purchasing strategies, also by shortening supply chains or insourcing services, restrictions resulting from measures to protect people's health, with repercussions on the Group's commercial and industrial action.	of new pandemics. These plans concern, among other things: proactive management of relations with customers, both institutional and non-institutional, thanks to a widespread geographic presence, balanced with the application of tools to virtualise promotion and marketing action; reorganisation of production lines, together with the remotisation of certain technical functions and constant monitoring of the company's supply chain and procurement strategy.
The Group operates through a number of industrial plants and processes that may expose it to risks to the health and safety of workers and to environmental risks	The Group's activities are subject to compliance with laws, rules and regulations governing the protection of workers' health and safety. Specifically, Legislative Decree 81/2008 provides for a preventive and permanent health and safety management system at work, through the identification of risk factors and sources, the elimination or reduction of risk, the ongoing monitoring of preventive measures implemented, the development of a corporate strategy to be implemented through the participation of all stakeholders in the working communities. The Group's activities are also subject to compliance with laws, rules and regulations governing the protection of environment and energy management, which imply specific environmental permits aimed at ensuring the compliance with restrictions and conditions on emissions into the atmosphere, water discharges, storage and use of chemical or hazardous substances (e.g. REACH Regulation and RoHS Directive) and waste management and disposal.	Risks to the workers' health and safety are based on the principle of zero tolerance, in strict compliance with the relevant regulations, and are managed through targeted risk analyses, which take account of injury frequency and severity rates and related improvement objectives, specific action and training plans, within the framework of a precise system of proxies and powers for each relevant matter, aimed at ensuring that the action taken complies with the Group's guidelines. The Group also confirms its commitment to extend the coverage in terms of Health and Safety System, for example through the ISO 45001 certification. The Group is also committed to protecting the safety of its people working on company sites and in direct relations with customers around the world from external threats. The Group complies with the ever-increasing limits and restrictions imposed by the environmental protection regulations as regards sites and production processes. The Group also confirms its commitment to extend coverage in terms of Environmental Management System, for example through the ISO 14001 certification. The Group regularly performs environmental assessments of sites and monitoring, and it also takes out specific insurance policies in order to mitigate the consequences of unexpected events.
Climate change, the protection of the environment and consequent new developments in the	The transition to a low-carbon and more environmentally sustainable economy may entail risks for the company, induced by greater severity of environmental and climate policies, disharmony in the regulations of different countries with related	The Group pursues an industrial strategy aimed at the environment and improving the efficiency of its production systems and processes on an ongoing basis for the reduction of energy consumption and atmospheric emissions and,

	Main risks	Actions
scenario concerned may require action to be taken on certain types of processes and products.	competitive asymmetries between companies, the progress of the relevant technology or the changing confidence of investors and lenders in the relevant business. In parallel, the importance of the sustainability requirements of the supplier and its supply chain grows in customer tenders, while the consumption of energy and water resources becomes central along the entire value chain of the company. Company processes, particularly production processes, as well as products and services offered to the market may be affected. The impact of climate changes, in addition to modify the environmental context, exposes the Company to an increased frequency of acute weather events, such as floods, storms and wind, as well as droughts and fires, which can endanger industrial sites and products being prepared.	thanks also to the participation, as a partner of excellence, in the main European programs for research and innovation, develops low environmental impact technological solutions which are functional to the fight against climate change. The Group puts measures in place against any possible acute or chronic physical risks and has specific insurance cover against the possible consequences of disastrous climatic or natural events.
Breaches of information security obligations can cause damage to the Group, its customers and suppliers and pose a threat to the security of citizens and critical infrastructures	Companies are required to face the risks associated with cyber resilience of their products and services and their information & communication technology infrastructure, taking into account the continuous evolution of cyber threats in their numerous forms (from advanced persistent threat to the phishing campaign), the sophistication of attack strategies and the increase in the exposed surface area resulting from, among other things, the increasing digitisation of processes, products and services for customers, as well as the increased use of smart working. The critical geopolitical context, the deterioration of relations between states or the occurrence of war conflicts may increase the scope and number of cyber attacks, aimed at institutions and companies. Computer incidents and attacks, including any in the supply chain, stoppages, leaks of personal data and the loss of information that may also be of strategic importance may endanger business and even the Group’s image, above all in the event of the theft of third-party data kept in the Group’s archives.	The Group manages cyber security through dedicated controls and training for the entire corporate population, as well as processes, procedures and specific technologies for the prediction, prevention, detection and management of potential threats and for responding to them. Leonardo is ISO 27001 certified and is constantly engaged in management and improvement activities aimed at maintaining the certification itself. Leonardo also benefits from substantial experience in the field of cyber security, gained on the market through the competent business division. In addition to a continuous improvement in the methods of managing permissions of access to information, Leonardo continues to take any action to extend data and information protection and processing methods and processes to its own suppliers.
The Group could encounter difficulties in protecting its Intellectual Property	Leonardo's success and results also depend on the Company's ability to protect the innovations resulting from its R&D activities through Intellectual Property. In this respect, the Group mainly uses industrial secrets, patents, copyrights. Nevertheless, the possibility cannot be ruled out that the activity of a “disloyal” employee, an improper action of a supplier or a legal but aggressive act of a third party may lead to repercussions on the company’s Intellectual Property. Furthermore, there is a greater risk of counterfeiting in highly technological environments such as that in which Leonardo operates, given the high number of patents held by third parties.	The Group is committed to the continuous improvement of its Intellectual Property protection processes, from the approval of research and development investments, through the definition and implementation of measures to protect technical information and proprietary know-how. Appropriate monitoring and surveillance actions are taken to detect any infringements by suppliers, partners or competitors. Of particular importance is the creation, the expansion and the penetration of the internal IP Correspondent networks in the business divisions.

	Main risks	Actions
The Group provides highly complex products, systems and services, including under long-term fixed-price contracts	The Group supplies products, systems and services that are particularly complex due to their advanced technological content, including under long-term contracts at a fixed all-inclusive price. Terms and conditions of contracts generally include challenging requirements and rigorous completion times, the failure to honour which may entail the payment of penalties, in addition to warranty liability and claims for damage that are not covered in full by insurance policies. Furthermore, an unforeseen rise in the costs incurred in the performance of a contract, which may also be the result of the occurrence of chance events, could lead to a lower profit. In this regard, attention must also be paid to the effects of market phases characterised by inflation, over-demand, lack or discontinuity of supply of services and goods (including energy commodities) necessary for production and delivery to the customer, inflation phenomena, with consequent greater execution times and costs for the company. These dynamics, which may also be determined, accelerated or exacerbated by the deterioration of institutional and commercial relations between sovereign states or by the onset of war conflict, can also affect the competitiveness of the company's offer for the acquisition of additional long-term contracts as well as of new customers.	From the commercial offer phase and at regular intervals during the performance of the contract, Leonardo considers the projects' main performance and financial parameters in order to assess its performance and manage risks throughout the entire life cycle through the detection, assessment, mitigation and monitoring of risks with the definition and management of appropriate contingencies, in order to protect the financial margins of the projects themselves. Risk management is supported by dedicated Risk Managers in project teams. The Group is committed to the continuous improvement of its industrial efficiency and its ability to meet customer specifications. With reference to energy commodities, the Group pursues, on an ongoing basis, a strategy aimed at optimising purchases and uses of resources.
The risks of performance of contracts, associated with the liability to customers or third parties, also depend on the supply and sub-supply chain	The Group purchases, in very substantial proportions with respect to its sales, industrial products and services, materials and components, equipment and subsystems; it may therefore incur liability to its customers for operational, legal or financial risks attributable to third parties, who operate as suppliers or sub-suppliers. The Group's dependence on suppliers for certain business activities might give rise to difficulties in maintaining quality standards and meeting delivery times. The risk profile of suppliers, mainly small and medium enterprises, can deteriorate, also suddenly, during downturns in economy, in the presence of geopolitical tensions and conflicts and during periods of convulsive recovery, also due to subsequent offer shortages and discontinuity, bottlenecks and inflationary effects into the real economy, mainly on raw materials and energy commodities. In addition, third-party acquisitions of suppliers relevant to the Group could change the terms and conditions of contract renewals, with costs or timing being less convenient for the Company.	Leonardo has been pursuing its policy of strengthening and improving the supply chain for some years, leveraging a transparent and sustainable partnership relationship with the excellences in its Supply Chain, to give rise to a more innovative, integrated and resilient industrial eco-system. In addition to the programmes already in place or completed (LEAP, ELITE Leonardo Lounge), the Company has defined a set of principles and rules for the assessment of key suppliers, specifically oriented towards the development and growth of the Supply Chain with a view to long-term sustainability (Leonardo Assessment and Development for Sustainability).

	Main risks	Actions
The Group is required to fulfil direct or indirect offset obligations in certain countries	In the Aerospace and Defence sector, some international institutional customers require the application of some types of industrial offset related to the award of contracts, sometimes with rigorous requirements, linked to the development policy of each country. Therefore, the Group may undertake offset obligations that require procurement or manufacturing support at local level, technology transfer and investments in industrial projects in the customer's country. Failure to meet offset obligations may result in the application of penalties and, in certain cases, might prevent the Group from participating in contract award procedures in the countries concerned.	The Group manages offset risks by means of appropriate analyses carried out from the offering phase within the project teams, which also appoint an Offset Manager for the division concerned. A due diligence is performed before dealing with a third party under an offset agreement, which is conducted according to the relevant international best practices. Leonardo has also set up a dedicated central organisational unit to guide and supervise offset activities.
Chips, electronic components and critical raw materials available on the market	The production of chips and electronic components – of great importance for industrial applications, especially for high-tech applications - is still polarised on a few countries, mostly outside the European Union. These goods continue to be characterised by long delivery times as a consequence, first, of the peaks in demand generated by the Covid-19 lockdowns and, then, of the convulsive and at times discontinuous post-pandemic recovery, then impacted by the outbreak of the Russian-Ukrainian conflict and the consequent contrasts between countries. Critical raw materials, including rare earths, are a decisive enabler for both the technologies of certain production sectors and the initiatives behind the European Green Deal. Most of the critical raw materials relevant to the Aerospace and Defence sector are not directly available in Europe, but rather in other mainly non-NATO/EU countries. Availability and production of materials are sometimes concentrated in a single country, which may therefore be in a position to sway the balance between global supply and demand, with impacts on market prices and/or availability of goods, in particular in scenarios marked by critical geopolitical issues, the deterioration of institutional and commercial relations between sovereign states or the occurrence of war conflicts.	Leonardo, in addition to monitoring the prospective requirements of its supplies, takes part in international working groups, such as those at European and NATO level, which reconcile the interests of both States (supporting the definition of recommendations for member States) and the companies and supply chains involved, in order to encourage the identification of common strategies for mitigating risks. Leonardo also engages in activities having the purpose of enhancing the efficiency of the use of resources (for example fostering circularity mechanisms) as soon as the product technological research and sustainable design phases start.
A substantial amount of consolidated assets is attributable to intangible assets, goodwill in particular	The recoverability of amounts recognised in intangible assets (including goodwill and development costs) is linked to the implementation of future plans and the business plans for the relevant products that, especially in case of long-term developments, may see the needs of customers and the competitive environment change, given the speed of technological innovation.	The Group implements a policy of monitoring and limiting amounts capitalised under intangible assets, with specific regard to development costs, and carries out ongoing monitoring of performance under scheduled plans, taking any necessary corrective action in the event of unfavourable trends. These updates are reflected in impairment tests.
The Group's debt could have an	The debt level, beside impacting the profitability as an effect of the related borrowing costs, could affect the Group's strategy, limiting its operational flexibility. Continued or new monetary tightening by central banks	In assuring a solid and balanced structure between sources of funds and investments, Leonardo continues to pursue the reduction of its debt by paying steady attention to cash

	Main risks	Actions
impact on its strategies	could make new financing and current floating-rate debt more expensive. Potential future liquidity crises could also restrict the Group's ability to repay its debts.	generation, which is used, based on the Group's orderly financial strategy, to partially reduce the existing debt.
The Group's credit rating is also linked to the opinions of the credit rating agencies	All Group bond issues are given a medium-term financial credit rating by the international agencies. A possible downgrade in the Group's credit rating, also as a consequence of the changed country of origin rating, could severely limit its access to funding sources, as well as increase its borrowing costs for loans, which would have a negative impact on the business prospects, performance and financial results. Prospectively, sustainability eligibility and performance will also become increasingly important in determining creditworthiness.	The Group continues to be engaged in reducing its debt. The Group's financial policies and selection of investments and contracts involve being constantly alert to maintaining a balanced financial structure.
The Group realises part of its revenues in currencies other than those in which costs are incurred, exposing it to the risk of exchange-rate fluctuations. A part of consolidated assets is denominated in US dollars and pound sterling	The Group reports a significant portion of revenues and costs in currencies other than euro (mainly in dollars and pounds). Accordingly, any negative changes in the reference exchange rate might have negative effects (transaction risk). Moreover, the Group has made significant investments, in particular in the United Kingdom, in Poland and in the United States of America: this might have a negative impact on the Group's results of operations, financial position and cash flows due to the translation of the financial statements of foreign investees (translation risk).	The Group continuously applies an organised systematic hedge policy to combat transaction risk for all contracts in its portfolio by using the financial instruments available on the market. Moreover, in intercompany financing activities denominated in currencies other than the euro individual positions are hedged at the central level.
The Group is a sponsor of defined-benefit pension plans in the UK and the US and of other minor plans in Europe	Under the pension schemes reserved for employees who mainly operate in the United Kingdom and in the United States of America, the Group is required to ensure a specific future retirement benefit level for employees participating in the plan. In said countries the pension funds in which the Group participates invest resources in the plan assets (stocks, bonds, etc.) that might not be sufficient to cover the agreed-upon benefits, mainly with strong market fluctuations. If the value of plan assets is less than the agreed-upon benefit level, the Group duly recognises the amount of the deficit among liabilities, with consequent adverse effects on its financial position, results of operations and cash flows.	The Group monitors pension funds' investment plans and strategies on an ongoing basis and takes immediate deficit corrective action when necessary.

Stakeholder engagement

Continuous engagement with internal and external, domestic and international, stakeholders is a core element of Leonardo’s strategy to create shared value. The Company nurtures stable, long-lasting relationships based on integrity and transparency, by dialoguing with and involving its stakeholders, through organisational units established to understand their interests and expectations. Stakeholder relations moments (involvement of employees, materiality analysis, events for the financial community, trade association meetings, collaborations within the scope of technology R&D programmes, support to projects at local level and digital events, etc.) are opportunities to strengthening its bond with the industrial, economic and social context while helping the company to improving its business management practices and increasing its knowledge level.

In 2023, Leonardo actively participated in specific working groups coordinated by European associations to strengthen oversight of sustainability issues. These include the Climate and Defence Task Force of the Aerospace, Security and Defence Industries Association of Europe (ASD), which aims to build a common Decarbonisation Roadmap for the aerospace and defence sector. Within the association, Leonardo leads the Sustainable Supply Chain subgroup aimed at identifying common actions to decarbonise the supply chain. In collaboration with CSR Europe, a leading European network of companies committed to corporate sustainability and responsibility, Leonardo has contributed to the workstream Markets Hub aimed at the analysis and compliance of European regulations governing reporting and materiality analysis. Leonardo also participated in the Energy Transition and Climate Change task force of the European Roundtable of Industrialists (ERT) focused on the competitiveness of European energy-intensive industries. Given the growing interest of defence institutions - MoD and NATO - with respect to the issues of adaptation of the military instrument to climate change and decarbonisation, Leonardo has been involved in dedicated working groups, such as the NIAG (NATO Industrial Advisory Group) study on "Ensuring Allied Capabilities Adaptation in the context of Climate Change." Leonardo is also a member of the Stakeholder Advisory Board of Edison (SAB) and the Advisory Board for Social Issues of Anima, demonstrating, within the Italian industrial context, its relevance as a key stakeholder on issues related to sustainability.

Finally, Leonardo had the opportunity to be present at the COP28 held in Dubai in 2023, where it presented the "Technology Driven Climate Action" panel, showing that its solutions can be enablers for climate and environmental transition. The event involved various stakeholders from the Society, including the Ministry of Environment and Energy Security, non-profit organisations such as CDP (formerly Carbon Disclosure Project) and the UN Global Compact Network Italy, and associations such as ESA (European Space Agency).

Reputational risk analysis

In 2023 the issues concerning Leonardo were dealt with in more than 7,700 dedicated articles both in general and specialist press, in 44 countries, thus further consolidating Leonardo's media coverage in the domestic markets and increasing it in some key countries, such as France and Germany.

Sentiment analysis confirms the positive results achieved in previous years both in Italy, where 98% of the coverage has a positive and neutral value, and at an international level, where the negative sentiment component is about 1%. Leonardo can therefore boast a further strengthened image as a technological and innovative player, with a sustainable organisation and with strong economic and financial indicators, among the leaders in the AD&S sector. In Italy, particular attention was paid by the press to the change in the company's top management and the resulting reorganisation, the share price performance, and the Group's positioning within the consolidation process of the European AD&S sector. On the issues front, the corporate narrative focused on four technological areas: global monitoring, space, cybersecurity, and digitalisation.

On the digital side, the work on brand journalism, commenced in 2022, further grew through developing new formats and strengthening those already in place while maintaining the multichannel strategy unchanged. On Leonardo's websites, there was a substantial improvement in key performance indicators, with a total of 4,997,646 active users (+89% compared to 2022) and 17,884,343 page views (+121.8% compared to 2022). The presence on its X, LinkedIn and Instagram profiles was also positive, with a total of 1,176,594 followers (+16.7% compared to 2022), more than 22 million impressions and an engagement of about 1 million interactions.

PEOPLE

- EMPLOYMENT PROTECTION, PEOPLE WELLBEING AND ENGAGEMENT
- DIVERSITY, EQUITY AND INCLUSION
- EMPLOYER BRANDING AND TALENT ATTRACTION
- SKILL MANAGEMENT AND ENHANCEMENT
- HEALTH AND SAFETY
- RESPECT OF HUMAN RIGHTS

Involvement, empowerment, and attention to people's well-being and safety are the cornerstones of Leonardo's culture. The company is committed to fostering and protecting an inclusive and stimulating working environment, oriented towards flexibility and equity, in which everyone can demonstrate their potential to the fullest, contribute to the achievement of business objectives and to the sustainable development of the communities in which it is present.

Priority topics

- Diversity, equity and inclusion
- Health and safety
- Skill development, talent attraction and wellbeing of employees
- Protection of human rights
- Digital transformation

SDGs

4 QUALITY EDUCATION

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

Objectives	Progress	Target year
At least 32% of women on total hires		2025
30% of women on total STEM recruitment		2025
20% of women in management levels		2025
20% of women on total employees		2025
27% of women in succession plans		2025

On track

Impact indicators

Around **3,000** people **hired under 30**	Over **1,500 women** hired	Over **600 women hired** in **STEM** area

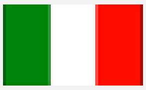
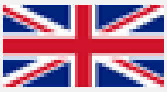
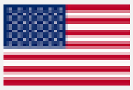
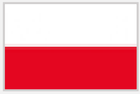
2023 data

Signature of the "Business for People and Society" Manifesto of UN Global Compact

In 2023 Leonardo continued to actively promote a corporate culture based on the respect for the dignity of each individual and the appreciation of the uniqueness of each person, and to be committed to preventing and removing any form of discrimination at all stages of the employment relationship, inside and outside the company community and with all stakeholders. It is a commitment in line with the goals and the Sustainability Plan, which is inspired by the main international standards and norms, from the SDGs of the United Nations Common Agenda and joining the UN Global Compact in 2018 - a commitment that was strengthened in 2023 with the CEO/GM signing the "Businesses for People and Society" Manifesto.

Leonardo is strongly oriented towards seizing all the opportunities and challenges of innovation in order to strengthen its role as an accelerator of technological evolution and progress in the countries in which it operates; for this purpose, it is working to attract talent on an ongoing basis and incorporate the best technical and managerial skills into the company, guaranteeing people continuous professional development, opportunities for internal mobility and international dialogue, including through the use of innovative digital processes and tools capable of involving the entire corporate population.

Employees worldwide

				**REST OF THE WORLD**
33,306	8,106	7,329	2,913	1,912
62%	15%	14%	5%	4%

Leonardo employs 53,566 people, 96% of whom are located in Italy, United Kingdom, United States and Poland. This human capital is mainly composed of staff with a STEM qualification, characterized by a generational diversity that fosters the exchange of experiences and skills.

Employees by professional category, gender and age group

	women %	men %	< 30 years	30 -50 years	>50 years
Total Work force	**20%**	**80%**	**13%**	**52%**	**35%**
Managers	15%	85%	0%	32%	68%
Middle Managers	20%	80%	1%	43%	56%
White collars	24%	76%	16%	52%	32%
Blue collars	10%	90%	13%	58%	29%

In the last years the trend shows a constant growth of the number of employees (+4.2% vs 2022), in line with the growth in business volumes, as well as the presence of employees under 30 (+1.8 p.p. vs 2022) and women in managerial positions (+0.8 p.p. vs 2022).

Human capital evolution indicators

	Employees under 30	**Women manager**
+4.2%	**from 11.2% to 13%**	**from 18.7% to 19.5%**
Growth of workforce	**of work force**	of total managers and middle managers
(+2,174 employees)	(+1,190 employees under 30)	(+67 women managers employees)

2023-2022 variation

Employment protection, people wellbeing and engagement

In December 2023 Leonardo signed an agreement with the Trade Unions for the renewal of the Company Supplementary Agreement. The agreement is characterised not only by a general improvement in the pay schemes reserved for employees and the continuation of the related harmonisation process within the Group, but also by the additional measures to strengthen Corporate Welfare and the provision of new experimental solutions aimed at rescheduling working hours.

With a view to fostering an ongoing commitment to caring for its people by creating a chain of shared value, strengthening employees' sense of belonging and at the same time making the Group attractive to new talent, significant regulatory measures aimed at specific needs have been put in place, which are especially focused on the issues of parenting, fragility, inclusion and gender equality, care needs and support for victims of gender-based violence.

Supplementary Company Agreement: key elements

Pay schemes – As early as in July 2023, Leonardo and the Trade Unions had reached an agreement on the main pay schemes, including increases in the Performance Bonus and Collective Superminimum to be applied in the three-year period from 2024 to 2026.

Welfare - With the aim of increasingly placing the enhancement of human capital at the heart of the company's strategy, new and concrete general tools have been adopted to strengthen the existing system, such as: changes in the supplementary health care model; strengthening supplementary pension schemes, through the increase of company contributions; and the activation of new forms of protection in favour of all personnel in case of death or permanent disability due to illness.

Flexibility and work-life balance - The new agreement provides for the permanent adoption of Smart Working within the company’s structure as an element that is now naturally intrinsic to the work organisation model in the Group; furthermore, guidelines are set out which are aimed at experimenting with the rescheduling of working hours, also with a view to their reduction, to be carried out in some "pilot" company areas directly linked to production or operational support activities. The purpose of the experimentation is to find the best solutions capable of reconciling the work-life balance needs of the employees involved with the objectives of strengthening the company's competitiveness and productivity.

Early retirement – In 2023 Leonardo recorded 449 voluntary personnel exits under the union agreements which provides for the early retirement under Article 4 of Law 92/2012 (Fornero Act).

The year 2023 was a year of consolidation of the welfare and wellbeing system, which saw the expansion and enhancement of areas related to economic and physical wellbeing (on the side of both healthcare and ill-health prevention), including through putting in place measures and safeguards at the production sites and ensuring the extension of services to the family members as well.

Major welfare and wellbeing projects

Work-life integration - Leonardo contributes to the enhancement of parenting by providing grants for day-care centres, scholarships for employees' children and offering the opportunity to take short- or long-term leave from work for health reasons, affecting the employees or their family members, childcare for both parents, and for reasons related to study and training. Leonardo also promotes work-life balance through parenting enhancement plans (such as "Lifeed"). 200 schemes for parents with children up to age 18 were activated in 2023. Furthermore, Leonardo encourages form of flexible work, including the possibility of hybrid work, access to offices

Psycho-physical wellness - In Italy it is possible to access a dedicated service platform (Gympass), which allows access to physical facilities/gyms, online master classes, apps, and nutrition and meditation activities. More than 7,000 employees have signed up for the platform. Furthermore, Leonardo has launched a pilot programme for cardiovascular prevention carried out at 3 sites, with more than 200 participants. Finally, Leonardo launched the "Apertamente" project in 2023, which is a psychological support and guidance service both through the use of an online platform and by delivering the service on site with a professional in a flexible time slot and make use of tools such as hourly compensation. Finally, Leonardo allows the use of part-time working arrangements. In the United Kingdom, Leonardo has changed, through the Custom Working project, the way work is done, empowering employees, along with their managers, team, and customers, to decide where and when they work. This flexibility allows the company to maintain a focus on customer needs while better balancing employees' work need with personal and family commitments. Leave policies allow people to volunteer in addition to annual leave.

psychotherapist, with more than 600 people having used the service.

Economic welfare – Leonardo has put in place the Flexible Benefits plan in Italy, which has involved about 30 thousand employees, supporting them with grants for the purchase of textbooks and passes for public services, as well as services for the full or partial reimbursement of various types of school, social welfare and transport expense. 90% of the amount converted to Welfare was used by employees. In the United Kingdom, Leonardo employees are eligible for tax and insurance benefits if they purchase an electric car under the Go Green Car Scheme. Flexible benefits worth more than €mil. 12 were provided in Italy and the United Kingdom in 2023 too.

In 2023 Leonardo also implemented a number of employee listening and engagement initiatives to strengthen a sense of belonging, steer change towards a shared direction, and support the broader community through solidarity projects.

Major employee listening and engagement projects

People Survey 2023 - The survey involves all Group employees and is aimed at exploring various aspects of life and work at Leonardo: engagement (e.g., satisfaction, empowerment, motivation, etc.), working environment (e.g., coworker relations, collaboration and sharing, happiness and stress management, etc.), relations with managers, innovation orientation, diversity and inclusion, work-life balance and sustainability. The People Survey, launched in February 2023, had more than 36,700 people from 20 countries participating, with an overall response rate of 69% (+5% from the last survey in 2019). The survey, which was completely anonymous, showed that 71% of people are proud to work at Leonardo, 70% recognise an inclusive and open-minded culture at the company, and 65% say managers know how to instill confidence in employees and stimulate a positive climate within work teams (62%).

Move Together for the Planet – During the third edition of Leonardo Challenge dedicated to the engagement and well-being of people and the planet, employees around the world came together, both physically and virtually, to walk as many kilometres together as possible. As part of the project Leonardo joined a reforestation project in Malawi (Africa) with the non-profit organisation One Tree Planted, committing to planting around 22,000 trees. The project also involves local communities in educational and awareness-raising initiatives on sustainable resources, climate change, agro-forestry and gender equality.

Sustain-Able - Interactive gamification platform aimed at raising awareness of employees on sustainability issues through contests, missions and thematic news (environment, circular economy, focus on communities, etc.).

Diversity, equity and inclusion

Turning every difference into an opportunity for growth through teamwork is for Leonardo a strategic factor of competitiveness, talent attraction, human capital enhancement and innovation, which are all key to ensuring the Group's sustainable growth and creating an increasingly collaborative and inclusive working environment in which each person can feel free and safe to express themselves in order to realise their potential to the fullest.

Leonardo's approach to Diversity, Equity and Inclusion (DE&I) is based on the fundamental principles of respect for Human Rights and promotion of equal opportunities, with the awareness that different characteristics, and personal and cultural orientations are a valuable source of mutual enrichment.

This is an approach that has always been grounded in Leonardo's Charter of Values and Code of Ethics and was further strengthened in 2023 with the appointment of the Diversity, Equity and Inclusion Manager, the issuance of the Diversity, Equity and Inclusion Policy, and the confirmation of the Whistleblowing platform as a channel for reporting any breaches (behaviours, acts or omissions) of the law or company protocols in this area as well.

The Diversity, Equity and Inclusion Roadmap is developed through concrete actions that can be measured over time: from awareness-raising and training initiatives to programs dedicated to women's empowerment, from the promotion of STEM disciplines among women and girls to actively listening to people's needs, from offering services and solutions for a better work-life balance to schemes and tools for valuing parenting and training on unconscious bias for recruiters.

A people-centered cultural model, which is further confirmed by the introduction of targets related to the hiring of women with STEM profiles in the long-term Remuneration Policy for CEO and Top Management[46].

Main DE&I projects

Talent attraction and inclusive recruitment - In the United Kingdom, Leonardo has focused its work on Employer Branding and recruitment strategy in order to increase diversity of both candidates and new hires. Recruitment managers have been encouraged to complete training modules on inclusive recruitment in order to attain the goal of diversifying talent and increasing awareness of unconscious bias. In the United Kingdom, Leonardo also continues to work with STEM Returners, the program to bring back talent with STEM backgrounds to work after a work hiatus, thus obtaining a total of 29 returns. The partnership with the Association For BME Engineers (AFBE) continues to support Leonardo in order to attract talent from different ethnic backgrounds. In the United States Leonardo carries out targeted activities for schools and universities with a high presence of African-American students (Historically Black Colleges & Universities - HBCUs).

GENERIamo Cultura – This is an awareness-raising campaign for the prevention of workplace harassment and gender-based violence launched on the occasion of the International Day Against Violence Against Women. As part of this initiative, promoted by the National Commission for Equal Opportunities, established between Federmeccanica-Assistal and the Trade Unions FIM-FIOM-UILM, Leonardo has organised an in-depth discussion event to promote a corporate culture that is

Springboard Programme – This is an international Project dedicated to women's personal and professional development, for which 3 international editions were completed in 2023, involving about 100 women.

Navigator - In the United Kingdom Leonardo has finalised 3 development programmes dedicated to the male population to explore topics such as masculinity stereotypes, mental health, wellbeing and stress management.

Network Group - Seven Employee networks have been established in the United Kingdom to raise awareness and promote D&I strategy and make Leonardo an inclusive working environment for all employees: Pride (LGBTQ+), to provide advice and promote awareness of LGBTQ issues in the workplace; Equalise to offer support to employees and increase awareness about gender equality; Carers to support employees with special care needs such as for elderly parents, partners or children; Enable focused on neurodiversity and disability; Ethnicity Inclusion, to support ethnic inclusion; Wellbeing, to promote the fundamentals of personal and organisational wellbeing; Armed Forces, dedicated to employees who have relationships with members of the military.

Inclusion 365 – The project consists of tailored training programs developed in the United Kingdom and dedicated to creating psychologically healthy teams and working environments as key elements of a successful DE&I strategy.

[46] For more details, please see the chapter on Governance, paragraph on Remuneration policy.

increasingly respectful of diversity and to counter any form of discrimination and violence.

Valore D - In Italy Leonardo cooperates with Valore D, which is the first business association to promote gender balance, offering its people the opportunity to access a range of educational and in-depth content in the DE&I area.

Disability – In 2023 Leonardo UK became a member of the Business Disability Forum, providing employees with tools and information to support disability inclusion, including training and best practices.

Employer Branding and talent attraction

In 2023 Leonardo has implemented numerous initiatives in support of Employer Branding and Recruiting, with the aim of attracting the best talent to the labour market and sourcing the skills of interest for its various businesses, including by leveraging all growth and work-life balance opportunities offered.

LinkedIn Top Companies Italy 2023: fifth place in the ranking that recognises the best companies in which to grow professionally	**"Disability Confident level 2 employer"**: recognition obtained by Leonardo UK for attention to employees with disabilities	**Investors in People** at Silver level, **Investors in Young People** and **We Invest in WellBeing** at Gold level in the United Kingdom	**In the Top 10** in the industry for "young professionals" and "new graduates in STEM disciplines" targets in **Universum's Most Attractive Employer** ranking

Major projects

HR Graduate Programme – This is an approximately two-year training programme, launched in April 2023, which is reserved for the best new graduate talent and aimed at induction into company HR functions with strong digital skills. The programme is structured into several phases, from onboarding to training delivered in collaboration with IE Business School in Madrid, from job rotation to an overseas experience.

Future Loading – This programme has been designed and implemented in collaboration with Luiss Business School in Rome, launched in September 2023, leading to the induction of 30 excellent resources into the company. The participants, hired by one of the Group's entities, will undertake a 12-month interdisciplinary training course, including through one or more training experiences abroad. At the end of the course, the young talents will earn a Master's degree in Advanced Management, which is recognised at an International level.

Global Combat Air Programme (GCAP) - In 2023 Leonardo launched an Employer Branding and Recruiting campaign to attract the best skills needed to develop the GCAP programme[47], with the aim of hiring about 400 people with STEM profiles in the two-year period from 2023 to 2024, mainly in the professional areas of Engineering and Project & Programme Management.

Career Day – In 2023 Leonardo participated in 30 Career Days, and in Employer Branding and Recruiting events organised in the main universities in Italy, both online and in-person. To support recruiting, priority was given to STEM profiles and women. More than 40,000 students and new graduates visited Leonardo's booth and stand.

Future Mission - Journey to discover the professions of Leonardo – In 2023 too, Leonardo's employees continued to tell external stakeholders about key professional skills and competencies, as well as the main production sites in Italy and the technologies of excellence that characterise them.

[47] International cooperation programme to develop a next-generation air system together with British and Japanese partners. For details please refer to Segment results and outlook.

Skill management and enhancement

Leonardo's industrial strategy aims to attract and manage the job profiles and skills needed to meet the new challenges posed by the market, including the risk of their obsolescence.

The company's skill management and enhancement schemes support people throughout their career in the company, stimulating lifelong learning and activating upskilling and reskilling processes, also with a sustainable perspective.

The use of innovative technology tools in the various areas of people management and development is a key factor for change and radical improvement in the Group's overall performance. In particular, the most recent initiatives for the development of new skills aim to align the competencies of our human resources with the needs of the future, design training programmes and reduce outsourcing and recourse to the market, leveraging a digital approach that combines data mining, artificial intelligence and Massive Open Online Courses (MOOC) training platforms.

60% of employees hold a **STEM** qualification	**44.7%** of new hires hold a **STEM** qualification	About **1.3 milion hours** of training delivered	**938 training courses** activated with educational system[48]

2023 data

Leonardo takes part in strategic initiatives focused on skill development at a European level too. Among these are the **ASSETs + (Alliance for Strategic Skills addressing Emerging Technologies in Defence)** project, involves about 30 European partners (industrial, academic, etc.); the project aims to create a system of observation and management of critical skills in the AD&S sector and a mechanism through which universities can bridge the gap of misalignment on identified skills through new pedagogical approaches and training courses.

Participation in the ASSETs+ project enables Leonardo to contribute actively to the European education system and to find funding lines to support business activities and in line with sustainable development goals. In particular, Leonardo maintains a role of direct responsibility in carrying out any and all activities related to the certification of the project's content and outputs, as well as the role of coordinating the Industry and chairing the relevant Steering Committee.

Leonardo has also adhered to the **Pact For Skills**, which is one of the 12 actions required to implement the Skills Agenda for Europe. The purpose of the programme is to mobilize stakeholders involved in the target sectors in order to create better upskilling and reskilling opportunities for students and workers in Europe, sharing specific commitments. This Pact will also help foster the transition to digital and automation and increase the competitiveness in our continent. A working group dedicated to skills in the Aerospace and Defence Industries Association of Europe (ASD) sector has been formed to provide further support within the sector.

Leonardo also participates in the **Jobs, Skills & Impact Working Group** of the European Round Table (ERT), which is mainly focused on reskilling and upskilling programmes, needed to address digital and green transitions that are underway [49]. As part of this programme, the R4E (Reskilling for Employment) project was launched to identify how best to address upskilling and reskilling needs in Europe.

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[48] Internships, apprenticeship programs, traineeships, school-to-work alternation.

[49] For more details on Leonardo's commitment to developing skills for the future, please also see the section on Digital education, scientific culture and technological expertise.

Performance measurement

People analytics – Analysis and data mining tools have been adopted to identify and develop new skills, map the job profiles present in its organisation and monitor the evolution and trends of the market, as well as the activities of its main competitors. The fact of identifying in advance any emerging role or roles affected by significant changes does in fact allow the company to take actions for the recruitment of new profiles or training of resources in order to acquire or strengthen specific skills in a targeted manner, including with a view to up/reskilling and especially targeted at digital technology and STEM disciplines. On the basis of the analyses carried out, the use of the Coursera platform also makes it possible to select the best courses or the most suitable certifications. Specifically, in-depth analyses of seven strategically important technologies have been conducted through this rationale, defining assumptions for the development of the necessary roles and training required on impacted populations, supported by the Love for Learning project.

Digital transition – The Workday platform, which was launched in October 2022, has digitalised the main processes of people's professional lives: from training to personal and professional data management and administration, from remuneration issues to real-time updated reporting for managers. During 2023, the platform was enriched with additional functionality, starting with the launch of the new individual performance appraisal process (Performance & Development Management - PDM), enriched with new features (e.g., Continuous Feedback).

Training and development

Love for Learning – Leonardo is the only Italian company that has made the training offer of Coursera, the world's leading platform for MOOCs available to all of its employees around the world. Approximately 8,000 courses and 3,000 guided projects, which are produced by the best universities in the world, are accessible from home and office. Participants can earn certifications for the courses taken, thus improving their level of employability. In order to make the training experience even more targeted, training courses were planned for professional roles in the engineering area, particularly exposed to the danger of professional obsolescence.

UP - This is a high-level international managerial training course that has involved 79 new executives in 2 editions, with over 4,500 hours of training, to support the exercise of leadership, promote team building, networking and customer experience, a strategic vision and sustainability.

Skillgym – Leonardo has implemented a Digital Role Play SKILLGYM platform for soft skill development. The goal of the program is to improve the ability to evaluate one's own behaviours in the workplace in an objective manner. Leonardo allows its people to participate in training schemes dedicated to specific roles useful for developing managerial skills on various topics, including, for example, fostering a culture of responsibility and results orientation, enhancing leadership and management of one's team. With regard to the latter topic, the increase in team management skills increased by 7% and in general resulted in an improvement in the managerial skills of employees who took part. The programme as a whole involved 1,971 users engaged in 5,259 hours of attendance, leading to an increase in the soft skills of the population involved.

Internal mobility – Position filled with internal candidates, including through the use of job posting: Italy 25%, Poland 4.2%, US 16%, Switzerland 20.5%, UK 21%.

Sustainability Training Courses – In 2023 too, the interactive multimedia course on sustainability issues was made available to employees, aimed at publicising the actions the company is implementing on the topic of sustainable development. Topics covered within the course include raising awareness of water efficiency, waste reduction, and energy efficiency. Since its launch, the course has been completed by 18,400 people.

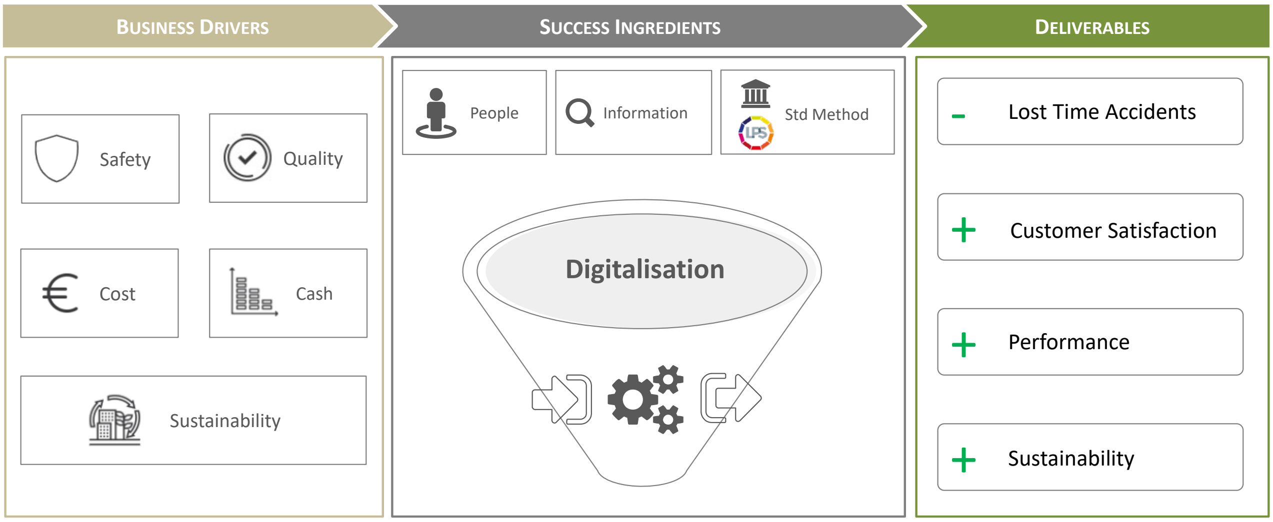
You Challenge Me – The programme, intended for employees hired in Italy, consists of a customised course developed on the metaphor of the "Grand Prix." Objectives include strengthening the culture and knowledge of Leonardo as "One Company" and developing distinctive competencies by identifying skills to be enhanced. The programme involved 661 participants for a total of 8,199 hours and among the skills that emerged as strengths and improved downstream from the programme are, flawless execution, customer satisfaction and energised employees. In particular, the latter, which refers to adaptability, involvement of others, and overcoming critical issues, even with a long-term view, experienced a significant increase in the score achieved, from a starting value of 59.5 (percentile scale) to a final value of 70.54, demonstrating a significant improvement of this skill in the people involved.

Change management models in the business

Leonardo Production System (LPS)

It is the agile production system inspired by the World Class Manufacturing (WCM) method, by which Leonardo pursues the objective of optimising efficiency and productivity through an approach oriented to continuous improvement in the management of processes and programs, which is capable of ensuring more and more quality and safety. The programme is in its fourth year of implementation, which has seen the consolidation of the Leonardo Production System as the manufacturing management model for the Group. The consistent application of the programme and its focus on the highest priority areas have made possible important results in terms of Occupational Safety, Quality, Productivity and Sustainability.

LPS Framework



The enablers of the programme are people skills development, leadership of plant managers as a driver of disseminating the WCM methodology, and digital transformation. In 2023, the Business Intelligence platform was strengthened to provide more immediate access to information analysis, reinforcing the data-driven model.

LPS is managed by a governance and control system based on standardised evaluation criteria set out at an international level by WCM Association, which was joined by Leonardo in 2022, the first company in the A&D sector. Each facility operated under the LPS model is audited every six months by a team of WCM-certified company or third-party auditors. In 2023 22 audits were conducted, which certified that the model had been properly implemented according to WCM standards. From the launch of the program at the beginning of 2019, LPS involved 18 manufacturing plants in Italy and made it possible to reduce injuries in the areas of intervention by more than 90%, as well as to increase productivity on average by about 30%, achieve "zero failure" condition on 50% of industrial plants and reduce the index of in-house problems by about 30% and that on problems detected by the customer in terms of quality by 25%, allowing to contain the cost of "non-quality". These improvements have made it possible to adequately meet the demands of customers.

About **6,000 people** involved in **18** manufacturing plants	About **14,000 projects** for continuous improvement	**More than -90% of injuries and +30% of productivity** in the areas in which the LPS system has been implemented	**Quality: -30%** of in-house problems and **-25%** detected by customers	**First company** in the A&D sector to become a member of the **WCM Association**

Leonardo Project Management Model

The **Leonardo Project Management Model (LPMM)** is the new company process aimed at improving project performance in terms of time schedule, costs, quality and customer satisfaction.

The model sets out a common set of innovative tools and methodologies aimed at strengthening the role, decision-making autonomy and professional and managerial development of project managers and project team members by spreading the culture of team working, collaboration and knowledge sharing.

As from the issue of the LPMM, the monitoring of Key Performance Indicators of process and project performance, the ongoing implementation of Change Management and the gradual digitalisation of the process have enabled the improvement of the economic and financial stability of the programmes, a growing application of best management practices, and a stronger cohesion and motivation of Leonardo Project Management Community.

Over **2,000 people** involved in **Change Management and cross-fertilization** projects	**500** strong-matrix project **teams (Integrated Project Team) formalised**	**3 digitalisation projects** of Project Management tools **completed and new projects under development**	Launch of the **Project Management Academy** for the **personal and professional development** of Leonardo PM Community

Leonardo UK Digital Enabler Model

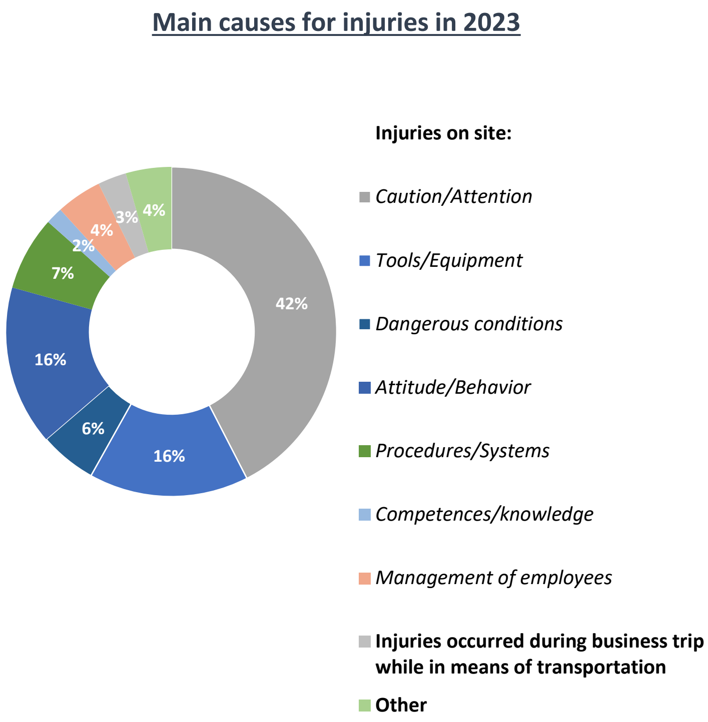
In the United Kingdom, Leonardo has set out a programme that aims to transform the production system to drive business evolution and digitise its products and services to maximise customer benefits while ensuring modern and safe working environments where people's skills can be enhanced. Key elements of the programme include: the Digital Employee Experience (DEX), which aims to improve employee engagement, collaboration, productivity and wellbeing; and business transformation programmes such as Future Factory, within which, in 2023, a team from Leonardo UK participated, as part of the programme, in an industry consortium focused on digital technologies as a lever to reduce the use of energy in manufacturing processes and contribute to the decarbonisation process.

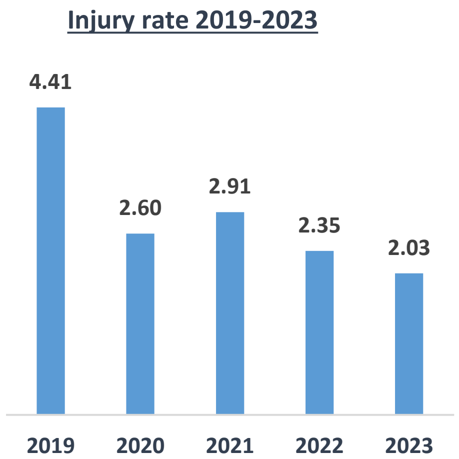
Health and safety

Leonardo considers the protection and safety of its workers as a priority, and therefore implements all appropriate measures preparatory to the elimination and/or mitigation of risks related to the performance of their professional activities and the resulting impacts. Among the objectives of Leonardo's Health, Safety and Environment Policy[50] are those of ensuring safe working environments and operating conditions, preventing risks to the health and safety of its employees and of anyone who has access to the Group's sites, raising awareness and providing continuous training to personnel on health and safety issues, in compliance with the laws in force in the countries in which it operates, voluntary standards and stakeholder expectations, with a view to continuous improvement. Among the tools used to ensure compliance with adequate standards are health and safety audits, both internal and external, which are mainly aimed at maintaining Management System certifications, as well as at compliance, safety and hygiene audits.

81% of employees work at sites with **ISO 45001** certified Health and Safety Management System (+1 p.p. vs 2022)	**2.03 injuries per million of hours worked** (-13% vs 2022)	**1,684 audits** conducted on health and safety, of which 1,600 internal and 84 external

2023 data





2023 confirmed the trend of improvement in the accident rate compared to the last three years and in particular a 13% reduction was recorded compared to 2022.

[50] For more details on environmental safety, please also see the paragraph on Natural resources management and biodiversity.

Occupational health and safety

Supplementary Health Care - Health coverage schemes were put in place for employees and their entire households in Italy. In the United Kingdom insurance coverage is on a contributory and voluntary basis.

Employee assistance programmes – Leonardo, through a third-party provider, offers support to employees in need of legal and financial advice and counselling on domestic abuse and bereavement issues.

Workplace Health Promotion – It consists of health promotion initiatives in Italy to launch prevention programmes and the conscious adoption of healthy lifestyles. Among the initiatives implemented in 2023 are flu vaccination campaigns, breast cancer prevention, and early prostate cancer diagnosis.

Travel security - Leonardo considers as a priority the protection and safety of its workers who are called upon to perform their professional work abroad on posting, secondment or relocation. Among the preventive measures put in place to ensure adequate information and preparation, Leonardo offers specific training courses to its employees in travel security, safety and health, in addition to a dedicated, 24/7 health care service; an automated system for providing employees with the Health and Safety information in the country of destination (Pre Travel Advisory); and an app available to travellers with geolocation features in case of emergency. Travel Security processes are ISO27001 certified.

Respect for human rights

Leonardo has defined specific principles and rules of conduct aimed at spreading a culture of respect for human rights universally recognised in line with the United Nations' Universal Declaration of Human Rights, the International Labor Organisation (ILO) Conventions, the Organisation for Economic Co-operation and Development (OECD) guidelines and the Charter of Fundamental Rights of the European Union. Leonardo's commitment to respect for human rights is expressed within its Code of Ethics, approved by the Board of Directors[51], which extends to direct and indirect employees, suppliers, customers and anyone who has any kind of relationship with the company. Moreover, this vision is referred to and reinforced in the Charter of Values, the Group Policy on Human Rights, the Supplier Code of Conduct, and the recent adoption of the Diversity, Equality and Inclusion Policy. The management of its people, supplier relations and the sale and distribution of products are the areas of the Group that, through a specific analysis conducted on the basis of the ISO 26000 guidelines, have been identified as most exposed to the risk of violations of human rights. For each of these areas, the Group has put in place various measures to monitor the protection of human rights in order to prevent any related risks, implementing specific mechanisms for the management of reports, either signed or anonymous, setting up a specific dedicated communication channel[52].

People management

- Prohibition on all discrimination against gender, race, skin colour, language, religion, political opinions, sexual orientation, nationality, social status or background, trade union membership, age or disability or any other type of discrimination or intolerance towards diversity.
- Prohibition on all forms of exploitation of child, forced or illegal labour.
- Guarantee for political and trade unions' rights.
- Protection of data of natural persons, especially sensitive data, whether they be employees, collaborators, visitors, customers or suppliers.
- Protection of health and safety of workers, in compliance with applicable provisions and the highest standards in terms of safety and hygiene.
- Promotion of health and safety and of diversity culture and inclusion, also through Working

Supply chain

Through the Supplier Code of Conduct, Leonardo requires from its suppliers:

- Protection of the right to work and equal opportunities, promoting dignity, health, freedom, equality of all workers, rejecting all the forms of discrimination, whether directly or indirectly, also with reference to political or trade union related aspects;
- Non-involvement in forced labour, human beings trafficking, and exploitation of child labour and forced labour generally speaking;
- Payment of the minimum wages and benefits legally mandated, as well as working conditions, working time and fair compensation complying with the laws and the standards applicable in the countries where the supplier operates;
- Safety and protection of health in the workplace in compliance

Sale and distribution products

- Development of technology solutions for the security and protection of citizens, national institutions, technological sovereignty, and the resilience of countries.
- Non-involvement in the production, development, storage, trade and/or sale of non-conventional weapons (e.g. cluster bombs, landmines, biological and chemical weapons, blinding laser weapons, incendiary weapons, depleted uranium weapons);
- Non-involvement in nuclear weapons production or maintenance activities;
- Ensuring, by means of the Trade Compliance Program, full compliance with applicable laws and provisions of competent authorities for Trade Compliance issues (i.e. obligations for embargoes, sanctions or other trade restrictions);
- Due diligence on whether potential customers and end-users are in blacklists and other

[51] For more details, please see the Code of Ethics of Leonardo.

[52] The Guidelines on the management of reports are available on the website. The dedicated channel is humanrights@leonardo.com.

groups formed by company and labour unions representatives.	with current regulations regarding Health & Safety [53]. Leonardo, moreover, carries out reputational checks of third parties with which intends to establish contractual relationships and envisages social clauses to protect workers in the case of contract handovers.	checks in case of transactions with Sensitive Countries; > Full-scale use of the Human Rights Impact Assessment tool to analyse, through specific red flags, the conduct of business activities to check for compliance with internationally recognised human rights.
99% of employees in OECD countries. **77%** of employees under collective agreements. **31%** of employees are members of trade unions. **81%** of employees operating in ISO 45001 certified sites.	**99%** of purchases from OECD countries Within the accreditation and pre-qualification process in Leonardo's supplier register and in Joscar, **100%** of suppliers accepts Supplier Code of Conduct **95%** of key suppliers state that they have no suppliers in countries considered at risk[54]. More than **6,600** evaluated on social and ethical-legal issues.	**418** transactions monitored in Sensitive Countries.

Human Rights Impact Assessment

Human Rights Impact Assessment (HRIA) is an analysis tool, which was adopted for the first time in 2021 and with which the company has defined, the main risk indices with reference to human rights and the potential impact of the activities carried out by the Company , in order to apply the provisions of the Group's Policy on respect for human rights and to take action in line with the objectives of the company Sustainability Plan. The analysis is carried out both "by Country" and "by transaction".

The introduction of the HRIA tool has expanded the list of Sensitive Countries (for which please refer to the link published on the company's website), allowing for expanded oversight of the Group's business transactions.

In particular, through the "by Country" analysis, the Countries are identified, which, despite the absence of specific sanction programmes, have been reported by national and international bodies (e.g. UN and EU) due to violations of human rights, with specific regard to: serious acts of internal repression, violations of international humanitarian law; belonging to conflict zones in the trade of "3TG" minerals (so-called conflict minerals), thus including them in the list of Sensitive Countries for the company and, therefore, establishing the obligation to notify any transaction involving them, either directly or indirectly.

On the other hand, the "by transaction" analysis has made it possible to implement the risk analysis tool relating to transactions with Sensitive Countries, adding two drivers relating to the respect for human rights that are linked to the HRIA "by Country".

On 23 February 2022, the European Commission published the proposed Corporate Sustainability Due Diligence Directive (CS3D) with the aim of prescribing a due diligence requirement for companies, taking appropriate measures to identify and address any adverse impact on human rights and the environment along their value chain. In 2023, even in view of these legislative requirements encouraging responsible and sustainable business, Leonardo conducted an in-depth analysis, with the support of CSR Europe, a European association focused on sustainability issues, concerning the legislative requirements of CS3D by identifying

[53] For more details, please see Leonardo's Supplier Code of Conduct.

[54] The data relates to last LEADS assessment conducted on 600 key suppliers.

gaps between the present situation and the due diligence elements required by the proposal. On the basis of this gap analysis, carried out on the basis of public and company documents, a roadmap was developed, the outcomes of which were shared and discussed with all functions potentially impacted by the directive, aimed at defining the improvement actions required for a more comprehensive oversight of the human rights issue along the value chain while strengthening its commitment to corporate responsibility and sustainability.

PLANET

- ✓ **DECARBONISATION PATH**
- ✓ **CIRCULAR ECONOMY**
- ✓ **NATURAL RESOURCES AND BIODIVERSITY MANAGEMENT**

Leonardo is aware that the activities of its production sites and its entire value chain are in close connection with surrounding ecosystems and societies. Responsible use of natural resources, monitoring and management of waste produced, containment of emissions and energy consumption, as well as protection of biodiversity are the drivers of Leonardo's sustainable business strategy aimed at mitigating risks and seizing opportunities in the short, medium and long term by leveraging the efficiency of its processes, products and services, digitalisation and new technologies. A key element of this strategy is combating climate change, which engages Leonardo in rethinking its production processes with the aim of promoting the transition to a low-carbon economy, mitigating the effects of climate change-related risks and seizing the opportunities of its solutions by employing them as drivers of climate action. The pursuit of the Science Based Target initiative (SBTi) commitment strengthens the efforts Leonardo is promoting to reduce its direct and indirect emissions. The transition to a circular business model, adopting technological solutions and responsible behaviour, is a further goal of the Group's sustainable strategy, which aspires to respect the natural capital and material resources used.

Priority topics

- Environmental impact of the use of materials and circularity
- Management of natural resources and biodiversity
- Climate change, adaptation/mitigation
- R&D, innovation and advanced technologies
- Digital transformation

SDGs

8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION

Objectives	Progress	Target year
Reduction in electricity consumption taken from external grid by 10%[55]	On track	**2025**
Reduction in Scope 1 + Scope 2 emissions (Market Based) by 50%	On track	**2030**
Reduction in water withdrawal by 25%	On track	**2030**
Reduction in the amount of waste produced by 15%[56]	On track	**2030**

On track

Impact indicators

About **180,000 tons of CO_{2e} avoided** thanks to the partial replacement of gas SF_6 from 2020	**About 77,000 tons of CO_{2e} avoided** through the use of virtual training systems in 2023	**Over 15,000 tons of waste recovered** in 2023

Leonardo's participation in COP28

In December 2023, Leonardo had the opportunity to participate in the United Nations Climate Change Conference (COP)[57] for the first time. The occasion allowed the company to present the "Technology Driven Climate Action" event showing how the technology, solutions and products developed by the Group can contribute to combating climate change. The event was attended by the Ministry of Environment and Energy Security, non-profit organisations, such as CDP (formerly Carbon Disclosure Project) and UN Global Compact Network Italy, and associations such as ESA (European Space Agency).

[55] Calculated as a ratio to revenues. Baseline 2019.
[56] Reduction in emissions, water withdrawals, and absolute amount of waste generated. Baseline year 2019.
[57] Specifically, the 28th COP 28 conference was held in Dubai between 30 November and 13 December 2023.

Decarbonisation path

The decarbonisation path undertaken by Leonardo is aimed at reducing direct and indirect climate-altering emissions in line with the commitment made by joining SBTi. Technology, digitalisation, efficiency improvement of its operations and involving the supply chain are the main drivers integrated into the production model and the development of new products and solutions to promote this commitment. In 2023, the Group promoted the submission of targets to the SBT initiative by following up on the commitment made in 2022.

Decarbonisation roadmap: a strategy in line with SBTi

Leonardo pursues the goal of reducing its carbon footprint by committing to lower direct scope 1 and 2 emissions. As early as in 2022, this commitment was strengthened by including a target of a 50% reduction in scope 1 and 2 (market based) emissions in 2030 compared to 2020 within the Group's Sustainability Plan. This commitment is pursued through several initiatives, aimed at decarbonising and curbing the energy consumption of its operations, including the energy self-production programme, the Full Potential LED lighting programme, the replacement of SF_6 gas with a less climate-altering gas, which avoided the emission of about 180,000 tons of CO_{2e} in 2023 compared to 2020, and the development of additional innovative solutions. In 2023, the effort supported by the Group resulted in a 9.5% reduction in scope 1 and 2 (market-based) emissions compared to 2022.

Major projects to reduce CO_2 emissions in its operations (Scopes 1 and 2)

SF_6 replacement – Leonardo is proceeding with the work to upgrade its manufacturing processes in order to significantly reduce the quantities used for the inert gas SF_6 by replacing it with a gas with lower Global Warming Potential (GWP), according to the methods envisaged in the related project of the Sustainability Plan. The objective is, in fact, to replace SF_6 gas (GWP: 24,300) with R134a (GWP: 1,530) as the inert gas used during the casting of magnesium alloys. In 2023, a direct emission reduction of about 180,000 tons of CO_{2e} was achieved through the partial replacement of SF_6 with R134a, compared with 2020.

Energy self-production programme – Following the formalisation of an additional lot of contracts in 2023 for a total installable capacity of 35.3 MWp, there are 16 agreements in place for the construction of plants at different stages of implementation (2 with operations started at construction sites, 2 with operations still to be started at construction sites in early 2024, and 12 with design and permitting activities in progress). Furthermore, 15 additional plants are in the process of being analysed with the aim of maximising electricity production from on-site plants, reducing dependence on fossil fuels and diversifying the risk associated with volatile energy markets. The current estimate of self-consumed PV energy relating to the plants at which operations have already been started may then reach a value of about 50GWh/year when fully operational, equivalent to about 16,000 tons of CO_2e per year avoided. The outcome of the authorisation procedures, which are currently in progress, will confirm these values and the timing of construction of the plants, with the aim of giving maximum acceleration to the project. The systems hosted at Leonardo's plants will be owned by a third-party partner who will make a portion of the energy produced available to the sites, thus helping to reduce the withdrawal of electricity from the external grid and associated costs. Finally, assessments have been initiated for the future installation of additional PV systems on other areas within Leonardo's sites and the potential development of plots of land that are not used at present.

Full Potential lighting Programme – Work is continuing on the massive programme to replace lighting systems with LED technology, envisaged in the Sustainability Plan. In the period from 2021 to 2023, investments of about €mil. 20.1 were completed, which will allow, when fully operational, to save about 21.6 GWh/year, equal to more than 6,800 tons of CO_{2e} avoided per year, which must be added to the 6,000 tons of CO_{2e} avoided per year thanks to the first installations completed in the period from 2014 to 2020. The Programme, on which Leonardo has decided to give maximum acceleration and which will be completed in 2024, envisages an overall investment of about €mil. 31 and an estimated reduction in consumption of about 31 GWh/year when fully operational, equal to about 10,000 tons of CO_{2e} avoided per year. The Programme will also make it possible to improve working environments, with regard to all impacted areas: industrial, office and outdoor areas.

Thermal Energy Consumption Efficiency – At the end of August 2023 works were started on the new thermal plant at the Vergiate factory, which will replace the current steam generators with more energy-efficient machines. As from October 2024, the plant will adopt hot-water thermal distribution, with the goal of completing the works by 2025 consistently with production requirements. The new plant will be able to reduce gas consumption by about 900,000 m^3 per year, equal to about 1,800 tons of CO_{2e} avoided, through an investment of more than €mil. 6.

Digital energy monitoring – A digital platform connects about 1,200 smart meters through which about 74% of the energy consumption is monitored at the Italian plants, enabling a structured and digitised management of energy consumption and facilitating the identification of new projects to improve consumption efficiency. In 2023 Leonardo prepared energy diagnoses based on the data collected by the platform in 2022, according to Legislative Decree 102/2014. Energy Diagnoses were conducted on 16 Leonardo sites and allowed for updating the energy performance of the plants and take new actions on plant engineering efficiency improvement.

Electric and hybrid cars - Leonardo's corporate fleet (long-term rental) in Italy consists of 62% hybrid/electric drive vehicles (+19 p.p. compared to 2022), with the goal of achieving 80% by 2024[58]. Regarding the carpool, the current share of green vehicles is 55%. In support of this objective, additional charging stations will also be installed at all Leonardo sites, in addition to more than 330 that are already in use (including 134 in 2023).

A pilot car sharing project has also been launched at some sites, using only electric or hybrid cars, with the aim of gradually extending it to the entire Group.

Major projects to reduce CO_2 emissions in the value chain (Scope 3)

During 2023, Leonardo conducted a careful examination of the scope 3 emissions produced by the Group to identify, in line with the SBTi methodology, the areas of greatest commitment towards which to promote its decarbonisation actions, including its supply chain and its products and services.

Reduction in emissions in the supply chain

Leonardo aims to become a driver for reducing emissions in its supply chain. The supplier engagement programme undertaken by the Group is aimed at creating a community that is aware of and committed to achieving increasingly ambitious sustainability goals[59]. Among the actions taken, Leonardo has started specific training, awareness and sustainability reporting planning support programmes to bring its suppliers' decarbonisation path into line with SBTi. Leonardo plans to further support the decarbonisation of its supply chain by supporting it through the creation of a community engaged in a common vision and goal; the development of the necessary skills, through training courses, workshops, and specific advice, involving experts and market industry leaders for sustainable solutions and financial support initiatives for small and medium-sized enterprises.

Reduction in emissions through the development of products and services

Leonardo is active in reducing scope 3 emissions related to the use of its sold products and services by promoting innovative solutions, the use of alternative materials and state-of-the-art fossil fuel substitutes, which enable the customer to reduce emissions generated in the phase of use. For example, Leonardo allows virtual pilot training, through the creation of simulators, reducing real flight hours and the resulting emissions. The use of alternative materials, on the other hand, allows the manufacture of lighter aircraft that consume less and produce smaller amounts of emissions. Leonardo is investing to develop products that can use alternative fuels to fossil fuels such as, for example, synthetic fuels and Sustainable Aviation Fuel (SAF).

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[58] This target, which has been proposed again in 2024, was not met in 2023 due to major delays in the delivery times of new cars on the part of the suppliers, caused by global geopolitical contingencies that also affected the automotive market.
[59] For more information, please see Partnerships and supplier development programmes in the paragraph "Supply chain value" of the chapter "Prosperity".

In line with this strategy, Leonardo promoted the first flight of an AW139 helicopter in 2023, using 100% SAF fuel at the Cascina Costa plant. The flight, which lasted about 70 minutes, showed no significant differences from the performance of traditional fuel.

In addition, Leonardo manufactures systems to optimise air, urban and maritime traffic, which make the aeronautics and transport sectors more environmentally sustainable and participates in research and development activities for advanced solutions with low environmental impact promoted by major national and European projects, such as, for example, Clean Aviation and Sesar.

Major projects to reduce Scope 3 emissions

Virtualisation – Virtualisation, which was originally created to only support cockpit crew, has over the years seen growth in the share concerning training of both cabin flight crew (e.g., MITHOS-related activity for winch operations training) and aircraft maintenance personnel. Embedded Training Systems allow online training with real and/or virtual actors in a tactical scenario shared between aircraft, ground simulators and monitoring and control stations, with real-time data exchange through data link (aircraft-to-ground) and communication networks (ground-to-ground). These technologies make it possible to significantly reduce the need for flights on real platforms, with consequent reduction in the use of fuels and production of climate altering emissions. The virtualisation of product testing (Certification-by-Simulation) will also drastically reduce the flight activities required to obtain certifications for platforms and/or their subsystems. **Electric or Hybrid Platforms** – The activities relating to the study of cutting-edge technologies and impacts from hybrid/electric propulsion systems are in progress with Leonardo Innovation Labs, including through the national H2Craft research initiative, under the NRRP, with the Polytechnic University of Turin and cutting-edge entities such as PowerCell and Punch. In the European civil sector, Leonardo is involved in the Clean Aviation programme with participation in 9 research projects, 2 of which are company-led (HERA, HERFUSE), aimed at identifying regional aircraft configuration, innovative system architectures and frontier technologies enabling a significant reduction of environmental impact through hybrid-electric propulsion. The projects are in collaboration with a major European ecosystem involving, among others, Airbus, Safran and GE-Avio Aero.	**1/10** CO_{2e} emissions produced with one hour of simulator compared to one hour of real flight
Sustainable Aviation Fuel (SAF) - Environmentally sustainable fuel is one of the solutions to contribute to reducing aviation's carbon footprint at global level. At present, Leonardo has 12 helicopter models that can operate on fuels with up to 50% of SAF[60]. In 2024 Leonardo will complete verification of the ability for in-service owner aircraft to operate with drop-in fuels with up to 50% of SAF. Leonardo is also active in various national and international councils to monitor and analyse technological advances towards the definition of both 100% SAF drop-in fuels for in-service aircraft and newly formulated 100% SAF fuels for future aircraft. Within the ATR consortium, the compatibility of the family of ATR 42/72 regional aircraft with drop-in fuels with up to 50% of SAF has already been defined.	**Up to -80%** of CO_{2e} emissions over the entire life cycle thanks to the use of SAF with respect to traditional fuels [61]
Emission Trading Scheme - In Italy, 9 sites fall within the scope of the ETS (Emission Trading Scheme) regulations, compared to 12 sites in 2013, and must therefore offset their CO_{2e} emissions by acquiring allowances partly free of charge, and partly for valuable consideration.	**9 Leonardo sites** fall within the scope of **ETS**
Air traffic management – Air Traffic Management (ATM) systems help optimise traffic and reduce aircraft GHG emissions. Leonardo develops and produces ATM systems within the European SESAR (Single European Air Sky ATM Research) programme, which aims to realise the Digital European Sky by constructing large-scale demonstrators that aim to eliminate inefficiencies in all phases of flight to create a single European air traffic	**About 150,000** tons of CO_{2e} avoided in one year with Leonardo's Free

[60] Leonardo helicopters that can operate with fuels having up to 50% of SAFs without operational limitations or performance degradation are the following: AW139, AW169, AW189, AW149, A109S, AW109SP, AW119MkII, A109A/AII, A109C, A109K2, A109E, A119.

[61] Depending on the mixture of SAFs used. More information can be found on the website.

control system, which at present is still fragmented[62]. In particular, Leonardo's current Air Traffic Control (ATC) system aims to adapt to the needs of its customers, based on a shared vision and a roadmap integrated with SESAR towards automation, digitalisation, scalability, optimisation and green transformation.

Route ATM system in the sky in Italy

Sustainable employee mobility – Some plans have been prepared for 41 company sites in Italy, 9 of which on a voluntary basis, which provide for the implementation of several projects aimed at encouraging more sustainable home-to-work mobility. Almost 30,000 people work at these sites of Leonardo, equal to about 95% of the company population in Italy. In 2023, Leonardo incurred expenses of about €mil. 3 to support employees in making sustainable mobility choices, including: the continuation of smart working, maintaining the shuttle service at numerous company sites, installing covered parking spaces for bicycles and kick scooters, providing grants for the purchase of public transport season tickets, the provision of an app specifically for sustainable mobility, agreements to encourage the use of bicycles and with Trenitalia to offer favourable terms for the purchase of train tickets.

3 mln € to support employees in making sustainable mobility choices

Logistics – Implementation of the Transportation Control Tower to make the Group's shipping management more efficient while reducing emissions under Scope 3, through consolidation of shipping and reduction of dedicated transport and, where possible, with a shift to more sustainable modes of transport (e.g., maritime). A reduction of 5% in CO_2 emissions was achieved in 2023, which is expected to increase to 7% in 2024[63].

-5% CO_2 emissions through the implementation of the Transportation Control Tower

Genova 4 assi – This project involves the construction of a trolleybus system along the main routes through Genoa. The route network will extend 96 kilometers from east to west and into the valleys, passing through the city center, and will be covered by 138 trolleybuses and electric buses. Through Leonardo's SIGMA+ system, the monitoring solutions, supported by advanced AI-based video analysis algorithms, will enable data processing and efficient traffic light control, thus ensuring safeguards for a proper use of infrastructure. The project will generate positive impacts for the environment and the community, including a reduction in pollution and CO2 emissions through increased use of sustainable and efficient multimodal public transport compared to private vehicles and improving the liveability of the city through reduced urban traffic.

[62] SESAR 3, the current definition of the SESAR programme, linked to the Net Zero Emission policy strategy for aviation at the ICAO and European levels, is focused on increasing gate-to-gate efficiency through a combination of dedicated solutions for European airspace redesign and reuse, civil-military coordination, flight planning, integration of new types of energy-efficient aircraft into the ATM ecosystem, and green management of airport surface and control and landing operations.

[63] Baseline 2019.

Leonardo's approach in the aeronautics sector supports the objectives of Destination 2050, the major sustainability project in the aviation sector in Europe, which sets out a roadmap for net zero-emission air transport by 2050, acting on all flights relating to Europe, the United Kingdom and the European Free Trade Association, through the collaboration of airlines, airports, Aerospace companies and navigation service providers.

Destination 2050 objectives

-37% of CO_2 emissions, improving **aviation technology**	**-34%** of CO_2 emissions **through the use of SAFs**	**-8%** of CO_2 emissions implementing **financial measures**	**-6%** of CO_2 emissions, improving **management of air traffic** and of aircraft operations

"Net zero" objective in the United Kingdom

In the United Kingdom Leonardo has committed to achieving Net Zero by 2030 for Scopes 1 and 2 emissions and across the value chain by 2050, with a target to reduce CO_2 emissions by 40% (for Scopes 1 and 2) by 2025 compared to 2018. The most significant measures to reduce carbon footprint include:

- **Energy management standards** – Implementing ISO 14064-1 certified management systems at all UK operations by the end of 2024 with the ambition to follow the PAS 2060 standard to demonstrate the credibility of the stated carbon neutrality target.
- **Renewable energy -** Ensuring that 100% of the electricity used on sites is from renewable sources, through certificates of the Guarantees of Origin.
- **Self-produced energy** – Making investments to achieve 25% of self-produced energy under power purchase agreements by 2030.
- **Use of electric vehicles** – Expanding charging stations, providing incentives for employees to transition to hybrid or electric vehicles.
- **Investments in energy efficiency at sites** – Implementing a system to monitor electricity and gas consumption at all sites, launching a Lighting-as-a-service (LaaS), significantly reducing fossil fuel consumption and promoting the use of low greenhouse gas emission refrigerants.
- **Decarbonisation of heating systems** - Replacing gas heating systems with electric systems to reduce climate-altering emissions.
- **Employee engagement and training** - Increased awareness among employees on climate action and sustainability issues through campaigns, training courses and working groups.

Leonardo's advocacy activities and collaborations on environment and climate

Leonardo is a member and is part of the Board of Directors of the International Aerospace and Environment Group (IAEG), an organisation including the industry's leading companies committed to advancing innovative environmental solutions and standards for aerospace. Among the topics dealt with are hazardous substance management, alternative technology development, authorisations related to chemicals (REACH - Registration, Evaluation, Authorisation and Restriction of Chemicals), international regulations on environmental issues, and GHG emissions reporting and management. At the European level, Leonardo is a founding member of the Climate and Defence (C&D) task force of the AeroSpace and Defence Industries Association of Europe (ASD) and its subgroups on Ecodesign and Sustainable Supply Chain. Within ASD the Group also participates in the Economic, Legal and Trade Commission (ELT) and the Corporate Social Responsibility (CSR) subgroup that monitors European dossiers concerning sustainability and reporting issues. With respect to decarbonisation and adaptation to climate change, Leonardo has been called upon to participate in dedicated working groups, contributing to the drafting of armed forces guidelines on the subject. Leonardo also participates in the Energy Transition and Climate Change group of the European Round Table (ERT). Finally, Leonardo is part of the Confindustria Environment Technical Group and of the Technical Group on Corporate Social Responsibility in Italy.

Leonardo's contribution to climate change adaptation

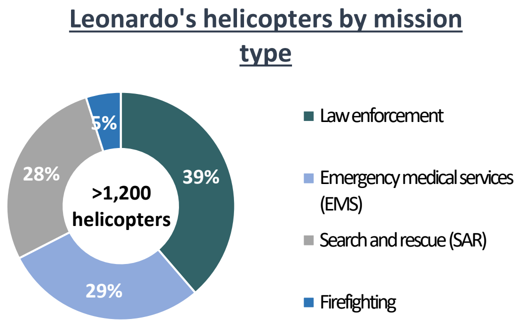
The demand for Earth observation and monitoring services to verify climate conditions, and to deal with extreme events and emergency situations, is expected to increase. Adaptation to climate change requires actions, skills and technologies that the Aerospace, Defense and Security sector can help provide through its technological assets and an integrated, multi-domain approach.

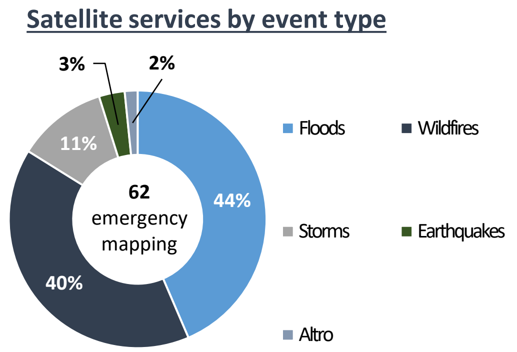
Leonardo provides **manned and unmanned helicopters** and **aircraft**. In the second category, Leonardo has a Medium-Altitude Long-Endurance class product portfolio consisting of the "**Falco family**" and a technology evolution roadmap for use in environmental surveillance and monitoring, emergency management and border control missions in a connected environment and highly integrated with other infrastructures.

Leonardo develops **multi-mission configurations** of aircraft for search and rescue and emergency medical missions (SAR - Search and Rescue - and EMS - Emergency Medical Services, respectively), and designed for excellent performance under the most demanding operating conditions in natural disasters, fires and humanitarian relief (AW family, ATR Special Version and C-27J Firefighting).

Another category of services is **global monitoring**: timely and quality data analysis is essential for decision-making in a variety of areas. The real-time integration and processing of large amounts of data coming from various sources (including satellites, drones, communication systems, sensors, and control rooms) is at the heart of global monitoring. Such satellite geo-information services are useful for monitoring emergencies such as floods, fires, tornadoes, and other solutions aimed at facilitating climate change adaptation. Leonardo also provides geospatial information to support emergency management through e-GEOS. Specifically, with reference to the phases concomitant to or immediately following the emergency, Leonardo operates the Copernicus Emergency Rapid Mapping Service, which provides standardised mapping products that enable verification of the pre-event situation, and an approximate assessment of the most affected locations, and the intensity and severity of damage. Access to the service is centrally coordinated by the European Commission and is granted free of charge to Civil Defence and Humanitarian Aid workers from member states and international organisations such as the United Nations, the World Bank and specific NGOs. With regard to the prevention, preparedness and containment of disaster risk and in the recovery phase, Leonardo is a leader in the Risk and Recovery Mapping Service component. Within the scope of the Copernicus programme, Leonardo also provides the European Ground Motion Service (EGMS), which is created through state-of-the-art spatial remote sensing technology, and enables the detection and measurement of ground movements across Europe with millimetre accuracy, using InSAR (Interferometric Synthetic Aperture Radar) data derived from Sentinel-1. This data is used both to monitor the structural integrity of dams, bridges, railways, buildings and to identify areas where a new infrastructure can be built, assessing the likelihood of natural hazards such as landslides or subsidence.

Among the products with an impact in terms of climate change adaptation is the **X-2030 platform**, which is a “system of systems”, a command and control, communication, cyber and intelligence solution for monitoring the territory, capable of processing and exploiting huge amounts of data from heterogeneous sources in real time. The X-2030 platform provides, through collecting and correlating information from available sensors and databases, an integrated and georeferenced view of both the territory in real time and its changes over time and is used, for example, for monitoring environmental and anthropic events, preventing risks (including those caused by climate change) and environmental crimes, monitoring archeological sites and for city management and urban security purposes.





Circular economy

The **transition to a circular business model** forms an integral part of Leonardo's Sustainability Plan strategy and projects. Specifically, a transformative approach is being pursued across the entire value chain of the products and materials used: reuse, reconditioning, life extension, product as a service are already implemented as best practices while other models such as circular supply chain, extended manufacturer's liability, industrial symbiosis are opportunities for the Group's evolving and increasingly circular business. The objective of Leonardo is to decouple business growth from the use of material resources, including in view of the intention to reduce strategic dependence on critical raw materials at the European level[64]. Leonardo's circular economy strategy is based on four main interconnected areas: **optimising** the use and choice of materials since the design stage (through eco-design and additive manufacturing) to obtain products that reduce the use of resources throughout their life cycle and are prepared for circular reuse; **dematerialising** and **virtualising** by using increasingly digital platforms for industrial processes and solutions offered to customers (through the adoption of digital twins); **extending the useful life of products** by implementing product as a service, enhancement of used products including through reuse, predictive maintenance, including through predictive models and Artificial Intelligence; **promoting the recycling** of materials, by managing the end of life of products. The following infographic shows examples of actions the Group is taking to implement the strategy.

Leonardo proposes itself as a driver for the creation, through partnerships and industrial symbiosis, of circular supply chains which involve the supply chain and customers and are also extended to application domains outside the scope of AD&S, as witnessed by the project to recycle carbon fibre composite materials[65]. In addition to monitoring regulatory developments on the issue and requests from external stakeholders, including customers, Leonardo pursues the dissemination of circular business models, with the aim of implementing initiatives to increase the volumes of incoming recycled materials and reduce those of non-recycled waste. In order to quantify these flows, one of the methods used is the Life Cycle Assessment (LCA), as a fundamental tool for optimising the resources and carbon footprint of products and for comparing circular and linear business models. Furthermore, Leonardo is developing projects to replace hazardous substances in processes that tend to result in waste that is difficult to recycle. Finally, Leonardo pursues the reduction and recovery of materials in the cycle of its production activities, such as production waste and end-of-life materials (including recycling of carboresins or data centres), or end-of-life products (including reuse of avionics products used in helicopters and company mobile phones).

[64] Including the "EU Critical Raw Material Act".
[65] For more information, please see "Composite Materials: A Hidden Opportunity for the Circular Economy in New Material & Circular Economy Accelerator" in Download Composite Materials: A Hidden Opportunity for the Circular Economy — CSR Europe

Optimise

- Reducing materials through advanced ecodesign systems
- Using composite materials to reduce weight, consumption and impact [of products
- Additive Manufacturing to reduce critical raw materials, such as titanium, at the European level
- Applying the Product Life Cycle Management approach
- Studying new materials to promote their reuse and limit their disposal

Share and Dematerialise

- Sale of simulated flight hours in lieu of flight hours performed on the helicopter product for training purposes
- Digital twin of the product during its development and Virtual product testing
- Virtual training systems
- Removal of paper in production processes
- Digitalisation of processes and industry 4.0

Extend Lifetime

- Buy-back of used helicopters by second-hand market
- Optimising maintenance cycle: replacing only those components that reach end of life
- Predictive maintenance on helicopters
- Upgrading software to extend the life of hardware components
- Regenerating and reusing used components and products

Recycle/Reuse

- Creating circular supply chains for composite and environmentally sustainable materials that can be extended to other materials through partnerships
- Employing recyclable metallic materials
- Recycling of materials with high circular value and containing critical EU raw materials such as WEEE
- Recycling and reusing auxiliary materials, packages and metal equipment

Main results

- ✓ Aircraft structures capable of maintaining a **service life level in excess of 20 operating years** [66].
- ✓ **49% of waste** generated **recovered in 2023**.
- ✓ **About 77,000 tons of CO_2 avoided** through the use of virtual training systems in 2023 (**more than 50,000 training hours delivered in the year**).
- ✓ Divisional projects for paperless and digitized management of manufacturing/production document flow **to reduce paper use by up to 90% on a single process basis**.

[66] Leonardo’s study presented to Cotec in November 2018: " Circular Economy in the Aviation Sector, a document for specific use by the Cotec Foundation.”

Leonardo's major circular economy projects

Digital twin and additive manufacturing – Primary enabler of Leonardo's transition to a circular model is digitisation. The use of the Digital Twin makes it possible to reduce the use of resources in prototyping, testing and training on developed products, and to rethink production cycles. In 2023, work commenced on research and innovation projects on the Digital Twin of products in the Helicopters and Electronics divisions. It is possible to reduce waste during production processes through additive manufacturing. In this case too, research and innovation projects have been started on critical materials with a high circular value such as titanium powder. Additive manufacturing will also be applied to recycled carboresin for the manufacture of secondary structural parts and will also allow parts of products to be replaced during their service life.

Composites Recycling – Leonardo has promoted, through the activities of Leonardo Innovation Labs and in collaboration with its suppliers and technology partners, such as Herambiente and Solvay, the creation of the circular supply chain for recycling carbon resins, which are materials that are complex to recycle but widely used in aeronautics because of their unique mechanical strength characteristics. The project aims to maintain the technical quality of aeronautical carbon fibre and the circular value of carbon resin waste. The recycled carbon fibre will also become second raw material for applications outside the aerospace and defence domain. The pilot phase of the project at a medium-scale plant is nearing completion.

WEEE (Waste from Electrical and Electronic Equipment) - As part of IT Evolution consolidation, Leonardo has transitioned from 50 data centres to two next-generation computing hubs, virtualising the services offered in the cloud and increasing computing power, reliability, and security, with energy savings of about 20% compared to the previous setup. Leonardo disposes of end-of-life electronic materials through qualified partners, which carry out waste sorting and conditioning of materials (such as electronic components, plastics, metals, etc.), joining a supply chain to produce secondary raw materials with efficiency greater than 85% by weight of waste. In 2023, more than 10.5 tons of WEEE material was sent for recycling, with a total of 35.5 tons since the project began. Recycling also implements the practice of urban mining that allows the recovery of critical raw materials and conflict minerals.

Predictive maintenance - The use of predictive maintenance enables the extension of product life. To this end, Leonardo has developed a pilot process, which, using hyperspectral imaging and AI-based automation technologies, monitors and prevents helicopter blade failures.

Multiple use of packages – Leonardo aims to reuse plastic packaging used for products, parts and materials in production processes, which accounts for the most significant portion of waste produced. Also thanks to this practice in the Aircraft division, waste production was reduced by 1.8 tons/year, of which 1 ton/year was plastics, in the JSF production process.

Reusing products and parts – As part of the activities in support of integration and test (RIG) of mission equipment of the NH90 helicopter carried out by the Electronics Division, end-of-life electronic materials made available by the Helicopters Division and the Electronics Division itself are used. Specifically, on the one hand, most of the avionics equipment and cable harnesses are recovered from decommissioned or discarded material, thus allowing new use of equipment that is no longer suitable for flight; on the other hand, PAC (Programmable Automation Controller) actuators are converted from avionics equipment to equipment useful for simulating the platform. Since the start of the project, about 900 kg of electronic equipment has been recovered and reused (repurposed). In addition, the implementation of the new test bench allows the equipment to be tested at the production site, lowering the emissions that would otherwise be produced by the travel of its employees.

Rationalisation of archives and digitisation of paper documents - Work continued on the project aimed at reducing and centralising Leonardo's paper archives, including for their possible digitisation at a later time. More than 5.9 million pages were digitised in 2023. The remaining paper is sent for recovery and in particular, about 30 tons of paper and cardboard have been delivered to a paper mill that specialises in converting such waste into new paper products for office use. This operation will enable to free about 4,000 square meters of areas at company sites, which may be allocated to uses with greater added value for the business.

Sustainable canteens – Leonardo is committed to the development of circular models through the recovery of surplus food from the main Italian factories in favour of non-profit organisations, for the benefit of the local areas concerned. To this end, Leonardo has activated the Responsible Canteens Programme since 2013, in partnership with the Banco Alimentare Onlus Foundation and canteen service providers, to recover surplus food[67].

[67] For more details, please see the paragraph on Value for communities and territories in the chapter on "Prosperity".

Natural resources and biodiversity management

Leonardo is committed to the efficient use of energy and natural resources and a reduction in emissions and pollution, operating in compliance with applicable laws and stakeholder expectations. Audit programmes, risk identification and management processes in the area of environment and any related improvement and mitigation plans make it possible to ensure a safe working environment, as well as check for regulatory compliance, maintain site management system certifications, certify emission allowances, and assess the correct application of monitoring, control and reporting tools to protect people, the environment and business continuity. Specifically, environmental risks are also identified from the topics that emerged from the materiality analysis. As part of Leonardo's Sustainability Plan, energy and industrial efficiency improvement measures have been planned to reduce GHG emissions and the pollution into the atmosphere (Volatile Organic Compounds), as have studies and initiatives to reduce water withdrawals, waste production by implementing circular economy practices, the use of hazardous substances, and protect the soil and subsoil and biodiversity. Specifically, Leonardo is implementing a standardised management model through the Leonardo Production System (LPS) continuous improvement programme, already active at 18 company sites, which enables the efficiency and continuous improvement of operations, including with a view to reducing environmental impact, in terms of lower emissions, water and energy consumption and waste generation. Leonardo also studies applications of the Life Cycle Assessment (LCA) methodology to both manufacturing processes and products for resource optimisation (emissions, and water and material flows) and decarbonisation monitoring. As part of the Clean Aviation project, Leonardo adopts the LCA methodology developed in collaboration with project partners in order to quantify the decarbonisation and material resource reduction of future sustainable aircraft, on some wing parts of the aircraft.

Efficiency indicators[68]

Intensity of water withdrawals	Intensity of energy consumption	Intensity of CO_{2e} emissions Scope 1 and 2 (Location Based)
-11%	**-6%**	**-4%**

2023-2022 variation

Environmental management

82% of employees at sites with ISO 14001 certified environmental management systems (75% in 2022)	**85%** of **electricity** acquired from **renewable** sources **(79% in 2022)**	**1,519 environmental audits** (1,459 nel 2022), of which **1,440** conducted **inhouse** and **79 by third parties**	About **213,000 hours of training** in environmental, health and safety (HSE) issues

2023 data

[68] Indicators calculated as a ratio to revenues.

Water and waste management

Leonardo is increasingly committed to the responsible management of natural resources, with specific regard to water resources and waste. To this end, Leonardo has commenced work on projects to reduce water withdrawals and increase the volumes of water to be recovered and reused, and to reduce the amount of waste produced and increase the amount of waste to be sent to recovery operations, with a view to circular economy. In particular, Leonardo has launched the Water Audit Cycle (WAC) project, which has allowed desktop studies to be conducted in relation to the analysis of factory water balance, primary water and wastewater treatment systems (both domestic and industrial), and technological systems (e.g., cooling towers) that use water, with the aim of identifying actions for the recovery and reuse of water resources on site (Water Circularity). In 2023 specific in-depth investigations were carried out at 9 production sites in Italy, prioritised because of the volumes of water withdrawn and its use. Improvement actions have been taken which involve both the upgrading of existing wastewater treatment plants and the installation of new treatment plants. Systems for the recovery and reuse of water are already in place at several sites: at sites in Puglia, the company has implemented treatment systems (e.g., reverse osmosis and filtration) and recovery of rainwater, which is reused predominantly in production processes and technological systems; at the Brindisi and Pomigliano sites, evapo-concentration plants are operating to treat industrial wastewater, resulting in recovery and reuse of water; at the Caselle Nord site, an ion-exchange resin plant is operating to treat washing water from galvanic processes in order to recover and reuse post-treatment water. At the same time, Leonardo has launched the Waste Prevention Programme (WPP) project, which has enabled the implementation of desktop studies related to a precise analysis of the types of waste produced at Leonardo sites in order to identify any possible action aimed at reducing the quantities of waste and identifying alternative forms of management, with a view to circular economy. In 2023, specific in-depth studies were carried out at 9 production sites in Italy, prioritised because of the volumes and types of waste produced. Improvement actions have been taken which concern on-site treatment, using evapo-concentration systems, of industrial wastewater that is currently managed as waste. The most notable projects are those focused on water circularity, which involve the combined treatment of liquid waste that makes up the largest contribution of waste destined for disposal and not recycled, and industrial wastewater. For example, at the Nola site, a system is already in place to treat industrial wastewater consisting of oil emulsions, previously managed as waste, by means of an evapo-concentration system. At the Anagni site, operations on an evapo-concentration system for the treatment of industrial wastewater, formerly managed as waste, were started at the end of 2022. With the activation of this treatment, it was possible to reduce the amount of liquid waste by 65 tons in 2023.

Furthermore, Leonardo adopts an approach aimed at enhancing the circular value of materials and increasing awareness of being part of a circular value chain, also in view of the increasing attention to traceability of incoming and outgoing materials and due diligence audits covering respect for human rights (including topics on conflict minerals), recycled and recyclable quantities, and protection of biodiversity at source or destination sites. In addition to what is required by regulations from managing partners and consortia, Leonardo is requesting evidence of the supply chain up to the "End of Waste" or the production of "secondary raw materials" as part of the WEEE[69] project for waste from Urban mining that contains critical raw materials and conflict minerals in order to further improve waste traceability.

[69] For more details on WEEE, please see the paragraph on Circular economy.

Other projects to manage water resources

Smart Water project– After the initial phase of defining the water balance and setting out priorities for intervention on about 36 sites, the project has planned to start operations at work sites in 2023 to improve efficiency of water withdrawals and to install new smart meters, aimed at real time monitoring of consumption, the audit of results of the actions taken, and the design of efficiency improvement actions. The actions implemented in the period from 2022 to 2023, including the installation of about 50 smart meters, have allowed an estimated reduction of about 500,000 cubic meters/year of water supplied compared to 2019.

Water Site Risk Analysis – An innovative methodology has been developed to assess water risk to the business at Leonardo sites and direct a proper management strategy; it is based on an assessment of risk exposure (dependent on geographical location, characteristics of manufacturing processes and intensity of use of water resources), and the effectiveness of operational and organisational measures put in place to guard water resources. The project covered 31 sites that amount to almost 90% of the water withdrawal volume for the Group.

Water recovery project - At the Grottaglie site, a project has been launched to maximise the recovery of rain and condensate water from Air Treatment Units (ATUs) through an accumulation basin. The water recovered through a reverse osmosis process will be used in cooling towers. As a whole, a reduction in water withdrawals by about 25% is expected at the Grottaglie site in 2024 compared to 2019 values.

Soil and air emissions

Leonardo implements various activities to reduce pollutants emitted into the atmosphere through the application of new technologies and more efficient abatement systems. These include improving management systems, eliminating or reducing diffuse and/or fugitive pollution in the atmosphere, and eliminating emission sources. These activities contribute to avoiding or completely eliminating relative emissions, including NO_x, SO_2 and VOC emissions. Furthermore, Leonardo is committed to promoting initiatives aimed at controlling and reducing the use of hazardous substances. Leonardo's sites where production processes are carried out, which involve the controlled use of hazardous substances operate in line with specific regulations to manage risks and any potential impact on the environment. The operation of contaminated sites and ongoing remediation procedures in the Group, 19 in 2023, is based on an approach of responsibility and sustainability to implement the best technical and operational solutions.

At its various sites in Italy and abroad, Leonardo has implemented processes to improve wastewater quality. Produced domestic and industrial wastewater is sent to purification and treatment processes before discharge into public sewers or surface watercourses. Domestic wastewater is sent to biological purification and treatment processes prior to discharge, while industrial wastewater is treated through chemical and physical processes, ion-exchange resins, and/or evapo-concentrators. Through these treatments, risks associated with the quality of water leaving production processes are reduced and the impact of water emissions on the terrestrial ecosystem and the waterways involved is also reduced[70].

Hazardous substance management

Leonardo, whose business is at the end of the supply chain, is committed to managing chemicals and mixtures deemed harmful to human health and ecosystems through material procurement and supplier qualification stages[71]. The management of such substances is complex both because of the stringent performance, safety and certification requirements of its products and because some hazardous substances are not universally identified as such in materials entering production processes[72]. In compliance with the REACH Regulation and the RoHS Directive and as an example of applied Ecodesign, Leonardo targets the reduction of the use

[70] For more details, please see the paragraph on Water and waste management above.

[71] For more details, please also see the in-depth study on paragraph "Supply chain value", REACH and chemical substances.

[72] Such as, for example, for Per- and Polyfluoroalkyl Substances (PFAS).

of hexavalent chromium in processes for hard coatings of parts with high thermomechanical strength and a need for corrosion protection in very challenging environments. As part of the working group on Critical Raw materials[73], Leonardo has activated collaboration with RINA-Centro Sviluppo Materiali, one of the research and development partners, concerning alternative coating creation techniques, preferring chemical processes with reduced environmental impact in terms of use of materials and emissions.

Biodiversity protection

Leonardo contributes to the anthropisation of geographical areas and the modification of the natural ecosystem with its products and production processes and of its supply chain. If "business as usual" inexorably increases impacts on the natural capital on which one's business depends[74], Leonardo deploys numerous actions that in some cases produce a reduction in impacts on biodiversity, such as those for decarbonisation and optimisation of environmental resources[75] while in others they enable biodiversity gains, as in the case of actions for active restoration and regeneration of ecosystems. The Group conducts a precise mapping of production sites and their relative distance from protected natural areas in order to assess any interconnections with ecosystems. In 2023 these sites amounted to 39 (26 in Italy, 6 in the United Kingdom, 4 in the United States and 3 in the rest of the world). In addition, 26 sites owned in Italy are affected, within a radius of 3 km, by additional landscape constraints, including archaeological ones (buffer strips, areas of public interest, etc.). The extent in hectares of sites located within 3 km of protected natural areas and/or areas of high biodiversity is 743 hectares, equal to about 53% of the surface area occupied by Leonardo Group sites. Among the actions taken to reduce impacts on ecosystems, some can be due to compliance requirements with environmental regulations while others refer to the specific characteristics of the geographical area or nature reserve near which the production site is located, including: forest reforestation with native species (such as at the Cameri site in conjunction with new construction and in Foggia), operation of the runway at the Vergiate airport according to criteria for reducing impacts on flora and fauna, phytodepuration of wastewater with native plants, and installation of oil/water separators to avoid soil or water contamination. Furthermore, Leonardo acts as a provider of services and a supplier of products for biodiversity protection, seizing its business opportunities. Technologies for monitoring and protecting natural capital are mainly based on satellite monitoring and artificial intelligence. Many of Leonardo’s products are flexible and multi-objective, enabling applications and services for both security and biodiversity; such as, for example: SEonSE (Smart Eyes on the SEas), a geospatial platform that provides information related to illegal activities or other anomalous events, such as oil spills, enabling the preservation of marine resources but also monitoring the evolution of the marine and coastal environment; natural emergency response and disaster recovery systems, including the C-27J Fire Fighter aircraft[76] and resilience system for floods and extreme weather events for the island of Saint Lucia.

[73] Within the scope of the Incubator Forum on Circular Economy in European Defence (IFCEED) project of the European Defence Agency.

[74] Such as the availability of water in local aquifers, soil, air thermoregulation, etc..

[75] Including a reduction in water supply.

[76] For more information, please see the chapter on “Sector results and outlook”, section on Developments in 2023 - Aircraft.

Other projects to protect biodiversity

Acoustic, electromagnetic and material dispersion impacts – Leonardo assesses and minimises the acoustic and electromagnetic impacts of products, as well as the dispersion of harmful materials and substances into the environment, including during the testing phases of products through the application of virtualisation and circular economy practices.

Reforestation and combating deforestation – Leonardo participates in projects to regenerate at-risk habitats of particular relevance, such as the reforestation project in Malawi within the scope of the "Move Together for the Planet" project[77], in association with other companies in the sector and with the active involvement and for the benefit of the local agricultural community. Leonardo, through Telespazio Brasil, also develops artificial intelligence for satellite image processing used for "law enforcement" against deforestation by regulatory agencies, such as the UN Office on Drugs and Crime (UNODC), and for the European Space Agency (ESA). These tools rely on artificial intelligence algorithms to identify areas of deforestation in the rainforest and process massive data acquired from their satellite radars to qualify essential biodiversity variables such as tree height and foliage quality, even in the presence of cloud cover.

PRISMA – "PRecursore IperSpettrale della Missione Applicativa" (Hyperspectral Precursor of the Application Mission) - Prisma is the Italian Space Agency's Earth observation mission that embarks a hyperspectral sensor, developed by Leonardo. Since the beginning of its operations in 2019, the hyperspectral payload, which operates in 240 bands in the visible and infrared spectrum, acquires data with global coverage, which, when properly processed, can detect spectral signatures of specific materials, soil and vegetation conditions, water status, and many other phenomena, making it possible to monitor the Earth's most at-risk ecosystems, including, water shortage due to drought, altered biodiversity, fire risk, air pollution, and assessment of damage caused by natural disasters such as volcanic eruptions, landslides, and floods. PRISMA data, which are accessible to the scientific, technological and business community, are exploited in numerous research and innovation projects: for example, Leonardo, through e-GEOS, with national scientific teams and FAO support, leads a European Space Agency project to develop experimental ElectroOptical analysis techniques for water resource management and food security in Africa, promoting technology transfer with local entities and communities.

Copernicus Security– External Action (SEA) service – Leonardo, through e-GEOS, has led SEA since 2017 as the leading company of an international partnership. Among innovative SEA projects is ARCOS (Arctic Observatory for Copernicus SEA), whose goal is the development and implementation of an early warning system, for critical, natural or man-made events, in the Arctic, based on continuous monitoring of the region. Such a system has become necessary because of the increased accessibility due to melting glaciers and the consequent emergence of new economic opportunities, such as the opening of new transport routes and access to natural resources, which has increased the risks to the preservation of the natural environment (as well as to security, given the particular geopolitical situation in the area).

Satellites in Agriculture – Leonardo, through e-GEOS, in collaboration with the Italian Agricultural Payments Agency (AGEA) has developed an automated and continuous process that uses data from the European Sentinel satellite constellation, to verify the correctness of the agricultural practices required for the payment of subsidies, linked to the market and environmental sustainability requirements. For this purpose, more than 140 thousand square kilometres of area on the national territory are monitored each year, making data available to support agri-environmental, forestry and management policies in line with climate change impact mitigation. In addition, e-Geos develops technology solutions that combine satellite data and ground-based sensors to provide modular services for monitoring the growth and health status of crops, planning agronomic work, assessing risks, saving water and fertilizers, and targeted and sustainable use of pesticides, supporting farmers in the optimal management of their plots of land and institutions in controlling production.

Energy resilience

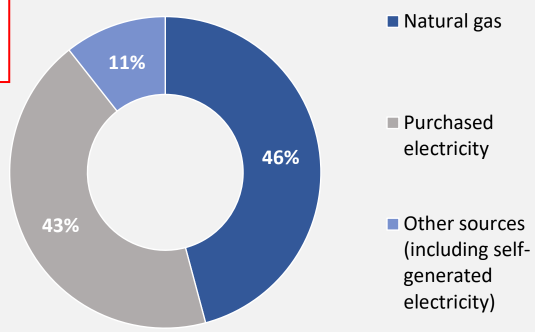
Leonardo continues its efforts to ensure the energy resilience of both its operations and the power grid in Italy. Specifically, the Energy Infrastructure Programme has been launched to increase the reliability of power supply at the production sites, in support of their business continuity. In 2023, work progressed on the projects concerning the new electrical substation serving the Nola site and infrastructure improvement initiatives serving La Spezia, Caselle Nord and Caselle Sud. In addition, Leonardo has confirmed its participation in the Demand Response programme, making 2 MWe of power available to the National Electricity Grid with the Cameri site. This programme aims to make energy use more efficient on a national

[77] For more details, please see the chapter on Employment protection, people wellbeing and engagement.

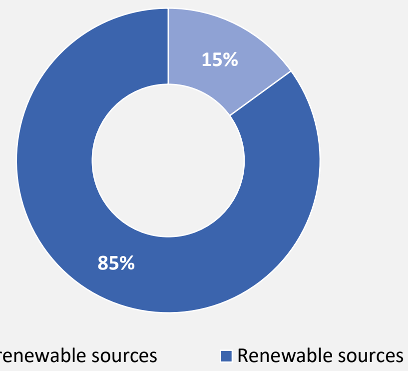
scale and provides for energy not absorbed by production activities to be fed into the national electricity grid on demand. The initiative, promoted by the European Commission, encourages the active participation of end consumers in the electricity system in solving technical problems on the grid, including supporting the emergency situation related to energy markets.

Energy consumption 5,311 TJ

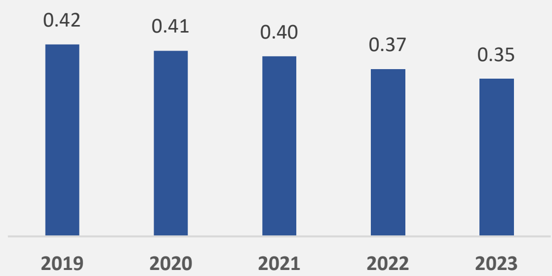
Energy consumption by source



Electricity consumption by source



Consumption and energy intensity (MJ/€)



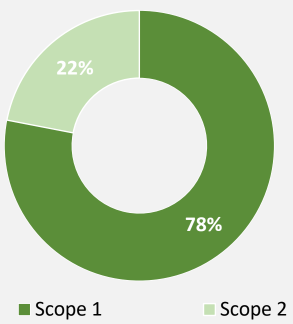
Intensity of energy consumption on revenues: 0.35 (-6% compared to 2022).

Energy consumption: 5,311 TJ (-2% compared to 2022), of which 37% from renewable sources, of which:

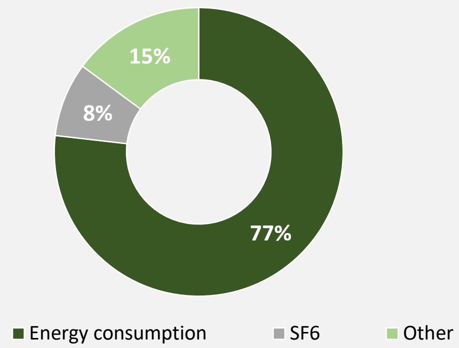
- consumption of **electricity** acquired: 2,313 TJ, equal to 643 GWh (-2% compared to 2022), of which 85% from renewable sources;
- **natural gas** consumption: 2,434 TJ, equal to 68.6 million m^3 (-6% compared to 2022), mainly used for heating;
- Other sources (including self-generated electricity): 564 TJ, -6% compared to 2022.

CO_{2e} Scope 1 + 2 (MB) emissions 250,770 t

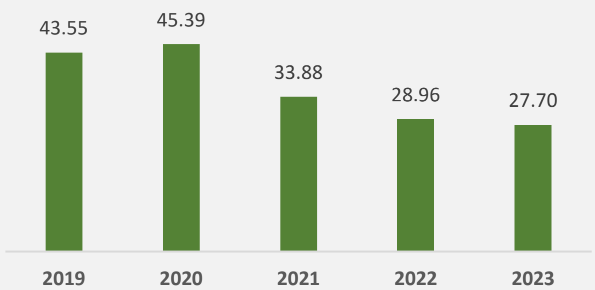
Scope 1 and 2 market based CO2e emissions



Scope 1 and Scope 2 CO2e emissions by source



Intensity of CO2e Scope 1 e 2 emissions (LB, g/€)



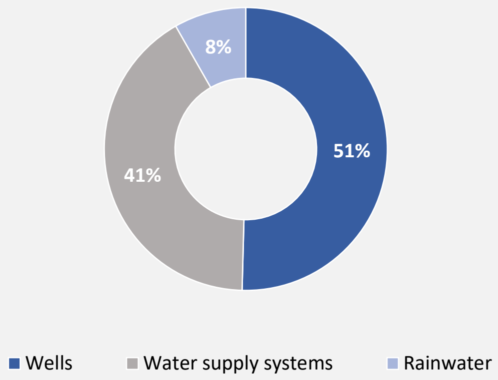
Intensity of CO_{2e} emissions Scope 1 and 2 (Location Based) on revenues: 27.70 (-4% compared to 2022).

CO_{2e} emissions Scope 1 and 2 (Market Based): 250,770 t (-9% compared to 2022, of which:

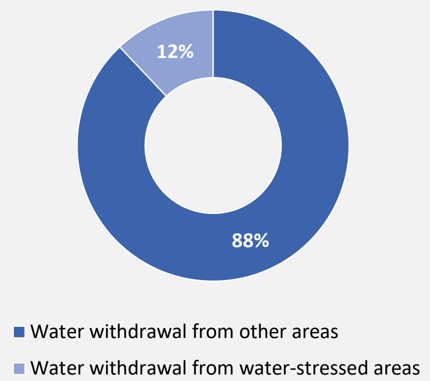
- **Scope 1 emissions**: 195,682 t of CO_{2e} (-8% compared to 2022), of which 20,820 t connected with the use of gas SF_6 (-46% compared to 2022);
- **Scope 2 market based**: 55,088 t of CO_{2e} (-14% compared to 2022).

Water withdrawals 4,929 megalitres

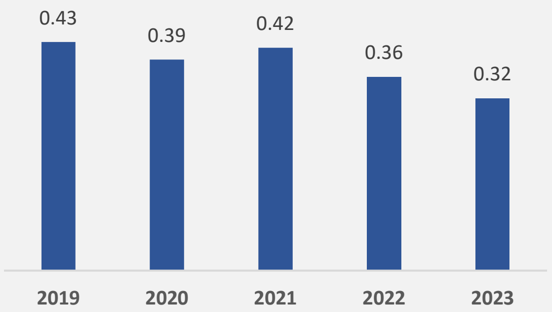
Water withdrawals by source



Water withdrawals by area



Intensity of water withdrawals (L/€)



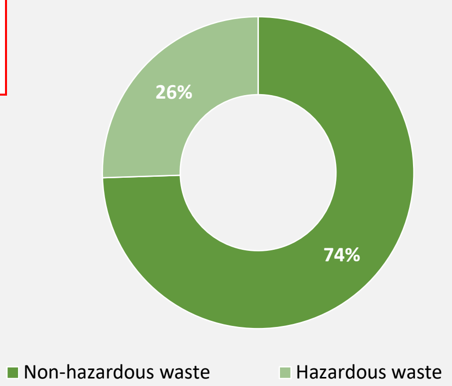
Intensity of water withdrawals on revenues: 0.32 (-11% compared to 2022).

Prelievi idrici: 4,929 megalitres (-7% compared to 2022):

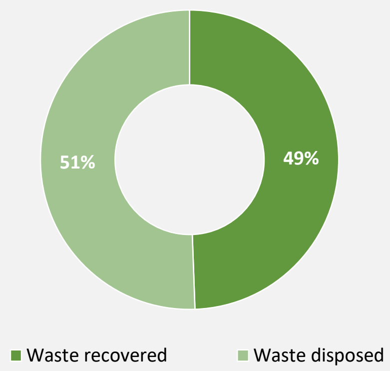
- The **reduction in withdrawals** is mainly due to leak repair work on distribution lines and the implementation of recovery and reuse systems;
- **Reused and recycled water** is equal to 390 megalitres (about 8% of total water withdrawals);
- Withdrawals from **water stressed areas** are equal to 594 megalitri (+7% compared to 2022).

Waste produced 33,065 t

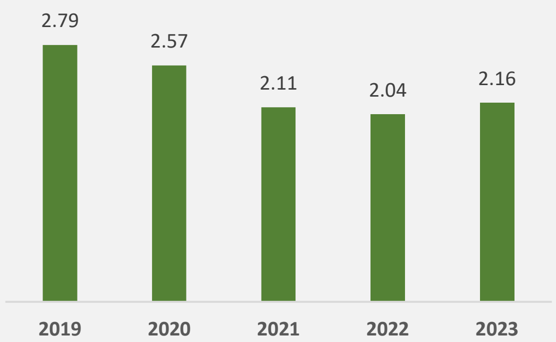
Waste produced



Waste by disposal method



Intensity of waste produced (g/€)



Intensity of waste produced on revenues: 2.16 (+6% compared to 2022).

Waste produced: 33,065 t (+10% compared to 2022), of which 8,437 hazardous with a reduction of 11.5% compared to 2022.

- Non hazardous waste: 74% of total amount.
- Recovered and/or recycled waste: 49% of total (of which 22% recycled).

PROSPERITY

- ✓ INNOVATION
- ✓ SUPPLY CHAIN VALUE
- ✓ CUSTOMER INTIMACY, QUALITY AND SAFETY
- ✓ VALUE FOR COMMUNITIES AND TERRITORIES

Prosperity is the result of economic and social security that is achieved while respecting people's rights, collective needs and in harmony with natural resources. Leonardo takes action on the entire value chain to contribute to long-term prosperity. Technological innovation, mainly in its digital dimension, is among the key enablers to sustainable development thanks to the resulting impacts and support to the entire research ecosystem. Partnerships, which are targeted at customer satisfaction and supplier resilience, are the foundation for solid economic growth. Investments in the territory and the promotion of scientific and technological culture, generate a positive socio-economic impact on communities and future generations.

Priority topics

- Citizens' security
- Solutions' quality, safety and performance
- R&D, innovation and advanced technologies
- Sustainable supply chain
- Relations with local areas and communities
- Digital transformation
- Cyber security and data protection

SDGs

4 QUALITY EDUCATION; 8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION

Objectives	Progress	Target year
Implementing supply chain development programmes and medium/long-term partnerships, focused on SMEs, to improve business sustainability	Objective achieved	2023
Raising awareness of/delivering training on SDGs and supporting tools for reporting to more than 80% of key suppliers (over 500 suppliers)	Objective achieved	2023
100% of LEAP partners with set targets and plans on green energy, CO2 emission reduction, waste recycling, water consumption	Objective achieved	2023
Training in sustainable supply chain issues to at least 500 key suppliers	New objective	2027
Inclusion of ESG criteria/requirements in more than 70% of major new tenders awarded[78]	New objective	2028
Increasing computing power by 40% per capita	On track	2025
Increasing storage capacity by 40% per capita[79]	On track	2025

Objective achieved *On track* *New objective*

Impact indicators

2.2 billion euros spent for R&S and product engineering[80]	**Over 26,000 jobs supported** in the supply chain in the United Kingdom, in which 2/3 of 2,100 suppliers are SMEs

The new training campus based on virtualisation and lower emissions

With the inauguration of the new campus in Decimomannu in 2023, the International Flight Training School (IFTS), born in 2018 from the strategic collaboration between the Italian Air Force and Leonardo, has increasingly become the international reference point for advanced training for air force pilots around the world. The new training and education model also leverages on LVC (Live, Virtual and Constructive) technology, which enables the creation of an integrated simulation environment and the reduction of actual flight hours, with lower impacts in terms of fuel consumption and GHG emissions.[81]

[78] Calculated on tenders valued > 1 M€ managed through Leonardo portal, does not include DRS, the Electronics Division of Leonardo UK and local purchases on the part of foreign subsidiaries.
[79] Calculated as number of flops (Floating Point Operations Per Second) and bytes in relation to employees in Italy. 2020 year baseline.
[80] R&D by sector: Helicopters € 562 mln, Electronics Defence and Security €1,255 mln, Aircraft €336 mln, Aerostructures €33 mln.
[81] For more details see the following section Customer intimacy, quality and safety.

Innovation

In order to achieve increasingly challenging objectives that allow continuous improvement of product competitiveness, in a perspective of long-term sustainable development, Leonardo has built an integrated innovation ecosystem to intercept nascent technological innovation oriented towards an efficient cross-fertilisation between different business sectors. This ecosystem actively supports the two internal innovation engines: the engineering and R&D areas of the Group's Divisions and Companies and Leonardo Innovation Labs, which are the central laboratories set up in 2020 with the aim of anticipating technological innovation by integrating long-term technological research and supporting the Company in introducing emerging and sustainable technology into products and services. Leonardo's innovation system is powered by key tools such as: open innovation, with its many channels of listening and discussion to capture new contaminations, contests on new and topical issues, networking with Universities and Research Centres, Innovation Communities, internal working groups established with the objective of accelerating innovation culture by sharing best practices and skills, and the Intellectual Property (IP) Office for the management and maintenance of the portfolio of patents and brands. At the end of the year, with the new organisational structure, Leonardo's innovation vision embarked on a new path, strongly focused on digital technologies as an essential element of innovation in all areas of Leonardo and across the entire value chain, from laboratories to market delivery.

Numbers of innovation

1st place in Italy and 2nd place among the European companies in the A&D sector for R&D investments [82]	Collaborations with **more than 90 universities and research centres** in Italy and in the world	Over **150 PhD scholarships**, either funded or co-funded, currently active in Italy and the UK	**13,000 people dedicated to R&D work**	**6.6 petaflops** of computing power **31.9 petabytes** of storage capacity

Leonardo Innovation Labs

Leonardo Innovation Labs are the technology incubators conceived to support the Group in long-term research and development of the most innovative technologies, especially in the digital field, and transversal competencies across the company's business areas. The laboratories are focused on 8 research areas: Artificial Intelligence, Deep Digital Technologies (Big Data, High Performance Computing and Cloud), Digital Twin and Advanced Simulation, Quantum Technologies, Autonomous and Robotic Systems, Electrification, Materials and Optoelectronics.

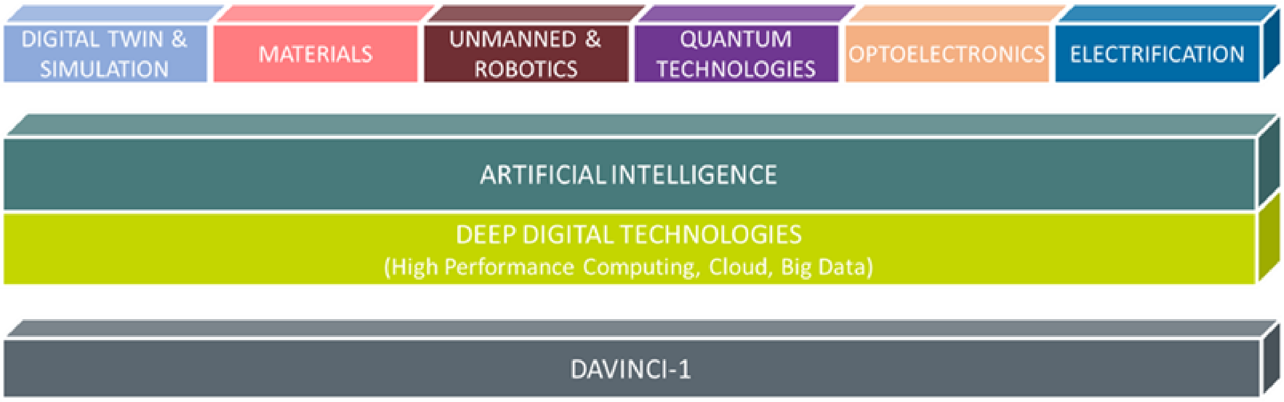
11 laboratories in 6 Italian regions and 1 in the USA	**150 researchers and PhD students** in the Labs research group	**4 joint laboratories** in collaboration with third-party entities	**100 terabytes** of data that can be used in the data lakes

These facilities - some set up in collaboration with industrial partners and research centres that are world leaders in their respective fields of expertise - are built close to Leonardo's main industrial sites with the aim of also facilitating technology transfer to the Divisions. The labs are thus fertilizers for local areas while allowing Leonardo to centralise the development of frontier technologies. In 2023 a new model of Labs as a service for the Leonardo Divisions was also introduced, in which the labs work as incubators on basic and pre-industrial research projects agreed and planned with the Divisions. Research activities are carried out by Labs researchers, in collaboration with research centres and universities through dissertations and PhDs, thus

[82] The 2023 EU Industrial R&D Investment Scoreboard | IRI (europa.eu).

ensuring a real pipeline of researchers from academia to industry. This will make it possible to generate a continuous flow of talent and to ensure flexibility and renewal in terms of professional competencies, which will guarantee the ability to design and produce future products and solutions of Leonardo. Central Corporate function Labs also ensure that all synergies between different research areas and between Leonardo Divisions can be exploited in full based on an integrated innovation approach. The davinci-1 is at the base of this model with its computing and storage capabilities that are exploited by AI, Big Data, HPC and Cloud technologies, used by all other research areas.

Technology research areas



DAVINCI-1

The davinci-1 supercomputer, one of the most powerful supercomputers in Aerospace, Defence and Security, is Leonardo's answer to accelerate technological transformation towards industry digitisation. The architecture of the davinci-1 High Performance Computing (HPC) is an integrated supercomputing and cloud computing platform, which combines flexibility and computing power, thus allowing the training of algorithms (from deep learning to Artificial Intelligence), customisation by technology platform and the calculation of numerous interactions between the data that are generated (data analysis and big data).

Progress 2023 - In 2023, in continuity with the work performed in 2022, the production model was strengthened, and the on-boarding was implemented on the system of all Leonardo divisions with HPC computing and Big Data processing needs; work also continued to strengthen resource usage monitoring, which will allow us to plan utilization and future updates in a better manner. The company Cloud Computing service delivered by davinci-1 itself has been enhanced, on which several digital transformation services for use by Leonardo divisions have been released. The set of services delivered is available to Leonardo Innovation Labs researchers and engineers and Leonardo researchers to leverage its computing power and storage space for research, numerical simulation, big data analytics and Artificial Intelligence activities.

ARTIFICIAL INTELLIGENCE

Artificial Intelligence (AI) is an essential technology in many domains and it is important to study it in order to seize new opportunities to be applied to Leonardo's products and services. This research area is dedicated to the study of new AI models and analysis techniques to monitor critical infrastructures, through the analysis of data derived from satellites and field sensors (audio, video, IoT), for security applications, using images, video streams, audio, and for command and control applications based on the integration of data from advanced sensors, decision support systems adaptable to various operational environments. A particular research focus is on techniques and methodologies to make networks and models certifiable and robust.

Progress 2023 – In 2023, techniques were refined and improved for the continuous training of neural networks, developing an innovative technique applied to Computer Vision. A framework was finalised for the analysis of generic hyper-spectral imagery, and work was developed on algorithms for the textual analysis of news and documents, weather nowcasting systems, techniques for classifying drones/birds from radar and micro-Doppler images, anomaly detection, and Machine Unlearning techniques. New Super Resolution algorithms were developed, applied to the naval sector, to increase the readability of texts and visual details of low-resolution images. An algorithm was developed to discriminate fake images, generated by generative AI systems, and real images, in the context of the European H2020 ELSA project.

DEEP DIGITAL TECHNOLOGIES

Big Data

Dealing with data to analyse them and extract real information is key to each business. The Bid Data research area works in synergy with the HPC/Cloud research area to study and investigate into new methods for information extraction and data fusion. In particular, this research area is dedicated to designing and developing a prototype of a Leonardo framework for Big Data applications, which is capable of exploiting the computing power of the davinci-1 supercomputer, specialising it for different cases of use, enabling industrialization such as Flight Condition Recognition.

Progress 2023 – In 2023 innovative Big Data-based services were designed for the Divisions, innovative data management solutions were implemented and new computationally intensive data-driven models (digital transformation) were enabled. At the implementation level, data lake infrastructures for the Divisions were improved and upgraded to manage and analyse Leonardo's product data. The Helicopters Division already has digital services in its catalogue based on leveraging the data lake infrastructure built within davinci-1's cloud infrastructure.

High Performance Computing and Cloud

This research area aims to support the Company in the process of innovation by directing it towards the adoption of cutting-edge digital technologies, which are capable of exploiting the power of High Performance Computing (HPC) and the Cloud. In particular, this research area is dedicated to: deploying and running applications used for the design of Leonardo products; optimising applications to maximise the exploitation of the HPC infrastructure, supporting code modernisation and porting of proprietary applications in a distributed environment, implementing a Cloud solution for the Company and its customers adopting IaaS, PaaS and SaaS (National Cloud, Military & Space Cloud) paradigms.

Progress 2023 - In 2023 an HPC service for the collaborative digital design of future platforms was successfully tested and validated, which involved various Italian companies. Work also continued on the porting of both code and application divisions to HPC. In addition, the portfolio of cloud services was expanded to enable the use of HPC infrastructure through standardised functionalities, virtualising the hardware. These activities made it possible to proceed with a strong acceleration in the development of digital services for the divisions.

Digital twin\Advanced Simulation

Leonardo is studying how to realise a digital copy of a product, a system or an industrial process that models its behaviour, thus allowing an increase in safety, efficiency and sustainability (through a lower use of materials and energy), and a reduction in development costs. The digital twin therefore offers new opportunities in the AD&S sector and applications that benefit the company, in areas such as global monitoring, healthcare, smart cities, multimodal logistics.

Progress 2023 - During the year, work was intensified, in particular, on the development of digital twin capabilities such as multi-physics and multi-scale simulation and the data-driven approach for surrogate models. With regard to the high-fidelity simulation stream, several use cases were instantiated for fixed-wing and rotary-wing platforms and synthetic databases were created in three different cases, integrating the data produced with the divisional data lake provided by the in-house private cloud on davinci-1.

Materials

Materials research area focuses on studying new materials and processes for applications on products, especially in the avionics field.

Progress 2023 – In 2023 various nanostructured graphene films with variable emissivity were investigated for adaptive IR camouflage applications. Graphene-based films are also being developed for EMI shielding, and thermal and electrical management (Lightning Strike Protection). In addition to graphene, new ceramic-based solutions were investigated to improve ballistic protection, developing new multifunctional high-temperature coatings and erosion barriers. Other activities involved the development and validation of a new type of joint to replace riveting in aircraft. The use of engineering polymers was also investigated for FDM additive manufacturing. Recently, work commenced on a new line of research on innovative PV devices for space applications, with a specific focus on perovskite solar cells. On the simulation side, a monitoring method was developed to identify delamination in laminates, bird strike simulation and ballistic impact.

Unmanned & Robotics

The U&R research area studies autonomous systems, both airborne and ground-based, based on intelligent and collaborative robots. Researchers study advanced human-machine interaction technologies for specific missions, production tasks, operations in extreme environments, maintenance and in the future even in the space environment. Special attention is given to research into new solutions for robotic hardware development, manipulation control, mobility and locomotion, navigation, motion planning and interaction and AI solutions for robots.

Progress 2023 – In 2023 work continued on the development and improvement of the Unmanned platforms developed in 2022 in order to adapt them for experimentation and demonstration of quadruped robot and outdoor autonomous flight capabilities. At the same time, advanced multi-modal sensing techniques were developed for flying platforms in synthetic environments and robotic perception solutions to artifact mapping and multi-object tracking problems. In addition, a sorting system based on object recognition with cameras and robotic arm was designed and installed. Work continued on the control of single and multiple mobile/fixed robots for industrial environments, as well as on studies on AI-based identification and visual tracking of target objects and the development of autonomous mapping and navigation for ground robots in non-structured environments. Finally, the researchers continued their work on Mission Management Replanning for Manned Unmanned Teaming (MUM-T) and explored topics related to Adjustable Autonomy and estimation of pilots' cognitive load.

Quantum Technologies

The research area studies quantum technologies to apply them to different areas such as secure quantum communication, quantum sensing, inertial navigation sensors, and quantum computing with special focus on the study of algorithms, which by exploiting quantum computers are able to demonstrate real computational advantage.

Progress 2023 – In 2023 work was completed on the installation of a QKD (Quantum Key Distribution) network in the Naples area, which involved Leonardo's Pomigliano site and other nodes of local and national institutions, and the setup for a system for viewing around corners and behind obstacles (NLOS – Non-line-of-sight) integrated with a 3D LIDAR system for viewing through obscurants (fog, smoke, dust, etc.) in a single module, and the design of a cold-atom clock design; work was then implemented on quantum algorithms for tracking radar targets based on Multiple Hypothesis Tracker.

Optoelectronics

The research area studies optoelectronics, with a focus on advanced electromechanical systems for optical applications, neuromorphic electro-optical vision, and meta-lenses for electro-optical systems.

Progress 2023 – In 2023 work was completed on the manufacture of a replacement metal lens of an optical unit within one of the legacy products, having also identified, for this purpose, an Italian foundry to replace the French one previously operating.

Electrification

The electrification research area is focused on the study of new propulsion systems for the next-generation aircraft of the future. Study activities focus on electric power management (distribution, conditioning, control and storage) and electric machines. Technology modules are analysed in relation to energy storage (e.g., batteries, supercaps, fuel cells, H2, etc.), electrical distribution, power management control, propulsion architectures and "out of the box" aircraft configurations enabled by electrification itself. The work focused on electricity systems, both in merely architectural terms and in terms of power and energy management. This is because the electrical system in avionics must meet the functional and performance requirements of on-board systems while ensuring safety and operational reliability.

Progress 2023 – All existing solutions were examined to identify if and how state-of-the-art electrical networks (More Electric Vehicles (MEA)) can be adapted for MW-class electrical systems. Models and algorithms were developed for energy distribution system management and modelling at the "component level", for 1) electrochemical energy storage, 2) hydrogen production, storage and handling, 3) fuel cells/batteries, 4) electrical machines and drives. For each of the listed components/enablers, research has been directed towards improving a number of key performance indices, including (but not limited to) power and energy density, safety and reliability, efficiency, and aircraft integration.

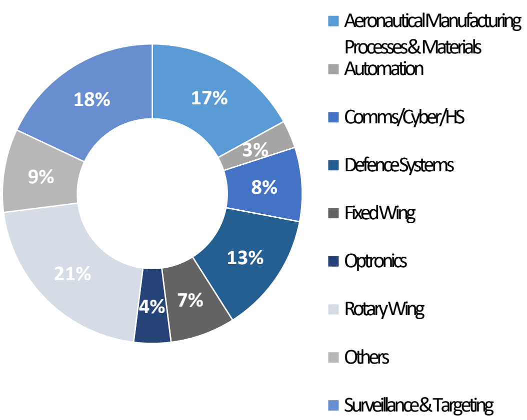
Intellectual property governance

In 2023 centralised Governance policies were implemented for Intellectual Property (IP) to promote the growth and sustainable management of IPRs portfolios, the Group’s competitive positioning, protection in the dissemination of technical and scientific information, support for the protection and industrial exploitation of results achieved in R&D work on the part of the researchers of Leonardo and of Leonardo Innovation Labs. In 2023 work continued on updating and promoting the proprietary (online) Patent Showcase. The patent offering is also geared toward dual use in technologies in sectors surrounding Aerospace, Defence and Security, in support of the development of small- and medium-sized enterprises (SMEs) and start-ups of strategic interest. Work also continued on the Patent Showcase dedicated to Mechatronics managed in collaboration with the technological hub of MESAP. The Intellectual Property function regularly examines the company's patent portfolio for optimisation and assesses the degree of utilisation of patents and the economic performance of generation, use, management and disposal of IPR assets, as well as developments in the patent activity of competitors.

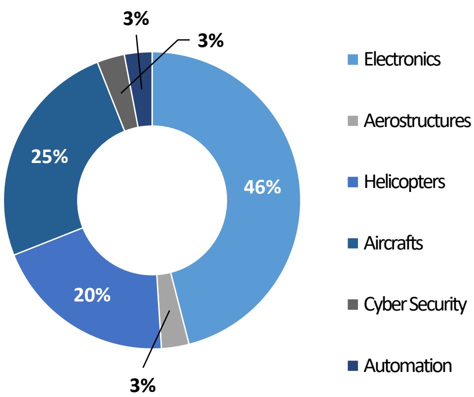
This approach to IP management activities required new editions of IP training, through webinars and in-person workshops, in order to create a corporate IP culture and strategy. Furthermore, in 2023 LIPM3 was implemented, which is a dedicated IP maturity model for continuous monitoring of the status of IP management and related improvement actions taken.

It should be noted that on 1 March 2023, the European Commission adopted a recommendation (Recommendation (EU) 2023/499 on a Code of Practice on the management of intellectual assets) for IP management, addressed to all categories of players involved in research and innovation. Many of Leonardo's processes, methodologies and initiatives respond to the instructions of the aforesaid recommendation.

Patents by key technology



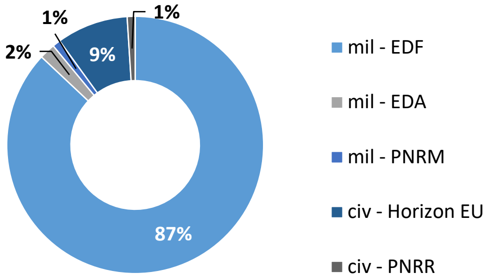
Patent by sector



Funding programs for research and innovation

Leonardo participates in regional, national and supranational research and innovation funding projects and programmes, both military and civil, including major European programmes such as European Defence Fund (EDF), European Defence Agency (EDA) Programmes, Horizon Europe, National Recovery and Resilience Plan (NRRP) and National Military Research Plan (NMRP). Leonardo also takes part in strategic initiatives in National and Regional Technology Clusters, in particular with the chairmanship of the National Cluster for Aerospace Technology.

Financed projects framework



Military programmes

EDF

The European military research and development programme, with its 2021-2027 long-term programme and significant budget for research work (€bil. 2.6) and capacitive-demonstrative development (€bil. 5.3), is the reference programme for the growth of the EU's resilience and strategic autonomy, the reduction of technological dependence on third countries and the creation of an industrial and technological base for a strong, competitive and innovative European Defence. Leonardo plays a leading role in EDF, as witnessed by the high success rate achieved in the 21st and 22nd editions. The programme allows Leonardo to address priority research and development issues, supporting the product development phases.

Projects awarded in 2023 – In 2023 Leonardo has been awarded 18 projects by the European Commission, the most significant of which include **TIRESYAS**, coordinated by Leonardo, for the study of a new family of multi-domain sensors based on artificial intelligence, within which new approaches for radar surveillance and target tracking will be developed through innovative algorithms capable of combining various radar architectures and developing new multi-functional / multi-domain / multi-platform fully-digital radar systems.

Projects with execution launched in 2023 - In 2023 work commenced on the execution phase of several projects awarded in the past (2021). Among the most significant on the topics of the digitisation and transformation of defence systems by using new computational and software technologies are the development of cloud technologies in the multi-domain field of **E-DOCC** (European Defence Operational Collaborative Cloud), and the digital twin in the naval domain (**EDINAF,** European Digital Naval Foundation), as well as artificial intelligence topics (**FARADAI,** Frugal and Robust AI for Defence Advanced Intelligence). The **ADEQUADE** (Advanced, Disruptive and Emerging QUAntum technologies for DEfense) Project on Quantum technologies needs to be highlighted in the area of Disruptive Technologies.

NMRP

In 2023, work continued on the collaboration with the 5th Department of Segredifesa (Italian Defence Secretariat General) on the National Military Research Plan (NMRP), which involved:

- the awarding of the **NMRP SEAFENCE** project for the protection of critical maritime infrastructure, strengthening its role in the underwater sector;
- the presentation of 4 projects in the areas of sustainability, space and multi-domain situational awareness.

EDA

Projects awarded in 2023 – At European level, Leonardo entered into a contract with EDA concerning a project on new ISR (Intelligence Surveillance and Reconnaissance) Electro-optical Systems.

Projects in the definition phase – 4 additional projects are in an advanced state of definition on space (optical technologies, including hyperspectral ones and SAR), advanced data processing and Space Domain Awareness, on new lightweight and impact-resistant materials for military applications, and the development of thin towed arrays.

NATO

At NATO level, Leonardo participates in 10 NIAG (NATO Industrial Advisory Group) strategic direction studies: air-combat/defence, counter-missiles, materials, climate change, maritime-defence, Data Centric Security / Zero Trust Architecture, Modelling & Simulation.

Civil programmes

Horizon Europe	Horizon Europe is a European programme for funding of research and innovation **Projects awarded in 2023** - Leonardo was awarded projects in a number of fields in 2023 such as: space technologies, the reduction of environmental impact to combat climate change, the technologies for a new generation of more efficient and environmentally friendly regional helicopters and aircraft, on-board electronics in all areas of maritime, land, avionics and space transport, digitalisation, air traffic management infrastructures, eco-design of electronic components and new environmentally sustainable materials. **Projects with execution launched in 2023** – In 2023 work commenced on the **CONNECTOR** project, in the field of Security, which develops Data Structures and AI Algorithms to improve maritime border surveillance.
Clean Aviation	Clean Aviation is the institutional partnership, which, within the European framework Horizon Europe programme, is focused on technological objectives for the green transformation of civil aviation, such as electric and hydrogen propulsion. Leonardo participates in the programme with a specific focus on fixed-wing aircraft in the regional aircraft segment. **Projects awarded in 2023** - Leonardo was awarded two projects: **HERFUSE**, which will study the innovative fuselage and tail design of a regional hybrid-electric aircraft, and **ODP4HERA**, which will develop a digital platform to accelerate design and production of aircraft. **Projects with execution launched in 2023** – 7 projects were launched, which were aimed at designing the regional hybrid-electric aircraft.
NRRP	With regard to the National Recovery and Resilience Plan, Leonardo has participated in several projects with the aim of maximising and enhancing collaboration and technology transfer from academia to industry, leveraging not only research programmes, but also funding grants for PhDs and research fellows. Leonardo is committed to developing skills, directing training activities in line with the needs of the Group's engineering and research facilities, especially on the most innovative and disruptive technologies, and strengthening the relationship and collaboration with supply chains and ecosystems (SMEs, start-ups, clusters, etc.). Leonardo is involved in 2 of the five National Research Centres: MOST (Sustainable Mobility) and ICSC (HPC, Big Data and Quantum Computing); two innovation ecosystems (Rome Technopole and RAISE) and six extended innovation partnerships (Future Artificial Intelligence Research - FAIR, National Quantum Science and Technology Institute - NQSTI, Security and Rights in the Cyber Space - SERICS, 3A-ITALY, RESTART and SPACE-IT Up in the process of being established). **Projects awarded in 2023** - Leonardo was awarded two projects under the 2023 call for tenders issued by the BiRex Competence Center: **SEED**, focused on green computing technology solutions to reduce the energy consumption of data centers with high computing power, and **MAM4HP**, aimed at designing the most efficient Metal Additive Manufacturing technologies based on real industrial use cases.
KDT/Chips JU	The institutional partnership focused on the development of electronic components and systems, including big data, cloud, software and AI applications for embedded systems, Industry 4.0 and safety & security evolved into the Chips JU at the end of 2023. Leonardo is a founding member of one of the 3 associations that make up the JU. **Projects awarded in 2023** - Leonardo was awarded the **MATISSE** project concerning the digital twin for robotics In Orbit Servicing. **Projects with execution launched in 2023** – Work commenced on the execution phase of the **ISOLDE** project to support the research and design of the future family of processors and chips for a European RISC-V Open Source architecture ecosystem, enhancing Leonardo's expertise on High Performance Computing and Applied AI, and of the **EECONE** and **AfPVN** projects, both in the avionics field with strong eco-sustainability and digitisation features; the former is oriented to innovative fixed-wing structures both in terms of materials and embedded electronics to increase their lifespan and simplify their recyclability while the latter is carried out in the field of predictive maintenance for electronics and on-board components, respectively.
Sesar	Sesar is the digitisation and modernisation programme of the European ATM system and contributes to the containment of emissions and noise through specific flight procedures and paths. **Projects with execution launched in 2023** – Work commenced on 10 projects on the digitisation of the European infrastructure for air traffic control.
EUROHPC JU	EuroHPC Joint Undertaking (EUROHPC JU) is the institutional partnership created with the goal of establishing a global European supercomputing ecosystem. EuroHPC aims to develop a federated, secure and hyperconnected ecosystem of supercomputing, quantum computing, data services and infrastructure by supporting the development of key technologies and competencies at the academic research and industrial development levels. In line with the goals of technological autonomy and sovereignty addressed by European policies such as EU CHIPS ACT and Digital Compass, Leonardo was confirmed again in 2023 as one of the key players in projects focused on the study and design of future European technology CPUs and GPUs, which are co-funded by the EUROHPC Joint Undertaking.

Open innovation & multi-contest

During 2023, Leonardo continued to pursue the Open Innovation model, enhancing the expertise within the Group and leveraging openness with third-party entities to ensure its competitiveness and ability to design and manufacture future products and solutions and to be able to respond to technological, environmental and social challenges. Cooperation with third-party entities allows for the integration of additional capabilities and additional input that enriches Leonardo's overall vision and provides access to technology and talent in the field of STEM disciplines.

In 2023 work continued on the several initiatives launched in previous years, involving third-party players in collaboration agreements with Customers, Universities, Research Centres, Spin-offs and Start-ups looking for new technological trends. These include well-established projects such as the **Innovation Award**, now in its 17th edition, the **AIrcraft Factory** with the launch of a dedicated Artificial Intelligence theme project, direct collaboration with Start-Ups and Spin-Offs, and scouting for solutions to innovation questions through the proprietary "**Solvers Wanted**" platform. Leonardo has also pursued collaboration with third-party Innovation ecosystems such as “**Open Italy**”, for the launch and management of various co-innovation projects with Start-ups, and participates in ecosystems for dissemination of best innovation practices such as the **Digital Observatories** of PoliMI (Polytechnic University of Milan) (Startup Thinking), the **Innovation Roundtable** and **BDR** – Borsa Della Ricerca. Finally, Leonardo pays attention to the world of Start-ups as elements of innovation on certain technologies and participates in the Deal Flow of several Accelerators, including those promoted by CDP (Cassa Depositi e Prestiti) and ESA, and has concluded the second in-house accelerator program of the **Business Innovation Factory** (BIF).

In addition, intensive training activities on Innovation issues were carried out through a Mentorship course for a company community, a course on Open Innovation delivered together with LUISS and dedicated to the company's Innovation Focal Point community; finally, business modelling activities were also carried out with various company units to review the business from an innovation perspective.

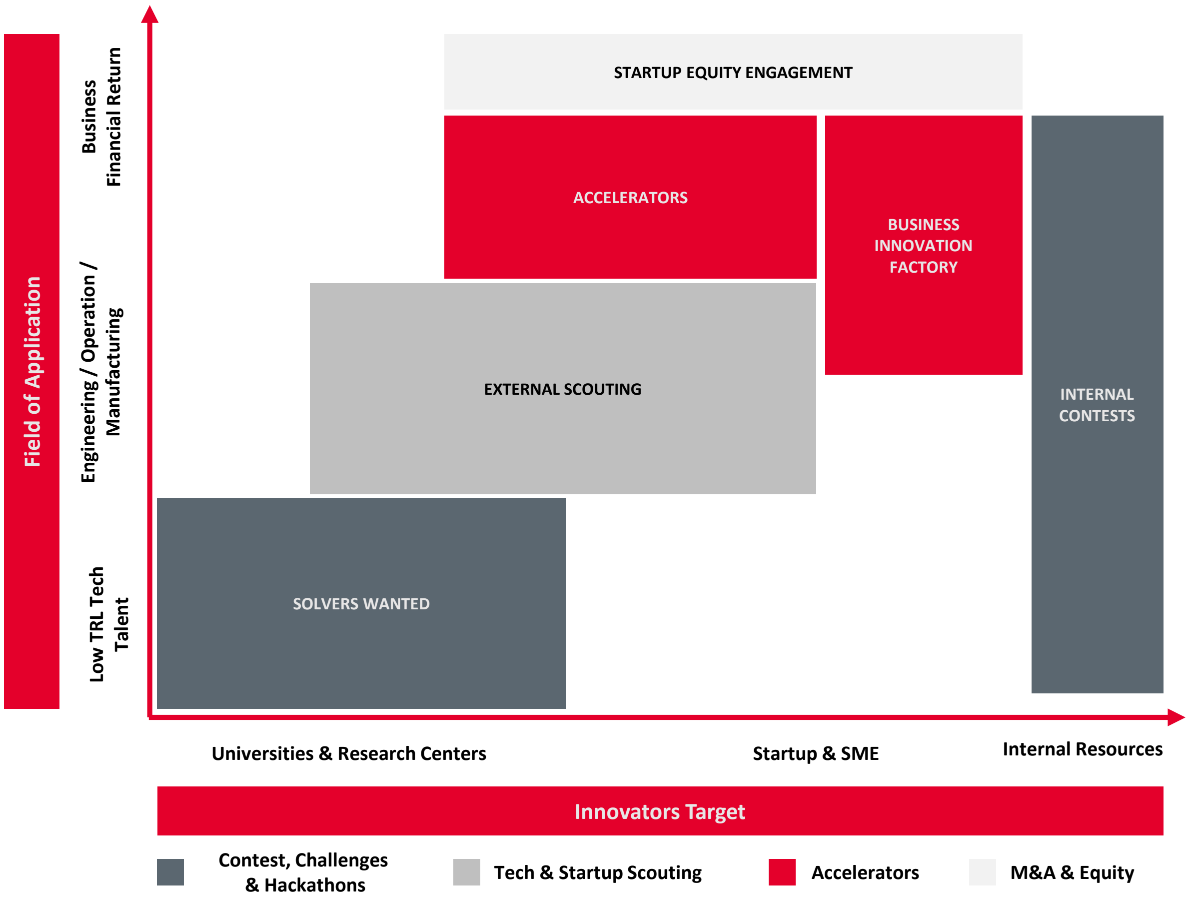
Network with universities and research centres

Leonardo considers relations with Universities and Research Centers as of strategic importance and maintains a mapping of more than 90 universities and research centres in Italy and worldwide, including through indicators from third-party sources[83]. This mapping makes it possible to identify the entities with which to enter into framework agreements and select partner Universities with which to enter into direct collaboration agreements and to grant PhD scholarships for Leonardo Innovation Labs and Divisions. In 2023, a framework agreement was entered into with the Federico II University of Naples, which must be added to the pre-existing framework agreements with Alma Mater Studiorum University of Bologna, the Polytechnic Universities of Milan and Turin, the Rome La Sapienza University, the University of Genoa, and CINI, CINECA and CNIT. During 2023, Leonardo profitably continued partnerships with Imperial College London and Université du Québec en Outaouais (Canada), forming the basis for future high-level scientific and technological collaborations with qualified international partners (the universities and their innovation ecosystems), the development of which is planned for 2024. With regards to PhD scholarships, Leonardo awarded 32 grants with 17 different Italian universities in Italy in 2023, on topics such as Materials, Artificial Intelligence, Robotics and Digital Technologies. The total number of PhD scholarships that are currently in

[83] Among the third-party sources used: ranking of “Top 2% Scientists Worldwide” of Stanford University, other indicators such as H-index, the conditions of “ERC Grant Recipient” or of “IEEE Fellow”, the list of 180 excellence departments of ANVUR for departments.

place, funded or co-funded by Leonardo, exceeds 150 units, carried out in collaboration with 16 different universities in the United Kingdom and 30 Italian universities.

Leonardo's open innovation model



Contests and Hackathon

Drone contest - The project, which has reached the beginning of its second cycle, entails a contest among different Italian universities in order to make autonomous drone systems using artificial intelligence. This new 3-year cycle involved the following universities: Turin Polytechnic, Milan Polytechnic and the Universities Alma Mater Studiorum in Bologna, S. Anna in Pisa, Tor Vergata in Rome and Federico II in Naples, to which must be added the Polytechnic University of Bari.

World T TeC –In January 2023, during the 15th European Space Conference in Brussels, winners were awarded in the fourth edition of the #T-TeC - Telespazio Technology Contest, Telespazio and Leonardo's Open Innovation competition reserved for university students and researchers in STEM subjects from around the world. This year, the winner of the Contest had the opportunity to form a Start-Up and participate in Leonardo's BIF Corporate Accelerator programme.

Solvers Wanted - Through the scouting platform, Leonardo offers challenges, technological contests and new ways of collaboration to the sector of start-ups, universities, spin-offs, SMEs and research entities to find ideas and innovators, together with whom to face current and future challenges. Ten challenges were completed - 1 on Pilot performance Monitoring, 2 on quantum technologies, 2 on 5G, 1 on structural batteries and 1 on Brain Computer Interface, 1 on Exploit My Patent – HPRD patent, 1 on new prospects for green Radar and 1 on Bio-inspired sensors technology - during the three-year period from 2021 to 2023. In addition, a technology network for the future aircraft, F2Link-Future Flight Leonardo Innovation Network, has been established, involving more than 20 universities, start-ups, SMEs and large companies.

External scouting

This work allows the realisation of Proof of Concept (PoC) in collaboration with start-ups. Below are some examples:

- **Smart document digitisation –** Start-up Altilia will enable Leonardo to address the need to automate the document extraction and classification process in the field of Procurement. By using a platform based on artificial intelligence, rapid classification of various types of documents and extrapolation of useful data to accelerate decisions and operations became possible.
- **A fast and functional factory Digital Twin** – By using a Digital Twin tool provided by start-up Utwin, Leonardo is enabled to test innovative solutions to increase efficiency, such as optimising picking operations, checking product availability, and decreasing goods handling time. The ability to examine warehouse scenarios in virtual reality is essential, allowing optimal strategic choices to be evaluated.
- **Evaluation of solid-state supercap technology** - In collaboration with start-up NOVAC, it has been possible to test and evaluate a hybrid battery and supercap energy pack in the context of drones. NOVAC's solution is highly innovative, since it involves the use of solid-state supercaps that can be adapted to the structure of the object.
- **Real-time monitoring of Aircraft hydraulic systems** - In collaboration with start-up Sanchip, which makes sensors for monitoring oil health, a test bench has been realised, which allows a portion of the C27J aircraft's hydraulic system to be simulated. This prototype allows some maintenance tasks to be alleviated and abnormal drifts to be detected in real-time.

Accelerators

In 2023 Leonardo confirmed membership as a partner in various Acceleration and Technology Transfer programmes:

- **Takeoff** – This programme carries out acceleration services for start-ups that develop solutions and services in the aerospace and advanced hardware sectors. Leonardo, as Corporate Partner, had the opportunity to follow the deal flow and dedicate some mentors for the start-ups selected for acceleration. The Takeoff programme has also been selected for DIANA (NATO Defence Innovation Accelerator for the North Atlantic) and further enhances the competitiveness of the national aeronautics and aerospace system, even with a view to defence.
- **RoboIT** – This initiative concerns a tool of Technology Transfer of Robotics in Italy, which is realised by CDP in collaboration with the Italian Institute of Technology (IIT) of Genoa while also involving the University of Naples Federico II, University of Verona, and Scuola Superiore Sant'Anna of Pisa. Leonardo, as partner, had the opportunity to follow the deal flow of selected projects and to connect the Leonardo Innovation Labs for robotics with each other to allow a discussion on research initiatives.
- **Business Incubator Centre** – The ESA BIC (European Space Agency Business Incubator Centre), based in Turin, supports new Italian start-ups in the aerospace sector. The Polytechnic University, Incubator I3P and Fondazione LINKS are responsible, on behalf of ESA, for the implementation and operation of the incubator. Leonardo and Telespazio, together with other affiliated partners such as the Piedmont Aerospace District, Thales Alenia Space Italy, Avio and numerous innovative industrial companies, have the opportunity to view the deal flow of supported projects, offering mentorships with selected and properly trained colleagues.

Business Innovation Factory

The year 2023 saw the second edition of Leonardo Corporate Accelerator - Business Innovation Factory -, which aims to scout for new products and technologies in Leonardo's areas of interest, as well as to accelerate new start-ups in the relevant industry in order to attract and generate value in Italy. This year's scouting focused on two main technology themes: Networking & CyberSecurity and Simulation & Gamification. The call received more than 150 applications at an international level, and the acceleration programme was dedicated to the best 7 start-ups, the winner of Telespazio's #T-TeC challenge and two Leonardo company projects in line with the strategic guidelines. The acceleration programme in this edition lasted 6 months with the direct involvement of Leonardo Mentors and saw the implementation of a PoC between the start-ups and divisions, which brought to light the integration of the innovation proposed by the start-ups with systems, products, services and solutions of Leonardo.

Company contests

Innovation Award – The year 2023 saw the 17th edition of the Innovation Award reserved for all Leonardo employees who had the opportunity to share ideas and solutions in line with company strategic guidelines, for a total of 800 proposals collected. The Award was divided into several categories related to: Best Patent, Product & Technology Innovation, Idea, People First, Innovation Factory and Innovative Supplier Collaboration. Colleagues were asked to highlight the sustainability of each initiative in line with the Group's objectives, bringing out more than 200 solutions with impacts on this issue. Group Management also selected 3 proposals from the Idea category which were funded with a view to the realisation of the Proof of Concept.

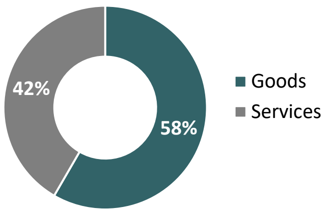
New AIrcraft Factory challenge – A new challenge was implemented, which involved staff members from the Aircraft division on topics related to Artificial Intelligence. The format included an initial phase of disseminating AI issues to the entire population of the division, leveraging the expertise of company and third-party experts, a phase of collecting ideas from all colleagues in the division, a phase of selecting the best ideas, an in-person day according to the format of a hackathon for formalising and enhancing any ideas previously collected, thus going to create valuable synergies between similar solutions, and the final phase of creating a pitch deck and a video to be submitted to the evaluation committee composed of Top Management staff members from the Division.

Supply chain value

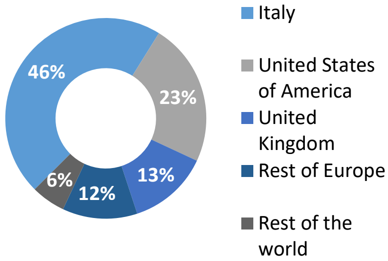
Leonardo’s supply chain is made up of 12,000[84] companies around the world, which provide goods and services to all the entities of the Group and contribute on a daily basis to the competitiveness of the business, ensuring compliance with quality and safety requirements in the supplies and actively collaborating in the management of contracts and open innovation processes. It is a supply chain that includes both **international players** in the sector of AD&S, which supply highly complex systems and subsystems integrated into Leonardo platforms and many **small and medium-sized enterprises** (SMEs), the technological specialisation of which contributes to the creation and success of our products. Leonardo's considerable industrial footprint in its **domestic markets** has in fact enabled the development of local supply chains with a high intensity of knowledge and innovation, which are a key asset for the relevant local areas in terms of economic and employment impact and even more so for the quality of the skills developed and the technological content of the products and services we create. This is where most of the Group's purchases are concentrated and Leonardo acts as a driver to the growth of the chain, through the creation of partnerships and the implementation of development programmes.

The supply chain in 2023

Purchase by category



Purchase by country



€bil. 9.9	**65%**	**84%**
of purchases of goods and services	incidence of purchases on revenues	of purchases related to domestic markets, with a supply chain of more of 6,800 SMEs

Local supply chains – Incidence of National SMEs in domestic countries[85]

86% 78% 59% 82%

[84] Including 542 significant tier-1 suppliers, representing 58% of the total spent. Significant non-tier-1 suppliers, instead, amounts to 50.

[85] Calculated as the number of SMEs out of total suppliers by country.

Supplier relations are managed by a professional family of over 1,700 Procurement & Supply Chain professionals worldwide committed to create a quality, innovative, integrated, resilient and sustainable supply chain[86]. This objective relies on four key pillars within which projects, initiatives and concrete tools are developed to support our Group's growth, building a sustainable partnership with the excellences in the supply chain, while optimising costs and creating value, in compliance with Leonardo's security and compliance standards.

4 Pillars of Leonardo's procurement and supply chain strategy

Sustainable growth	Efficiency and value creation	Delivery / Excellence of processes	Security & Compliance

Partnerships and supplier development programmes

An essential prerequisite to achieve the growth envisaged in the Industrial Plan, is the excellence of the supply chain, which must be able not only to ensure adequate operational performance, but also to be able to cope with the new complex challenges posed by the market, which require financial strength, expertise and rapid adaptation response. With this in mind, in 2018 Leonardo launched a **programme for the development and growth** of its suppliers - **LEAP** (Leonardo Empowering Advanced Partnership) with the aim of accelerating and supporting the growth of SMEs in the AD&S supply chain, making them more financially strong, able to invest and work on higher value-added projects and ready to compete on an international scale. LEAP has marked a paradigm shift in relations with suppliers, moving beyond a management model based merely on business relationships and cost reduction, with a view to establishing effective collaborative engagement, medium- to long-term partnerships, capable of fostering investment and accompanying the growth of the supply chain's excellences in terms of both service quality and size. In 2021, the programme incorporated innovation and sustainability objectives into the supply chain development plan, raising the supply chain's ambitions toward digital transformation, cyber security and green transition.

An improvement plan has then been prepared for each supplier, which makes use of the development projects put in place by Leonardo, even in collaboration with third-party stakeholders, including: the managerial training and mentoring Elite-Leonardo Lounge programme for entrepreneurs, developed with the Italian Stock Exchange's Elite scheme to improve managerial expertise and capabilities, strategic vision, internationalisation and sustainability of enterprises; the package of financial support tools for the supply chain, developed with the Group's main banking partners; technical/specialist and managerial training courses, provided free of charge to suppliers; assessments on digital maturity and cyber security to develop Industry 4.0 projects, carried out in partnership with the Confindustria DIH network; workshops on sharing the technology roadmap and the creation of an open innovation network to improve the ability to innovate; the provision of shared services delivered by Leonardo (such as regarding raw materials and transport) and a performance appraisal model.

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[86] Specifically, the Chief Procurement Services & Operations has the responsibility to define and coordinate the development strategies of all the organizational dimensions related to the Procurement and the Supply Chain (also including: the consolidation and continuous improvement of the integrated value chain, the increase of digitalization, the definition of management guidelines and the evolution of the Group's Register of Suppliers and Black List).

LEAP – Supply chain development projects

In 2023, as further evidence of the relevance of the LEAP program to the management of relations with suppliers and its significant contribution to the community, Leonardo won the Best Supplier Relationship Management Initiative award, given by CIPS as part of the CIPS EXCELLENCE IN PROCUREMENT AWARDS[87].

206 suppliers involved in development programs of the supply chain in Italy and the United Kingdom, of which more than 130 with LEAP (+25% vs. 2022)	**Sustainability Assessment – 1,100 suppliers**[88], equal to more than 50% of new orders placed by Leonardo, both Italian and foreign, subject to a thorough sustainability assessment within the past 3 years	**Best Supplier Relationship Management Initiative 2023** - LEAP word an award within CIPS EXCELLENCE IN PROCUREMENT AWARDS 2023

Leonardo relies on a supplier **evaluation model** named **LEADS** (Leonardo Assessment and Development for Sustainability), with the aim of better understanding the performance and potential of its key suppliers, with specific regard to sustainability and development issues and risks, by monitoring 3 axes: 1) performance, from the perspective of quality, punctuality and costs, 2) technical and operational capabilities and asset availability, 3) sustainability, from the perspective of managerial and innovation capabilities, compliance with ESG principles and compliance and risk management practices. With reference to the ESG Sustainability axis of the LEADS model, as from 2021 Leonardo evaluated more than 800 key suppliers, with 200 KPIs, identifying strengths and areas for improvement in the supply chain regarding issues such as innovation capacity, STEM and managerial skills, circularity, and reduction of environmental impacts. Based on the results of this

[87] CIPS (Chartered Institute of Procurement & Supply) is the leading global professional body promoting best procurement and supply chain management practices worldwide with 64,000 members in 180 countries. For more details on the award, please see the following link.

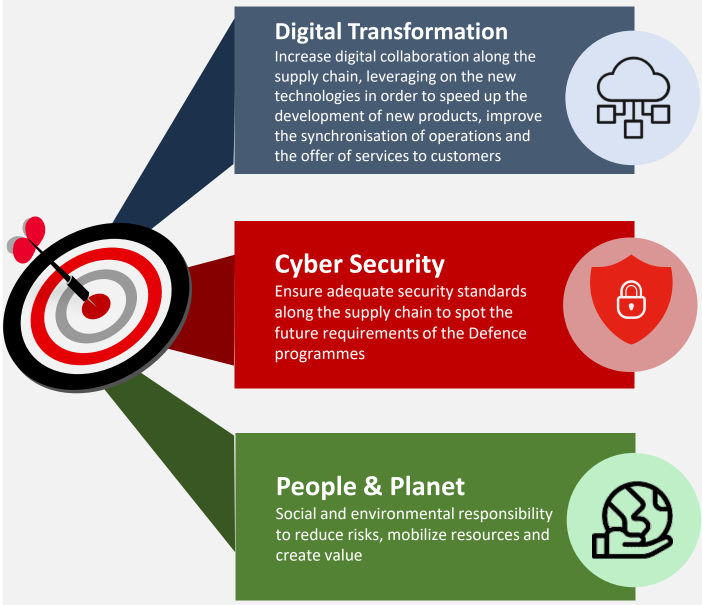
[88] Include the 800 suppliers assessed through the LEADS model and more than 300 suppliers assessed through EcoVadis or other platforms.

process, Leonardo then prepared and promoted the "Manifesto for Supply Chain Sustainability", to support and accelerate the transformation of its supply chain. Among the 800 key suppliers analysed on the ESG Sustainability component, 55 were included in a continuous improvement plan, which also includes other two LEADS assessment axes (Operational Performance; Technical Skills and Industrial Capabilities) and whose progress is monitored by a multifunctional and multidivisional team on a quarterly basis. One year after the first measurement, the results of the second sustainability assessment showed significant improvements in all areas of analysis, with an increase in the level of maturity of the supply chain on ESG issues and a concurrent reduction in the reported risks while enhancing Leonardo's commitment to the LEAP development programme.

>80% of the **ordered volume** managed **through digital collaboration platforms**. *Sustainability target was achieved and exceeded (>75% in 2023).*	**About 650 suppliers** received **training on SDGs and tools for reporting** (+93% compared to 2022). *Sustainability target was achieved and exceeded (>500 in 2023).*	**100% of LEAP partners** with **targets** and plans to reduce **environmental impact** (+60% compared to 2022). *Sustainability target was achieved (100% in 2023).*

Leonardo Sustainable Supply Chain Manifesto

Based on the results of the first LEADS assessment on supplier sustainability, Leonardo has published the **Sustainable Supply Chain Manifesto**, which addresses three main themes, strongly in line with Italy's development guidelines: Digital Transformation, Cyber Security, People & Planet. These priorities, which are structured into 18 concrete projects, with progressive and measurable milestones, intend to support and accelerate the transformation of Leonardo's supply chain that is largely made up of SMEs, helping supplier companies to direct their efforts and investments to compete in international markets. The Manifesto was presented during the digital event **Leonardo for a Sustainable Supply Chain**, an occasion on which the Company, with the participation of top management and leading market players, also illustrated the challenges and opportunities for the Italian AD&S supply chain and shared the expectations and development guidelines to support an increasingly competitive, integrated, innovative and sustainable business ecosystem.



- **Collaborative development** using digital twin products
- **Production and maintenance** supported by advanced technological tools
- **Collaboration** on the AirSupply platform
- **Quality management** with new technologies for defect prevention, detection and analysis
- **Logistics and Transportation** – Smart inventory, tracking systems (RFID, blockchain)
- **Big Data Analytics** – Data generation and analysis to improve data-driven processes, products and services

- **Asset survey** with automatic discovery tools
- **User terminals** with security guarantee
- **Cyber security organisation** and employee training
- **Policies and procedures for a digital business**
- **Communication protection** - Firewall, Intrusion Prevention and Intrusion Detection System (IPS, IDS), robust VPN
- **Cyber security rating** with platforms which identify and analyse the external perimeter vulnerabilities

- **Safety first** – Health & Safety on the workplace through advanced management systems
- **Responsible business and talent development**, in line with Leonardo's principles and rules and fostering gender equality and managerialization
- **Industrial efficiency**, also through lean transformation programmes
- **Action for planet** – Mobilize resources to measure and reduce GHG emissions, water consumption and waste production
- **Green energy** , aiming at 100% renewable energy of guaranteed origin
- **Ecodesign and circular economy** – Conceive new products with eco-friendly materials under a circular economy perspective

Supply chain training and growth programmes

ELITE Leonardo Lounge – This is a two-year development programme targeted at entrepreneurs and top managers of supplier companies to accelerate their resilience and growth by facilitating access to capital, network and key skills. 67 key suppliers participated in the programme, coming from 13 Italian regions, with an aggregate turnover of €bil. 1.3 and a total of 7,500 employees.

LEAP Technical Training - 70 training courses were delivered to improve the technical and specialist skills of managers, white collar and blue-collar workers employed by the companies in the supply chain, in order to also respond to the demand for new skilled labour expected in the coming years. Leonardo has extended the training services provided by its subsidiary Leonardo Skills & Training to include suppliers, delivering a training course in line with the LEADS assessment model and customised through the participation of Group managers. Among the courses offered there are: project management, design excellence, manufacturing excellence, competitiveness and cost reduction, process and product quality, industry 4.0 and cyber security, sustainability and ecological transition, data protection. In 2023, the programme, which was launched in 2020 and is funded by Fondimpresa, saw the completion of the second edition with 17 suppliers involved and the preparation of the third edition expected to begin in 2024. More than 900 employees from the companies involved participated in the two editions already completed for a total of more than 22,000 hours of training.

Supplier 360 Capability Assessment – More than 70 key suppliers of the Electronics Division in the United Kingdom have been involved in the Leonardo programme for evaluation and development of technical capabilities and performance, involving 27 SMEs and paying attention to ESG issues.

Leonardo DRS Supplier Sustainability induction project - More than 100 key suppliers have been involved in sustainability induction project aimed at evaluating and improving supplier maturity on ESG topics, with a special focus on Climate impact and resource usage. Supplier have been involved in specific workshops, have conducted a specific assessment supported by Assent and had access to training and toolkit to evaluate their GHG emissions, water and waste consumption and define improvement initiatives.

Confindustria's Digital Innovation Hub for digital transformation – Raising awareness of and training in 4.0 technologies, assessment of the level of digital maturity and cyber security, development of a roadmap and support to the networking of suppliers in the Industry 4.0 ecosystem, from smart factories to Competence Centres. A total of 50 suppliers have so far been involved in the Leonardo Digital Supply Chain Project, with an aggregate turnover of €mil. 950 and a total of more than 5,100 employees.

Supply Chains for the 21st Century (SC21 Operational Excellence) – In the United Kingdom, Leonardo relies on 69 suppliers, 17 of which are sponsored directly, involved in the industry program that aims to improve industry performance, competitiveness and productivity by creating greater customer/supplier collaboration based on continuous improvement. In 2023, Leonardo supported the implementation of the Supply Chain Solutions programme led by ADS.

Supplier Relationship Management (SRM) – The objective of the Leonardo SRM project in the United Kingdom is to collaborate with key suppliers in indirect procurement, through partnerships and continuous improvement, on five key areas: resilience, cost efficiency and value generation, innovation, sustainability and methods of collaboration. At present, there are 18 suppliers that adopt SRM in full while others are taking part in the initiative with a light approach.

Leonardo for a sustainable supply chain – More than 600 Italian SMEs selected by Leonardo have taken part in the training course using video sessions, created in collaboration with The European House – Ambrosetti and made available free of charge to suppliers through a specially developed e-learning platform. The project aims to bring the supply chain into line with the new regulations on sustainability reporting (CSRD - Corporate Sustainability Reporting Directive) and the decarbonisation ambitions of Leonardo (SBTi – Science Based Target initiative)[89], providing concrete support to suppliers in preparing a sustainability plan and reporting progress through a dedicated toolkit. Additional 150 suppliers have taken part in similar training courses in the United Kingdom and the United States.

[89] For more details on Leonardo's commitment to the Science Based Target initiative, please see the chapter on Planet.

Collaboration with sector peers

In 2023 Leonardo, as a member of IAEG[90], promoted the voluntary adoption by major market players of a shared standard for measuring the ESG performance of suppliers in the AD&S sector, with the goal of increasing the sustainability of the operations of the aerospace industry and related supply chain. For this purpose, IAEG has selected the EcoVadis platform, a world leader in sustainability assessments. The adoption of a common approach will enable original equipment manufacturers (OEMs) to assess strengths and improvements at the industry level and put in place collaborations to accelerate the expected improvements in the industry. At the same time, such an approach will allow suppliers to conduct a single assessment, to be shared with all international customers, thus avoiding the need to undergo multiple specific assessments, ensuring a significant increase in the effectiveness and efficiency of the process. Furthermore, suppliers will have the opportunity to access the EcoVadis platform on favourable terms and take advantage of the resources it contains to support the improvement of their ESG performance. In the first year of launch, 2023, 10 major AD&S groups joined the initiative and began to build a pool of more than 1,000 companies operating in the sector, including 200 suppliers of Leonardo, which had been assessed by EcoVadis and which had made their scorecards available for the sector initiative[91].

10 major players in the AD&S sector have adhered to the IAEG initiative with EcoVadis	**1,000 companies** in the supply chain **already measured** by EcoVadis	**Over 200 Leonardo's suppliers** have made their Ecovadis scorecards available

Sustainable supply chain management

Among key priorities for Leonardo is that of ensuring the sustainability of our supply chain, which represents a strong commitment to the Group's stakeholders. In recent years our focus on environmental, social and governance (ESG) issues has gradually increased in all phases of collaboration with suppliers: from the application to become a supplier, to the pre-qualification and qualification phases to enter the register, from selection criteria to the contractual Terms & Conditions, up to due diligence audits and development plans of suppliers. In the **pre-qualification** phase Leonardo verifies whether the economic, financial, ethical, legal, social and environmental requirements are met, while in the **qualification** phase it assesses the technical and operational capabilities of the supplies, as well as the minimum requirements requested by Leonardo on environmental management, protection of conditions and rights of employees, protection of health and safety, cyber security and intellectual property protection. In 2023, reputational analysis of suppliers was strengthened through the extensive use of infoproviders, which, through specialised databases and media analysis, make it possible to highlight risks or alerts on the counterparty and its representatives on the economic, financial, ethical, legal, social and environmental fronts. According to the product sector, an additional verification on product qualification may be necessary to check compliance with the technical requirements of the component or part to be purchased. Furthermore, for some product areas, supplier selection takes account of the availability of specific additional ESG requirements, for example, the

[90] IAEG, International Aerospace Environmental Group, is a non-profit organisation comprising 54 leading Aerospace, Defence and Security companies that together account for over 70% of the industry at a global level.
[91] At Leonardo, more than 80 employees of the Procurement & Supply chain professional family participated in a training course in 2023 to support the implementation of the initiative.

possession of ISO 14001, ISO 45001, quality and cyber security certifications. Maintenance of the requirements is monitored via **periodic checks** throughout the entire duration of contractual relationships, both through recurring audits (every two years for pre-qualification requirements and every three years for qualification requirements) and through periodical audit plans, with serious or repeated non-compliance with requirements resulting in temporary or definitive exclusion from the Register[92].

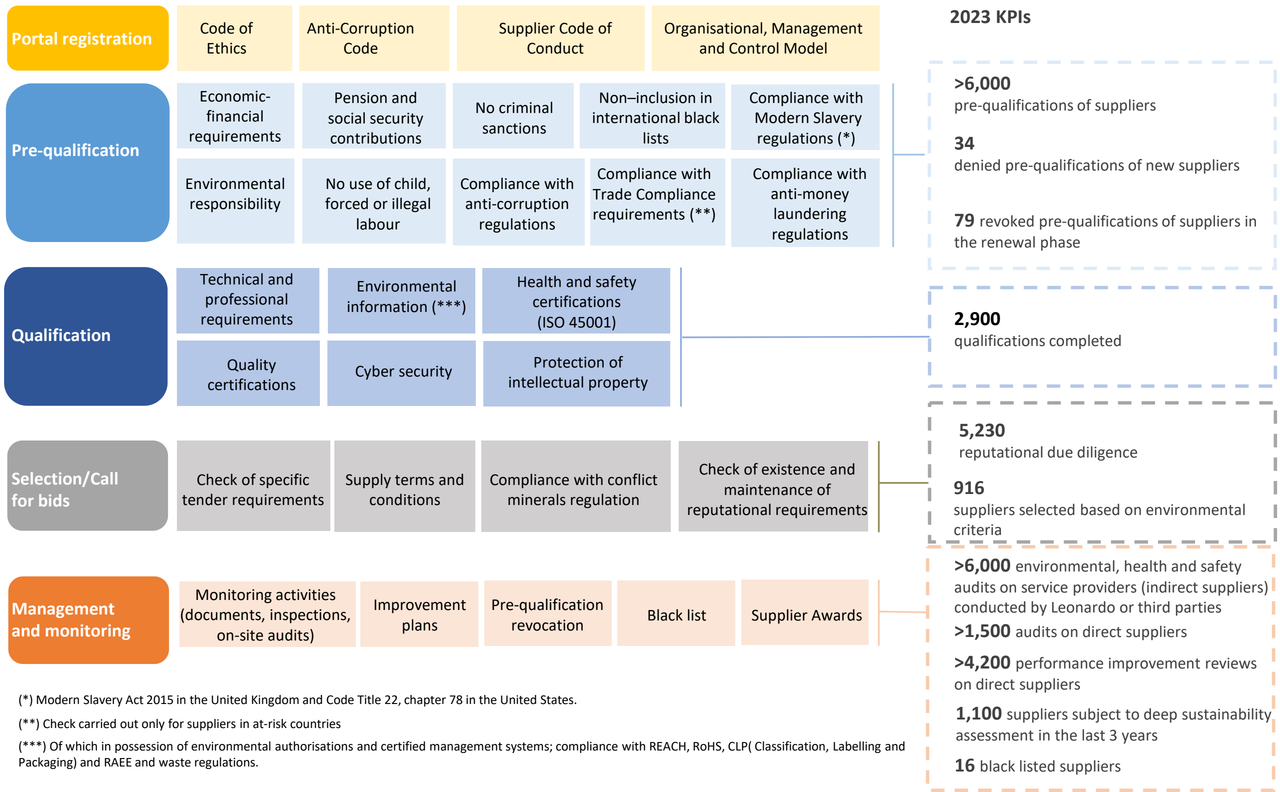
A new Code of Conduct for suppliers

During 2023, Leonardo prepared a new Code of Conduct for suppliers, published on its website[93]. The new code reinforces the principle according to which suppliers are an integral part of Leonardo's business ecosystem and are a key determinant in the implementation of its sustainability strategy so it is essential that they share the same values, principles and standards as Leonardo and participate, in a partnership perspective, in Leonardo's commitment to developing a sustainable future for the Aerospace, Defense and Security sector, considering the impacts of its operations on the entire value chain.

In the United Kingdom, Leonardo has been actively involved since 2015 in the JOSCAR (Joint Supply Chain Accreditation Register) industry project to qualify joint suppliers and help guide the future development of the Aerospace and Defence programme in the country. In 2023 the Group increased its participation in the program to over 900 suppliers involved. JOSCAR, in which 50% of the participants are SMEs, maintains a portal dedicated to small and medium-sized enterprises in order to rationalise the number of communication channels used and provide a single point of access for both current Aerospace and Defence suppliers and new firms that intend to enter the market[94]. The initiative continues to evolve as more companies join the community of buyers[95] and the evaluation criteria used are updated to reflect the latest industry developments in the field of ESG [96]. The Group has also launched specific projects that involve suppliers to integrate environmental factors into supply chain management and reduce its environmental impact, including working groups and workshops to promote decarbonisation and chemical and environmental compliance, research projects to create more efficient products and materials that reduce atmospheric and acoustic emissions, and exploit technologies such as additive manufacturing, as well as pilot projects to promote the reuse of packaging[97].

[92] For more details, please see the section on Other indicators.
[93] The Code is available to the public at the following link.
[94] About 550 companies have already registered on the portal.
[95] At present they are equal to 28.
[96] Additional details are available on the website of the initiative.
[97] For more details on the fight against climate change and the circular economy model within Leonardo, please see the chapter on Planet.

Main phases of supplier selection and management[98]



Leonardo engages suppliers on key and operational issues relating to the supply chain, including obsolescence management, procurement of critical materials and the growing risk of cyber-attacks. An increasing number of selected suppliers share their risk registers with Leonardo, and the company, in turn, shares the results of risk analyses with them as part of related projects.

Supplier engagement

Crisis teams - Leonardo has established a multi-divisional management team for structured coordination among procurement managers across various countries to manage communication, monitoring and action plan definition activities on global procurement issues. The team, which started its operations during the Covid-19 emergency in 2020, continued its work as from 2021 with a focus on assessing and mitigating procurement issues concerning critical materials and microchips and the impact of the Russia – Ukraine and Middle - East conflicts.

Electronic component analysis – In the United States Leonardo DRS has maintained a tool to identify Circuit Card Assembly (CCA) -related risks and improve supplier performance. The tool allows the analysis of more than 1,500 CCAs associated with about 40,000 components, identifying risks of obsolescence, lead-time, price, or related supply shortages. Additionally, this automated tool helps improve CCA component obsolescence management and decision-making processes, for improved risk identification and action. In this

REACH and chemical substances - Leonardo acts in compliance with the REACH regulation with the objective of reducing the use of hazardous substances from its processes and products by 15% by 2025 and 50% by 2032 compared to 2022, considering the specific features of each business in which it operates. The reduction is calculated based on the indicator “kilograms of SVHC substances purchased (in Annex XIV of the Regulations as of 31/12/2022) per production hours. The Company has identified the hazardous substances used in industrial processes, started a rationalisation of the substances purchased, in compliance with the restrictions and exceptions provided for by the Regulation, and provided for mitigation plans for each division, as well as specific objectives for the reduction, and where technically possible, the elimination of hazardous substances from products, while also taking advantage of eco-design initiatives that make it possible to identify alternatives with lower impact right from the design phase. Leonardo collaborates with third-party

[98] The figures refer to Leonardo SpA, Leonardo Global Solutions and Leonardo Logistics. At Group level, in 2023 about 7,300 suppliers have been subject to ESG risk assessment, among which 459 significant suppliers.

manner, Leonardo DRS has identified opportunities to ensure product development and production despite procurement-related challenges.

Security and resilience – Leonardo has strengthened security risk management in the supply chain by requiring security requirements from the qualification stage. For project supplies that must meet specific security requirements or key projects, it has outlined a homogeneous, cross-sector approach to identifying, assessing and managing security risks, monitoring identified risks and related treatment actions on an ongoing basis, and fostering better communication between divisions, as well as integration into the Company's risk management process. In the United Kingdom, Leonardo also participates in the cross-sector Supply Chain Resilience Working Group, launched by the UK Ministry of Defence to better manage risks and strengthen supply chain resilience; while in the United States, to effectively respond to the US Department of Defense's regulations, aimed at mitigating cyber security risks in the supply chain, Leonardo has developed new supplier cyber monitoring techniques to proactively identify risk mitigation actions and achieve or exceeding compliance with the new regulations. Regulatory compliance tracking systems continue to be strengthened, making it easier to support the supplier and act to mitigate risks.

Climate Change and Sustainability Working Group (WG) – Leonardo collaborates in the cross-sector working group formed by the UK Ministry of Defence to align the priorities of its key suppliers in combating climate change. The WG has jointly drafted a code of conduct to steer the sector toward greater openness and collaboration.

UK Defence ESG Charter – Leonardo is one of the signatories of the new "UK Defence ESG" charter, which includes three key commitments from the UK defence industry: climate transition and clean tech, impact on society and governance, and ethics. As one of the largest investors in research and technology, the defence industry will provide significant opportunities for the next generation of scientists and engineers while exploiting the tools of the new digital age to ensure a more secure and sustainable future. As part of its commitment to promoting a sustainable supply chain and consistent with its decarbonisation goals[99], Leonardo encourages its suppliers to sign up to the initiative.

business partners to identify, develop and test together alternative solutions, including within the framework of national and European research and funding programmes, and involves suppliers in the management of hazardous substances and compliance with REACH regulations through contractual clauses and training courses on the subject. Leonardo participates and leads the working group of the European Aerospace and Defence Association (ASD) on REACH and chemical substances, supporting the actions towards the European Commission and Parliament and the dialogue with the European Defence Agency (EDA). Among the projects carried out in this context are the definition of a guideline to simplify the approach for waste management in the sector (Waste Framework Directive; the creation of a Working Group within the Chemical Strategy for Sustainability REACH and Classification, Labelling and Packaging (CLP) to inform the European Union of the needs of the sector in view of the update of the REACH and CLP regulations; participation in the CEFIC (European Chemical Industry Council) round tables to follow initiatives related to product sustainability and safe and sustainable design. Leonardo also chairs AIAD's REACH Working Group to coordinate dialogue with the Italian Ministry of Defence and political counterparts and participates in the UK Ministry of Defence's Sustainable Procurement Working Group to share best practices in managing industry policies, including REACH regulations and GHG protocols. Leonardo also participates in the Aerospace and Defence Chromium ReAuthorisation Consortium (ADCR), contributing to specific reports, including a socio-economic analysis in which it involved over 70 key suppliers that could be impacted by the replacement plans, in order to mitigate the risk of discontinuity in the business particularly linked to the replacement of some chromates with alternative solutions.

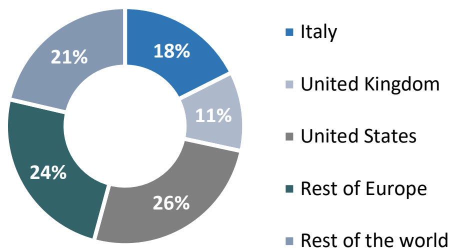
ASD – Workstream Supply chain decarbonisation – Within the Climate and Defence Task Force established by ASD, Leonardo coordinates, together with Saab, a workstream centered on supply chain decarbonisation, with the goal of sharing ways and initiatives – either currently in place or planned for the future - and assessing the possibility of taking collaborative actions to support the transition of the industry's supply chain. At the first meeting held in November 2023, Leonardo shared its strategy and supplier engagement projects implemented through the LEAP programme.

[99] For more details on Leonardo decarbonisation goals in the United Kingdom, please see the chapter on Planet, in the Decarbonisation section.

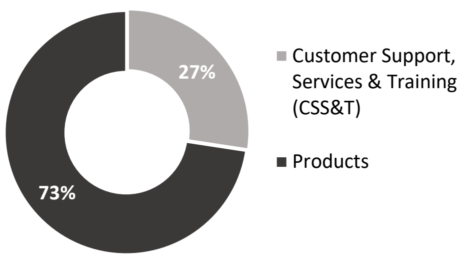
Customer intimacy, quality and safety

Providing innovative technological solutions to contribute to the progress and safety of the world. From the design phase to the development of products, services and solutions and after-sales service, Leonardo searches and applies high levels of quality, safety and sustainability, in compliance with the standards and regulations of a highly regulated sector, in order to become a trusted partner for its customers. For Leonardo, customer centricity means in fact thinking every day about the positive impact of its business, responding to every possible operational need of its customers and striving to anticipate what could become their critical issues in the future.

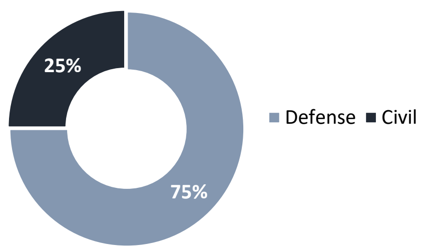
Revenues by geographic area



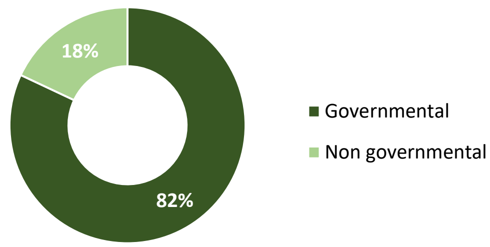
Turnover by market



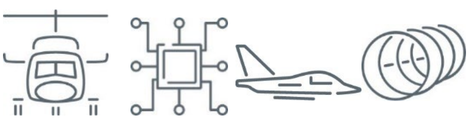
Defense / Civil turnover



Governmental / Non governmental turnover

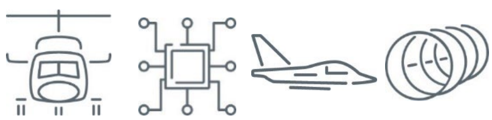


Defence/civil by sector



Defence	61%	84%	96%	14%
Civil	39%	16%	4%	86%

Governmental/nongovernmental by sector



Governmental	68%	94%	96%	14%
Non-governmental	32%	6%	4%	86%

Customer support and training solutions

Leonardo offers customised solutions and innovative, value-added after-sales support services: from the offer of integrated services to continuous upgrading of Systems in order to ensure customers extended operational availability and performance over time, from training programmes in complex and multi-domain operational scenarios and training, in terms of both skills and expertise, collecting and processing any feedback from the field which is required to maintain continuous and ongoing direct contact with end users and build a strategic relationship in the long term. The development of the Customer Support, Services & Training business and the improvement in customer satisfaction are among the objectives of Leonardo's Strategic Plan, which are pursued through a transformation that involves technologies, the organisation, processes, procedures, compliance with standards and regulations, the way of doing business and, above all, people. Consolidation of the services business is focused on “customer capability”, to be ensured by leveraging some key concepts for greater resilience: customer centricity, their demand for technology to be provided “as-a-service”, continuous improvement, development of hard and soft skills, data management and analysis, through the application of smart technology and increasingly digitised processes and products. With a view to sustainable innovation, Customer Experience and the use of advanced digital technologies turn into a measurement of satisfaction in the use of the Systems, coupled with the ability to improve the product and its operations, ensuring the management integrity of information and transparency in customer communication.

In line with the ever-increasing and more advanced market demands, customer support training is based on interoperable and combined technologies – Live, Virtual and Constructive – to ensure an immersive reproduction of systems in their operational use. The use of flight simulators allows for expanding training effectiveness and reducing real flight hours, thus reducing environmental and acoustic impacts, and making a more efficient use of the Defence budget. Virtual and augmented reality technologies, together with artificial intelligence, are also used for preventive and predictive maintenance, thus helping to mitigate inefficiencies and reduce the environmental and logistics impacts, and enabling remote operations, thereby reducing physical travel to support operations.

Over 50,000 training hours delivered through flight simulators	Over **13,000 pilots and operators** of helicopters and aircraft trained	**First place** among helicopter companies in ProPilot's ranking for quality of after-sales support, for the fifth year running	**First place** in Product Support Survey of AIN (Aviation International News) ranking in 2032 too

Data 2023

Training pilots, technicians, and maintenance workers according to new standards and regulations

International Flight Training School – The project, a collaboration between the Air Force and Leonardo to build an advanced flight training center for military pilots destined for the latest generation of aircraft, is fully operational at the Decimomannu base in Sardinia and has been included among the first two sites in the European network of "NATO Flight Training Europe (NFTE)." The new campus was inaugurated in May 2023, and the prestigious Air Forces of the United Kingdom

Digital Customer Service initiatives in support of customers

Customer Satisfaction – With the use of the Net Promoter System (NPS) methodology during 2023, more than 300 customers were involved from the civil, military and government markets in more than 70 countries all over the world in measuring Customer Satisfaction. Leonardo has collected and analysed, as a whole, more than 2,000 feedbacks since the start of customer satisfaction monitoring activities in 2019. The objectives have been achieved to obtain a deeper and more complete knowledge of the perception of Leonardo solutions on the part of its customers and to identify and implement corrective measures, with a view to and Sweden have adhered to the IFTS, joining those of Saudi Arabia, Austria, Canada, Germany, Japan, Qatar and Singapore. The use of the M-346, the most advanced training aircraft currently available on the market, and the related ground-based training system "Ground Based Training System - GBTS," which at the state of the art integrates flight simulation and mission, has already made it possible to reduce actual flight hours by about 50% compared to similar training previously carried out on fighter aircraft, achieving reductions in fuel consumption and related emissions by 19,000 tons of CO_{2e} in 2023.

Leonardo Academy for Basic Training (LABT) – Following the attainment of some certifications at the end of 2022[100] and with the aim of further increasing its capabilities to deliver integrated maintenance training through the involvement of more business areas, Leonardo has established the Leonardo Academy for Basic Training (LABT) to offer basic training courses for maintenance workers and specialists in the Aerospace, Defense and Security industry, both in-person and remotely. In addition, LABT provides training for technicians based on the new standards of ASD S-Series, issued by the Aerospace, Security and Defense Industries Association of Europe related to product lifecycle data management in order to increase reliability, system availability and reduce related operating costs. Finally, LABT delivers any additional courses needed to complete the cultural background of Aerospace, Defense and Security operators. Among the first programmes interested in maintenance training in the military field are the AW139 and AW169 helicopters, the International Flight Training School (IFTS) programme, the Falco Xplorer remotely- piloted system, and components installed on military platforms.

The importance of complying with standards and regulations – Leonardo actively participates in activities within the ASD Service Commission for the definition of the new S-Series standards for data management of the entire product life cycle in the field of Integrated Product Support, through Integrated Logistic Support analyses, for an effective management of Technical Publications, materials and spare parts, for the definition of Integrated Life Cycle Analysis, the management of Preventive Maintenance, Training and In-Service Feedback in order to increase the reliability and availability of systems and consequently reduce the related operating costs. The compliance of the S-Series suite and mandatory regulations is for Leonardo an essential element, as well as a mandatory requirement for participation in international cooperation programmes.

continuous customer service improvement. Measurements were also extended to training activities and some new digital services compared to the previous 12 months.

Digital Customer Service initiatives – Leonardo makes available to its customers advanced Customer Relationship Management and e-commerce platforms, which enable better management of customers' requests and ensure a single point of access (Leonardo Customer Portal) for all after-sales services, including training activities and new evolved support services from a data-driven perspective, with the aim of ensuring a renewed and better customer experience.

WCC European Roadshow - In continuation of the Innovation and Excellence Award EMEA 2022, received from World Commerce & Contracting, a global community for the promotion of standards and continuous improvement in sales and contracting, Leonardo hosted the WCC European Roadshow in Rome in 2023, where it shared the value of implementing the initiative for the benefit of business and customers.

[100] Specifically, Leonardo obtained certification from the Directorate for Aeronautical Armaments and Airworthiness, being recognised as a "Maintenance Training Organisation" according to the national AER(EP).P-147 standard and in line with the European EMAR 147 standard issued by the European Defence Agency (EDA).

Social value and industrial collaboration programmes

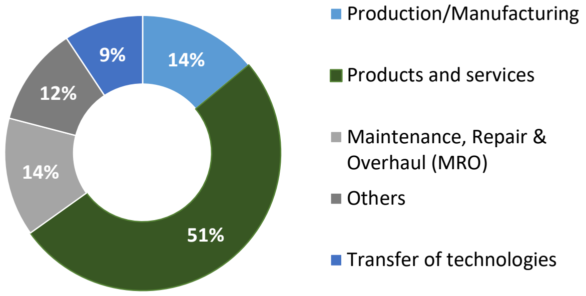
Leonardo is committed to generating positive impacts for the communities that host its sites and production facilities. For this reason, sustainability topics are integrated into initiatives, projects and working methods. Specific metrics are used to assess the effectiveness of these actions and quantify the impact produced on local communities. Moreover, this approach becomes also relevant in relations with those governments that, on the occasion of public tenders, exploit their spending power by providing incentives to companies to produce measurable social benefits in favour of communities, redesigning the relationship between public and private entities.

The Social Value model in the United Kingdom

Leonardo has the objective of maximising the social value it produces, as evidenced by its commitment to supporting its people, community, and economy. In the United Kingdom, the UK government has structured social value into 5 areas: equal opportunities, reducing economic inequality, combating climate change, post-pandemic recovery, and wellbeing. During the selection process for awarding new contracts, the UK government gives a weight of at least 10% to the social value produced by individual companies.

In the United Kingdom, Leonardo contributes about GBP1.9 billion to the country's economy, employing more than 8,000 highly-skilled people and supporting more than 26,000 jobs. Leonardo also works with more than 2,100 local companies in the United Kingdom, two-thirds of which are SMEs.

Indirect offset projects by type



Furthermore, Leonardo collaborates with its international customers to generate economic and industrial benefits, both in the civil and Defence sectors, under industrial offset agreements. In 2023, Leonardo had 43 indirect offset contracts in place around the world [101].

Quality and Safety

Leonardo pursues the goal of ensuring the highest safety and quality of products and services, striving to deliver them to customers on time and without any defects. For this purpose, the Group uses company engineering and manufacturing processes based on recognised procedures and standards, promotes continuous training and information of people on quality and safety of products and services, and integrates methodologies of risk management, product life cycle management and crisis management. Leonardo operates in accordance with ISO9001, AS/EN9100, AS/EN9110 quality management standards, as well as with

[101] For more details, please see the section on Responsible business conduct and document on offset management on Leonardo website.

NATO AQAP 2110/2210/2310 standards, and those of design, production, and maintenance organisations in civil and military environments, and adopts and implements all customer specifications and procedures within its management and related documentation to ensure utmost compliance with required quality standards. This approach is to ensure the quality and safety of the design, implementation, maintenance, testing, delivery and customer support, even in the phase of use.

In addition, the quality and safety of the Group's products and services are attested by company and third-party audits. In fact, the products made internally and those commissioned to third-party suppliers, selected and qualified according to the standards adopted, are subject to internal audits and a final verification of conformity by the quality function of each factory on an ongoing basis, in compliance with contract requirements and/or other safety regulations. Furthermore, the quality and safety of the Group's products and services is attested by third-party certifiers through specific audits on an annual basis. For the type of products and services produced, Leonardo is also subject to certain audits on the part of the competent Authorities, including government bodies and customers, in the field of Safety and, if applicable, airworthiness.

Each Division or specific program within the Group is also supported by R&D activities geared towards the use of state-of-the-art technologies and the generation of proprietary processes in addition to safety. Each division adopts a centralised governance system, which provides for Safety Management Systems at the local function level, control and risk assessment procedures and manuals, preventive tests to verify the quality and safety of products and services, crisis management procedures involving recall systems and procedures of products not complying with safety requirements, customer alert, product tracking and other specific processes. Of fundamental importance are the continuous improvement plans, which, in close connection with the technology roadmap, improve the quality standard of parts, processes and services on an ongoing basis. Should issues emerge in relation to aircraft and helicopters in service, Leonardo proceeds with risk assessment, the identification of any possible mitigating measures, establishing their effectiveness and feasibility, and preparing a recovery plan. In addition, the level of Safety performance of products delivered to customers is continuously monitored, through the management of a database of significant incidents, which allows their analysis, the generation of statistics and a register of "lessons learned," to be analysed at the time of the implementation of a new design. The safety of maintenance operations is also subject to analysis, providing for the assessment of the related risk and control through the adoption of appropriate safety measures, procedures and personal protective equipment.

Leonardo is also committed to the training of all staff members involved in the quality and safety of the solutions produced through specific training on an annual basis[102]. Training activities are also implemented annually to support customers and suppliers.

Compliance with high quality standards is also required from suppliers, to guarantee materials and goods without any defect in design, manufacturing and installation, and verified during the qualification phase.

[102] In the area of operational quality, special training courses related to root cause research tools, the identification of countermeasures and the assessment of their robustness are released. Trained people are evaluated with specific tests certifying their learning; among them those who are directly involved in improvement activities and problem solving are evaluated and monitored for their degree of knowledge with special 5-level radar charts on which the gap is also measured with respect to an expected target.

89% of employees operate at sites certified according to the ISO9001 quality standard

90% of suppliers in terms of total purchase value with certification of process quality

Furthermore, Leonardo plays an active role in the evolution of sector standards and regulations through its participation in the main international organisations, including IAQG (International Aerospace Quality Group), EAQG (European Aerospace Quality Group), RMS (Regional Management Structure) and SAE (Society of Automotive Engineers), and contributes to designing the EPAS (European Plan for Aviation Safety implemented by the European aviation authority with all Member States). Since 2018, it has guided the OPC Operations Council, formerly IAQG's Strategy Working Group, which defines quality standards and the related certification scheme format, measuring effectiveness and developing the global database of best practices. In Italy, as a member of AIAD, Leonardo sits on the Quality Committee, which pays particular attention to supporting small-and medium-sized enterprises, with regard to mandatory regulations and customer-specific quality and safety requirements.

Process quality

A significant improvement was achieved in the quality management of processes and products through the use of a standardised QA Matrix across all Divisions, which is a tool that allows the collection of all "non-quality" events, the assessment of their impact, the "root causes" and the prioritisation of the best solutions for process control and its standardisation. In 2023, the matrix was implemented at 18 sites, and identified defects were prioritised based on related impact so that improvement projects could be designed on the most significant defects. Priority "non-quality" events were analysed through specific improvement projects, and more than 70% of them were closed and resolved.

Value for communities and territories

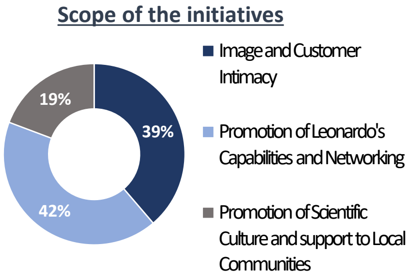
Leonardo generates value for communities by spreading a business culture that promotes sustainability through the social, economic and environmental development of the territories in which it operates. For this purpose, it launches, supports and incentivises projects with a strong social impact, aimed at disseminating knowledge and technologies, as well as enhances diversity by promoting inclusion, supports gender equality including through actions to disseminate STEM disciplines, invests in the growth of the community through volunteering skills and knowledge transfer, and safeguards environmental protection by promoting greater awareness among people. To this end, Leonardo carries out numerous engagement and awareness-raising activities in the territories that host the Group's production sites, collaborating with entities, associations and foundations, partners and non-profit organisations.

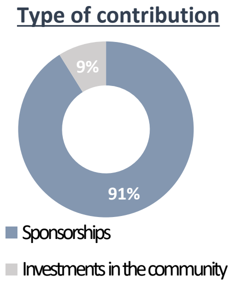
Leonardo's commitment is also expressed through the Group's Foundations and the voluntary support from its people, who thus contribute to activities targeted at the achievement of SDGs.

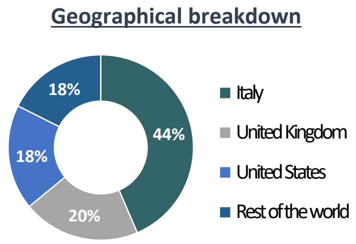
- **Leonardo Civiltà delle Macchine Foundation** is committed to promoting human rights in the digital society, combining scientific knowledge and research with culture and the arts, and fostering a constructive debate on the impacts of digital transformation. It promotes STEM and ICT competencies and digital education and supports economic growth and innovation by stimulating public debate on the sustainable development of the territories and the prospects for industrial development of the country. It supports research in the field of ethics and law of artificial intelligence through partnerships with institutions and universities.
- **Ansaldo-Leonardo Group Foundation** has been working for over 20 years in the recovery, protection, preservation and enhancement of the historical-cultural heritage consisting of its archival, photographic and film collections - over 100 collections, either its own or entrusted by third parties -, which preserve the memories in the entrepreneurial, industrial, technological and communication areas, in particular of those companies that have operated in the Liguria region.
- **Med-Or Foundation**, founded in 2021, aims to promote cultural, research and scientific training activities, to strengthen ties, exchanges and international relations between Italy and the countries of the enlarged Mediterranean area. It is an innovative, global and collaborative entity that aims to combine skills and capabilities of industry with the academic world for the development of geo-economic and socio-cultural partnership with countries in the Enlarged Mediterranean, Sub-Saharan Africa, the Middle East and the Far East with the aim of laying the foundation for sustainable and integrated development.

Social commitment, support to territories and promotion of culture

The Group's commitment to fostering the socio-cultural development of the territories in which it operates also translates into economic action: in 2023, Leonardo invested about 3 €mil[103] in sponsorship initiatives aimed at communities and the promotion of culture and scientific research. The choice of activities to be carried out has favored wide-ranging projects that would allow the creation of partnerships and collaborations, through the support of cultural institutions, initiatives of a social and solidarity nature as well as research and innovation projects.







Social commitment and support to territories

Avanchair - Collaboration work with Avanchair Startup, which has created an innovative electric wheelchair whose new prototype was presented in 2023. This project is a clear example of how technology transfer between different sectors can improve people's lives and reduce inequalities.

WEEE (Waste from Electrical and Electronic Equipment) **in prison** – It is an electrical and electronic equipment recycling project with a goal of training and social re-education of inmates in Bollate Prison - Milan. The recycling system, located inside the prison, has been built and operates thanks to the collaboration of institutional and private players[104].

Telethon Foundation – In 2023 Leonardo decided to support "Plug & Play," Telethon's technology platform for gene therapy, which can optimise the time and resources needed to complete the development of therapies in line with its commitment to social welfare and the promotion of scientific citizenship.

Volunteer bulletin board - Leonardo supports, with a dedicated in-house platform, employees' offers and requests to volunteer in favour of non-profit organizations that operate throughout the territory. The section on "volunteer stories" is connected to the platform, which collects and recounts employees' experiences.

Responsible Canteens – This programme, in partnership with Fondazione Banco Alimentare Onlus and canteen service providers, has been designed for the recovery of surplus food

Promotion of culture

Leonardo Corporate Heritage – The company museums that are part of Leonardo's Museum System in Italy are the Agusta Museum, with attached Villa in Cascina Costa di Samarate (VA), the Breda Meccanica Bresciana Museum, the Officine Galileo Museum in Campi Bisenzio (FI), the Radar Museum in Bacoli (NA), the headquarters of the Associazione della Melara in La Spezia, where the OTO-Melara historical archive is located, the Aeronautical Industry Museum in Turin and the Fucino Space Center Museum of Telespazio. In 2023 the Corporate Heritage programmes involved almost 8,000 visitors, accompanied by the company's Seniors (over 200 active in the Museums and Archives) and volunteers.

Digitalisation of archival, photographic and film heritage - The Ansaldo Foundation supports a plan to digitise its archival heritage, including photographs and films, by carrying out restoration work on some films. In 2023, the Foundation signed an agreement with Istituto Luce-Cinecittà to digitise and promote more than 300 period films related to the theme of work from the archival collections of Ansaldo and Ilva which are owned by the Foundation and have been declared of "notable historical interest" by the Archival and Bibliographic Superintendent's Office of the Liguria region. Finally, the full digitisation of the Civiltà delle Macchine magazine was completed in 2023.

Digital skills and technologies at the service of culture - In 2023, the Ansaldo Foundation signed an agreement with the University

[103] During the year, the company also financially supported, for a total value of about 2 €mil, two extraordinary activities related to the promotion of its capabilities and the consolidation of brand reputation, such as the "Centenario dell'Aeronautica Militare" and the international training activity "Formidable Shield" alongside the Italian Navy.
[104] For more details, please see the paragraph on Circular Economy in the chapter on "Planet".

from the canteens of the main Italian factories in favour of non-profit organisations. In 2023 more than 144,000 portions of food were distributed for a total economic value of about € 275,000 (more than € 3.5 million since the start of the Programme).

Support to military families in the United States – More than 90% of Leonardo DRS' investments for communities support solidarity programmes reserved for active duty and retired veterans and their families in the areas of financial assistance, adaptive sports, medical research, community engagement, grief assistance and educational scholarships. Among the organizations supported by Leonardo there are Homes For Our Troops, the Fisher House Foundation and Blue Star Families.

Plastic Free – Leonardo confirms its collaboration with Plastic Free, the most important environmental volunteering association in Italy created with the aim of informing people and raising their awareness about the dangers of plastic pollution. During the year Leonardo supported an event at Pineta di Ostia, on the occasion of World Ocean Day promoted by United Nations, which allowed the collection of over 800 kg of waste. More than 200 employees joined Plastic Free initiatives over the past two years, helping to collect more than 2 tons of waste.

Solidarity campaign for Emilia-Romagna - In order to support the population of Emilia-Romagna affected by the floods in May 2023, Leonardo, joining to the solidarity initiative jointly promoted at the national level by Confindustria and CGIL-CISL-UIL trade unions, launched a campaign for all the italian employees to donate an hour of their work and the company contributed for the equivalent amount. The total donation amounted to over € 200,000.

of Genoa and provided more than 2,000 hours of training through curricular internships in the field of archival, digital and communication technologies for the enhancement of cultural heritage. Likewise, the doctoral program on the theme of the evolution of Welfare and Corporate Identity in Ansaldo industries continued, and a new doctoral program, funded by the Liguria Region with the contribution of Ansaldo Energia, was launched on the themes of the history of national industrial development in the field of energy production.

Enhancement of cultural and artistic heritage – In 2023 the Med-Or Foundation supported various projects to enhance the cultural and artistic heritage, including: the travelling exhibition 'Mediterranea. Visions of an ancient and complex sea', realised in collaboration with MAECI - Directorate General for the Promotion of the Country System, Telespazio, the European Space Agency, the Italian Space Agency and e-GEOS; the event on "Nouakchott, Capital of Culture 2023 of the Islamic world: an Arab magic between past and future", organised in collaboration with the Mauritanian Ministry of Culture and the Mauritanian Embassy in Italy.

"Transizioni" exhibition - In 2023, the "Transizioni" exhibition curated by the Ansaldo Foundation with the support of the University of Genoa and the patronage of Genoa City Council was set up and opened to the public at Palazzo Reale in Genoa. The exhibition, which was attended by over 20,000 visitors, focused on themes related to the changes that took place because of the industrial revolutions in business, labour and society starting from the mid-19th century and throughout the 20th century.

"Carabinieri: Italian Biodiversity Keepers" exhibition - Leonardo has contributed to the "Carabinieri: Italian Biodiversity Keepers" exhibition, organised by the Italian Carabinieri Forces at the United Nations Secretariat Building in New York, to raise public awareness of the extraordinary biodiversity of Italy's territory and the indispensable need to preserve its integrity.

Digital education, scientific culture and technological expertise

The promotion of digital education and sharing scientific knowledge, technological expertise, and innovation with the communities concerned form an integral part of Leonardo's strategy to strengthen the innovation chain and reduce the educational and social gap in the territories in which it operates.

Leonardo fosters upskilling and reskilling programmes dedicated both to keeping its people constantly up to date with technological developments[105], and to support the dissemination of scientific culture to external communities by making available its wealth of knowledge and distinctive skills.

At Leonardo the valorisation of diversity and the promotion of social inclusion are a fundamental value, as well as a distinctive factor in competitiveness to be also pursued by fostering the development of technical and scientific skills in the communities concerned.

Over 400,000 people reached with scientific and digital citizenship programmes	**More than 30,000 male and female students** visited Leonardo's stands and interacted with company representatives during the Career Days	**About 1,400 schools, more than 1,900 teachers and 60,000 students** involved in the STEMLab project	**More than 2,000 hours of teaching** by Leonardo employees in Italian schools and universities

Leonardo has a network of STEM ambassadors operating in the various geographical areas, which, through training and popularisation activities delivered in collaboration with Technical High Schools, encourage new generations to undertake STEM-related courses of study, spreading passion for science and technology. Within the scope of the School-Business System project, promoted by the ELIS consortium, Leonardo has also made available to students of 1st and 2nd degree secondary schools the testimonies of 25 Role Model female employees with STEM backgrounds, who, through inspirational talks, have dedicated training sessions to students to support their future educational orientations. In this context, there is also the Young Women Empowerment Program - YEP, dedicated to female students in Southern Italy and promoted by the Ortygia Business School Foundation, which promotes training based on the skills of the future and a culture of gender equality, to counteract stereotypes and inequalities in the education and professional fields. The commitment to promoting STEM education is also important in other geographical areas in which the Group operates: in the United Kingdom career fairs, summer schools and dedicated contests have been organized, which have led to an increase of almost 20% in female placement for internship, apprenticeship and industrial placement roles.

Digital education

Digital High School – The adventure of the new "digital high school" at the Matteucci Institute in Rome, started in 2022, continued into 2023. The project, which is the result of a proposal by the Leonardo Foundation, was implemented in collaboration with Leonardo, the Ministry of Education and the Matteucci Institute in Rome. The goal is to develop digital and technical skills, integrated and harmonised by humanistic knowledge, which are fundamental to ensuring a sustainable future. This five-year course of study includes a course in Artificial Intelligence developed by Leonardo experts who also serve as tutors in the

STEM Lab – The project was created for the purpose of promoting the dissemination of STEM education by providing content for teachers of 2nd-degree secondary schools in Italy and raising awareness among boys and girls. The initiative reinforces Leonardo's role as a hi-tech leader in support of the education system, enhancing the company's wealth of knowledge to the outside world and strengthening the relationship with the territory. STEMLab offers teachers free video lessons in the form of webinars, with teaching guides and workshop sheets to explore with students subjects and technologies connected with

[105] For detalils please refer to paragraph Skill management and enhancement of "People" chapter.

planning phase and company internships planned for the final year of the course. In 2023, student enrolment in this course of study doubled, leading the Ministry of Education to grant the opening of a second section.

Digital Transition Laboratory - In collaboration with Bocconi, Trento and Florence Universities and the Privacy Guarantor, the Leonardo Foundation Laboratory is a space for study on the themes of Artificial Intelligence and digitisation on the Italian, European and global scene, through position papers, research and conferences.

Become a Digital Citizen - Born from the agreement between Leonardo, Leonardo Foundation and the General Command of the Carabinieri Corps, work continued in 2023 on this project which aims to reduce the digital divide in Italy, encouraging access to new technologies by the older social groups. With 33 offices in small and medium-sized municipalities made available by the Carabinieri, more than 300 citizens participated in the project in 2023.

innovation, including content that is developed directly by Leonardo experts. Contests such as the STEM Olympiad were also organised and multimedia Apps made available. Among the topics Artificial Intelligence, Big Data, Additive Manufacturing/3D Printing, Drones, Electrification, Ports and Airports, Space Robotics, Regulation on the use of chemicals (REACH), Cyber Security. By the end of December 2023, two years and a half after its launch, more than 1,900 teachers were enrolled and about 1,400 schools and more than 60,000 students were involved.

As part of the 59th edition of the Oscar di Bilancio awards, promoted by FERPI (Federazione Relazioni Pubbliche Italiana), Borsa Italiana and Bocconi University, Leonardo won the Generation Z Award, for "the ability to involve younger generations in achieving sustainability goals through innovative projects such as STEMLab."

ITS Academy – Work continued on Leonardo's commitment to creating a national ecosystem of digital skills under the agreement formalised between the Leonardo Foundation, the Emilia-Romagna, Liguria, Puglia and Umbria Regional Governments, the Ministry for Digital Transformation (MITD), the Cyber Security Agency, Confindustria INDIRE, the National ITS Association and the Minister of Education at the end of 2022, with the aim of creating ITS Academy curricular training programmes aimed at training various profiles.

Scientific culture and technological skills

Outreach project – The Leonardo Foundation has started the preparatory activities for the realisation of the Outreach Project, which will be fully implemented during 2024. It is an innovative project that aims to raise awareness and bring a heterogeneous public closer to the content of a scientific nature and relating to the world of technological innovation, developed by Leonardo, with the aim of disseminating them through multimedia information tools and digital platforms with educational and training purposes. The project will make use of a dedicated Multimedia Production Centre.

Treccani Scuola – The collaboration between the Leonardo Foundation and Treccani also continued in 2023 for the programming of online lessons and multimedia educational content intended for the Treccani Scuola platform, with the aim of making Leonardo's advanced technological knowledge and skills available to the Italian school system.

Cielo Itinerante - Leonardo has collaborated in the realisation of 3 stages of the tour of Cielo Itinerante, an Italian non-profit association founded with the objective of bringing children in territories characterised by a higher rate of educational poverty and school drop-outs closer to space and the study of STEM disciplines. In these stages, dedicated to the promotion of science and technology with a focus on space, Leonardo brought the testimony of its activities in local areas through its Sustainability

Precision Agriculture 4.0 – Even in 2023 work continued on the Leonardo Foundation's workshops and meetings on the subject of Precision Agriculture 4.0, following the 1st National Conference on Precision Agriculture, sponsored by the Foundation, in partnership with the Polytechnic University of Bari and University of Bari Aldo Moro, in order to present and deepen the innovative technologies of Precision Agriculture and the enabling technologies of the Impresa 4.0 programme for competitive and sustainable production.

Research Projects - In the course of 2023, the Med-Or Foundation organised numerous research projects in cooperation with various international research organisations and think tanks on topics mainly related to security, energy transition and new technologies in the wider Mediterranean region and the Middle East.

"Futuri Probabili" – Fondazione Leonardo, supported by Intesa Sanpaolo Spa, launched in 2022 and continued in 2023 "Futuri Probabili", research project targeted to the new generations. The aim is capturing young generations ideas on the next future related to some key topics: city, digital, scientific and technological innovation, space, demographics and migrations. The project also includes the production and distribution of docu-movies, articles and short clips which can be accessed via Fondazione Leonardo site and social media.

hackher - Leonardo supported the fourth edition of "hackher," a multidisciplinary project, which is also sponsored by the European

Managers, involving over a hundred children from local communities and children/grandchildren of employees.

“Università per il Subacqueo” - The Leonardo Foundation, in collaboration with the Italian Navy and with the support of scholars and researchers from the National Research Council of Italy (CNR) and La Sapienza University, presented in March 2023 at the Livorno Naval Academy, a Report dedicated to the underwater dimension, which aims to regulate underwater activities and proposes the creation of a National Authority for Underwater Traffic.

Science Festival – Even in 2023, Leonardo, as historical partner of the event, sponsored the Genoa Science Festival, which featured 250 initiatives in 35 city locations and 200 thousand total attendance.

Progetto Paese – Fondazione Leonardo organised “Progetto Paese”, a cycle of meetings aimed at sharing the competencies of the state-owned public companies and contribute to developing a new leadership. The training courses involved the Ufficiali dell’Arma dei Carabinieri, the Scuola della Guardia di Finanza and Scuola della Polizia Superiore.

"Industry and Start Up for Space" Conference – In 2023, as well, the Leonardo Foundation, in collaboration with central State Institutions, Universities and Research Centres, promoted the "Industry and Start Up for Space" Conference, as part of the National Space Day, in order to combine the debate on the aerospace domain with the training of new generations.

Parliament, with the aim of bringing girls closer to the STEM world and promoting gender equality in Information Technology.

Med-Or Foundation Scholarships – During 2023, the Med-Or Foundation funded a total of 346 scholarships for students from Africa and Middle East, including: 22 for bachelor's degree programmes, 27 for specialist courses, 7 for doctorates and post-doctoral research grants, 3 for master's degrees, 287 for educational and language training.

Girls@Polimi – Also in 2023, Leonardo actively participated in the Girls@polimi project, providing 4 scholarships for female high school seniors interested in enrolling in courses in Aerospace, Automation, Electrical, Electronic, Computer, Mechanical, and Industrial Production Engineering at the Polytechnic University of Milan for the 2023-2024 academic year. By supporting this further initiative, Leonardo aims to further support the orientation of the younger generation, and in particular women, towards the study of STEM disciplines.

CORRELATION TABLE – NON-FINANCIAL STATEMENT

Leonardo's Consolidated Non-Financial Statement (**NFS**) 2023 is included within the Report on Operations of the Integrated Financial Statements 2023 and is prepared in accordance with Legislative Decree 254/2016, which in turn assimilates European Directive 2014/95. The topics required by Legislative Decree 254/2016 are covered in the document, consistently with the relevance of the topics themselves with respect to the Group's characteristics, giving evidence of activities, performance, results and impacts. The **NFS**, moreover, is prepared in accordance with the GRI Standards 2021 and contains additional indicators, to be considered additional to the disclosure prepared in accordance with the GRI Standards to meet the requirements of Articles 3 and 4 of Legislative Decree 254/16, which allow the Group's performance to be measured with respect to the relevant issues (in this regard, see the sections "ESG performance indicators", "SASB content index" and "Other indicators"). Below is a reconciliation table that identifies, for each area provided for by Legislative Decree 254/2016, the material issues for Leonardo and the references to the GRI Standards.

Correlation table with Legislative Decree 254/2016

Topics of D.lgs. 254/2016	Scope	Reference			GRI Standards disclosures
		Document	Chapter	Paragraph	
Reporting standards and materiality analysis	Environment, Social, Personnel, Human rights, Corruption	RO	Strategy and outlook	Materiality analysis	2-2, 2-3, 2-4, 2-5, 3-1, 3-2
			Governance	Stakeholder engagement	
			Annex to the operations report – Methodology note of the NFS	Methodology note of the NFS	
Business model for the management and organisation of company activities	Environment, Social, Personnel, Human rights, Corruption	RO	Group profile	*Note 1*	2-1, 2-6, 2-9, 2-10, 2-11, 2-12, 2-13, 2-14, 2-15, 2-16, 2-17, 2-18, 2-19, 2-20, 2-22, 2-23, 2-24, 2-29
			Governance	*Note 1*	
		CGR	Organisational Model as per Legislative Decree 231/2001	*Note 1*	
			Additional corporate governance practices	*Note 1*	
Company policies, including due diligence procedures, outcomes and related **key non-financial performance indicators**	Environment	RO	Strategy and outlook	Sustainability Plan	301-1, 302-1,3, 303-1,2,3, 304-1, 305-1,2,3,4,5,7, 306-1,2,3, 306-3 (2016), 308-1, 3-3 (for material topics, see the following table)
			Group’s results and financial position	ESG performance indicators	
			Planet	*Note 1*	
			Prosperity	Supply chain value	

Topics of D.lgs. 254/2016	Scope	Reference			GRI Standards disclosures
		Document	Chapter	Paragraph	
	Social	RO	Strategy and outlook	Sustainability Plan	2-21, 2-25, 2-26, 2-27, 2-28, 201-1, 203-1, 204-1, 207-1-2-3-4, 416-1, 3-3 (for material topics, see the following table)
			Prosperity	*Note 1*	
	Personnel	RO	Strategy and outlook	Sustainability Plan	2-7, 2-8, 201-3, 401-1-3, 402,1, 405-1-2, 403-1-2-3-4-5-6-7-9, 401-1, 404-1-2, 3-3 (for material topics, see the following table)
			Group's results and financial position	ESG performance indicators	
			People	*Note 1*	
	Human rights	RO	Strategy and outlook	Sustainability Plan	2-30, 407-1, 414-1, 418-1, 3-3 (for material topics, see the following table)
			People	Respect for human rights	
		Code of Ethics			
	Corruption	RO	Strategy and outlook	Sustainability Plan	205-2-3, 206-1, 415-1, 3-3 (for material topics, see the following table)
			Governance	Responsible business conduct	
		CGR	Additional corporate governance practices	*Note 1*	
		Anti-Corruption Code			
Main risks, generated or undergone, including their management, related to the abovementioned matters	Environment, Social, Personnel, Human rights, Corruption	RO	Governance	Risk management	
		RO	Profile	Trend and vision	
Diversity in management and supervisory bodies		RO	Governance	Corporate governance	2-7, 2-8, 405-1
			People	Skill management and enhancement	
		CGR	Diversity criteria and policies	*Note 1*	

Legend

Note 1: Whole chapter included in the NFS *CGR = Corporate Governance Report 2024 (fiscal year 2023)*

RO = Report on Operations

Correlation table between material topics, Legislative Decree 254/2016 and GRI indicators

Scope under Legislative Decree 254/2016	Material topic	Reference to GRI topics
Environment	Climate change, adaptation/mitigation	GRI 302, GRI 305
	Sustainable supply chain	GRI 308
	Natural resources and biodiversity management	GRI 303, GRI 304, GRI 305
	Environmental impact of the use of materials	GRI 301, GRI 306
	Citizen security	Non GRI topic
Social	Solutions' quality, security and performance	GRI 416
	R&D, innovation and advanced technologies	GRI 201, GRI 203
	Cyber security and data protection	GRI 418
	Sustainable supply chain	GRI 204, GRI 407, GRI 414
	Citizens' security	Non GRI topic
	Relations with local areas and communities	GRI 203
	Digital transformation	Non GRI topic
	Business integrity, compliance and anti-corruption	GRI 205, GRI 206, GRI 207, GRI 415, GRI 405
Personnel	Health and safety	GRI 403
	Diversity, equity and inclusion	GRI 201, GRI 401, GRI 402, GRI 405, GRI 406
	Skill development, talent attraction and wellbeing of employees	GRI 401, GRI 404
Human rights	Diversity, equity and inclusion	GRI 402, GRI 405, GRI 406
	Sustainable supply chain	GRI 204, GRI 308, GRI 407, GRI 414
	Protection of human rights	GRI 403, GRI 406

INDEPENDENT AUDITORS' REPORT ON THE NON-FINANCIAL STATEMENT AT 31 DECEMBER 2023

Building a better working world

Leonardo S.p.A.

Independent auditor's report on the consolidated disclosure of non-financial information in accordance with article 3, par. 10, of Legislative Decree December 30, 2016, n. 254 and article 5, par. 1 item g), of Consob Regulation adopted with Resolution n. 20267 of January 18, 2018

Independent auditor's report on a selection of indicators presented in the consolidated disclosure of non-financial information

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Independent auditor's report on the consolidated disclosure of non-financial information in accordance with article 3, par. 10, of Legislative Decree December 30, 2016, 254 and with article 5, par. 1 item g), of Consob Regulation adopted with Resolution n. 20267 of January 18, 2018

(*Translation from the original Italian text*)

To the Board of Directors of
Leonardo S.p.A.

We have been appointed to perform a limited assurance engagement pursuant to article 3, par. 10, of Legislative Decree December 30, 2016, n. 254 (hereinafter "Decree") and article 5, par. 1 item g), of Consob Regulation adopted with Resolution n. 20267 of January 18, 2018, on the consolidated disclosure of non-financial information of Leonardo S.p.A. and its subsidiaries (hereinafter "Group" or "Leonardo Group") for the year ended December 31, 2023 in accordance with article 4 of the Decree, presented in the specific section of the Director's Report of the Group's consolidated financial statements and approved by the Board of Directors on March 12, 2024 (hereinafter "DNF").

Our limited assurance engagement does not cover the information included in the paragraph "*Information on EU Taxonomy for sustainable activities*" of the DNF, that are required by article 8 of the European Regulation 2020/852.

Responsibilities of Directors and Board of Statutory Auditors for the DNF

The Directors are responsible for the preparation of the DNF in accordance with the requirements of articles 3 and 4 of the Decree and the "*Global Reporting Initiative Sustainability Reporting Standards*" defined by *GRI – Global Reporting Initiative* (hereinafter "*GRI Standards*"), identified by them as a reporting standard.

The Directors are also responsible, within the terms provided by law, for that part of internal control that they consider necessary in order to allow the preparation of the DNF that is free from material misstatements caused by fraud or not intentional behaviors or events.

The Directors are also responsible for identifying the contents of the DNF within the matters mentioned in article 3, par. 1, of the Decree, considering the business and the characteristics of the Group and to the extent deemed necessary to ensure the understanding of the Group's business, its performance, its results and its impact.

The Directors are also responsible for defining the Group's management and organization business model, as well as with reference to the matters identified and reported in the DNF, for the policies applied by the Group and for identifying and managing the risks generated or incurred by the Group.

The Board of Statutory Auditors is responsible, within the terms provided by the law, for overseeing the compliance with the requirements of the Decree.

Auditor's independence and quality control

We are independent in accordance with the ethics and independence principles of the *International Code of Ethics for Professional Accountants* (*including International Independence Standards*) (*IESBA Code*) issued by the *International Ethics Standards Board for Accountants*, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior. Our audit firm applies the *International Standard on Quality Control 1* (*ISQC Italia 1*) and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

Auditor's responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the DNF with the requirements of the Decree and of the *GRI Standards*. Our work has been performed in accordance with the principle of *International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (hereinafter "*ISAE 3000 Revised*"), issued by the *International Auditing and Assurance Standards Board (IAASB)* for limited assurance engagements. This principle requires the planning and execution of work in order to obtain a limited assurance that the DNF is free from material misstatements. Therefore, the extent of work performed in our limited assurance engagement was lower than that required for a full examination according to the *ISAE 3000 Revised* ("reasonable assurance engagement") and, hence, it does not provide assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

The procedures performed on the DNF were based on our professional judgment and included inquiries, primarily with company's personnel responsible for the preparation of the information included in the DNF, documents analysis, recalculations and other procedures aimed to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

1. analysis of the relevant matters in relation to the activities and characteristics of the Group reported in the DNF, in order to assess the reasonableness of the selection process applied in accordance with the provisions of article 3 of the Decree and considering the reporting standard applied;
2. analysis and evaluation of the criteria for identifying the consolidation area, in order to evaluate its compliance with the provisions of the Decree;
3. comparison of the economic and financial data and information included in the DNF with those included in the Leonardo Group consolidated financial statements;
4. understanding of the following aspects:
    - Group's management and organization business model, with reference to the management of the matters indicated in the article 3 of the Decree;
    - policies adopted by the Group related to the matters indicated in the article 3 of the Decree, results achieved and related key performance indicators;
    - main risks generated or suffered related to the matters indicated in the article 3 of the Decree.

With regard to these aspects, we obtained the documentation supporting the information contained in the DNF and performed the procedures described in item 5. a) below.

5. understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the DNF.

   In particular, we have conducted interviews and discussions with the management of Leonardo S.p.A. and with the personnel of Leonardo UK Ltd, Leonardo US Holding LLC, and Wytwornia Sprzetu Komunikacyjnego "PZL-Swidnik" Spolka Akcyjna and we have performed limited documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of non-financial data and information to the management responsible for the preparation of the DNF.

   Furthermore, for significant information, considering the Group activities and characteristics:

   - at group level
     a) with reference to the qualitative information included in the DNF, and in particular to the business model, policies implemented and main risks, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidences;
     b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.

   - for Leonardo S.p.A. (Pomigliano site – Aerostructures division; Venegono Superiore – Aircrafts division), Leonardo UK Ltd (Edinburgh site – Electronics division - and Yeovil site - Helicopters division), Leonardo US Holding LLC (Melbourne Babcock site – DRS), and Wytwornia Sprzetu Komunikacyjnego "PZL-Swidnik" Spolka Akcyjna (Świdnik site – Helicopters division) that we have selected based on their activities, relevance to the consolidated performance indicators and location, we have carried out site visits and remote interviews during which we have had discussions with management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the DNF of the Leonardo Group for the year ended on December 31, 2023 has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the *GRI Standards*.

Our conclusion on the DNF of the Leonardo Group do not refer to the information included in the paragraph "*Information on EU Taxonomy for sustainable activities*" of the DNF itself, that are required by article 8 of the European Regulation 2020/852.

Rome, March 15, 2024

EY S.p.A.
Signed by: Riccardo Rossi, Auditor

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This report has been translated into the English language solely for the convenience of international readers.

Independent auditor's report on a selection of indicators presented in the consolidated disclosure of non-financial information (*Translation from the original Italian text*)

To the Board of Directors of
Leonardo S.p.A.

We have been appointed to perform a reasonable assurance engagement on a selection of indicators (hereinafter "Selection of Indicators") for the year ended December 31, 2023, presented in the consolidated disclosure of non-financial information of Leonardo S.p.A. and its subsidiaries (hereinafter "Group" or "Leonardo Group") for the year ended December 31, 2023 (hereinafter "DNF"), identified in the paragraph "*Methodology note of the NFS*" of the DNF itself and reported in section "*Auditor's responsibility*" of this report.

Responsibilities of Directors for the Selection of Indicators

The Directors are responsible for the preparation of the Selection of Indicators in accordance with the "Global Reporting Initiative Sustainability Reporting Standards" defined by GRI – Global Reporting Initiative (hereinafter "GRI Standards"), as reported in the paragraph "*Methodology note of the NFS*" of the DNF.

The Directors are also responsible for that part of internal control that they consider necessary in order to allow the preparation of the Selection of Indicators that are free from material misstatements caused by fraud or not intentional behaviors or events.

Auditor's independence and quality control

We are independent in accordance with the ethics and independence principles of the *International Code of Ethics for Professional Accountants* (including *International Independence Standards*) (*IESBA Code*) issued by the *International Ethics Standards Board for Accountants*, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior.
Our audit firm applies the *International Standard on Quality Control 1* (*ISQC Italia 1*) and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

Auditor's responsibility

It is our responsibility to express, on the basis of the procedures performed, an opinion about the compliance of the Selection of Indicators with the requirements of the GRI Standards. Our work has been performed in accordance with the criteria of the principle *International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the *International Auditing and Assurance Standards Board* (IAASB) for reasonable assurance engagements. This principle requires the planning and execution of work in order to obtain a reasonable assurance that the Selection of Indicators are free from material misstatements.

EY S.p.A.
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Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi
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As part of our engagement, we have carried out procedures aimed at obtaining evidence on the data and information included in the Selection of Indicators. The procedures defined are based on the auditor's professional judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In performing these risk assessment procedures, the auditor considers the internal control related to the Selection of Indicators in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

In particular, we have performed the following procedures:

- conducted interviews with relevant personnel to understand the business and reporting processes, including sustainability objectives, principles and management aspects related to the Selection of Indicators;
- conducted interviews with key personnel to understand the sustainability reporting system during the reporting period, including the process for collecting, collating and reporting the Selection of Indicators;
- checked that the calculation criteria have been correctly applied in accordance with the methodologies outlined by the GRI Standards;
- undertook analytical review procedures to support the reasonableness of the data;
- identified and testing assumptions supporting calculations;
- tested, on a sample basis, underlying source information to check the accuracy of the data;
- inspected relevant documentation of the systems and processes for compiling, analyzing, and aggregating data in the reporting period and testing such documentation on a sample basis;
- performing site visits to visually inspect operations and perform inquiries and inspect documents on a sample basis.

Below is reported the Selection of Indicators on which a reasonable assurance engagement has been performed:

- GRI 302-1: Energy consumption within the organization;
- GRI 302-3: Energy intensity – (measured on consolidated revenues);
- GRI 303-3: Water withdrawal;
- GRI 305-1: Direct (Scope 1) GHG emissions;
- GRI 305-2: Energy indirect (Scope 2) GHG emissions;
- GRI 305-4: GHG emissions intensity – (measured on consolidated revenues);
- GRI 306-3: Waste generated;
- GRI 401-1: New employee hires and employee turnover (including hires of women with STEM degree);
- GRI 403-9: Work-related injuries;
- GRI 404-1: Average hours of training per year per employee;
- GRI 405-1: Diversity of governance bodies and employees.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Selection of Indicators for the year ended December 31, 2023, presented in the DNF of the Group, identified in the paragraph "*Methodology note of the NFS*" of the DNF itself and reported in section "*Auditor's responsibility*" of this report have been prepared, in all material aspects, in accordance with the GRI Standards.

Rome, March 15, 2024

EY S.p.A.
Signed by: Riccardo Rossi, Auditor

This report has been translated into the English language solely for the convenience of international readers.

PART 3 – OTHER INFORMATION ON THE REPORT ON OPERATIONS

PERFORMANCE OF THE PARENT COMPANY

The KPIs for the period and the main changes that characterised the Parent Company's performance compared to 2022 are reported below.

	2022	2023	% Change
New orders	9,060	11,789	30.1%
Order backlog	25,866	27,426	6.0%
Revenues	9,556	9,937	4.0%
EBITDA	968	1,011	4.4%
EBITA	525	564	7.4%
ROS	*5.5%*	*5.7%*	*0.2 p.p.*
EBIT	354	411	16.1%
EBIT Margin	*3.7%*	*4.1%*	*0.4 p.p.*
Net result before extraordinary transactions	1,701	841	(50.6%)
Net result	1,701	784	(53.9%)
Net Debt	4,442	3,555	(20.0%)
FOCF	484	322	(33.5%)
ROI	*4.7%*	*4.7%*	*0.0 p.p.*
Workforce	30,457	31,255	2.6%

For the definition of indices, reference should be made to the paragraph "Non-GAAP alternative performance indicators".

The performance of Leonardo SpA's key indicators in 2023 confirmed the forecasts of a recovery in growth reported in the financial statements as at 31 December 2022, showing an improvement in the Company's industrial performance in 2023.

The volume of new orders stood at excellent levels, with revenues rising in all the main business areas.

In particular:

- the volume of new orders, equal to €mil. 11,789 , showed a significant growth of 30.1%, compared to 2022, confirming the good competitive positioning of the Company's products and solutions;
- revenues of €mil. 9,937 showed, compared to 2022 (€mil. 9,556), an increase of 4% mainly thanks to the performance of the Helicopters segment;
- EBITA, equal to €mil. 564, showed an increase of €mil. 39 (+ 7.4%) against the comparative period. Operating profitability stood at 5.7% with a slight increase of 0.2% on 2022;
- EBIT, equal to €mil. 411 , showed, compared to 2022, an increase of €mil. 57, benefitting from improved EBITA and being affected by a lower incidence of restructuring costs compared to 2022;
- the net result before extraordinary transactions, equal to €mil. 841 (€mil. 1,701 at 31 December 2022), recorded a decrease of €mil. 860 on 2022 which benefitted from the write-back, stated among financial income, of the investment in the US subsidiary Leonardo US Holding for €mil. 1,290 following the transaction to restructure the Leonardo Group's investments in the United States. The net result, amounting to €mil. 784, includes the charges, equal to €mil. 57, related to the negotiations that have been started to dispose of the investment in Industria Italiana Autobus SpA.

Reclassified income statement

(€ millions)	*Note*	2022	2023	Change	% Change
Revenues		9,556	9,937	381	4.0%
Purchase and personnel expenses	*(*)*	(8,505)	(8,957)		
Other net operating income(expenses)	*(**)*	(83)	32		
Amortisation, depreciation and write-offs	*(***)*	(443)	(448)		
EBITA		**525**	**564**	**39**	**7.4%**
ROS		*5.5%*	*5.7%*	0.2 p.p.	
Non-recurring income/(expenses)		(61)	(103)		
Restructuring costs		(108)	(48)		
Amortisation of intangible assets acquired as part of business combinations		(2)	(2)		
EBIT		**354**	**411**	**57**	**16.1%**
EBIT Margin		*3.7%*	*4.1%*	0.4 p.p.	
Net financial income (expense)	*(****)*	1,416	514		
Income taxes		(69)	(84)		
Net result before extraordinary transactions		**1,701**	**841**	**(860)**	**(50.6%)**
Net result related to discontinued operations and extraordinary transactions	*(*****)*	-	(57)		
Net result		**1,701**	**784**	**(917)**	**(53.9%)**

Notes to the reconciliation between the reclassified income statement and the statutory income statement (for details, reference is made to the Note on "Non-GAAP alternative performance indicators"):
(*) Includes "Purchases and Personnel expense" (excluding restructuring costs and non-recurring costs) and "Accruals (reversals) for onerous contracts (losses at completion)";
(**) Includes the net amount of " Other operating income " and " Other operating expenses " (excluding restructuring costs, non-recurring income/(expense) and accruals (reversals) for onerous contracts (losses at completion);
(***) Includes "Amortisation, depreciation and impairment losses and value adjustments to financial assets", excluding the amortisation charge referable to intangible assets acquired as part of business combinations, goodwill impairment and write-downs regarded as "Non-recurring costs";
(****) Includes "Financial income (expense)" (net of the gains and losses relating to extraordinary transactions);
(*****) Includes gains and losses on extraordinary transactions (main acquisitions and disposals).

Financial performance

Cash and cash equivalents came to €mil. 1,791, up by €mil. 751 compared to 2022, while FOCF, equal to €mil. 322, decreased by € mil. 162 on the previous year mainly as a result of a higher use of cash flows from operations.

Reclassified cash flow statement

(€ millions)	*Note*	2022	2023	Change	% Change
Cash flows generated/(used) from operating activities	*(*)*	821	576		
Dividends received		131	185		
Cash flows from ordinary investing activities	*(**)*	(468)	(439)		
Free Operating Cash Flow (FOCF)		**484**	**322**	**(162)**	**(33.5%)**
Strategic transactions	*(***)*	(616)	-		
Change in other investing activities	*(****)*	141	667		
Net change in loans and borrowings		(766)	(153)		
Dividends paid		(79)	(81)		
Net increase (decrease) in cash and cash equivalents		**(836)**	**755**		
Cash and cash equivalents at 1 January		1,875	1,040		
Exchange rate differences		1	(4)		
Cash and cash equivalents at 31 December		**1,040**	**1,791**		

Notes on the reconciliation between the reclassified cash flow and the statutory cash flow:
(*) Includes "Cash flows generated from (used in) operating activities", excluding debt payments pursuant to Law 808/1985;
(**) Includes "Cash flows generated from (used in) investing activities", including payments and collections under Law 808/1985 and net of dividends collected;
(***) Includes "Other investing or divestment activities" classified as "Strategic transactions";
(****) Includes "Other investing or divestment activities", excluding dividends collected from non-consolidated companies, the effects of transactions classified as "Extraordinary transactions" and collections under Law 808/1985.

Reclassified statement of financial position

(€ millions)	*Note*	31 December 2022	31 December 2023
Non-current assets		15,342	15,177
Non-current liabilities		(1,745)	(1,798)
Capital assets	*(*)*	**13,597**	**13,379**
Inventories	*(**)*	(421)	(658)
Trade receivables		3,140	3,634
Trade payables		(2,475)	(2,802)
Working capital		**244**	**174**
Provisions for short-term risks and charges		(786)	(804)
Other net current assets (liabilities)	*(***)*	(954)	(741)
Net working capital		**(1,496)**	**(1,371)**
Net invested capital		**12,101**	**12,008**
Equity		7,659	8,413
Net Debt		**4,442**	**3,555**
Net (assets)/liabilities held for sale	*(****)*	-	**40**

Notes to the reconciliation between the reclassified and the statutory statements of financial position (for details, reference is made to the Note on "Non-GAAP alternative performance indicators"):
(*) Includes all non-current assets and all non-current liabilities, excluding "Non-current loans and borrowings" and the main non-current financial receivables;

(**) Includes "Inventories", "Contract Assets" and "Contract Liabilities";
(***) Includes "Income tax receivables" and "Other current assets" (excluding "Hedging derivatives in respect of debt items"), net of "Income tax payables" and "Other current liabilities" (excluding "Hedging derivatives in respect of debt items");
(****) Includes the net amount of "Non-current assets held for sale" and "Liabilities associated with assets held for sale".

The Company's net debt as at 31 December 2023 came to €mil. 3,555 with a decrease of 20% (€mil.4,442 at 31 December 2022) and breaks down as follows:

Nel financial debt

(€ millions)	31 December 2022	of which current	31 December 2023	of which current
Bonds	1,628	*36*	1,631	*635*
Bank debt	1,103	*22*	1,084	*41*
Cash and cash equivalents	(1,040)	*(1,040)*	(1,791)	*(1,791)*
Net bank debt and bonds	**1,691**		**924**	
Current loans and receivables from related parties	(277)	*(277)*	(507)	*(507)*
Other current loans and receivables	(49)	*(49)*	(14)	*(14)*
Current loans and receivables and securities	**(326)**		**(521)**	
Forex derivatives covering debt items	19		6	
Non current financial receivables from Group's consolidated entities	(75)		(113)	
Other related parties loans and borrowings	2,387	*2,230*	2,614	*2,459*
Lease liabilities from related parties	580	*107*	498	*117*
Lease liabilities	81	*19*	97	*19*
Other financial debts	85	*26*	50	*16*
Net Debt	**4,442**		**3,555**	

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

Net debt decreased by €mil. 887; such improvement is mainly attributable to the cash inflows realized by the Company during 2023.

At 31 December 2023, Leonardo SpA had cash resources available for a total of about €mil. 4,210, to meet the financing needs of the Group's recurring operations, broken down as follows:

- an ESG-linked Revolving Credit Facility totaling €mil. 2,400, divided into two tranches of €mil. 600 and €mil. 1,800 maturing 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 issuance of Multi-Currency Commercial Papers on the European market, for a maximum amount of €bil. 1 with maturity 2 August 2025.

The Company also has a Sustainability-Linked loan of €mil. 260 granted by the European Investment Bank – whose contract was signed in November 2022 – entirely unused at the date of this document.

Furthermore, Leonardo has unconfirmed lines of credit for guarantees for a total €mil. 10,479, €mil. 3,019 of which was still available at 31 December 2023.

Below are reported the statements of reconciliation between the line items of the reclassified statements with the statutory financial statements for financial year 2023 of Leonardo SpA.

(€ millions)	Scheme	PPA amortization	Restructuring and non recurring costs	Onereous contracts (losses at completion)	Extraord. transactions.	Reclassified scheme
Revenues	9,937					9,937
Purchase and personnel expenses	(9,066)		52	57		(8,957)
Other net operating income/(expenses)	6		83	(57)		32
Amortisation, depreciation and write-offs	(466)	2	16			(448)
EBITA						**564**
Non-recurring income/(charges)			(103)			(103)
Restructuring costs			(48)			(48)
Amortisation of intangible assets acquired as part of business combinations		(2)				(2)
EBIT						**411**
Net financial income (expense)	457				57	514
Income taxes	(84)					(84)
Net result before extraordinary transactions						**841**
Net result related to discontinued operations and extraordinary transactions					(57)	(57)
Net result	**784**					**784**

(€ millions)	Scheme	Financial receivables and cash	Financial payables	Hedging derivatives on debt items	Reclassified scheme
Non-current assets	15,290	(113)			15,177
Non-current liabilities	(4,483)		2,685		(1,798)
Capital assets					**13,379**
Current assets	13,065	(2,311)		6	10,760
Current liabilities	(15,419)		3,288		(12,131)
Net working capital					**(1,371)**
Total equity	8,413				**8,413**
Net Debt		(2,424)	5,973	6	**3,555**
Net (assets)/liabilities held for sale	40				40

(€ millions)	Scheme	Dividends received	Royalties / Law no. 808 payables and receipts	Reclassified scheme
Cash flows generated/(used) from operating activities	556		20	576
Dividends received		185		185
Investments in property, plant and equipment and intangible assets	453			
Sales of property, plant and equipment and intangible assets	(2)			
Cash flows from ordinary investing activities	(451)		12	(439)
Free Operating Cash Flow (FOCF)				**322**
Other investing activities	884	(185)	(32)	667
Cash flows generated (used) from investing activities	**433**			
Bond buy repayments	-			
Net change in other loans and borrowings	(153)			
Net change in loans and borrowings	**(153)**			(153)
Dividends paid	(81)			(81)
Cash flows generated (used) from financing activities	**755**			**755**
Net increase (decrease) in cash and cash equivalents	755			755
Exchange rate differences	(4)			(4)
Cash and cash equivalents at 1 January	1,040			1,040
Cash and cash equivalents at 31 December	**1,791**			**1,791**

THE PARENT COMPANY'S OFFICES

The Parent Company's offices are:

- Registered Office: Rome, Piazza Monte Grappa, 4
- Secondary office: Genoa, Corso Perrone, 118

RECONCILIATION OF NET PROFIT AND SHAREHOLDERS' EQUITY OF THE GROUP PARENT WITH THE CONSOLIDATED FIGURES AT 31 DECEMBER 2023

	2023	
(€ millions)	Equity	of which: Net profit (loss) for the year
Group Parent equity and net profit (loss)	8,413	784
Excess of shareholders' equities in the annual financial statements compared with the carrying amounts of the equity investments in consolidated companies	(4,071)	526
Consolidation adjustments for:		
- difference between purchase price and corresponding book equity	*3,602*	*-*
- elimination of intercompany profits	*78*	*91*
- dividends from consolidated companies	*-*	*(743)*
- Translation differences	*(222)*	*-*
Group equity and net profit (loss)	**7,800**	**658**
Non-controlling interests	761	37
Total consolidated equity and net profit (loss)	**8,561**	**695**

<u>PROPOSAL TO THE SHAREHOLDERS' MEETING</u>

Dear Shareholders,

The 2023 financial statements, which we submit for your approval, close with a net profit of Euro 783,697,113.66 . In light of the foregoing, we submit the following proposed resolution for your approval:

"The Ordinary Shareholders' Meeting of LEONARDO - Società per azioni:

- considering the Report of the Board of Directors;
- considering the Report of the Board of Statutory Auditors;
- having examined the financial statements at 31 December 2023;
- having acknowledged the report of EY S.p.A.

resolves

- to approve the Directors' Report on operations and the financial statements at 31 December 2023;
- to approve the proposal posed by the Board of Directors of allocating the profit of € 783,697,113.66 for the 2023 financial year as follows:
  - as to € 39,184,855.68, equal to 5% of the profit, to legal reserve;
  - as to € 0.28, on account of dividend, by paying it, including any withholding prescribed by law, as from 26 June 2024, with "detachment date" of coupon no. 14 falling on 24 June 2024 and "record date" (i.e. date on which the dividend is payable, pursuant to Art.83-terdecies of Legislative Decree no. 58 of 24 February 1998 and Art. 2.6.6, paragraph 2, of the Regulations for the Markets organized and managed by Borsa Italiana S.p.A.) falling on 25 June 2024; the above provisions refer to each ordinary share that will be outstanding at the detachment date of the coupon, excluding treasury shares in portfolio at that date, without prejudice to the regime of those that will be actually awarded, under the current incentive plans, during the current financial year.
  - with regard to the remaining amount, to retained earnings."

For the Board of Directors

The Chairman

(Stefano Pontecorvo)

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2023

CONSOLIDATED ACCOUNTING STATEMENTS

Consolidated separate income statements

(€ millions)	*Note*	*2022*	*of which with related parties*	*2023*	*of which with related parties*
Revenues	*27*	14,713	*2,187*	15,291	*2,237*
Other operating income	*28*	775	*4*	650	*3*
Purchase and personnel expenses	*29*	(13,154)	*(1,478)*	(13,641)	*(1,247)*
Amortisation, depreciation and financial assets value adjustments	*30*	(627)		(645)	
Other operating expenses	*28*	(878)	-	(724)	-
Income before tax and financial expenses		**829**		**931**	
Financial income	*31*	392	*1*	166	*6*
Financial expenses	*31*	(380)	*(9)*	(421)	*(46)*
Share of profits/(losses) of equity-accounted investees	*12*	142		148	
Operating profit (loss) before income taxes and discontinued operations		**983**		**824**	
Income taxes	*32*	(51)		(129)	
Profit (loss) from discontinued operations	*33*	-		-	
Net profit/(loss) for the period attributable to:		**932**		**695**	
- owners of the parent		*927*		*658*	
- non-controlling interests		*5*		*37*	
Earnings/(losses) per share	*34*	*1.611*		*1.144*	
- basic and diluted from continuing operations		*1.611*		*1.144*	
- basic and diluted from discontinued operations		*n.a*		*n.a*	

Consolidated statement of comprehensive income

(€ millions)	*Note*		***2022***		***2023***
Profit (loss) for the period			**932**		**695**
Other comprehensive income (expenses):					
Comprehensive income/expense which will not be subsequently reclassified within the profit (loss) for the period:					
- Measurement of defined-benefit plans:	*20*		(324)		(77)
- revaluation		(304)		(83)	
- exchange rate gains (losses)		(20)		6	
- Tax effect	*20*		88		17
			(236)		**(60)**
Comprehensive income/expense which will or might be subsequently reclassified within the profit (loss) for the period:					
- Changes in cash flow hedges:	*20*		(24)		72
- change generated in the period		(44)		89	
- transferred to the profit (loss) for the period		20		(17)	
- exchange rate gains (losses)		-		-	
- Translation differences	*20*		12		(74)
- change generated in the period		12		(74)	
- transferred to the profit (loss) for the period		-		-	
- Tax effect and other movements	*20*		6		(18)
			(6)		**(20)**
Current portion of “Other comprehensive income (expenses)”, equity-accounted investees			130		(30)
Total other comprehensive income (expense), net of tax:			**(112)**		**(110)**
Total comprehensive income (expense), attributable to:			**820**		**585**
- *Owners of the parent*			815		572
- *Non-controlling interests*			5		13
Total comprehensive income (expense), attributable to Owners of the parent			**815**		**572**
- from continuing operations			815		572
- from discontinued operations			-		-

Consolidated statement of financial position

(€ millions)	*Note*	*31 December 2022*	*of which with related parties*	*31 December 2023*	*of which with related parties*
Intangible assets	*9*	7,410		7,565	
Property, plant and equipment	*10*	2,368		2,548	
Investment property		49		44	
Right of use	*11*	536		560	
Investments accounted for under equity method	*12*	2,099		2,087	
Receivables	*13*	276	*13*	231	*17*
Deferred tax assets	*32*	1,133		1,213	
Other non-current assets	*13*	72	-	47	-
Non-current assets		**13,943**		**14,295**	
Inventories	*15*	5,338		5,693	
Contract assets	*16*	3,652		3,636	
Trade receivables	*17*	3,338	*720*	3,685	*826*
Income tax receivables		60		91	
Loans and receivables	*17*	105	*56*	205	*183*
Other assets	*18*	598	*3*	681	*5*
Cash and cash equivalents	*19*	1,511		2,407	
Current assets		**14,602**		**16,398**	
Non-current assets held for sale	*33*	37		-	
Total assets		**28,582**		**30,693**	
Share capital	*20*	2,499		2,499	
Other reserves		4,684		5,301	
Equity attributable to the owners of the parent		**7,183**		**7,800**	
Equity attributable to non-controlling interests		516		761	
Total equity		**7,699**		**8,561**	
Borrowings (non-current)	*21*	3,531	*100*	2,885	*100*
Employee benefits	*23*	315		301	
Provisions for risks and charges	*22*	752		778	
Deferred tax liabilities	*32*	246		268	
Other non-current liabilities	*24*	861	-	901	-
Non-current liabilities		**5,705**		**5,133**	
Contract liabilities	*16*	8,015		8,733	
Trade payables	*25*	3,054	*317*	3,268	*437*
Borrowings (current)	*21*	1,082	*862*	2,044	*1,192*
Income tax payables		127		104	
Provisions for short-term risks and charges	*22*	1,078		1,087	
Other current liabilities	*24*	1,810	*47*	1,723	*42*
Current liabilities		**15,166**		**16,959**	
Liabilities associated with assets held for sale	*33*	12		40	
Total liabilities		**20,883**		**22,132**	
Total liabilities and equity		**28,582**		**30,693**	

Consolidated statement of cash flows

(€ millions)	Note	2022	of which with related parties	2023	of which with related parties
Gross cash flows from operating activities	35	1,883		1,980	
Change in trade receivables/payables, contract assets/liabilities and inventories	35	(239)	(89)	(49)	12
Change in other operating assets and liabilities and provisions for risks and charges	35	(265)	46	(372)	-
Interest paid		(169)	(8)	(173)	(40)
Income taxes received/(paid)		(58)	-	(200)	-
Cash flows generated (used) from operating activities		**1,152**		**1,186**	
Investments in property, plant and equipment and intangible assets		(762)		(782)	
Sales of property, plant and equipment and intangible assets		16		13	
Other investing activities		(45)	-	507	-
Cash flows generated (used) from investing activities		**(791)**		**(262)**	
BEI Loan and Term Loan repayment		(547)		(19)	
Bond redemption		(841)		-	
Net change in other borrowings		66	84	90	183
Dividends paid		(80)		(83)	
Cash flows generated (used) from financing activities		**(1,402)**		**(12)**	
Net increase (decrease) in cash and cash equivalents		(1,041)		912	
Exchange rate differences and other changes		73		(16)	
Cash and cash equivalents at 1 January		2,479		1,511	
Cash and cash equivalents at 31 December		**1,511**		**2,407**	

Consolidated statement of changes in equity

(€mil.)	Share capital	Retained earnings	Cash flow hedge reserve	Revaluation reserve of defined-benefit plans	Translation reserve	Equity attributable to owners of the parent	Non-controlling interests	Total equity
1 January 2022	**2,499**	**4,185**	**(53)**	**55**	**(258)**	**6,428**	**27**	**6,455**
Profit (loss) for the period	-	927	-			927	5	**932**
Other comprehensive income (expenses)	-	(13)	(22)	(93)	16	(112)	-	**(112)**
Total comprehensive income (expenses)	**-**	**914**	**(22)**	**(93)**	**16**	**815**	**5**	**820**
Dividends resolved		(79)				(79)	(1)	**(80)**
Repurchase of treasury shares less shares sold						-		-
Total transactions with owners of the parent, recognised directly in equity	**-**	**(79)**	**-**	**-**	**-**	**(79)**	**(1)**	**(80)**
Acquisition (Disposal) of NCI without change in control		(68)		13	67	12	475	487
Other changes		23	1	(13)	(4)	7	10	17
31 December 2022	**2,499**	**4,975**	**(74)**	**(38)**	**(179)**	**7,183**	**516**	**7,699**
1 January 2023	**2,499**	**4,975**	**(74)**	**(38)**	**(179)**	**7,183**	**516**	**7,699**
Profit (loss) for the period	-	658	-			658	37	**695**
Other comprehensive income (expenses)	-		58	(89)	(55)	(86)	(24)	**(110)**
Total comprehensive income (expenses)	**-**	**658**	**58**	**(89)**	**(55)**	**572**	**13**	**585**
Dividends resolved		(81)				(81)	(2)	**(83)**
Repurchase of treasury shares less shares sold						-		-
Total transactions with owners of the parent, recognised directly in equity	**-**	**(81)**	**-**	**-**	**-**	**(81)**	**(2)**	**(83)**
Acquisition (Disposal) of NCI without change in control		103		6	12	121	217	338
Other changes		5				5	17	22
31 December 2023	**2,499**	**5,660**	**(16)**	**(121)**	**(222)**	**7,800**	**761**	**8,561**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2023

1. GENERAL INFORMATION

Leonardo S.p.A. (hereinafter also "the Company") is a company limited by shares based in Rome (Italy), at Piazza Monte Grappa 4, and is listed on the Italian Stock Exchange (FTSE MIB).

The Leonardo Group (hereinafter also "the Group") is a major Italian high technology organization operating in the *Helicopters, Defence Electronics and Security, Aircraft, Aerostructures and Space* sectors.

2. FORM, CONTENT AND APPLICABLE ACCOUNTING STANDARDS

In application of EU Regulation 1606/2002 of 19 July 2002 and of Legislative Decree 38 of 28 February 2005, the consolidated financial statements of the Leonardo Group were prepared in accordance with the international accounting standards (IFRS) endorsed by the European Commission, supplemented by the relevant interpretations (Standing Interpretations Committee - SIC and International Financial Reporting Interpretations Committee - IFRIC) issued by the International Accounting Standard Board (IASB) and in force at the year-end.

The general principle used in preparing these consolidated financial statements is the historical cost method, except for those items that, in accordance with IFRS, are obligatory recognised at fair value, as indicated in the valuation criteria of each item.

The consolidated financial statements are composed of the consolidated separate income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related notes to the financial statements.

Among the options permitted by IAS 1, the Group has chosen to present its balance sheet by separating current and non-current items and its income statement by the nature of its costs. Instead, the statement of cash flows was prepared using the indirect method.

The International Financial Reporting Standards (IFRS) used for preparing these consolidated financial statements are the same that were used in the preparation of the consolidated financial statements at 31 December 2022 except for what indicated below (Note 5).

All figures are shown in millions of euros unless otherwise indicated.

Preparation of the consolidated financial statements under the going-concern assumption required management to make certain evaluations and estimates. The main areas affected by estimates or assumptions of particular importance or that have significant effects on the balances shown are described in Note 4.

The consolidated financial statements at 31 December 2023 of the Leonardo Group were approved by the Board of Directors on 12 March 2024 that authorised their distribution. Publication is scheduled for the same day.

The consolidated financial statements are subject to a statutory audit by EY SpA.

3. ACCOUNTING POLICIES

3.1 Standards and scope of consolidation

The consolidated financial statements include the statements at 31 December 2023 of companies consolidated on a line-by-line basis, which have been prepared in accordance with the IFRSs as applied within the Leonardo Group. The consolidated entities and the respective shares held either directly or indirectly by the Group are reported in the attachment "Scope of consolidation".

Subsidiaries

The entities over which Leonardo exercises a controlling power, either by directly or indirectly holding a majority of shares with voting rights or by exercising the right to earn the variable profits deriving from its relations with those same entities, impacting on such profits and exercising its power on the company, also regardless of the nature of the shareholding, have been consolidated on a line-by-line basis. With regard to the activities of the Group in the USA, it is noted that some of them are subject to specific governance rules (such as the Special Security Agreement and the Proxy Agreement), which were agreed with the Defense Counterintelligence and Security Agency ("DCSA") of the US Department of Defense (in charge of the protection of information related to the national security or, however, subject to special confidentiality restrictions). In particular, the Leonardo DRS group is managed through a Proxy Agreement, which provides for the appointment by Leonardo US Holding (the parent company of Leonardo DRS) – after consultation with Leonardo S.p.A. - of the US Proxy Holders subject to the approval of the DCSA. These Proxy Holders (with US nationality and residence, security clearance and independent with respect to Leonardo DRS and the Leonardo Group), besides acting as the directors of the company, together with Non-Proxy Holders directors (including the CEO) appointed by them according to the designation by Leonardo US Holding, are also entitled to vote on behalf of the latter, in the context of a trust relationship on whose basis their activity must protect, on one hand, the legitimate interest of the shareholders, and, on the other hand, the need for national security in the United States. The Proxy Holders are always in a number greater than the Non-proxy Holders and cannot be discharged by the shareholder, except in case of fraud or gross negligence or, subject to the approval of the DCSA, if their conduct infringes the principle of preservation of Leonardo DRS assets and the legitimate interests of the shareholders. Moreover, the Proxy Holders are committed to implementing specific governance procedures in order (i) to guarantee shareholders their rights and an adequate flow of information, above all with regard to the results of operations and financial data, with the consent of the DCSA and in compliance with the restrictions under the Proxy Agreement in relation to "classified" information, as well as (ii) to protect the management against any possible influence exercised by the foreign partner as to "sensitive" information. On the contrary, the decisions on M&A transactions and the transfer of intellectual property rights, as well as extraordinary debt assumption and intercompany business reorganizations are the direct competence of the shareholder.

Not consolidated on a line-by-line basis are those entities which, because of the dynamics of their operations (e.g. consortia without shares and controlling interests in equity consortia which, by charging costs to their members, do not have their own financial results and the financial statements of which do not, net of intercompany assets and liabilities, have material balances) or their current status (e.g. companies that are no longer operational, have no assets or personnel, or for which the liquidation process appears to be essentially concluded), would be immaterial to the Group's situation in both quantitative and qualitative terms.

All controlled entities are consolidated at the date on which control was acquired by the Group. The entities are removed from the consolidated financial statements at the date on which the Group loses control.

Business combinations are recognised using the purchase method where the purchase cost is equal to the fair value, at the date of the purchase of assets acquired, of liabilities incurred or assumed, as well as the capital instruments, if any, issued by the purchaser. The cost of the transaction is allocated recognising assets, liabilities and the identifiable contingent liabilities of the acquired company, at their related fair value at the purchase date. Any positive difference between the cost of the transaction and the fair value at the date of the purchase of the assets and liabilities is allocated to goodwill. In the event the process of allocating the purchase price should result in a negative difference, this difference is recorded in the income statement.

Any capital gains or negative differences arising from business combinations between entities under common control ("transactions under common control") are not recognised through P&L but directly in equity in the separate financial statements.

Additional charges related to the acquisition are recognised in the income statement at the date when services are rendered.

In the case of purchase of controlling stakes other than 100% stakes, goodwill is recognised only to the extent of the portion attributable to the Group Parent. The value of the non-controlling interests is determined in proportion to the non-controlling equity investments in the identifiable net assets of the acquired company.

In case the business combination is carried out through more than one phase, at the moment of the taking over the equity investments previously held are re-measured at their fair value and the difference (positive or negative), if any, is recognised in the income statement.

In the case of purchase of non-controlling stakes, after control is obtained, the positive difference between the acquisition cost and the book value of the non-controlling stakes acquired is recorded as a reduction of the net equity of the Group Parent. In the event of disposal of stakes while control is retained, the difference between the cashed consideration and the book value of the stakes sold is recorded directly as an increase of the net equity, without recording in the income statement.

Amounts resulting from transactions with consolidated entities have been eliminated, particularly where related to receivables and payables outstanding at the end of the period, as well as interest and other income and expenses recorded on the income statements of these enterprises. Also eliminated are the net profits or losses posted between the consolidated entities along with their related tax adjustments.

Jointly controlled entities and other equity investments

Joint Arrangements, based on which joint control over an arrangement is assigned to two or more parties, are classified as either a Joint Operation (JO) or a Joint Venture (JV), on the basis of an analysis of the underlying contractual rights and obligations. In particular, a Joint Venture is a joint arrangement whereby the parties, whilst holding control over the main strategic and financial decisions through voting mechanisms requiring the unanimous consent on such decisions, do not hold legally significant rights to the individual assets and liabilities of the JV. In this case joint control regards the net assets of the joint ventures. This form of control is reflected in the financial statements using the equity method, as described below. A Joint Operation is a joint arrangement whereby the parties have rights to the assets, and obligations for the liabilities. In this case, individual assets and liabilities and the related costs and revenues are recognised in the financial statements of the party to the arrangement on the basis of the rights and obligations to each asset and liability, regardless of the interest held. After initial recognition, the assets, liabilities and related costs are valued in accordance with the reference accounting standards applied to each type of asset/liability.

The Group’s joint arrangements are all classified as joint ventures.

Entities over which significant influence is exercised, which generally corresponds to a holding of between 20% (10% if listed) and 50% (equity investments in associates), and Joint Ventures (as qualified above) are accounted for using the equity method. When the equity method is applied, the value of the investment is in line with shareholders' equity adjusted, when necessary, to reflect the application of IFRSs, and includes the recognition of goodwill (net of impairments) calculated at the time of purchase, and to account for the adjustments required by the standards governing the preparation of consolidated financial statements. Gains and losses realized among consolidated entities valued at equity and other Group entities consolidated on a line-by-line basis, are eliminated. In the event the Group has evidence of an impairment loss of the investment, in excess of the amount accounted for under the equity method, the Group will proceed with calculating the impairment to be recorded in the income statement which is determined as the difference between the recoverable amount and the carrying amount of the investment.

Any value losses in excess of book value are recorded in the provision for risks on equity investments, to the extent that there are legal or implicit obligations to cover such losses, which are in any case within the limits of the book equity.

The fair value of equity investments, in the event this method applies, is calculated based on the bid price of the last trading day of the month for which the IFRS report was prepared or based on financial valuation techniques for not listed instruments.

Investments available for sale, like those acquired with the sole purpose of being disposed within the subsequent twelve months, are classified separately within "Assets held for sale" applying the recognition criteria described in Note 3.23.

3.2 Segment information

In accordance with the compliance model followed, management has adopted operating segments that corresponds to the business sectors in which the Group operates (*Helicopters*, *Defence Electronics and Security*, *Aircraft, Aerostructures*, *Space* and *Other Activities*).

3.3 Currency translation

Identification of the functional currency

The balances of the financial statements of each Group entity are presented in the currency of the primary economy in which each enterprise operates (the functional currency). The consolidated financial statements for the Leonardo Group have been prepared in euros, as this is the functional currency of the Group Parent.

Translation of transactions denominated in a foreign currency

Items expressed in a currency other than the functional currency, whether monetary (cash and cash equivalents, receivables or payables due in pre-set or measurable amounts, etc.) or non-monetary (advances to suppliers of goods and services, goodwill, intangible assets, etc.), are initially recognised at the exchange rate prevailing at the date on which the transaction takes place. Subsequently, the monetary items are translated into the functional currency based on the exchange rate at the reporting date, and any differences resulting from this conversion are recognised in the income statement. Non-monetary items continue to be carried at the exchange rate on the date of the transaction.

Translation of financial statements expressed in a currency other than the functional currency

The rules for translating financial statements expressed in a foreign currency into the functional currency (except where the currency is that of a hyper-inflationary economy) are as follows:

- the assets and liabilities presented are translated at the end-of-period exchange rate;
- costs and revenues, charges and income presented are translated at the average exchange rate for the period in question, or at the exchange rate on the date of the transaction in the event this is significantly different from the average rate;
- the "translation reserve" includes both the exchange rate differences generated by the translation of balances at a rate different from that at the close of the period and those that are generated by the translation of opening equity balances at a rate different from that at the close of the period. The translation reserve is reversed to the income statement upon the full or partial disposal of the equity investment that results in loss of control.

Goodwill and adjustments deriving from the fair value measurement of assets and liabilities related to the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the end-of-period exchange rate.

With reference to data comparability, the current year has been marked by the following changes in the euro against the main currencies of interest for the Group:

	31 December 2022		31 December 2023		% Change	
	average	final	average	final	average	final
U.S.A. Dollar	1.0530	1.0666	1.0813	1.1050	2.7%	3.6%
Pound Sterling	0.8528	0.8869	0.8698	0.8691	2.0%	(2.0%)

3.4 Intangible assets

Intangible assets are non-monetary items without physical form, but which can be clearly identified and generate future economic benefits for the company. They are carried at purchase and/or production cost, including directly related expenses allocated to them when preparing the asset for operations and net of accumulated amortisation (with the exception of intangibles with an indefinite useful life) and any impairments of value. Amortisation begins when the asset is available for use and is recognised systematically over its remaining useful life. In the period in which the intangible asset is recognised for the first time, the amortisation rate applied takes into account the period of actual use of the asset.

Development costs and non-recurring costs are recognised in the item. For further details reference is made to Notes 4.1 and 4.2.

Industrial patent and intellectual property rights

Patents and intellectual property rights are carried at acquisition cost net of amortisation and accumulated impairment losses. Amortisation begins in the period in which the rights acquired are available for use and is calculated based on the shorter of the period of expected use and that of ownership of the rights. The useful life changes according to the business of the company and its range is between 3 and 15 years.

Concessions, licences and trademarks

This category includes: concessions, i.e. government measures that grant private parties the right to exclusive use of public assets or to manage public services under regulated conditions; licences that grant the right to use patents or other intangible assets for a determinate or determinable period of time; trademarks that establish the origin of the products of a given company; and licences for the know-how or software owned by others. The costs, including the direct and indirect costs incurred to obtain such rights, can be capitalized after receiving title to the rights themselves and are amortised systematically over the shorter of the period of expected use and that of ownership of the rights. The useful life changes according to the business of the company and its range is between 3 and 15 years.

Intangible assets acquired as a result of business combinations

The intangible assets acquired as a result of business combinations essentially refer to the order backlog and commercial positioning, customer portfolio and software/know-how; they are valued during the purchase price allocation. The assets' useful life changes according to the business of the acquired company and ranges as follows:

	Years
Customer backlog e commercial positioning	7-15
Backlog	10-15
Software/know how	3

Goodwill

Goodwill recognised as an intangible asset is associated with business combinations and represents the difference between the cost incurred to acquire a company or division and the sum of the fair values assigned at the purchase date, to the individual assets and liabilities of the given company or division. As it does not have a definite useful life, goodwill is not systematically amortised but is subject to impairment tests conducted at least once a year, according to a specific procedure approved each year by the Board of Directors, unless market and operational factors identified by the Group indicate that an impairment test is also necessary in the preparation of interim financial statements. In conducting an impairment test, goodwill acquired in a business combination is allocated to the individual Cash Generating Unit (CGU) or to groups of CGUs that are expected to benefit from the synergies of the combination, in line with the minimum level at which such goodwill is monitored within the Group. Goodwill related to unconsolidated associates, joint ventures or subsidiaries is included in the value of investments.

3.5 Property, plant and equipment

Property, plant and equipment is measured at purchase or production cost net of accumulated depreciation and any impairment losses. The cost includes all direct costs incurred to prepare the assets for use, as well as any charges for dismantlement and disposal that will be incurred to return the site to its original condition.

Charges incurred for routine and/or cyclical maintenance and repairs are expensed in full in the period in which they are incurred. Costs related to the expansion, modernization or improvement of owned or leased structural assets are only capitalized to the extent that such costs meet the requirements for being classified separately as an asset or part of an asset. Any public grants related to property, plant and equipment are recognised as a direct deduction from the asset to which they refer.

The value of an asset is adjusted by systematic depreciation calculated based on the residual useful life of the asset itself. In the period in which the asset is recognised for the first time, the depreciation rate applied takes into account the date in which the asset is ready for use. The estimated useful lives adopted by the Group for the various asset classes are as follows:

	Years
Land	Indefinite useful life
Buildings	20-33
Plant and machinery	5-10
Equipment	3-5
Other assets	5-8

The estimated useful life and the residual value are revised at least annually.

Depreciation ends when the asset is sold or reclassified as asset held for sale.

In the event the asset to be depreciated is composed of significant distinct elements with useful lives that are different from those of the other constituent parts, each individual part that makes up the asset is depreciated separately, in application of the component approach to depreciation.

This item also includes equipment intended for specific programmes (tooling), although it is depreciated, as with other non-recurring costs (Note 4.2), on the basis of units manufactured in relation to those expected to be produced.

The gains and losses from the sale of assets or groups of assets are calculated by comparing the sales price with the related net book value.

3.6 Investment properties

Properties held to earn rentals or for capital appreciation are carried under "Investment properties"; they are valued at purchase or construction cost plus any related charges, net accumulated depreciation and impairment, if any.

3.7 Impairment of intangible assets and property, plant and equipment

Assets with indefinite useful lives are not depreciated or amortised but are rather subject to impairment tests at least once a year to ascertain the recoverability of their book value. The test is carried out at each interim reporting date as well, when there are internal and/or external indicators that an asset may be impaired.

For assets that are depreciated or amortised, an assessment is made to determine whether there is any internal or external indication of a loss in value. If so, the recoverable value of the asset is estimated, with any excess being recognised in the income statement.

The recoverable value of an asset is the higher of its fair value less costs to sell and its value in use calculated on the basis of a model of discounted cash flows. The discount rate encompasses the risks peculiar to the asset which have not been considered in the expected cash flows.

Assets which do not generate independent cash flows are tested as Cash Generating Units.

If the reasons for such write-downs should cease to obtain, the asset's book value is restored within the limits of the book value that would have resulted if no loss was recognised due to previous years' loss of value. The write-back is also taken to the income statement. Under no circumstances, however, is the value of goodwill that has been written down restored to its previous level.

3.8 Inventories

Inventories are recorded at the lower of cost, calculated with reference to the weighted average cost, and net realisable value. They do not include financial costs and overheads. The net realisable value is the sales price in the course of normal operations net of estimated costs to finish the goods and those needed to make the sale. Inventories include, within "Point in time contract assets", the production progress related to contracts which do not meet the requirements for revenue recognition over time.

3.9 Revenues and contract assets/liabilities with customers

Revenue from contracts with customers is recognised when the performance obligations are satisfied through the transfer of control over the good or service to the customer which may occur either over time or at a point in time.

Contracts that meet the requirements for the recognition of revenue over time are classified under "contract assets" or under "contract liabilities" based on the relationship between the Group's performance and the customer's payment. In particular:

- "net contract assets" represent the entity's right to consideration in exchange for goods and services that the entity has transferred to a customer;
- "(net) contract liabilities" represent the Group's obligation to transfer goods or services to the customer for which the entity has received consideration (or for which the amount is due) from the customer.

If a contract provides for more than one performance obligation, representing a contract promise to transfer a specific good or service to the customer (or a series of specific goods or services that are substantially the same and are transferred according to the same methods), the classification under assets or liabilities is carried out on an overall basis and not by each single performance obligation.

Contract assets and liabilities with customers in which the transfer of control over the goods or services to customers occurs over time are recognised using the percentage-of-completion measuring method, according to which costs, revenues and margins are recognised based on the progress of production. The state of completion is determined on the basis of the ratio between costs incurred at the measurement date and the total expected costs for the programme or based on the production units delivered.

Vice versa, if the requirements for the recognition of contracts over time are not met, revenue is recognised at a point in time; in such cases, the production progress related to contracts with customers is recognised under contract assets at a point in time within "inventories". Such case is mostly related to certain sales in the helicopter sector where the transfer of control over certain types of goods coincides with the moment of actual delivery of the same.

Contract assets (recognised under a special item or within inventories) are stated net of any provisions for write-down.

The assumptions upon which the estimates are made are periodically updated. Any impact on profit or loss is recognised in the period in which the updates are made. If a contract is an "onerous" contract, the methods for recognition are reported in note 4.4.

Contracts with payments in a currency other than the euro, the functional currency of the Group, are measured by converting the portion of payments due, calculated using the percentage-of-completion method, at the exchange rate prevailing at the close of the period in question. However, the Group's policy for exchange-rate risk calls for all contracts in which cash inflows and outflows are significantly exposed to exchange rate fluctuations to be hedged specifically. In such cases, the recognition methods described in Note 4.3 below are applied.

3.10 Financial assets

The Group classifies its financial assets into the following categories:

- amortised cost;
- financial assets at fair value through profit or loss;
- financial assets at fair value through other comprehensive income.

The Group determines such classification based on the business model used in the management of financial assets and the contractual cash flow characteristics of the financial asset.

Financial assets are initially measured at fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset. Trade receivables are initially measured at their transaction price, since this is representative of the fair value.

At initial recognition financial assets are classified in one of the categories listed above and can be subsequently reclassified in other categories, only when the Group changes its own business model for their management.

The Group recognises as value adjustment the expected losses related to financial assets measured at amortised cost, to contract assets and to debt instruments measured at fair value through other comprehensive income. Expected losses are calculated over the credit lifetime.

The classification of assets as current or non-current reflects management expectations regarding their trading.

Financial assets at amortised cost

Such category includes financial assets held to collect contractual cash flows (Held to Collect), which are solely payments of principal and interest, calculated on the principal amount outstanding. All receivables are included in this category.

Such assets are measured at amortised cost, in compliance with the effective interest method, decreased by impairment losses. Interest income, exchange profits or losses and impairment losses are recognised in profit (loss) for the year as well as profits or loss from derecognition.

Financial assets at fair value through other comprehensive income

Such category includes financial assets that are possibly held by the Group with the twofold objective of collecting contractual cash flows on one hand, which are solely payments of principal and interest calculated on the total of the principal amount outstanding and selling them on the other (Held to Collect and Sell).

Financial assets at fair value through profit or loss

This category includes financial assets that are not classified as measured at amortised cost or at fair value through other comprehensive income. Such category includes all derivatives (Note 3.11) and financial assets held for trading.

The fair value of financial assets held for trading is calculated by drawing from the market prices at the annual (or interim) reporting date o through financial techniques and models.

3.11 Derivatives

Derivatives are still stated at fair value through profit or loss unless they are deemed effective hedge for specific risk in respect of underlying assets, liabilities or commitments undertaken by the Group.

In particular, the Group uses derivatives as part of its hedging strategies to offset the risk of changes in the fair value of financial assets or liabilities on its balance sheet or the risk associated with contractual commitments (fair-value hedges) and the risk of changes in expected cash flows in contractually defined or highly probable operations (cash-flow hedges). For details regarding the methodology for recognising hedges of the exchange rate risk on long-term contracts, see Note 4.3.

The effectiveness of hedges is documented and assessed both at the start of the operation and periodically thereafter (at least every time an annual or interim report is published) and measured by comparing changes in the fair value of the hedging instrument against changes in the hedged item ("dollar offset ratio"). For more complex instruments, the measurement involves statistical analysis based on the variation of the risk.

Fair value hedge

Changes in the fair value of derivatives that have been designated and qualify as fair-value hedges are recognised in profit or loss, in the same manner as the treatment of changes in the fair value of the hedged assets or liabilities covered with the hedge.

Cash flow hedge

Changes in the fair value of derivatives that have been designated and qualify as cash-flow hedges are recognised – with reference to the "effective" component of the hedge only – in the statement of comprehensive income through a specific equity reserve ("Cash-flow hedge reserve"), which is subsequently recognised in the income statement when the underlying transaction affects profit or loss. If the occurrence of the underlying operation ceases to be highly probable, the relevant portion of the cash-flow hedge reserve is immediately recognised in the income statement. If the derivative is sold, expires or ceases to function as an effective hedge against the risk for which it was originated, the relevant portion of the "cash-flow hedge reserve" is kept recognised until the underlying contract shows its effect. The recognition of the cash-flow hedge is discontinued prospectively.

The cash flow hedge reserve also includes the recognition of fair value changes in the forward component of forward contracts, taken to the separate income statement at the time when the underlying affects profit or loss.

Determining fair value

The fair value of instruments quoted on public markets is determined with reference to the bid price for the instrument in question at the reference date. The fair value of unquoted instruments is determined with financial valuation techniques. Specifically, the fair value of interest-rate swaps is measured by discounting the expected cash flows, while the fair value of foreign exchange forwards is determined on the basis of the market exchange rate at the reference date and the expected rate differentials among the currencies involved.

Financial assets and liabilities valued at fair value are classified in the three hierarchical levels described below, on the basis of the materiality of inputs used in the fair value measurement. In particular:

- Level 1: financial assets and liabilities whose fair value is determined on the basis of the unadjusted quoted prices in an active market for identical assets and liabilities that Leonardo can access at the measurement date;

- Level 2: financial assets and liabilities whose fair value is determined on the basis of inputs other than the quoted prices as in Level 1, that are directly or indirectly observable;
- Level 3: financial assets and liabilities whose fair value is determined on the basis of unobservable inputs.

3.12 Cash and cash equivalents

The item includes cash, deposits with banks or other institutions providing current account services, post office accounts and other cash equivalents, as well as investments maturing in less than three months from the date of acquisition. Cash and cash equivalents are recognised at their fair value, which normally coincides with their nominal value.

3.13 Equity

Share capital

Share capital consists of the capital subscribed and paid up by the Group Parent. Costs directly associated with the issue of shares are recognised as a decrease in share capital when they are directly attributable to capital operations, net of the deferred tax effect.

Treasury shares

Treasury shares are recognised as a decrease in Group shareholders' equity. Gains or losses realised in the acquisition, sale, issue or cancellation of treasury shares are recognised directly in shareholders' equity.

3.14 Financial liabilities

Financial liabilities are initially recognised at fair value and subsequently classified as "measured at amortised cost" or at "fair value through profit or loss". Financial liabilities are classified at fair value through profit or loss when these are held for trading, represent a derivative or are so designated at the time of initial recognition. Other financial liabilities are measured at amortised cost, using the effective interest method. All payables are included in this category.

Financial liabilities are classified as current liabilities unless the Group has the contractual right to settle its debts at least 12 months after the date of the annual or interim financial statements.

3.15 Taxation

The Group's tax burden is made up of current and deferred taxes. If these taxes are related to income and expense recognised in equity in the statement of comprehensive income, a balancing entry is recorded under the same item.

Current taxes are calculated in accordance with the existing fiscal legislation applicable to those countries in which the Group operates and in force at the balance-sheet date. Any risks connected with a different interpretation of the positive and negative components of income, together with ongoing disputes with the tax authorities are regularly assessed, in order to adjust the provisions made.

Deferred tax assets and liabilities are calculated based on temporary differences arising between the carrying amounts of assets and liabilities and their value for tax purposes, as well as on fiscal losses. Deferred tax assets and liabilities are calculated by applying the tax rate that is expected to be in force at the time the temporary differences will be reversed. The estimation is made based on tax laws in effect or substantially in effect at the reporting date. Deferred tax assets, including those deriving from tax losses, are recognised to the extent that, based on the company plans approved by the directors, it is probable the company will post future taxable income in respect of which such assets can be utilised.

If there are uncertain tax treatments, the Group determines whether they are likely to be accepted by the tax authorities. If acceptance is considered probable, the tax values must take account of the uncertain tax treatment, while, if acceptance is considered unlikely, the Group calculates the effect of this uncertainty using the most probable amount or expected value method.

3.16 Employee benefit obligations

Post-employment benefit plans

Group companies use several types of pension and supplementary benefit plans, which can be classified as follows:

- *Defined-contribution plans* in which the company pays fixed amounts to a distinct entity (e.g., a fund) but has no legal or constructive obligation to make further payments if the fund does not have sufficient assets to pay the benefits accrued by employees during their period of employment with the company. The company recognises the contributions to the plan only when employees rendered their services to the company specifically in exchange for these contributions;
- *Defined-benefit plans* in which the company undertakes to provide agreed benefits for current and former employees and incur the actuarial and investment risks associated with the plan. The cost of the plan is therefore not determined by the amount of the contributions payable in the financial period but, rather, is redetermined with reference to demographic and statistical assumptions and wage trends. The methodology used is the projected unit credit method. Accordingly, the Group recognises a liability for the same amount arising from the actuarial estimation, and recognises actuarial gains and losses immediately and in full in the period in which they occur in the statement of comprehensive income through a special equity reserve (in the “Remeasurement reserve”). To determine the amount to be entered in the balance sheet, the fair value of the plan assets is deducted from the current value of the obligation for the defined-benefit plans. This fair value is calculated using the interest rate adopted for discounting back the obligation.

Other long-term benefits and post-employment benefits

Group companies grant employees with other benefits (such as seniority bonuses after a given period of service with the company) that, in some cases, continue to be provided after retirement (for example, medical care). These receive the same accounting treatment as defined-benefit plans, using the projected unit credit method. However, for “Other long-term benefits” net actuarial gains and losses are both recognised to profit or loss immediately and in full as they occur.

Benefits payable for the termination of employment and incentive plans

Termination benefits are recognised as liabilities and expenses when the enterprise is demonstrably committed to terminating the employment of an employee or group of employees before the normal retirement date or to providing termination benefits as a result of an offer made in order to encourage voluntary redundancy. The benefits payable to employees for the termination of employment do not bring any future economic benefit to the enterprise and are therefore recognised immediately as expenses.

Equity compensation benefits

In case the Group uses stock-option and stock-grant plans to compensate the senior management, the theoretical benefit attributable to the recipients is charged to the income statement in the financial periods for which the plan is operative with a contra-item in an equity reserve. The benefit is quantified by measuring at the assignment date the fair value of the assigned instrument, using financial valuation techniques that take account of market conditions and, at the date of each annual report, an updated estimate of the number of instruments expected to be distributed. Vice versa, the fair value initially calculated is not updated in the subsequent recognitions.

3.17 Provisions for risks and charges

Provisions for risks and charges are recognised when, at the reporting date, the entity has a present obligation (legal or constructive) to other parties as a result of a past event, and it is probable that, in order to settle the obligation, whose amount can be reliably estimated, an outflow of resources will be required.

The amount reflects the best current estimate of the cost of fulfilling the obligation. The interest rate used to determine the present value of the liability reflects current market rates and includes the additional effects relating to the specific risk associated with each liability. Changes in the estimates are recognised in the income statement of the year in which the change occurs. With regard to some disputes, the information required by IAS 37 "*Provisions, contingent liabilities and contingent assets*" is not reported, in order to not jeopardize the Group position in the context of such disputes or negotiations.

Risks for which the emergence of a liability is merely a possibility are reported in the section in the notes on commitments and risks and no provision is recognised.

The item includes provisions for onerous contracts. For further details reference is made to Note 4.4.

3.18 Leasing

Group entities as lessees

The Group recognises the right-of-use assets and the lease liability for a lease agreement or an agreement that contains a lease component.

Right-of-use assets are valued at cost, net of accumulated amortisation and impairment losses (if any) (Note 3.7), as adjusted by any re-measurement of lease liabilities. The cost includes the value of lease liabilities, any initial direct costs sustained and the lease payments made on the commencement date or before the inception of the same agreement, net of incentives received (if any). Right-of-use assets are amortised on a straight-line basis from the commencement date to until the end of the lease term. If the agreement transfers the ownership of the underlying asset, the Group will amortise the right-of-use assets until the end of the useful life of the underlying asset at the end of the lease term.

Lease liabilities are measured at the present value of the lease payments due and not yet paid as at the commencement date of the agreement. The due payments include fixed payments, net of any lease incentives to be received, variable payments (linked to an index or an interest rate) and the amounts the Group expects to pay as security on the remaining value. Lease payments also include any possible exercise price of a purchase option that is reasonably certain to be exercised by the Group and the payment of penalties that the latter believes it shall incur for any possible early termination of the agreement. The Group restates the lease liabilities in the event of subsequent amendments being made to the agreement.

In calculating the present value of due payments the Group uses the incremental borrowing rate prevailing at the commencement date of the agreement when the implicit interest rate cannot be determined easily.

Group entities as lessors in a finance lease

At the date on which a lease is first recognised, the value of the leased asset is eliminated from the balance sheet and a receivable equal to the net investment in the lease is recognised. The net investment is the sum of the minimum payments plus the residual unguaranteed value discounted at the interest rate implicit in the lease contract. Subsequently, financial income is recognised in the income statement for the duration of the contract in an amount providing a constant periodic rate of return on the lessor's net investment.

The unsecured residual value is reviewed periodically for possible impairment.

Group entities as lessors in an operating lease

Receipts in respect of contracts qualifying as operating leases are recognised in the income statement over the duration of the contract on a straight-line basis.

3.19 Government grants

Once formal authorisation for their assignment has been issued, grants are recognised on an accruals basis in direct correlation with the costs incurred. Specifically, set-up grants are taken to the income statement in direct relation to the depreciation of the relevant goods or projects, and in the balance sheet, grants are recognised as a reduction of the capitalised assets, for the amount not yet recognised to profit or loss. For the analysis of the aspects related to grants under Law 808/1985, reference should be made to Note 4.2.

3.20 Costs

Costs are recorded in compliance with the accrual principle.

3.21 Financial income and expenses

Interest is recognised on an accruals basis using the effective interest-rate method, i.e. the interest rate that results in the financial equivalence of all inflows and outflows (including any premiums, discounts, commissions, etc.) that make up a given operation.

Financial expenses attributable to the acquisition, construction or production of certain assets taking a substantial period of time to get ready for their intended use or sale (qualifying assets) are capitalised together with the related asset.

3.22 Dividends

Dividends are recognised in the income statement as soon as the right to receive payment arises, which is normally when the shareholders' meeting approves the distribution of dividends.

Dividends distributed to Leonardo shareholders are reported as a change in the shareholders' equity and are recognised as liabilities for the period in which their distribution is approved by the Shareholders' Meeting.

3.23 Discontinued operations and non-current assets held for sale

Non-current assets (or disposal groups) whose carrying amount will be recovered principally through a sale transaction rather than through continuing use, are classified as held for sale and presented separately in the statement of financial position. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable within one year. If these conditions are met after the year-end, the non-current asset (or disposal group) is not classified as held for sale. However, if these conditions are met after the year-end but before the financial statements are approved for publication, appropriate information is provided in the explanatory notes thereto.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell; the corresponding values of the prior year balance sheet are not reclassified.

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or;
- is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations – whether they have been disposed of or classified as held for sale or under disposal – are presented separately in the income statement, less tax effects. The corresponding values of the prior year, if any, are reclassified and shown separately in the income statement, for comparative purposes, net of tax effect.

3.24 New IFRS and IFRIC interpretations

It should be noted that, as from 1 January 2023, the new accounting standard IFRS 17 Insurance Contracts and the amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, IAS 12 Income Taxes, IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 became applicable. Such amendments have no material impact on the Group’s financial statements.

Some considerations concerned the specific provisions introduced by the amendments to IAS 12 which narrowed the scope of application of the exemption for the initial recognition of deferred tax liabilities; this exemption is no longer applicable to transactions that give rise to equal taxable and deductible temporary differences (i.e., leases and decommissioning liabilities) and to the effects of “Pillar Two” international tax reform. With reference to this reform, it should be noted that with Legislative Decree no. 209 of 27 December 2023, implementing the tax reform on international taxation, the EU directive 2022/2523 of 14 December 2022 has been adopted as from financial years commencing on 1 January 2024, by which the EU Council adopted the Global Minimum Tax (GMT) rules in the European regulations. The Leonardo Group promptly took action to evaluate the possible impacts of the abovesaid regulations and guarantee that the current regulatory requirements are correctly met. The analyses, still underway, are based on the 2022 results and up to now, if the regulations had already been applied in the financial year 2023, they would not lead to significant impacts.

At the reporting date, the European Commission had endorsed certain standards and interpretations that were not yet compulsory, which will be adopted by the Group in the following financial periods, if applicable. We expect no material effects on the Group’s financial statements deriving from those amendments to standards and interpretations.

There are a number of standards or amendments to existing principles issued by the IASB or new decisions of the International Financial Reporting Interpretations Committee (IFRIC) for which the revision and approval project is still under way.

4. SIGNIFICANT ISSUES AND CRITICAL ESTIMATES BY MANGEMENT

The preparation of the Group's financial statements requires directors to make discretionary assessments, estimates and assumptions that affect revenues, costs, assets and liabilities, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could lead to outcomes that will require significant adjustments in the future. The aspects that required greater subjectivity by the directors in making the estimates are described below.

4.1 Research and development costs

This account includes costs related to the application of the results of research or other knowledge in a plan or a project for the production of materials, devices, systems or services that are new or significantly advanced (including higher set-up costs incurred compared to the costs of the asset once fully operating), prior to the start of commercial production or use, for which the generation of future economic benefits can be demonstrated. These costs are amortised according to the units-of-production method, over the period in which the future earnings are expected to be realised for the project itself. The useful life changes according to the business of the company and it exceeds 5 years on average. If such costs fall within the scope of costs defined by Group standards as “non-recurring costs”, they are recognised in a specific item under intangible assets (Note 4.2).

The initial recognition and subsequent assessment of their recoverability require complex estimates by management which estimates are influenced by a number of factors, such as the timeline of the product business plans, the company’s ability to anticipate the commercial success of the new technologies and technological obsolescence.

Research costs, on the other hand, are expensed in the period in which they are incurred.

4.2 Non-recurring costs

“Non-recurring costs” under intangible assets are the costs incurred in designing, prototyping, starting-up and upgrading to the technical and functional specifications of clearly identified potential clients – including higher set-up costs compared to costs for the asset once fully operating –, if they are financed, in particular under Law 808/1985 governing State aids to support the competitiveness of entities operating in the Aeronautics and Defence segments. These costs are shown excluding the benefits collected or to be collected under Law 808/1985 for programmes qualified as functional to national security and similar. The aid under Law 808/1985 is deducted from capitalised costs, and the royalties to be given to the grantor are recognised as the requirements are met (sale of products embedding the technology for which the Law permits aids). For the programmes other than national security programmes and programmes treated as such, the funds received are recognised as “Other liabilities”, making a distinction between the current portion and the non-current portion, based on the date of repayment. In both cases, non-recurring costs are carried among intangible assets and are amortised within job orders on the units-of-production method.

The main capitalised costs are tested for impairment at least once a year until development is complete; after that, as soon as contract prospects change, when expected orders are no longer made or delayed. The impairment test is conducted on assumed sales plans.

The initial recognition and subsequent assessment of the recoverability of these costs require estimates, which are by their own nature complex and marked by a high level of uncertainty as they are influenced by a number of factors, such as the time-line of the product business plans, which in some cases is particularly long, and the company’s ability to anticipate the commercial success of the new technologies. These estimates therefore imply significant assessments by management which take into account the reasonable certainty that funds are received and the effects of time value in the case of deferment over more than one year of the granting of funds.

In the case of programmes that benefit from the provisions of Law 808/1985 and that are classified as functional to national security, the portion of non-recurring costs capitalised, pending the fulfilment of the legal requirements for the recognition of the amount receivable from the Ministry, is shown separately under "other non-current assets". The related amount is calculated based on an estimate made by management that reflects the reasonable certainty that funds are received and the effects of time value in the case of deferment over more than one year of the granting of funds.

4.3 Hedging long-term contracts against foreign exchange risk

In order to hedge exposure to changes in flows of receipts and payments associated with long-term construction contracts denominated in currencies other than the functional currency, the Group enters into specific hedges for the expected individual cash flows in respect of the contracts. The hedges are entered into at the moment the commercial contracts are finalized, except where the award of the contracts is felt to be highly likely as a result of existing framework contracts. Exchange-rate risk is normally hedged with plain vanilla instruments (forward contracts): in some cases, however, in order to protect the Group against any possible persistent adverse trend in some currencies, the Group might enter into more highly structured operations that, while substantively hedging the positions, do not qualify for hedge accounting under IFRS 9. In these cases, as in all cases where hedges prove to be ineffective, changes in the fair value of such instruments are taken immediately to the income statement as financial items. The effects of this recognition policy are reported in Note 31. Hedges in the former case are reported as cash-flow hedges.

4.4 Estimate of revenues and final costs of long- term contracts

The Group operates in sectors and with contractual arrangements that are especially complex. They are recognised on a percentage-of-completion basis in case the requirements for the revenue recognition over time are met. Margins recognised in the income statement are a function of both the state of progress on performance obligations included in the contracts and the margins that are expected to be recognised for the completed contract.

Any requests for additional considerations arising from contractual changes, including those arising from higher costs incurred for reasons attributable to the customer, shall be incorporated in the total amount of the considerations, if it is highly probable that this will be recognised by the customer, up to the expected value of such recognised amount.

Estimating the expected overall costs of contracts in progress is marked by a high degree of uncertainty as they can be influenced by a number of factors such as the engineering complexity of the products, the ability to precisely fulfil specific technical requests made by customers and to meet the manufacturing timeframe provided for in the contract. Failure to comply with such contractual terms and conditions may imply penalties and extra-costs of a remarkable amount to be considered in estimating total costs. In order to enhance support for management's estimates, the Group has adopted contract management and risk analysis tools designed to identify, monitor and quantify the risks associated with such contracts. The amounts posted in the financial statements represent management's best estimate at the reporting date supported by said tools.

In case the reassessment of the economic plans (whole life estimates) during the progress of a contract highlights the presence of elements that make them onerous, the amount of costs considered necessary to fulfil the obligations that is higher than the economic benefits arising from the contract is recognised in full in the financial period in which it becomes reasonably foreseeable and allocated to a "provision for onerous contracts" under provisions for current risks and charges. The reversal of such accruals is recognised as absorption under "Other operating income".

4.5 Liabilities from defined-benefit pension plans

The Group is sponsor to two UK defined-benefit pension plans and to various US and other minor European plans. It has the obligation to ensure a given level of benefits to the plan participants and carries the risk that the plan assets are not adequate to cover the benefits promised. In case these plans are in a deficit position, the trustee responsible for the management requests the Group to fund the plan.

The deficit resulting from the most updated actuarial valuations made by independent experts is recognised as a liability: these valuations stem from actuarial, demographic, statistical and financial assumptions that can vary over time.

4.6 Impairment of assets

Group assets are tested for impairment at least annually if their lives are indefinite, or more often if there are indications of impairment. Similarly, impairment tests are conducted on all the assets with definite useful life showing signs of impairment, even if the amortisation already commenced.

The recoverable amount is generally based on the value in use calculated according to the Discounted Cash-Flow method, which is characterized by a high level of complexity and the use of estimates, which are by their nature uncertain and subjective in relation with the expected cash flows and the financial parameters used to determine the discount rate.

For these valuations, the Group uses the estimated cash flows based on the plans that have been approved by corporate bodies and financial parameters that are in line with those resulting from the current performance of reference markets. The relevant plans take into account all business assessments of risks related also to technological innovations, emerging global scenarios, customer needs and expected regulatory requirements.

The business plans used in order to assess the recoverability of capitalized assets are prepared by also considering additional investments related to the search for innovative solutions in sustainable business, reduction in emissions and decarbonization. Likewise, any prospective aspects and impacts related to climate change are already considered. Leonardo's plan on these issues is explained in more detail in the "Planet" section of the Report on Operations, to which reference should be made.

Details about the methods for the calculation of the impairment tests are reported in Note 9.

4.7 Disputes

The Group's operations regard sectors and markets where many disputes, both as petitioner and plaintiff, are settled only after a considerable period of time, especially in cases where the customer is a government entity. In case management deems it probable that following the litigation an outflow of resources, whose amount can be reliably estimated, will be required, this amount that has been discounted in order to consider the timeline for the disbursement, is included in the risk provision. The estimate for the developments of these disputes is particularly complex and requires significant estimates by the management. Disputes where a liability is deemed possible but not probable are shown in the relevant informative section on commitments and risks; against such disputes no allocation is made.

5. EFFECTS OF CHANGES IN ACCOUNTING POLICIES ADOPTED

There were no significant changes in the Group's application of accounting standards during the period.

6. SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE YEAR

With reference to the request for termination for default due to alleged delays and non-compliant products formalised during 2022 by the governmental Norwegian Defence Materiel Agency (NDMA) under the contract for the supply of 14 NH90 helicopters entered into with NH Industries (NHI, whose shareholders are Leonardo, Airbus Helicopters and Fokker Aerostructure), the parties started a mediation process in April 2023, which should be completed in the next months. The NHI position, confirmed by Leonardo, is unchanged compared to what was reported in the financial statements as of 31 December 2022, considering this request to be legally ungrounded and reasonably disputable in the appropriate forum due to a lack of factual and legal basis and misinterpretation of the contract and Norwegian law, as well as due to a breach of confidentiality obligations. As noted above, in April 2023, the customer and NHI initiated a mediation procedure in an attempt to reach a mutually satisfactory agreement. In the period from October 2023 to February 2024, the parties exchanged significant claims and counterclaims and took steps to file deeds and documents required under the mediation procedure; the hearing before the mediators is scheduled for the second half of March 2024. At this stage of the mediation neither NHI nor Leonardo considers that it should change its position.

In May 2023 the Group completed the sale of the ATM business unit of the US company Selex ES, LLC to Indra Air Traffic, Inc., wholly owned by the Spanish company Indra Sistemas S.A., for an amount of, net of costs of disposal, around USDmil. 37. As a result of this transaction, the Group recognised in the period a capital gain of about €mil. 10.

Again in May 2023 supplements were made to the agreement for early retirement under art. 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 SpA, Leonardo Global Solutions and Leonardo Logistics. The expansion of the scope of this measure resulted in the recognition of additional charges for €mil. 20.

With reference to the most important **industrial and financial transactions** completed in 2023, work continued on concentrating the assets held by Leonardo in the USA in a single legal entity started in 2022, through the completion of the following transactions:

- 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.

Since this was a mere reorganization, there was no impact on this financial report.

In November 2023, Leonardo S.p.A. finalized, through the subholding Leonardo US Holding, LLC, (“LUSH”), the sale on the US market of a minority stake in Leonardo DRS (“DRS”), equal to 18,000,000 ordinary shares (increased vis-à-vis the initial offering through a secondary offering of 16,500,000 of common stock), and of an additional 2,700,000 shares (equal to 15% of the above-mentioned 18,000,000 shares) at the price of $17.75 per share. The shares sold, which represent approximately 7.9% of the ordinary shares issued by DRS at the date of the transaction, brought Leonardo US Holding, LLC proceeds equal to about USDmil. 352, after transaction costs.

With reference to the comparative period, it should be remembered that the year 2022 saw the start of the Russian offensive, still underway, against Ukraine. In consideration of the profound changes in the world's geo-political and economic equilibriums that have come out, Leonardo had written down its financial exposures to the two countries involved in the conflict for a total amount of €mil. 41, including tax effects.

With regard to NDMA, as described above, it should be recalled that the request for termination for default in relation to the contract for the supply of 14 NH90 helicopters entered into in 2001 with NH Industries (NHI) had been formalised in the comparative period due to alleged delays and non-compliant products.

7. SIGNIFICANT POST-BALANCE SHEET EVENTS

In January 2024 the Group amended the arrangements behind the Space Alliance with the shareholder Thales in relation to the Telespazio component. The nature of the amendments to the shareholders' agreements changed the qualification of the Telespazio group from a joint venture to a subsidiary. Accordingly, starting from 2024, the Group data will include the line-by-line consolidation of Telespazio.

With regard to the arbitration proceedings involving, on the one hand, Leonardo S.p.a. and PSC S.p.A. (hereinafter collectively referred to as unincorporated joint venture, "LP") and, on the other, Galfar Misnad Engineering & Contracting W.L.L., Salini-Impregilo S.p.A. (now Webuild) and Cimolai S.p.A. (hereinafter collectively referred to as unincorporated joint venture, "GSIC"), on 7 March 2024, the Court of Arbitration issued the petition for correction of the award filed by LP, ordering GSIC to pay an additional amount of approximately €mil. 11 to LP with respect to an initial net amount of approximately €mil. 146.5 under the award issued on 6 October 2023; for more details, reference should be made to the Note 22 to these consolidated financial statements.

8. SEGMENT INFORMATION

The Divisions and companies through which the Group operates are aggregated, for the purposes of internal and external reporting, into the five business sectors of reference: *Helicopters*, *Defence Electronics and Security, Aircraft, Aerostructures* and *Space*. The segment of *Other activities* includes the Corporate and remaining activities.

The Group assesses the performance of its operating segments and the allocation of its financial resources on the basis of revenue and EBITA (please also see the paragraph on "NON-GAAP Alternative Performance Indicators" included in the Report on Operations). For the purpose of a correct interpretation of the information provided we note that the results of the strategic Joint Ventures and associates have been included within the EBITA of the sectors to which these JVs and associates belong; conversely, these sectors do not reflect the relevant share of revenue.

The results for the operating sectors at 31 December 2023, as compared to 2022, are as follows:

31 December 2022	Helicopters	Defense Electronics & Security	Aircraft	Aerostructures	Space	Other Activities	Eliminations	Total
Revenues	4,547	7,212	3,085	475	-	579	(1,185)	**14,713**
Inter-segment revenues (*)	(14)	(681)	(29)	(68)	-	(393)	1,185	**-**
Third party revenues	**4,533**	**6,531**	**3,056**	**407**	**-**	**186**	**-**	**14,713**
EBITA	415	805	421	(189)	31	(265)	-	**1,218**
Investments (***)	253	280	97	50	-	121	-	**801**
Non-current assets (**)	3,832	4,092	699	284	-	920	-	**9,827**

31 December 2023	Helicopters	Defense Electronics & Security	Aircraft	Aerostructures	Space	Other Activities	Eliminations	Total
Revenues	4,725	7,483	2,938	636	-	760	(1,251)	**15,291**
Inter-segment revenues (*)	(7)	(688)	(69)	(89)	-	(398)	1,251	-
Third party revenues	**4,718**	**6,795**	**2,869**	**547**	**-**	**362**	**-**	**15,291**
EBITA	422	852	419	(151)	16	(269)	-	**1,289**
Investments (***)	279	278	81	67	-	154	-	**859**
Non-current assets (**)	4,076	4,065	719	289	-	1,008	-	**10,157**

(*) Inter-segment revenue includes revenue among Group consolidated undertakings belonging to various business sectors.
(**) The portion of fixed assets relates to intangible assets and property, plant and equipment as well as to investment property.
(***) Investments relate to intangible assets and property, plant and equipment as well as to investment property (net of grants ascertained on these items).

The reconciliation of EBITA, EBIT and earnings before income taxes and financial expense for the periods concerned is shown below:

2022	Helicopters	Defense Electronics & Security	Aircraft	Aerostructures	Space	Other Activities	Total
EBITA	**415**	**805**	**421**	**(189)**	**31**	**(265)**	**1,218**
Amortisation of intangible assets acquired as part of business combinations	(5)	(19)	-	-	-	-	**(24)**
Restructuring costs	(8)	(46)	(6)	(2)	-	(57)	**(119)**
Non-recurring income/expense	(28)	(64)	(2)	(1)	-	(19)	**(114)**
EBIT	**374**	**676**	**413**	**(192)**	**31**	**(341)**	**961**
Equity-accounted strategic investments	-	(107)	-	6	(31)	-	**(132)**
Income before tax and financial expenses	**374**	**569**	**413**	**(186)**	**-**	**(341)**	**829**

2023	Helicopters	Defense Electronics & Security	Aircraft	Aerostructures	Space	Other Activities	Total
EBITA	**422**	**852**	**419**	**(151)**	**16**	**(269)**	**1,289**
Amortisation of intangible assets acquired as part of business combinations	(5)	(30)	-	-	-	-	**(35)**
Restructuring costs	(1)	(21)	(2)	(18)	-	(17)	**(59)**
Non-recurring income/expense	(44)	(52)	-	(14)	-	-	**(110)**
EBIT	**372**	**749**	**417**	**(183)**	**16**	**(286)**	**1,085**
Equity-accounted strategic investments	-	(126)	-	(12)	(16)	-	**(154)**
Income before tax and financial expenses	**372**	**623**	**417**	**(195)**	**-**	**(286)**	**931**

Below is the breakdown of revenue by geographical area (based on the customer's home country) and relevant sector:

31 December 2022	Helicopters	Defense Electronics & Security	Aircraft	Aerostructures	Other Activities	Eliminations	Total
Italy	707	1,567	338	71	417	(1,039)	**2,061**
United Kingdom	518	1,237	-	3	51	(130)	**1,679**
Rest of Europe	1,012	1,073	856	129	110	(4)	**3,176**
United States of America	396	2,740	615	209	1	(9)	**3,952**
Rest of the world	1,914	595	1,276	63	-	(3)	**3,845**
Revenues	**4,547**	**7,212**	**3,085**	**475**	**579**	**(1,185)**	**14,713**
Inter-segment revenues (*)	(14)	(681)	(29)	(68)	(393)	1,185	-
Third party revenues	**4,533**	**6,531**	**3,056**	**407**	**186**	**-**	**14,713**

31 December 2023	Helicopters	Defense Electronics & Security	Aircraft	Aerostructures	Other Activities	Eliminations	Total
Italy	1,003	1,805	490	80	465	(1,156)	**2,687**
United Kingdom	490	1,220	-	6	5	(70)	**1,651**
Rest of Europe	1,142	1,069	1,083	169	284	(15)	**3,732**
United States of America	459	2,695	493	313	-	(6)	**3,954**
Rest of the world	1,631	694	872	68	6	(4)	**3,267**
Revenues	**4,725**	**7,483**	**2,938**	**636**	**760**	**(1,251)**	**15,291**
Inter-segment revenues (*)	(7)	(688)	(69)	(89)	(398)	1,251	-
Third party revenues	**4,718**	**6,795**	**2,869**	**547**	**362**	**-**	**15,291**

(*) Inter-segment revenue includes revenue among Group consolidated undertakings belonging to various business sectors.

Below is the breakdown of fixed assets (intangible assets, property, plant and equipment and investment property) according to the geographical area in which the Group companies are based:

	31 December 2022	31 December 2023
Italy	5,326	5,512
United Kingdom	1,672	1,744
Rest of Europe	556	676
United States of America	2,253	2,206
Rest of the world	20	19
	9,827	**10,157**

9. INTANGIBLE ASSETS

	Goodwill	Development costs	Non-recurring costs	Concessions, licences and trademarks	Acquired through business combinations	Other intangible assets	Total
1 January 2022							
Cost	6,478	1,742	2,481	687	1,363	583	**13,334**
Depreciation	-	(749)	(524)	(459)	(1,103)	(411)	**(3,246)**
Impairment losses	(2,642)	(144)	(197)	-	-	(26)	**(3,009)**
Carrying amount	**3,836**	**849**	**1,760**	**228**	**260**	**146**	**7,079**
Investments (net of grants)	-	133	98	10	-	72	**313**
Sales	-	(1)	-	-	-	-	**(1)**
Amortisation	-	(39)	(64)	(23)	(24)	(37)	**(187)**
Impairment losses	-	(1)	(21)	-	-	(1)	**(23)**
Increase for business combinations	269	-	-	-	124	-	**393**
Scope deconsolidation variance	(201)	-	-	-	-	-	**(201)**
Other changes	21	2	1	28	(5)	(10)	**37**
31 December 2022	**3,925**	**943**	**1,774**	**243**	**355**	**170**	**7,410**
broken down as follows:							
Cost	6,742	1,862	2,580	709	1,524	628	**14,045**
Depreciation	-	(784)	(588)	(466)	(1,169)	(432)	**(3,439)**
Impairment losses	(2,817)	(135)	(218)	-	-	(26)	**(3,196)**
Carrying amount	**3,925**	**943**	**1,774**	**243**	**355**	**170**	**7,410**
Investments (net of grants)	-	146	88	8	-	73	**315**
Sales	-	(4)	-	-	-	-	**(4)**
Amortisation	-	(31)	(54)	(28)	(35)	(40)	**(188)**
Impairment losses	-	(4)	(25)	-	-	-	**(29)**
Other changes	(26)	85	6	20	(3)	(21)	**61**
31 December 2023	**3,899**	**1,135**	**1,789**	**243**	**317**	**182**	**7,565**
broken down as follows:							
Cost	6,626	2,083	2,674	733	1,493	663	**14,272**
Depreciation	-	(815)	(642)	(490)	(1,176)	(458)	**(3,581)**
Impairment losses	(2,727)	(133)	(243)	-	-	(23)	**(3,126)**
Carrying amount	**3,899**	**1,135**	**1,789**	**243**	**317**	**182**	**7,565**

31 December 2022			
Gross value			4,814
Grants			3,040
31 December 2023			
Gross value			4,828
Grants			3,039

The investments for the period are stated net of related grants. Commitments were in place for the purchase of intangible assets for €mil. 21 at 31 December 2023 (€mil. 19 at 31 December 2022). The impairment of non-recurring costs mainly refers to write-downs linked to programmes in the Aircraft sector.

As set out in Note 4.1 of the consolidated financial statements, to which reference is made, development costs and non-recurring charges are tested for impairment, if the conditions obtain, using the discounted cash flow method. The cash flows used are those under the product business plan, as discounted on the basis of a weighted-average cost of capital (WACC) basis calculated using the Capital Asset Pricing Model method.

Goodwill

Goodwill is allocated to the Cash Generating Units (CGUs) or to groups of CGUs concerned, which are determined on the basis of the Group's organisational, management and control structure, which coincides, as is known, with the Group's five business segments.

Below is the breakdown of goodwill by CGU at 31 December 2023 and 2022:

	31 December 2022		31 December 2023	
Helicopters		**1,241**		**1,255**
Defense Electronics & Security		**2,626**		**2,584**
DRS	1,647		1,591	
Leonardo Divisions	979		993	
Aircraft		**60**		**60**
		3,927		**3,899**

The net decrease compared to 31 December 2022 was mainly due to the foreign currency translation differences on goodwill denominated in USD, partially offset by the positive effects of the items denominated in GBP.

Goodwill is subject to impairment testing to determine any loss in value. This is done by individual CGU by comparing the carrying amount with the greater of the value in use of the CGU and amount recoverable by sale (fair value). The Group has established an operational hierarchy between calculating the fair value net of transaction costs and value in use, where the value in use is estimated first, and then only after, if it is lower than the carrying value, is the fair value net of transaction costs determined. In particular, the value in use is measured by the unlevered discounting of the cash flows resulting from the Group's five-year business plans prepared by the management of the CGUs and incorporated into the plan approved by Leonardo's Board of Directors, projected beyond the explicit time horizon covered by the plan according to the perpetuity growth method (terminal value), using growth rates ("g-rate") no greater than those forecast for the markets in which the given CGU operates. The cash flows used were those provided for in the plans adjusted to exclude the effects of future business restructurings, if any, not yet approved, or future investments for improving future performance. Specifically, these cash flows are those generated before financial expense and taxes – determined on a notional basis, and include investments in capital assets and monetary changes in working capital, while excluding cash flows from financial management, extraordinary events or the payment of dividends. The underlying macro-economic assumptions were made on the basis of external information sources, where available, while the profitability and growth estimates used in the plans were calculated by management based on past experience and future developments in the Group's markets.

These cash flows are discounted on a weighted-average cost of capital (WACC) basis calculated using the Capital Asset Pricing Model method. The following factors were taken into account in calculating WACCs, which were also determined by using the data referable to the main competitors operating in each sector:

- the risk-free rate was determined using the 10- and 20-year gross yield of government bonds of the geographic market of the CGU;
- the market premium, determined using computations of external providers;
- the sector beta;
- the cost of debt;
- the debt/equity ratio.

The growth rates used to project the CGU's cash flows beyond the explicit term of the plan were estimated by making reference to the growth assumptions of the individual sectors in which said CGUs operate. These assumptions are based on the internal processing of external sources, making reference to a period of time that is usually ten years. The g-rates used for the purposes of the impairment test were equal to 2%, consistently with the actions taken in previous financial years, even in the presence of higher expected growth rates in some sectors.

The mostly important assumptions for the purposes of estimating the cash flows used in determining the value in use are:

- WACC;
- g-rate;
- ROS;
- the trend in Defence budgets.

In estimating these assumptions, the management made reference, in the case of external variables, to internal information processed on the basis of external surveys, as well as on its knowledge of the markets and of the specific contractual situations.

The following WACCs and (nominal) growth rates were used at 31 December 2023 and 2022:

	31 December 2022		31 December 2023	
	Wacc	*g-rate*	Wacc	*g-rate*
Helicopters	8.6%	2.0%	9.3%	2.0%
Defense Electronics & Security				
DRS	9.0%	2.0%	8.5%	2.0%
Leonardo Divisions	7.5%	2.0%	8.2%	2.0%
Aircraft	8.1%	2.0%	9.2%	2.0%

Testing revealed no signs of impairment but showed, on the contrary, significant positive margins (headroom). The results of the tests were subjected to sensitivity analysis, taking as reference those assumptions for which it is reasonable to believe that their change could significantly modify the results of the test. In this regard, it should be noted that in all sectors the large positive margins recorded are such that they cannot be significantly modified by changes in the assumptions described; however, for information purposes the results for all CGUs are reported below. The table below shows for the 2023 and 2022 financial years the positive margin relating to the base scenario, compared with the results of the following sensitivity analyses: (i) increase in interest rates used to discount cash flows on all CGUs by 50 basis points, the other conditions remaining equal; (ii) reduction in the growth rate in the calculation of terminal value by 50 basis points, the other conditions remaining equal; (iii) reduction in operating profitability applied to terminal value by half a point, the other conditions remaining equal.

31 December 2022	Margin (base case)	Margin post sensitivity		
		Wacc	*g-rate*	ROS TV
Helicopters	910	556	630	724
Defense Electronics & Security				
DRS (USD millions)	2,129	1,800	1,891	1,998
Leonardo Divisions	8,623	7,625	7,812	8,332
Aircraft	5,774	5,433	5,499	5,631

31 December 2023	Margin (base case)	Margin post sensitivity		
		Wacc	*g-rate*	ROS TV
Helicopters	962	637	712	780
Defense Electronics & Security				
DRS (USD millions)	2,951	2,528	2,638	2,790
Leonardo Divisions	9,203	8,276	8,466	8,902
Aircraft	5,842	5,535	5,606	5,707

Development costs and non-recurring charges

Investments in "Development costs" mainly refer to the *Defence Electronics and Security* and *Helicopters* sectors (€mil. 47 and €mil. 93, respectively). The increase in "Non-recurring charges" mainly refers to the Helicopters sector for €mil. 65 and the Defence Electronics and Security sector for €mil. 16. Total investments were affected by the grants received during the year, recognised as a decrease in the related item. As regards programmes that benefit from the provisions of Law 808/85 and that are classified as functional to national security, the portion of capitalised non-recurring costs, pending the fulfilment of the legal requirements for the classification under receivables, is separately disclosed under other non-current assets (Note 13). Receivables for grants assessed by the grantor in relation to capitalised costs (shown here net of the related grants) are illustrated in Note 28.

Impairment for the year mainly related to impairment losses on Aircraft programmes. Impairment tests of non-recurring costs and development costs are performed on the most significant programmes in terms of capitalisation or risk or when impairment indicators emerge. They are carried out – if conditions obtain- using the discounted cash flow method. The cash flows used are those of the product business plans, discounted on the basis of a WACC rate determined by applying the Capital Asset Pricing Model. As noted in the section on accounting policies, product business plans include any investments related to climate change issues.

Total research and development costs, comprising also "Development costs" and "Non-recurring charges" just mentioned, are equal to €mil. 2,201.

Other items of intangible assets

"Concessions, licences and trademarks" include in particular the value of licenses acquired in previous years in the Helicopters sector. With regard to the full acquisition of the AW609 programme, this value also comprises the estimated variable fees due to Bell Helicopter on the basis of the commercial performance of the programme (Note 24).

Below is a breakdown of the intangible assets acquired as part of business combinations:

	31 December 2022	31 December 2023
Know-how	155	134
Trademarks	41	39
Backlog and commercial positioning	159	144
	355	**317**

The item “Other intangible assets” mainly includes software, intangible assets under development and advances.

10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and machinery	Equipment	Other tangible assets	Total
1 January 2022					
Cost	1,647	1,762	2,450	1,716	**7,575**
Amortisation, depreciation and write-offs	(792)	(1,387)	(2,140)	(1,134)	**(5,453)**
Carrying amount	**855**	**375**	**310**	**582**	**2,122**
Investments	8	38	53	388	**487**
Sales	(1)	(2)	-	(5)	**(8)**
Depreciation	(44)	(78)	(81)	(65)	**(268)**
Impairment losses	-	-	(1)	-	**(1)**
Increase for business combinations	4	20	-	2	**26**
Other changes	40	27	94	(151)	**10**
31 December 2022	**862**	**380**	**375**	**751**	**2,368**
broken down as follows:					
Cost	1,689	1,775	2,539	1,879	**7,882**
Amortisation, depreciation and write-offs	(827)	(1,395)	(2,164)	(1,128)	**(5,514)**
Carrying amount	**862**	**380**	**375**	**751**	**2,368**
Investments	11	23	58	451	**543**
Sales	(1)	(1)	-	(17)	**(19)**
Depreciation	(51)	(82)	(92)	(63)	**(288)**
Impairment losses	-	(3)	(10)	(2)	**(15)**
Other changes	122	98	58	(319)	**(41)**
31 December 2023	**943**	**415**	**389**	**801**	**2,548**
broken down as follows:					
Cost	1,807	1,877	2,640	1,955	**8,279**
Amortisation, depreciation and write-offs	(864)	(1,462)	(2,251)	(1,154)	**(5,731)**
Carrying amount	**943**	**415**	**389**	**801**	**2,548**

The 2023 investments were related to the sectors of *Defence Electronics and Security* for €mil. 192, *Aircraft* for €mil. 63, *Aerostructures* for €mil. 66, *Helicopters* for €mil. 97 and *Other Activities* for €mil. 125.

“Other tangible assets” also include the value of tangible assets under construction (€mil. 399 at 31 December 2023 and €mil. 391 at 31 December 2022).

Purchase commitments of property, plant and equipment were recorded in the amount of €mil. 217 at 31 December 2023 (€mil. 206 at 31 December 2022).

The future receipts attributable to operating leases were equal to €mil. 2 (€mil. 9 at 31 December 2022), of which €mil. 1 between 2 and 5 years.

11. RIGHTS OF USE

	Rights of use of land and buildings	Rights of use of plant and machinery	Rights of use of other tangible assets	Total
1 January 2022				
Cost	666	17	86	**769**
Amortisation, depreciation and write-offs	(183)	(7)	(49)	**(239)**
Carrying amount	**483**	**10**	**37**	**530**
New Contract submission	65	10	5	**80**
Closing and contract modifications	(8)	-	1	**(7)**
Depreciation	(69)	(4)	(19)	**(92)**
Increase for business combinations	12	-	-	**12**
Other changes	10	1	2	**13**
31 December 2022	**493**	**17**	**26**	**536**
broken down as follows:				
Cost	728	28	84	**840**
Amortisation, depreciation and write-offs	(235)	(11)	(58)	**(304)**
Carrying amount	**493**	**17**	**26**	**536**
New Contract submission	74	6	12	**92**
Closing and contract modifications	43	-	5	**48**
Depreciation	(73)	(5)	(15)	**(93)**
Other changes	(23)	-	-	**(23)**
31 December 2023	**514**	**18**	**28**	**560**
broken down as follows:				
Cost	809	33	76	**918**
Amortisation, depreciation and write-offs	(295)	(15)	(48)	**(358)**
Carrying amount	**514**	**18**	**28**	**560**

During 2023 this item showed an increase due to the signature of new contracts and to the changes in existing contracts.
The leases with a term of less than 12 months and those concerning assets of modest value were recognised among “costs for purchases” (Note 29).
At 31 December 2023 there were no lease commitments (€mil. 36 in 2022). Short-term lease commitments amounted to €mil. 3 (€mil. 3 in 2022).

12. EQUITY INVESTMENTS AND SHARE OF PROFITS (LOSSES) OF EQUITY-ACCOUNTED INVESTEES

	2022			2023		
	Equity investments	Risk provisions	Total	Equity investments	Risk provisions	Total
Strategical investments	1,843		1,843	1,787		1,787
Joint venture not individually material:	61	(5)	56	70	(7)	63
- Rotorsim Srl	*37*		*37*	*38*		*38*
- Polo Strategico Nazionale SpA	*2*		*2*	*9*		*9*
- Closed Joint Stock Company Helivert		*(5)*	*(5)*		*(7)*	*(7)*
- Orizzonte - Sistemi navali	*17*		*17*	*18*		*18*
- Other minor	*5*		*5*	*5*	*-*	*5*
Associates not individually material	195	(7)	188	230	(1)	229
	2,099	**(12)**	**2,087**	**2,087**	**(8)**	**2,079**

The Leonardo Group operates in certain sectors also through entities jointly controlled with third parties and valued under the equity method, since they qualify as joint ventures.

Below are reported the joint ventures considered material in terms of volumes and from a strategic viewpoint for the Group:

Company name	Nature of the relations	Main operating location	Registered office	Ownership %
Telespazio Group	JV con Thales, among the main global providers of satellite services	Rome, Italy	Rome, Italy	67%
Thales Alenia Space Group	JV with Thales, among the main European leaders in the satellite systems and at the forefront of orbit infrastructures	Toulouse, France	Cannes, France	33%
GIE ATR	JV with Airbus Group, among the global leaders in regional turboprop aircraft with a capacity of between 50 and 70 seats	Toulouse, France	Toulouse, France	50%
MBDA Group	JV with Airbus Group and BAE Systems (through the parent AMSH BV), among the world leaders in missiles and missile systems	Paris, France	Paris, France	25%

With reference to the Space Alliance, which univocally regulates the governance of Telespazio and Thales Alenia Space, it should be noted that in 2024 Leonardo and Thales signed an amendment which modified the originally agreed arrangements and resulted in the acquisition by Leonardo of control over the Telespazio group, as well as the ensuing line-by-line consolidation of the same starting from the 2024 financial statements.

On the contrary, based on the agreements in place until 31 December 2023 and following an in-depth analysis thereof, Leonardo had established that both companies were to be considered as joint ventures.

As regards the associates, the Leonardo Group considered the investment in Hensoldt as a key investment which, given its relevance, is comparable to that in the Strategic Joint Ventures from both a strategic and economic standpoint. Below is some relevant information concerning the company:

Company name	Nature of the relations	Main operating location	Registered office	Ownership %
Hensoldt Group	Associate	Taufkirchen, Germany	Taufkirchen, Germany	22.8%

Accordingly, the company's economic and financial data are reported below, in the same way as any other strategic Joint Venture, in accordance with the provisions of IFRS12:

	31 December 2022					
	Telespazio (JV)	Thales Alenia Space (JV)	MBDA (throught AMSH BV) (JV)	GIE ATR (JV)	Hensoldt	**Total**
Non-current assets	358	1,958	2,748	239	1,335	
Current assets	420	1,881	8,160	860	1,644	
- of which cash and cash equivalent	14	14	136	4	460	
Non-current liabilities	70	228	40	186	1,160	
- of which non-current financial liabilities	23	-	11	74	621	
Current liabilities	373	1,858	9,338	712	1,203	
- of which current financial liabilities	14	294	22	115	16	
NCI net equity (100%)	18	-	(1)	-	13	
Group net equity (100%)	317	1,753	1,531	201	603	
Revenues (100%)	650	2,175	4,210	821	1,707	
Amortisation, depreciation and impairment losses (100%)	26	59	194	42	103	
Financial income (expenses) (100%)	3	(21)	14	4	(39)	
Income taxes (100%)	(16)	(19)	(123)	(2)	(49)	
Profit (loss) from continuing operations (100%)	42	11	386	(11)	78	
Profit (loss) from discontinued operations, net of taxes (100%)	-	-	-	-	-	
Other comprehensive income (expenses) (100%)	3	(22)	334	7	147	
Total comprehensive income (expenses) (100%)	**45**	**(11)**	**720**	**(4)**	**225**	
% Groups' interest in equity at 1 January	205	608	265	61	-	**1,139**
% Groups' interest in profit (loss) from continuing operations	28	4	97	(6)	20	143
% Groups' interest in profit (loss) from discontinued operations, net of taxes	-	-	-	-	-	-
% Groups' interest in other comprehensive income (expenses)	2	(7)	84	4	37	120
% Groups' interest in total comprehensive income (expenses)	**30**	**(3)**	**181**	**(2)**	**57**	**263**
Dividends received	(21)	(27)	(62)		(7)	(117)
Subscriptions and capital increases (decrease)				38		38
Acquisitions					100	100
Disposals						-
Exchange differences and other movements	(1)			3	2	4
% Groups' interest in equity at 31 December	**213**	**578**	**384**	**100**	**152**	**1,427**
Consolidation adjustments	1	(209)	116		508	416
Equity investments at 31 December	**214**	**369**	**500**	**100**	**660**	**1,843**
% Groups' interest in profit (loss)	28	4	97	(6)	20	143
Consolidation adjustments	-	(1)	-	-	(10)	(11)
Share of profits (losses) of equity-accounted investees	**28**	**3**	**97**	**(6)**	**10**	**132**

	31 December 2023					
	Telespazio (JV)	Thales Alenia Space (JV)	MBDA (throught AMSH BV) (JV)	GIE ATR (JV)	Hensoldt	**Total**
Non-current assets	388	2,020	3,022	244	1,405	
Current assets	441	1,788	10,111	802	2,155	
- of which cash and cash equivalent	*23*	*10*	*348*	*9*	*802*	
Non-current liabilities	93	247	39	184	1,266	
- of which non-current financial liabilities	*39*	*-*	*17*	*71*	*631*	
Current liabilities	392	1,981	11,457	680	1,470	
- of which current financial liabilities	*25*	*229*	*749*	*61*	*30*	
NCI net equity (100%)	18	-	(1)	-	16	
Group net equity (100%)	326	1,580	1,638	182	808	
Revenues (100%)	701	2,184	4,451	1,052	1,847	
Amortisation, depreciation and impairment losses (100%)	26	65	196	47	120	
Financial income (expenses) (100%)	1	(26)	155	(6)	(72)	
Income taxes (100%)	(16)	(21)	(146)	(3)	(35)	
Profit (loss) from continuing operations (100%)	43	(45)	497	24	54	
Profit (loss) from discontinued operations, net of taxes (100%)	-	-	-	-	-	
Other comprehensive income (expenses) (100%)	(2)	10	(51)	(6)	(50)	
Total comprehensive income (expenses) (100%)	**41**	**(35)**	**446**	**18**	**4**	
% Groups' interest in equity at 1 January	213	578	384	100	152	1,427
% Groups' interest in profit (loss) from continuing operations	29	(15)	124	12	12	162
% Groups' interest in profit (loss) from discontinued operations, net of taxes	-	-	-	-	-	-
% Groups' interest in other comprehensive income (expenses)	(1)	3	(13)	(3)	(11)	(25)
% Groups' interest in total comprehensive income (expenses)	**28**	**(12)**	**111**	**9**	**1**	**137**
Dividends received	(23)	(44)	(85)	(16)	(8)	(176)
Subscriptions and capital increases (decrease)					55	55
Acquisitions					(61)	(61)
Exchange differences and other movements	1			(2)	(1)	(2)
% Groups' interest in equity at 31 December	**219**	**522**	**410**	**91**	**138**	**1,380**
Consolidation adjustments	1	(208)	116		498	407
Equity investments at 31 December	**220**	**314**	**526**	**91**	**636**	**1,787**
% Groups' interest in profit (loss)	29	(15)	124	12	12	162
Consolidation adjustments	-	2	-	-	(10)	(8)
Share of profits (losses) of equity-accounted investees	**29**	**(13)**	**124**	**12**	**2**	**154**

The recoverability of the carrying amount of investments is verified, when conditions obtain, also through impairment tests. With regard to Hensoldt AG, listed on the Frankfurt Stock Exchange, below is reported a comparison of the value of the equity investment and the average market price in December:

Listed entity	No. shared owned	Stock Exchange		Equity Investment €mil.
		€ per unit	Total €mil.	
Hensoldt AG	26,355,000	24.14	636	636

Below is provided a summary of the aggregate economic and financial data of other associates which are not individually material for the Group.

	31 December 2022		31 December 2023	
	Other JV not individually material	Associates not individually material	Other JV not individually material	Associates not individually material
% Groups' interest in equity at 1 January	**87**	**182**	**61**	**195**
% Groups' interest in profit (loss) from continuing operations	2	20	(1)	16
% Groups' interest in profit (loss) from discontinued operations, net of taxes				
% Groups' interest in other comprehensive income (expenses)	4	5		(1)
% Groups' interest in total comprehensive income (expenses)	**6**	**25**	**(1)**	**15**
Dividends received	(8)	(8)	(2)	(8)
Subscriptions and capital increases (decrease)		3	10	28
Acquisitions				
Disposals	(24)			
Exchange differences and other movements		(7)	2	
% Groups' interest in equity at 31 December	**61**	**195**	**70**	**230**
Consolidation adjustments				
Equity investments at 31 December	**61**	**195**	**70**	**230**
% Groups' interest in profit (loss)	2	20	(1)	16
Consolidation adjustments				
Share of profits (losses) of equity-accounted investees	**2**	**20**	**(1)**	**16**
Share of profits (losses) of equity-accounted investees (risk provisions)	**1**	**(13)**	**(2)**	**(19)**

13. RECEIVABLES AND OTHER NON-CURRENT ASSETS

	31 December 2022	31 December 2023
Deferred grants under Law no. 808/85	6	6
Defined benefit plan assets, net (Note 23)	215	167
Related party receivables (Note 36)	13	17
Other non-current receivables	42	41
Non-current receivables	**276**	**231**
Prepayments - non-current portion	20	4
Equity investments at cost	23	14
Non-recurring costs pending under Law no. 808/1985	29	29
Non-current assets	**72**	**47**

The net decrease in non-current assets is attributable to the actuarial valuation of net assets related to defined benefit plans, for which details reference should be made to Note 23 on "Employee benefit obligations".

14. BUSINESS COMBINATIONS

No business combinations took place during the financial year.

In 2024 the Leonardo Group and Thales signed an amendment which modified the arrangements originally agreed in the Space Alliance and resulted in the acquisition by Leonardo of control over the Telespazio group, as well as the ensuing line-by-line consolidation of the same starting from the 2024 financial statements. Therefore, Leonardo started a purchase price allocation process in order to determine the fair value related to the first line-by-line consolidation of Telespazio that is expected to have material effects. In this Financial Report the contribution of Telespazio was equal to €mil. 29 in terms of EBITA, deriving from the valuation at equity. If the Telespazio group had been already consolidated on a line-by-line basis in 2023, the impact in terms of Revenues and EBITA would have been equal to €mil. 691 and €mil. 37 respectively.

With reference to the previous year, the Leonardo Group had finalised the merger between the U.S. subsidiary Leonardo DRS, Inc. ("Leonardo DRS") and the Israeli company RADA Electronic Industries Ltd. ("RADA"), active in the business of tactical radars for short-range and low-cost defence, particularly suitable for ground-based Short Range Air Defense and Counter-UAV applications.

The consideration associated with the transaction, against which a 19.1% stake in Leonardo DRS was assigned to RADA shareholders, was determined to be USDmil. 513 (€mil. 481 at 31 December 2022), generating goodwill preliminarily determined to be USDmil. 283, then defined as equal to USDmil. 285 (€mil. 258 at 31 December 2023). The purchase price allocations process determined the following entries:

($mil.)	Book values	ADJ Fair value	Fair value
Assets acquired	156	127	**283**
Liabilities acquired	(39)	(14)	**(53)**
Net assets acquired, escluding goodwill			**230**
Total consideration			**513**
Goodwill			**283**

As a result of the transaction, the shares of Leonardo DRS have been listed on NASDAQ and on the Tel Aviv Stock Exchange (TASE) under the “DRS” symbol. In the course of 2023 trading on TASE was voluntarily cancelled.

15. INVENTORIES

	31 December 2022	31 December 2023
Raw materials, supplies and consumables	2,314	2,532
Work in progress and semi-finished goods	1,601	1,805
Assets deriving from at point in time contracts	336	361
Advances to suppliers	1,087	995
	5,338	**5,693**

Inventories are shown net of impairment charges of €mil. 753 (€mil. 757 at 31 December 2022).

Point-in-time contract assets includes the production progress recognised on contracts that do not meet the requirements for the recognition of revenues on an over-time basis.

16. CONTRACT ASSETS AND LIABILITIES

	31 December 2022	31 December 2023
Contract assets (gross)	7,346	6,406
Contract liabilities	(3,694)	(2,770)
Contract assets (net)	**3,652**	**3,636**
Contract liabilities (gross)	8,119	8,847
Contract assets	(104)	(114)
Contract liabilities (net)	**8,015**	**8,733**

Contract assets include the net value of the work executed for amounts exceeding the advances received from customers. Similarly, contract liabilities include the opposite case.
This setoff was made limited to contract assets and liabilities and not also to assets arising from at point in time contracts classified in inventories. If the progress payments and advances from customers have not been collected at the reporting date, the corresponding amount is recognised as a receivable from customers.
In 2023, the portion of Revenues deriving from the exposures classified at the start of the period within contract liabilities amounted to €bil. 3.2.

17. TRADE AND FINANCIAL RECEIVABLES

	31 December 2022		31 December 2023	
	Trade	Financial	Trade	Financial
Receivables	3,205	82	3,375	55
Cumulative impairments	(587)	(33)	(516)	(33)
Related party current receivables (Note 36)	720	56	826	183
	3,338	**105**	**3,685**	**205**

The ageing of receivables together with an analysis of how the Group manages credit risk is reported under Note 37.

18. OTHER CURRENT ASSETS

	31 December 2022	31 December 2023
Derivatives	224	207
Prepaid expenses - current portion	110	140
Receivables for grants	59	61
Receivables from employees and social security	35	36
Indirect tax receivables	64	94
Deferred receivables under Law no. 808/85	2	-
Other related party receivables (Note 36)	3	5
Other assets	101	138
	598	**681**

The fair value performance of portfolio derivatives is broken down below:

	Fair value at					
	31 December 2022			31 December 2023		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Interest rate swaps						
Trading	-	(1)	**(1)**	-	(1)	**(1)**
Fair value hedge	-	-	**-**	-	-	**-**
Cash flow hedge	30	-	**30**	18	-	**18**
Currency forward/swap/option						
Trading	-	-	**-**	-	-	**-**
Fair value hedge	1	(20)	**(19)**	1	(7)	**(6)**
Cash flow hedge	193	(275)	**(82)**	188	(167)	**21**

19. CASH AND CASH EQUIVALENTS

The change in the year is shown in the statement of cash flows. Cash and cash equivalents at 31 December 2023 included €mil. 1 of term deposits (€mil. 5 at 31 December 2022).

20. EQUITY

Share capital

	Number of ordinary shares	Par value	Treasury shares	Costs incurred (net of tax effect)	Total
Outstanding shares	578,150,395	2,544	-	(19)	2,525
Treasury shares	(2,843,120)	-	(26)	-	(26)
31 December 2022	575,307,275	2,544	(26)	(19)	2,499
Repurchase of treasury shares less shares sold	-	-	-	-	-
31 December 2023	575,307,275	2,544	(26)	(19)	2,499
broken down as follows:					
Outstanding shares	578,150,395	2,544	-	(19)	2,525
Treasury shares	(2,843,120)	-	(26)	-	(26)

The share capital, fully subscribed and paid-up, is divided into 578,150,395 ordinary shares with a par value of € 4.40 each, including 2,843,120 treasury shares.

At 31 December 2023 the Ministry of Economy and Finance owned around 30.204% of the share capital.

The statement of changes in other reserves and equity attributable to non-controlling interests is presented in the accounting statements section.

Cash-flow hedge reserve

This reserve includes changes in fair value of the effective portions of derivatives used by the Group to hedge its exposure to currency net of the effect of deferred taxes until the moment in which the "underlying position" is recognised in the income statement. When this condition is met, the reserve is recognised in the income statement to offset the economic effects of the hedged transaction. In accordance with the provisions of IFRS 9 governing hedge accounting, the reserve also includes the fair value change in the forward component of forward contracts (premium points), taken to the income statement when the hedged item affects profit or loss.

Translation reserve

The reserve relating to consolidated companies showed the following changes:

	2022	2023
US dollar	150	(73)
Pound sterling	(141)	46
Other currencies	3	(22)
	12	**(49)**

Overall, the reserve is negative for €mil. 222, mainly for the translation differences on the components denominated in Pound sterling.

Gain and loss items recognised in equity and related tax effect

	Group - consolidated entities			Group - equity accounted investments		
	Amount before taxes	Tax effect	Net amount (*)	Amount before taxes	Tax effect	Net amount
2022						
Revaluation of defined-benefit plans	(324)	87	(237)	183	(39)	144
Changes in cash-flow hedges	(24)	7	(17)	(7)	2	(5)
Foreign currency translation difference	12	-	12	4	-	4
Fair value to OCI	-	-	-	(13)	-	(13)
Total	**(336)**	**94**	**(242)**	**167**	**(37)**	**130**
2023						
Revaluation of defined-benefit plans	(78)	17	(61)	(31)	3	(28)
Changes in cash-flow hedges	72	(18)	54	7	(3)	4
Foreign currency translation difference	(49)	-	(49)	(6)	-	(6)
Fair value to OCI	-	-	-	-	-	-
Total	**(55)**	**(1)**	**(56)**	**(30)**	**-**	**(30)**

(*) The net value includes the Group's share of the components that may not be reclassified to profit (loss) for the period, amounting to -€mil. 60 at 31 December 2023 (-€mil. 236 in 2022), and the components that may be reclassified to profit (loss) for the period, amounting to -€mil. 20 at 31 December 2023 (-€mil. 6 in 2022).

Below are the details of the tax effects related to profit and loss recognised in equity attributable to non-controlling interests:

	Non-controlling interest		
	Amount before taxes	Tax effect	Net amount
2022			
Revaluation of defined-benefit plans	-	-	-
Changes in cash-flow hedges	-	-	-
Foreign currency translation difference	-	-	-
Total	**-**	**-**	**-**
2023			
Revaluation of defined-benefit plans	1	-	1
Changes in cash-flow hedges	-	-	-
Foreign currency translation difference	(25)	-	(25)
Total	**(24)**	**-**	**(24)**

21. BORROWINGS

	31 December 2022			31 December 2023		
	Non-current	Current	Total	Non-current	Current	Total
Bonds	1,592	36	1,628	996	635	1,631
Borrowings	1,279	71	1,350	1,225	87	1,312
Lease liabilities	492	78	570	531	79	610
Other related party borrowings (Note 36)	100	862	962	100	1,192	1,292
Other borrowings	68	35	103	33	51	84
	3,531	**1,082**	**4,613**	**2,885**	**2,044**	**4,929**

Changes in borrowings are as follows:

	1 January 2022	New borrowings	Repayments/Payment of coupons	Other net increase (decrease)	Exchange differences	31 December 2022
Bonds	2,481	-	(942)	68	21	**1,628**
Borrowings	1,648	203	(498)	-	(3)	**1,350**
Lease liabilities	568	80	(93)	7	8	**570**
Other related party borrowings	856	-	-	106	-	**962**
Other borrowings	117	9	(19)	(5)	1	**103**
	5,670	**292**	**(1,552)**	**176**	**27**	**4,613**

	1 January 2023	New borrowings	Repayments/Payment of coupons	Other net increase (decrease)	Exchange differences	31 December 2023
Bonds	1,628	-	(46)	49	-	**1,631**
Borrowings	1,350	-	(29)	-	(9)	**1,312**
Lease liabilities	570	92	(94)	49	(7)	**610**
Other related party borrowings	962	-	-	330	-	**1,292**
Other borrowings	103	-	(19)	1	(1)	**84**
	4,613	**92**	**(188)**	**429**	**(17)**	**4,929**

Net changes for current liabilities. The items also include changes resulting from the application of the effective interest-rate method, which may not correspond with actual cash movements.

Following the early repayment, occurred in 2022, of the bonds issued on the US market by Leonardo US Holding, Leonardo SpA was the sole issuer of the Group on the bond market. Leonardo's issues are governed by rules with standard legal clauses for these types of corporate transactions on institutional markets that do not require any undertaking with regard to compliance with specific financial parameters (financial covenants) but they do require negative pledge and cross-default clauses. Based on negative pledge clauses, Leonardo and its "Material Subsidiaries" (companies in which Leonardo owns more than 50% of the share capital and the gross revenues and total assets of which represent at least 10% of consolidated gross revenues and total assets) are expressly prohibited from pledging collateral security or other obligations to secure their debt in the form of bonds or listed financial instruments or financial instruments that qualify for listing, unless these guarantees are extended to all bondholders. Exceptions to this prohibition are securitisation and the establishment of assets for the use indicated in Article 2447-bis et seq. of the Italian Civil Code. On the contrary, the cross-default clauses give the bondholders the right to request early redemption of the bonds in their possession in the event of default by Leonardo and/or any "Material Subsidiary" that results in a failure to make payment beyond pre-set limits.

Financial covenants are included in the ESG-linked Revolving Credit Facility and in the ESG-linked Term Loan signed in 2021 which require Leonardo to comply with two Financial ratios (the ratio of Group net debt - excluding payables to the joint ventures MBDA and Thales Alenia Space and lease liabilities /EBITDA, including amortisation of the right of use assets, must be no higher than 3.75 and the ratio of EBITDA, including amortisation of the right of use assets / Net interest must be no lower than 3.25), tested annually based on consolidated data. These covenants, which are always tested on an annual basis, are included in the loan agreement with CDP, as well as in all EIB loans in place (they had been used for a total amount of €mil. 481 at 31 December 2023). In relation to this Annual Financial Report, there was full compliance with the covenants (the two ratios were 0.4 and 18.8, respectively).

In line with the US standard practices, financial covenants are also provided for in the bank loans granted in favour of Leonardo DRS. These financial ratios (Net debt / adjusted EBITA not more than 3.75 and adjusted EBITA /Net interest not less than 3.0, to be determined on the basis of the data inferable from the US GAAP financial statements of the LDO DRS Group) are also met in relation to this Annual Financial Report.

Below is the reconciliation of the changes in borrowings with the cash flows from financing activities:

	2022	2023
Balance at 1 January	**5,670**	**4,613**
Changes included in cash flows from financing activities of the statement:	**(1,131)**	**190**
- Repayments of bonds	*(841)*	*-*
- BEI Loan and Term Loan repayment	*(547)*	*(19)*
- Net change in other borrowings	*257*	*209*
Non-monetary changes:	**74**	**126**
- Non monetary items of lease liabilities	*80*	*140*
- Exchange rate effect	*27*	*(17)*
- Accrued interest	*(33)*	*3*
Balance at 31 December	**4,613**	**4,929**

Bonds

Below is the detail of the bonds at 31 December 2023:

Issuer	Year of issue	Maturity	Currency	Outstanding nominal amount (mil.)	Annual coupon	Type of offer
LDO (*)	2005	2025	€	500	4.875%	European institutional
LDO (*)	2017	2024	€	600	1.500%	European institutional
LDO (*)	2020	2026	€	500	2.375%	European institutional

(*) Bonds listed on the Luxembourg Stock Exchange and issued under the EMTN programme of up to €bil. 4. The transaction was authorized pursuant to Article 129 of Legislative Decree No. 385/93.

Movements in bonds are as follows:

	1 January 2022	Interest	Repayments/ Repurchases	Payments of coupons	Effect of exchange rate	31 December 2022	Fair value
€mil. 500 LDO 2025 *	518	24		(24)		**518**	509
€mil. 600 LDO 2022 *	583	2	(556)	(29)		**-**	
USDmil. 300 LH 2039 *	110	8	(115)	(12)	9	**-**	
USDmil. 500 LH 2040 *	163	10	(170)	(15)	12	**-**	
600 €mil. LDO 2024*	602	10		(9)		**603**	586
€mil. 500 LDO 2026 *	505	14		(12)		**507**	475
	2,481	**68**	**(841)**	**(101)**	**21**	**1,628**	**1,570**

	1 January 2023	Interest	Repayments/ Repurchases	Payments of coupons	Effect of exchange rate	31 December 2023	Fair value
€mil. 500 LDO 2025 *	518	25		(25)		**518**	508
600 €mil. LDO 2024*	603	10		(8)		**605**	593
€mil. 500 LDO 2026 *	507	14		(13)		**508**	489
	1,628	**49**	**-**	**(46)**	**-**	**1,631**	**1,590**

(*) Maturity date of bond.

The fair value of the bonds was determined on the basis of the quoted prices of the existing issues (Level 1 of the fair value hierarchy).

The Group’s financial liabilities are subject to the following exposures to interest-rate risk:

	Bonds		Borrowings		Lease liabilities		Other related party borrowings (Note 36)		Other borrowings		Total	
31 December 2022	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	**Floating**	**Fixed**
Within 1 year	-	36	50	21	1	77	841	21	35	-	**927**	**155**
2 to 5 years	-	1,592	800	210	4	364	100	-	58	-	**962**	**2,166**
Beyond 5 years	-	-	269	-	8	116	-	-	10	-	**287**	**116**
Total	**-**	**1,628**	**1,119**	**231**	**13**	**557**	**941**	**21**	**103**	**-**	**2,176**	**2,437**

31 December 2023	Bonds		Borrowings		Lease liabilities		Other related party borrowings (Note 36)		Other borrowings		Total	
	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	**Floating**	**Fixed**
Within 1 year	-	635	46	41	-	79	1,171	21	51	-	**1,268**	**776**
2 to 5 years	-	996	784	235	-	422	100	-	30	-	**914**	**1,653**
Beyond 5 years	-	-	-	206	-	109	-	-	3	-	**3**	**315**
Total	**-**	**1,631**	**830**	**482**	**-**	**610**	**1,271**	**21**	**84**	**-**	**2,185**	**2,744**

Below is the financial information prepared in accordance with the "Indebtedness statement" scheme required under CONSOB communication DEM/6064293 of 28 July 2006 and updated in accordance with the ESMA guidelines 32-382-1138 of 4 March 2021 as implemented in the CONSOB warning notice no. 5/21 of 29 April 2021. The scheme is provided below:

	31 December 2022	31 December 2023
A - Cash	(1,511)	(2,407)
C - Other current financial assets	(105)	(205)
D - Liquidity	**(1,616)**	**(2,612)**
E - Current financial debt (*)	1,046	1,409
F - Current portion of non-current financial debt	36	635
G - Current financial debt	**1,082**	**2,044**
H - Net current financial debt (funds)	**(534)**	**(568)**
I - Non-current financial debt (*)	3,531	2,885
J - Debt instruments (**)	19	6
K- Trade payables and othe non-current debt	170	212
L - Non-current financial debt	**3,720**	**3,103**
M - Total financial debt	**3,186**	**2,535**

(*) *Includes payables for leases of €mil. 610, of which €mil. 79 current (€mil. 570 as at 31 December 2022, of which €mil. 78 current)*
(**) *Includes the fair value of hedging derivatives in respect of debt items*

Based on current interpretations, the item "Trade payables and other non-current payables" of the abovesaid scheme includes the value of payables for grants received from MEMiT for the development of programmes not related to national security eligible for benefits under Law 808/1985, even though such value is not, by its very nature, a financial caption. The reconciliation between Net Financial Debt and Group Net Debt, used as KPI, is as follows:

	Note	31 December 2022	31 December 2023
Net financial debt com. CONSOB n. DEM/6064293/ESMA		**3,186**	**2,535**
Payables to MEMiT (Law no. 808/85)	*24*	(170)	(212)
Group net debt (KPI)		**3,016**	**2,323**

22. PROVISIONS FOR RISKS AND CHARGES AND CONTINGENT LIABILITIES

	Guarantees given	Restructuring	Tax	Product guarantees	Onerous contracts (losses at completion)	Other provisions	Total
1 January 2022							
Current	21	56	62	168	398	406	**1,111**
Non-current	10	65	16	97	-	395	**583**
	31	**121**	**78**	**265**	**398**	**801**	**1,694**
Allocations	2	104	13	98	167	342	**726**
Uses	(1)	(36)	-	(20)	(55)	(25)	**(137)**
Reversals	-	-	(20)	(65)	(184)	(191)	**(460)**
Other changes	-	(6)	(4)	1	74	(58)	**7**
31 December 2022	**32**	**183**	**67**	**279**	**400**	**869**	**1,830**
Broken down as follows:							
Current	22	51	61	188	400	356	**1,078**
Non-current	10	132	6	91	-	513	**752**
	32	**183**	**67**	**279**	**400**	**869**	**1,830**
Allocations	-	49	10	86	138	291	**574**
Uses	(1)	(40)	-	(25)	(43)	(52)	**(161)**
Reversals	-	(5)	(4)	(49)	(180)	(59)	**(297)**
Other changes	-	2	-	(3)	22	(102)	**(81)**
31 December 2023	**31**	**189**	**73**	**288**	**337**	**947**	**1,865**
Broken down as follows:							
Current	21	81	68	205	337	375	**1,087**
Non-current	10	108	5	83	-	572	**778**
	31	**189**	**73**	**288**	**337**	**947**	**1,865**

"Other provisions for risks and charges" mainly include provisions related to offset obligations and critical issues on contracts.

With regard to risks, below is a summary of the criminal proceedings that are currently underway against Leonardo Spa and certain former directors and executives, concerning acts committed during the performance of their duties at the Company, with specific reference to the events that occurred in 2023 and in early 2024:

- On 22 May 2019 the Supreme Court rejected the appeals submitted against the judgment whereby on 8 January 2018 the Milan Court of Appeal had acquitted the former Chairman and Chief Executive Officer of Leonardo and the former Chief Executive Officer of AgustaWestland S.p.A. of the charges for the crimes under Articles 110, 112, paragraph 1, 318, 321 and 322-bis, paragraph 2(2) of the Italian Criminal Code and Article 2 of Legislative Decree 74/2000, within the proceedings brought in relation to the supply of twelve AW 101 VIP/VVIP helicopters to the Indian Government.

  In respect of these companies, it is recalled that on 25 July 2014, pursuant to Article 58 of Legislative Decree 231/2001, the Public Prosecutor dismissed the proceedings against Leonardo, holding groundless, following the conclusion of investigations, the Company's involvement from both a factual and legal point of view. The Prosecutor also acknowledged that since 2003 the Company has adopted, actually implemented and regularly updated an Organisational, Management and Control Model that is conceptually suitable to prevent offences like the one in question and is also focused on compliance processes as to guarantee adequate standards of fairness and ethical conduct. In addition, on 28 August 2014 the Judge for Preliminary Investigations (GIP, Giudice delle Indagini Preliminari) of the Court of Busto Arsizio – in granting the motions put forth by the companies – imposed administrative penalties pursuant to Article 63 of Legislative Decree 231/2001 and Article 444 and ff. of the Italian Code of Criminal Procedure, amounting to €80,000 for AgustaWestland S.p.A. and €300,000 for AgustaWestland Ltd, and ordered the confiscation of the equivalent of €mil. 7.5. In this regard, on 20 April 2021 the Court of Appeal of Brescia, following the requests by AgustaWestland SpA and AgustaWestland Ltd for the review of the abovementioned rulings, revoked the rulings challenged and acquitted the abovesaid companies. Since times for a possible appeal to the Supreme Court expired, the ruling became definitive.

As regards the investigations started by the Indian Judicial Authority (CBI) in February 2013 for the same facts referred to above, on 2 February 2018 a notice was served on AgustaWestland International Ltd., whereby the latter was invited to appear at the hearing to be held on 30 May 2018 before the Rouse Avenue Court in New Delhi within the criminal proceedings brought therein against the aforesaid company and other entities and persons, including Leonardo Spa.

On 13 April 2018 the Milan Public Prosecutor's Office served the abovementioned notice of invitation to appear at the hearing on 30 May 2018 on Leonardo Spa. The Company submitted an application for enforcement review before the Judge for Preliminary Investigations (GIP) of the Court of Milan, which was rejected on 22 May 2018, as well as an appeal before the Lazio Regional Administrative Court. The Company also took the same legal actions with respect to the service of the notice of invitation to appear in court at the hearing on 10 September 2018. By a judgment dated 3 July 2019, the Lazio Regional Administrative Court rejected the appeals submitted by Leonardo Spa; the Company then filed an appeal against the abovementioned measures. By a judgment dated 7 May 2020 the Council of State granted the appeals submitted by Leonardo.

Leonardo SpA. has brought the same lawsuits before the administrative Court and before the Judge for Preliminary Investigations of the Court of Milan, including with reference to the services of notice of invitation to appear at the hearings set on 18 September 2019 and 18 December 2019. The Lazio Regional Administrative Court, by judgment dated 24 September 2021, rejected the appeals submitted by Leonardo. The Company filed an appeal with the Council of State, which, by judgment handed down at a plenary meeting on 6 December 2022, granted the appeal filed by Leonardo, annulling the orders issued by the Ministry of Justice.

With regard to objecting to the execution of a judicial measure, the Judge of Preliminary Investigations of the Court of Milan granted the claims submitted by Leonardo by an order filed on 22 March 2022 while revoking the decrees whereby the notifications had been ordered by the Milan Public Prosecutor's Office.

On the contrary AgustaWestland International Ltd appeared at the hearings set within the proceedings brought by the Central Bureau of Investigation (CBI) and the proceedings are continuing.

On 28 August 2019 the Public Prosecutor's Office of Milan served on Leonardo Spa a notice of invitation to appear at the hearing of 18 September 2019 within further proceedings brought by the Indian Judicial Authority (Directorate of Enforcement) in relation to the supply of 12 AW 101 VIP/VVIP helicopters to the Indian Government. The Company submitted an application for enforcement review before the Judge for Preliminary Investigations of the Court of Milan, as well as an appeal with the Lazio Regional Administrative Court, even in relation to this notice. The Lazio Regional Administrative Court, by the same judgment of 24 September 2021, rejected the appeal submitted by Leonardo which filed an appeal with the Council of State. The latter granted the appeal submitted by Leonardo by a judgment handed down at a Plenary Meeting on 6 December 2022. With regard to objecting to the execution of a judicial measure, the Judge of Preliminary Investigations of the Court of Milan revoked, in the same order of 22 March 2022, the decree whereby the notification had been ordered by the Milan Public Prosecutor's Office.

Finally, it should be noted that on 11 February 2020 a notice was served on AgustaWestland International Ltd whereby it was invited to appear in court within the proceedings brought by the Directorate of Enforcement.

The proceedings initiated by the Indian Authorities (CBI and Directorate of Enforcement) are currently pending in the preliminary stage before the Rouse Avenue Court, New Delhi.

- On 6 June 2023 a search and seizure warrant was executed against the former Chief Executive Officer of Leonardo Spa, who terminated his office on 9 May 2023. The warrant was issued as part of the proceedings, conducted by the Public Prosecutor's Office with the Court of Naples, where the former Chief Executive Officer is under investigation for the crime under articles 110, 61 bis, 322 bis para. I and II, no. 2 of the Italian Criminal Code in relation to the supply of the Company's products to Colombia.
- On 20 September 2023 Leonardo Spa, during the preliminary hearing, entered an appearance in the civil action within the criminal proceedings pending before the Court of Gorizia, in which are involved, inter alia, certain former directors of the then Ansaldo Componenti S.p.a., the then Ansaldo S.p.a. and the then Ansaldo Industria S.p.a., in office in the period between 1979 and 1991, charged with having committed the crimes under Articles 589 paragraphs 1, 2 and 4, 40 and 41 of the Italian Criminal Code for violation of the rules governing the prevention of occupational diseases, and in particular Article 2087 of the Italian Civil Code, Presidential Decree 547/55 and Presidential Decree 303/56. The proceedings are at a trial stage still pending before the Court of Gorizia.

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

* * * * * * * *

With regard to the provisions for civil, tax and administrative disputes, it is underlined that the Company's operations regard industries and markets where many disputes, both as petitioner and plaintiff, are settled only after a considerable period of time, especially in cases where the customer is a government entity. Pursuant to the IFRSs, provisions have only been set aside for risks that are deemed probable and for which the amount can be determined. No specific provisions have been set aside for certain disputes in which the Company is defendant as these disputes are reasonably expected to be settled, based on current knowledge, satisfactorily and without significantly impacting the Company. Of particular note are the following disputes:

- the proceedings brought by Firema under extraordinary management before the Court of Naples against the directors and statutory and independent auditors of Firema Trasporti (General Register 32257/13) in order to have them declared responsible for the financial collapse caused to the company, who then summoned Leonardo and AnsaldoBreda requesting for direct compensation in favour of the plaintiff for the damages that should be ascertained (presumptively €mil. 262, equal to Firema's statement of liabilities).

As to the action brought by GMR against Leonardo and AnsaldoBreda due to abuse of economic dependence before the Court of Naples (General Register 16312/15), at the hearing held on 1 October 2020 the President of the Division first pointed out some issues connecting the two proceedings and then referred the present case before the judge of the proceedings under General Register 32257/13 in order for the proceedings to be possibly joined.

In both proceedings Leonardo and AnsaldoBreda appeared before the court requesting that, on the merits, the claims submitted against them be dismissed as clearly groundless as of fact and as of right.

It should be noted that, within these proceedings, the plaintiff states that Firema Trasporti was allegedly subject, during the period in which Leonardo held an investment in it (from 1993 to 2005), to management and coordination activities that were carried out to its detriment and in the sole interest of the Leonardo Group and that, even after the sale of the aforesaid investment, Firema Trasporti was allegedly de facto subjected to an abuse of economic dependence from the abovementioned Leonardo Group in performing the various agreements existing with AnsaldoBreda.

Following the reservation taken at the hearing on 19 October 2023, the Court (i) ordered the joinder of the aforementioned proceedings, and (ii) admitted a technical ascertainment/accounting audit in order for the expert to analyze the corporate events concerning the company subsequently subjected to Extraordinary Management and verify whether statutory auditors and directors acted in a proper manner. The Court-appointed expert took an oath at the hearing held on 7 December 2023 and technical experts were appointed by the parties.

By an order dated 18 December 2023, the Court, having read the briefs pursuant to Article 101, paragraph 2, of the Italian Code of Civil Procedure and the written discussion notes filed by the parties, noted that, in an application filed on 6 December 2023, the defence counsels to Giorgio Fiore had "submitted objections concerning the expiry of the proceedings due to the fact that Firema under extraordinary management had joined the criminal proceedings Rg. (General Register) no. 21567/10/2021 as an aggrieved party to recover damages on the assumption that the latter, although it declared (in order to avoid effects on the ongoing civil action) that it had appeared with regard only to item D), had also specifically dealt with item C) during the pre-trial investigation", and, therefore, set the hearing on 24 January 2024 for the relevant discussion. At this hearing, the Court asked the attorneys to inform the Court of whether there would be the possibility of pursuing a settlement agreement in relation to any individual situations and positions and, for this purpose, set the hearing on 14 March 2024 for possibly submitting a settlement proposal.

As a result, the technical ascertainment was suspended.

- the proceedings brought by Mr. Pio Deiana (to have a deed of settlement entered into with former Ansaldo Industria declared null and void) before the Rome Court of Appeal, which had been suspended following Mr. Deiana’s death and then resumed by his sister. During the proceedings, the existence of another heir of the deceased person was ascertained; accordingly, at the last hearing held on 26 October 2022, the Court declared the latter's contumacy and set the final hearing on 18 December 2024.

* * * * * * * *

Moreover, given their complexity, their cutting-edge technological content and the nature of the customers, the Company’s long-term contracts are sometimes affected by disputes with customers in relation to the compliance of works with customer specifications and product performances. The Company adjusts the estimated contract costs for foreseeable issues, also taking into account the possible developments in the relevant disputes. With regard to contracts in progress affected by uncertainties and issues under discussion with customers, there are:

- by a request for arbitration filed on 25 October 2019, Leonardo S.p.a. and PSC S.p.A. (collectively referred to as "LP" unincorporated joint venture,) initiated arbitration proceedings against Galfar Misnad Engineering & Contracting W.L.L., Salini-Impregilo S.p.A. (now Webuild) and Cimolai S.p.A. (collectively referred to "GSIC" unincorporated joint venture) to seek an order imposing them to pay, among others, the outstanding amounts and all the additional costs relating to the subcontract entered into between the parties on 22 September 2016, whereby GSIC appointed LP to provide supplies and carry out certain manufacturing operations. These electrical, mechanical and plumbing plant engineering works are included in the general contract, awarded to GSIC, for the design and construction of the Al Bayt Stadium in Al Khor City (Qatar). The regular progress of the subcontracted works was strongly affected by a number of delays not attributable to LP, as well as by numerous additions and variations to the works that had been initially agreed and the shortcomings of the technical documentation prepared by GSIC. On the other hand, the latter submitted allegations to the contrary, while also charging LP with having caused damages to its organisation. In this context, on a preliminary basis LP asked the court to order GSIC to pay the remaining amounts provided by the subcontract, as well as any and all additional costs incurred, for a total of approximately QAR mil. 1,500 (about €mil. 388 at 17 February 2023). On the other hand, GSIC contested each and every charge and asked the court, as a counterclaim, to order LP to compensate for any damage the latter had allegedly caused, for a total of QAR mil. 721 (approximately €mil. 186 at 17 February 2023).

  On 6 October 2023 the Court of Arbitration issued the award ordering GSIC to pay LP a net amount of approximately €mil. 146.5; on 7 March 2024 this amount was modified by the granting of the petition for correction of the award filed by LP for an additional amount of approximately €mil. 11.

- With reference to the request for termination for default due to alleged delays and non-compliant products formalised during 2022 by the governmental Norwegian Defence Materiel Agency (NDMA) under the contract for the supply of 14 NH90 helicopters entered into with NH Industries (NHI, whose shareholders are Leonardo, Airbus Helicopters and Fokker Aerostructure), the parties started a mediation process in April 2023, which should be completed in the next months. The NHI position, confirmed by Leonardo, is unchanged compared to what was reported in the financial statements as of 31 December 2022, considering this request to be legally ungrounded and reasonably disputable in the appropriate forum due to a lack of factual and legal basis and misinterpretation of the contract and Norwegian law, as well as due to a breach of confidentiality obligations. As noted above, in April 2023, the customer and NHI initiated a mediation procedure in an attempt to reach a mutually satisfactory agreement. In the period from October 2023 to February 2024, the parties exchanged significant claims and counterclaims and took steps to file deeds and documents required under the mediation procedure; the hearing before the mediators is scheduled for the second half of March 2024. At this stage of the mediation neither NHI nor Leonardo considers that it should change its position.

23. EMPLOYEE BENEFIT OBLIGATIONS

The classification of employee benefit obligations is affected by the net balance, per each plan, of the plan assets and liabilities. The Group recognised on its balance sheet the liabilities (net of related plan assets) as well as the assets (net of related liabilities), depending on whether the plans are in a deficit or surplus position.

Net assets under defined-benefit plans are classified among other non-current assets (Note 13) and other long-term benefits are classified under other non-current liabilities (Note 24). Below is a breakdown of the net liabilities and assets:

	31 December 2022			31 December 2023		
	Liabilities	Assets	Net	Liabilities	Assets	Net
Severance pay provision	219	-	219	204	-	204
Defined-benefit plans	56	215	(159)	53	167	(114)
Defined contribution plans	40	-	40	44	-	44
	315	**215**	**100**	**301**	**167**	**134**

The surplus for defined-benefit retirement plans is broken down below:

	31 December 2022	31 December 2023
GBP area	(213)	(165)
Euro area	5	5
USD area	41	33
Other	8	13
	(159)	**(114)**

The change in defined-benefit plans was mainly linked to the plans applicable in the United Kingdom, due to the changes in the financial assumptions and to more contained results of the plan assets.

Below is a breakdown of defined-benefit plans and statistical information regarding the excess (deficit/surplus) of the plans:

	31 December 2022	31 December 2023
Present value of obligations	(2,121)	(2,257)
Fair value of plan assets	2,280	2,371
Plan deficit	**159**	**114**
of which, related to:		
- net liabilities	(56)	(53)
- net assets	215	167

Changes in the defined-benefit plans are shown below:

31 December 2022	Present value of obligations	Fair value of plan assets	Net liability (asset) defined benefit plans
Opening balance	**3,489**	**4,001**	**(512)**
Costs of benefits paid	69	(5)	74
Interest expenses	68	75	(7)
Remeasurement	(1,307)	(1,623)	316
- Actuarial losses (gains) through equity - demographic assumption	*(3)*		*(3)*
- Actuarial losses (gains) through equity - financial assumptions	*(1,394)*		*(1,394)*
- Actuarial losses (gains) through equity resulting from adjustments based on the experience	*90*		*90*
- Expected return on plan assets		*(1,623)*	*1,623*
Contributions paid		50	(50)
Contributions from other plan participants	11	11	-
Exchange rate differences	(110)	(130)	20
Benefits paid	(99)	(99)	-
Closing balance	**2,121**	**2,280**	**(159)**
of which, related to:			
- net liabilities	205	149	56
- net assets	1,916	2,131	(215)

31 December 2023	Present value of obligations	Fair value of plan assets	Net liability (asset) defined benefit plans
Opening balance	**2,121**	**2,280**	**(159)**
Costs of benefits paid	34	(4)	38
Interest expenses	100	108	(8)
Remeasurement	61	(14)	75
- Actuarial losses (gains) through equity - demographic assumption	*(70)*		*(70)*
- Actuarial losses (gains) through equity - financial assumptions	*47*		*47*
- Actuarial losses (gains) through equity resulting from adjustments based on the experience	*84*		*84*
- Expected return on plan assets		*(14)*	*14*
Contributions paid		55	(55)
Contributions from other plan participants	10	10	-
Exchange rate differences	36	41	(5)
Benefits paid	(105)	(105)	-
Closing balance	**2,257**	**2,371**	**(114)**
of which, related to:			
- net liabilities	210	157	53
- net assets	2,047	2,214	(167)

Changes in severance pay are shown below:

	31 December 2022	31 December 2023
Opening balance	**256**	**219**
Costs of benefits paid	*2*	*2*
Interest expenses	*2*	*8*
Remeasurement	(12)	8
- Actuarial losses (gains) through equity - demographic assumption		
- Actuarial losses (gains) through equity - financial assumptions	*(28)*	*3*
- Actuarial losses (gains) through equity resulting from adjustments based on the experience	*16*	*5*
Benefits paid	*(29)*	*(33)*
Closing balance	**219**	**204**

The amount recognised in profit or loss on defined-benefit plans (including the severance pay provision) was calculated as follows:

	2022	2023
Current service costs	77	41
Past service costs	(1)	(1)
Costs booked as "personnel expenses"	76	40
Interest expenses	(5)	-
Costs booked as "financial expenses"	(5)	-
	71	**40**

The main actuarial assumptions used in the valuation of defined-benefit plans and of the portion of severance pay provision that has maintained the nature of defined-benefit plan are as follows:

	Severance pay provision		Defined-benefit plans	
	31 December 2022	31 December 2023	31 December 2022	31 December 2023
Discount rate (annual)	3.70%	3.25%	4.75% - 5.06%	4.55% - 4.85%
Rate of salary increase	n.a.	n.a.	3.20% - 3.65%	3.45% - 3.50%
Inflation rate	2.20%	2.00%	2.65%	2.50%

The discount rate utilized to discount the defined benefits plans is determined with reference to expected returns of the AA-rated bonds.

The sensitivity analysis for each significant actuarial assumption, which shows the effects on bonds in absolute value, is as follows:

	Severance pay provision				Defined-benefit plans			
	31 December 2022		31 December 2023		31 December 2022		31 December 2023	
	-0.25%	*+0.25%*	*-0.25%*	*+0.25%*	*-0.25%*	*+0.25%*	*-0.25%*	*+0.25%*
Discount rate (annual)	3	(3)	2	(2)	84	(81)	80	(76)
Inflation rate	(2)	2	(1)	1	(52)	52	(48)	44

The average duration of the severance pay is about 5 years while that of the other defined-benefit plans is about 15 years.

The estimate of the contributions to be paid in 2024 related to defined-benefit plans is about €mil. 23.

As regards the strategies of correlation of assets and liabilities in defined-benefit plans, there is the prevalence of investing in diversified assets in order to limit the negative impact, if any, on the total return on the plan assets. Assets of defined-benefit plans include:

	31 December 2022	31 December 2023
Cash and cash equivalents	113	36
Shares and investment funds	347	307
Debt instrument	1,683	1,810
Real properties	11	11
Derivatives	(62)	16
Other	188	191
	2,280	**2,371**

The item “Other” included €mil. 107 (€mil. 111 in 2022) of assets held by insurance companies.

24. OTHER CURRENT AND NON-CURRENT LIABILITIES

	31 December 2022		31 December 2023	
	Non-current	Current	Non-current	Current
Employee obligations (*)	53	477	54	517
Deferred income	79	184	84	206
Amounts due to social security institutions	-	224	-	217
Payables to MEMiT (Law no. 808/85)	170	-	212	1
Payables to MEMiT for royalties (Law no. 808/85)	185	45	209	21
Indirect tax liabilities	-	124	-	128
Derivatives	-	296	-	175
Other liabilities	374	413	342	416
Other payables to related parties (Note 36)	-	47	-	42
	861	**1,810**	**901**	**1,723**

(*) Non-current item includes other employee benefits related to seniority bonuses

The payables to the Ministry of Enterprise and Made in Italy (MEMiT) under Law 808/1985 relate to monopoly costs accrued on national security and similar projects, as well as payables for grants received from MEMiT for development of other programmes eligible for benefits under Law 808/1985.

“Other liabilities” included, in particular, the non-current payable due to Bell Helicopter amounting to €mil. 258 (€mil. 268 at 31 December 2022), deriving from the acquisition of 100% of the AW609 programme. This amount also included the reasonably estimated potential consideration due to Bell Helicopter based on the commercial performance of the programme.

25. TRADE PAYABLES

	31 December 2022	31 December 2023
Suppliers	2,737	2,831
Trade payables to related parties (Note 36)	317	437
	3,054	**3,268**

26. GUARANTEES

The Group has existing guarantee for €mil. 14,505 (€mil. 13,615 at 31 December 2022). The item mainly includes guarantees given to third parties, banks and insurance companies as well as commitments in favor of lenders, tax authorities and customers.

27. REVENUES

	2022	2023
Revenues from contract with customers	12,158	14,030
Change in contract assets	368	(976)
Revenues from related parties (Note 36)	2,187	2,237
	14,713	**15,291**

The breakdown by geographical area and business sector is reported in Note 8. The breakdown of revenue by timing is reported below:

	2022	2023
Revenues at point in time	2,342	2,653
Revenues over time	12,371	12,638
	14,713	**15,291**

28. OTHER OPERATING INCOME (EXPENSES)

	2022			2023		
	Income	Expenses	Net	Income	Expenses	Net
Grants for research and development costs (*)	28	-	28	37	-	37
Other operating grants	34	-	34	51	-	51
Gains/losses on sales of intangible asset, property, plant and equipment	-	-	-	4	(5)	(1)
Reversals (accruals) to provisions for risks	432	(604)	(172)	284	(456)	(172)
Exchange rate difference on operating items	185	(179)	6	179	(171)	8
Restructuring costs	-	-	-	-	(3)	(3)
Indirect taxes	-	(38)	(38)	-	(33)	(33)
Other operating income (expenses)	92	(57)	35	92	(56)	36
Other operating income (expenses) from/to related parties (Note 36)	4	-	4	3	-	3
	775	**(878)**	**(103)**	**650**	**(724)**	**(74)**

(*) To which must be added assessments for "Deferred receivables for measures under Law 808/1985", including current and non-current portions (Note 13 and Note 18) equal to €mil. 17 (€mil. 5 at 31 December 2022, including current and non-current portions), in addition to assessments for "Non-recurring costs for measures pending under Law 808/85" (Note 13) equal to €mil. 15.

29. PURCHASES AND PERSONNEL EXPENSES

	2022	2023
Purchase of materials from third parties	4,544	5,239
Change in inventories of raw materials	(48)	(231)
Costs for purchases from related parties (Note 36)	1,057	784
Purchases	***5,553***	***5,792***
Services rendered by third parties	3,434	3,587
Costs of leases of low value and short term	67	68
Royalties	25	13
Services rendered by related parties (Note 36)	421	463
Services	***3,947***	***4,131***
Wages and salaries	3,043	3,270
Social security contributions	584	622
Costs related to defined-contribution plans	151	158
Costs related to severance pay provisionand other defined-benefit plans (Note 23)	76	40
Employee disputes	(5)	(2)
Restructuring costs - net	118	56
Other personnel expenses	149	163
Personnel expenses	***4,116***	***4,307***
Change in finished goods, work in progress and semi-finished products	***(164)***	***(261)***
Internal work capitalised	***(298)***	***(328)***
Total purchases and personnel expenses	**13,154**	**13,641**

The net restructuring charges for the year derive, in the amount of €mil. 18, from the supplement of the restructuring plan launched in 2021 with regard to the Aerostructures segment and in the amount of €mil. 20, from the additions to the agreement for early retirement under Article 4 of Law 92/2012 (Fornero Act), up to a maximum of no. 490 employees and executives in the Corporate and Staff functions of Leonardo S.p.a., Leonardo Global Solutions and Leonardo Logistics. The data for the comparative period, the charge resulting from the start of such measure, signed in December 2022, was equal to €mil. 100.

The exact and average workforce at period-end showed, compared to 2022, a significant increase in the Defence Electronics & Security (+ 995 exact resources and + 827 average resources), Helicopters (+ 793 exact resources + 576 average resources) and Aircraft (+ 216 exact resources and + 164 average resources) sectors, in line with the growth of the related businesses. In the Aerostructures sector, the downsizing process continued linked to the early retirement scheme through the agreement under Article 4 of July 2021 (163 exits in the year). Moreover, there was an increase in the Other Activities sector (+ 306 exact resources and + 483 average resources).

Below is the breakdown of workforce by category:

	Average Workforce			Total Workforce		
	31 December 2022	31 December 2023	Change	31 December 2022	31 December 2023	Change
Senior managers (*)	1,218	1,252	34	1,274	1,220	(54)
Middle managers	6,216	6,496	280	6,512	6,579	67
Clerical employees	29,294	30,996	1,702	30,302	32,336	2,034
Manual labourers (**)	13,417	13,298	(119)	13,304	13,431	127
	50,145	**52,042**	**1,897**	**51,392**	**53,566**	**2,174**

(*) Includes pilots
(**) Includes senior manual labours

30. AMORTISATION, DEPRECIATION AND FINANCIAL ASSETS VALUE ADJUSTMENTS

	2022		2023	
Amortisation of intangible assets		187		188
Development costs	*39*		*31*	
Non-recurring income	*64*		*54*	
Acquired through business combinations	*24*		*35*	
Concessions, licences and trademarks	*23*		*28*	
Other intangible assets	*37*		*40*	
Depreciation of property, plant and equipment and investment properties		272		288
Depreciation of rights of use		92		93
Impairment of other assets		20		45
financial assets value adjustments		56		31
		627		**645**

The increase in amortisation from business acquisitions was affected by the merger between the subsidiary Leonardo DRS and the Israeli company RADA that was finalised in December 2022 and entailed the recognition of intangibles subject to amortisation (€mil. 12 in 2023).

The impairment of other assets for the period included impairment losses on certain programmes in the Aircraft business and specific equipment (tooling) related to the Aerostructures segment.

The decrease in value adjustments to financial assets is influenced by the write-down, performed in the prior year, of the exposure to the countries involved in the conflict between Russia and Ukraine, equal to about €mil. 36.

31. FINANCIAL INCOME AND EXPENSES

Below is a breakdown of financial income and expense:

	2022			2023		
	Income	Expenses	Net	Income	Expenses	Net
Interest	5	(96)	(91)	32	(122)	(90)
Interest on lease liabilities	-	(20)	(20)	1	(25)	(24)
Premiums received (paid) on IRS	-	(4)	(4)	6	-	6
Commissions on borrowings	-	(9)	(9)	-	(11)	(11)
Other commissions	-	(2)	(2)	-	(3)	(3)
Fair value gains (losses) through profit or loss	26	(7)	19	19	(14)	5
Premiumsreceived (paid) on forwards	36	(58)	(22)	39	(52)	(13)
Exchange rate differences	47	(48)	(1)	38	(38)	-
Interest cost on defined-benefit plans (Note 23)	-	5	5	-	-	-
Financial income (expenses) - related parties (Note 36)	1	(9)	(8)	6	(46)	(40)
Other financial income and expenses	277	(132)	145	25	(110)	(85)
	392	**(380)**	**12**	**166**	**(421)**	**(255)**

The trend in financial income and expenses was heavily affected by the "extraordinary" transactions linked to the sales of the Group businesses. Specifically, the figure for the year reflected the effects of the valuation of Industria Italiana Autobus, in light of the sale expected in 2024, for an amount of €mil. 57. The 2022 figure benefitted, vice versa, from the capital gains realized on the sales of the GES business and of the investment in AAC by the subsidiary Leonardo DRS, for €mil. 235, net of charges related to the make-whole transaction on the bond issues in USD for €mil. 70.

Financial income and expenses deriving from the application of the fair value method are broken-down as follows:

	2022			2023		
	Income	Expenses	Net	Income	Expenses	Net
Exchange rate swap	1	-	1	-	-	-
Interest rate swaps	-	-	-	-	-	-
Ineffective portion of hedging swap	25	(7)	18	19	(14)	5
	26	**(7)**	**19**	**19**	**(14)**	**5**

32. INCOME TAXES

Income taxes can be broken down as follows:

	2022	2023
IRES (corporate income tax)	(18)	(11)
IRAP (reg. tax on production)	(34)	(27)
Other income taxes (foreign)	(117)	(152)
Tax related to previous periods	14	2
Accruals (reversals) of provisions for tax disputes	7	(6)
Deferred tax - net	97	65
	(51)	**(129)**

The table below shows the analysis of the tax rate compared to the rate of 24%:

	2022	2023
Profit (loss) before income taxes	**983**	**824**
Theoretical tax rate (Ires) %	24%	24%
Theoretical taxes	**(236)**	**(198)**
Changes increasing (decreasing):		
effect of companies valued at equity	*38*	*28*
IRAP effect of Italian companies	*(20)*	*(26)*
taxation effect of foreign companies	*76*	*17*
effect of use/accrual of tax losses	*86*	*80*
foreign tax effect of Italian companies	*(5)*	*(4)*
effect of taxation of intra-group dividends	*(3)*	*(8)*
other movements	*13*	*(18)*
Total changes increasing (decreasing)	185	69
Effective taxes	**(51)**	**(129)**

Deferred taxes and related receivables and payables at 31 December 2023 were the result of the following temporary differences. In this regard, we point out that part of the deferred tax assets relates to tax losses valued on the basis of the taxable income envisaged in the companies' plans, in particular an amount of €mil. 65 is related to the tax consolidation mechanism (about €mil. 63 of unrecognized losses).

	2022	2023
Deferred tax assets on tax losses	(6)	(3)
Property, plant and equipment and intangible assets	(10)	(2)
Financial assets and liabilities	1	
Severance and retirement benefits	4	(6)
Provision for risks and impairment	55	(1)
Effect of change in tax rate	(1)	(3)
Other	54	80
Deferred taxes recognised through profit or loss	**97**	**65**

	31 December 2022			31 December 2023		
	Balance sheet			Balance sheet		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred tax assets on tax losses	141	-	141	113		113
Property, plant and equipment and intangible assets	79	129	(50)	76	143	(67)
Severance and retirement benefits	17	27	(10)	6	29	(23)
Financial assets and liabilities	3	-	3	1		1
Provision for risks and impairment	623	-	623	643		643
Other	212	40	172	312	43	269
Offsetting	(14)	(14)	-	(14)	(14)	-
Deferred taxes recognised through balance sheet	**1,061**	**182**	**879**	**1,137**	**201**	**936**
Cash-flow hedge derivatives	39	19	20	29	26	3
On actuarial gains and losses	33	45	(12)	47	41	6
Deferred taxes recognised through equity	**72**	**64**	**8**	**76**	**67**	**9**
	1,133	**246**	**887**	**1,213**	**268**	**945**

33. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Liabilities related to assets held for sale referred to liabilities accruing from the charges that are due to arise from the probable sale of the investment in the associate Industria Italiana Autobus, expected by the end of 2024.

The values of the comparative period, vice versa, were mainly represented by the ATM business unit of Selex ES Llc, sold in May 2023.

Below is the breakdown of reclassified assets and liabilities:

	31 December 2022	31 December 2023
Non-current assets	16	-
Current assets	21	-
Assets held for sale	**37**	**-**
Non-current liabilities	4	-
Current liabilities	8	40
Liabilities associated with assets held for sale	**12**	**40**

There was no impact on the income statement deriving from discontinued operations during 2023 and 2022.

34. EARNING PER SHARE

Earnings (Losses) per share (hereinafter “earnings per share” or “EPS”) are calculated as follows:

- for basic EPS, by dividing net profit attributable to holders of ordinary shares by the average number of ordinary shares for the period less treasury shares;
- for diluted EPS, by dividing net profit by the average number of ordinary shares and the average number of ordinary shares potentially deriving from the exercise of all the option rights for stock-option plans less treasury shares.

	2022	2023
Average shares outstanding during the reporting period (in thousands)	575,307	575,307
Earnings for the period (excluding non-controlling interests) (€ millions)	927	658
Earnings from continuing operations (excluding non-controlling interests) (€ millions)	927	658
Earnings from discontinued operations (excluding non-controlling interests) (€ millions)	-	-
Basic and Diluted EPS (€)	**1.611**	**1.144**
Basic and Diluted EPS from continuing operations (€)	*1.611*	*1.144*
Basic and Diluted EPS from discontinued operations (€)	*n.a*	*n.a*

Basic EPS, as that relating to the comparative period, was equal to diluted earnings per share, since there are no dilutive elements.

35. CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES

	2022	2023
Net result	932	695
Amortisation, depreciation and financial assets value adjustments	627	645
Share of profits/(losses) of equity-accounted investees	(142)	(148)
Income taxes	51	129
Cost of Severance pay provision and other defined-benefit plans	76	40
Net financial expenses /(income)	(12)	255
Net allocations to the provisions for risks and inventory write-downs	350	317
Other non-monetary items	1	47
	1,883	**1,980**

Costs for severance pay provision and other defined-benefit plans include the portion of costs relating to defined-benefit pension plans that is recognised as a personnel expense (the portion of costs relating to interest is carried among net financial expense).

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

	2022	2023
Inventories	207	(387)
Contract assets and liabilities	144	585
Trade receivables and payables	(590)	(247)
	(239)	**(49)**

The changes in other operating assets and liabilities, net of the effects of the acquisition and sale of consolidated companies and foreign currency translation differences, are as follows:

	2022	2023
Payment of pension plans	(79)	(88)
Changes in provisions for risks and other operating items	(186)	(284)
	(265)	**(372)**

Changes in other investing or disinvesting activities include dividends received and the effects of acquisitions and sales of equity investments and are broken down as follows:

	2022	2023
Strategic transactions	(172)	352
Dividends received	133	186
Change of other investing or disinvesting activities	(6)	(31)
	(45)	**507**

The net receipts of €mil. 352 of transactions on equity investments that for their nature or significance qualify as "strategic investments" mainly relate for €mil. 327 to the sale of DRS shares occurred in November 2023 and to the sale of the air navigation radio aids business unit (ATM) to Indra Air Traffic, Inc., AC.

36. RELATED PARTY TRANSACTIONS

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

RECEIVABLES at 31 December 2022	Non-current loans and receivables	Other non-current receivables	Current loans and receivables	Trade receivables	Other current receivables	Total
<u>Associates</u>						
NH Industries SAS				186		**186**
Eurofighter Jagdflugzeug GmbH				99		**99**
Iveco - Oto Melara Scarl				51		**51**
Hensoldt AG				15		**15**
Macchi Hurel Dubois SAS				15		**15**
AgustaWestland Aviation Services LLC				12		**12**
Other with unit amount lower than €mil. 10			11	32		**43**
<u>Joint Venture</u>						
Thales Alenia Space SAS			40	10		**50**
MBDA SAS				33		**33**
GIE ATR				29		**29**
Orizzonte - Sistemi Navali SpA				21		**21**
Other with unit amount lower than €mil. 10	8		3	12	2	**25**
<u>Other companies and consortiums</u>						
Other with unit amount lower than €mil. 10			2	11		**13**
<u>Companies subject to the control or considerable influence of the MEF</u>						
Ministero dell'Economia e delle Finanze				85		**85**
Cassa Depositi e Prestiti SpA				71		**71**
Other with unit amount lower than €mil. 10	5			38	1	**44**
Total	**13**	**-**	**56**	**720**	**3**	**792**
% against total for the period	*100.0%*	*n.a.*	*53.3%*	*21.6%*	*1.8%*	

RECEIVABLES at 31 December 2023	Non-current loans and receivables	Other non-current receivables	Current loans and receivables	Trade receivables	Other current receivables	Total
Associates						
NH Industries SAS				339		**339**
Eurofighter Jagdflugzeug GmbH				68		**68**
AgustaWestland Aviation Services LLC				21		**21**
Iveco - Oto Melara Scarl				18		**18**
Hensoldt AG				12		**12**
Other with unit amount lower than €mil. 10			4	27		**31**
Joint Venture						
Thales Alenia Space SAS			175	22		**197**
Orizzonte - Sistemi Navali SpA				34		**34**
GIE ATR				33		**33**
MBDA SAS				21		**21**
Telespazio S.p.A.	17		2	11	4	**34**
Polo Strategico Nazionale SpA				10		**10**
Other with unit amount lower than €mil. 10				14		**14**
Other companies and consortiums						
Other with unit amount lower than €mil. 10			2	13		**15**
						-
Companies subject to the control or considerable influence of the MEF						
Ministero dell'Economia e delle Finanze				101		**101**
Cassa Depositi e Prestiti SpA				47		**47**
Poste Italiane SpA				12		**12**
Other with unit amount lower than €mil. 10				23	1	**24**
Total	**17**	**-**	**183**	**826**	**5**	**1,031**
% against total for the period	*100.0%*	*n.a.*	*89.3%*	*22.4%*	*2.6%*	

PAYABLES at 31 December 2022	Non-current loans and borrowings	Other non-current borrowings	Current loans and borrowings	Trade payables	Other current payables	Total	Guarantees
Associates							
NH Industries SAS				91		**91**	
Eurofighter Jagdflugzeug GmbH			85	60		**145**	
Gulf System Logistic Services Company WLL				28		**28**	
Elettronica SpA				24		**24**	
Hensoldt AG				11		**11**	
Leonardo Helicopteres Algerie			20			**20**	
Other with unit amount lower than €mil. 10			2	7	4	**13**	43
Joint Venture							
MBDA SAS			713	38		**751**	8
Telespazio SpA			41	2	2	**45**	100
GIE ATR				19	39	**58**	
Other with unit amount lower than €mil. 10				15		**15**	
Other companies and consortiums							
Other with unit amount lower than €mil. 10				4		**4**	
Companies subject to the control or considerable influence of the MEF							
Cassa Depositi e Prestiti SpA	100			1	1	**102**	165
Enel SpA				12		**12**	
Other with unit amount lower than €mil. 10			1	5	1	**7**	
Total	**100**	**-**	**862**	**317**	**47**	**1,326**	**316**
% against total for the period	*2.8%*	*n.a.*	*79.7%*	*10.4%*	*3.5%*		

PAYABLES at 31 December 2023	**Non-current loans and borrowings**	**Other non-current borrowings**	**Current loans and borrowings**	**Trade payables**	**Other current payables**	**Total**	**Guarantees**
Associates							
NH Industries SAS				144		**144**	
Eurofighter Jagdflugzeug GmbH			75	136		**211**	
Gulf System Logistic Services Company WLL				38		**38**	
Hensoldt AG				17		**17**	
Elettronica SpA				13		**13**	
Leonardo Helicopteres Algerie			20			**20**	
Other with unit amount lower than €mil. 10			1	17	3	**21**	47
Joint Venture							
MBDA SAS			1,070	14		**1,084**	8
Telespazio SpA			26	3	2	**31**	93
GIE ATR				3	35	**38**	
Other with unit amount lower than €mil. 10				20	1	**21**	
Other companies and consortiums							
Other with unit amount lower than €mil. 10				3		**3**	
Companies subject to the control or considerable influence of the MEF							
Cassa Depositi e Prestiti SpA	100			1	1	**102**	161
Enel SpA				26		**26**	
Other with unit amount lower than €mil. 10				2		**2**	
Total	**100**	**-**	**1,192**	**437**	**42**	**1,771**	**309**
% against total for the period	*3.5%*	*n.a.*	*58.3%*	*13.4%*	*3.1%*		

Trade receivables are commented on later, along with revenue from related parties.

Current loans and borrowings from related parties included in particular the amount of €mil. 1,070 (€mil. 713 at 31 December 2022) due to the joint venture MBDA and payables of €mil. 75 (€mil. 85 at 31 December 2022), to Eurofighter, 21% owned. As regards the latter, under a cash pooling agreement its surplus cash and cash equivalents are distributed among the partners. The item also includes payables for subscribed capital unpaid to be paid to Leonardo Helicopteres Algerie for €mil. 20.

The financial exposure to Cassa Depositi e Prestiti (€mil. 100) related to the loan taken out in 2020 in support of investments in R&D and innovation set out in the Industrial Plan.

Income statement transactions at 31 December 2022	Revenue	Other operating income	Costs	Other operating costs	Financial income	Financial expenses
Associates						
Eurofighter Jagdflugzeug GmbH	694		495			
NH Industries SAS	388		423			
Iveco-Oto Melara Scarl	116		2			
Macchi Hurel Dubois SAS	41					
Hensoldt AG	35		172			
Gulf System Logistic Services Company WLL			99			
AgustaWestland Aviation Services LLC	22		2			
Euromids SAS	18		3			
Elettronica SpA	2		72			
Other with unit amount lower than €mil. 10	27		15			1
Joint Venture						
Orizzonte - Sistemi Navali SpA	147		1			
GIE ATR	117		12			
MBDA SAS	98		87			7
Thales Alenia Space SAS	63		2			
Rotorsim Srl	2	2	18			
Other with unit amount lower than €mil. 10	9	2	5		1	
Other companies and consortiums						
Panavia Aircraft GmbH	38					
Cons. G.e.i.e. Eurotorp	10		1			
Consorzio Protezioni Balistiche Italia	16					
Other with unit amount lower than €mil. 10	2		2			
Companies subject to the control or considerable influence of the MEF						
Cassa Depositi e Prestiti SpA	221		2			
Ministero dell'Economia e delle Finanze	42					
ENAV SpA	21		1			
Poste Italiane SpA	20					
SOGEI - Società generale di informatica SPA	14					
ENEL SpA	11		63			
Other with unit amount lower than €mil. 10	13		1			1
Total	**2,187**	**4**	**1,478**	**-**	**1**	**9**
% against total for the period	*14.9%*	*0.5%*	*11.2%*	*n.a.*	*0.3%*	*2.4%*

Income statement transactions at 31 December 2023	Revenue	Other operating income	Costs	Other operating costs	Financial income	Financial expenses
Associates						
Eurofighter Jagdflugzeug GmbH	940		306			2
NH Industries SAS	317		470			
Iveco-Oto Melara Scarl	113		2			
Hensoldt AG	31		142			
AgustaWestland Aviation Services LLC	29		3			
Macchi Hurel Dubois SAS	28					
Elettronica SpA	1		64			
Gulf System Logistic Services Company WLL			14			
G.E.M. Elettronica Srl			18			
Other with unit amount lower than €mil. 10	29		9		1	
Joint Venture						
Orizzonte - Sistemi Navali SpA	134		2			
GIE ATR	143		8			
MBDA SAS	91		49			39
Thales Alenia Space SAS	45		2		4	
Polo Strategico Nazionale SpA	16					
Rotorsim Srl	1	2	19			
Other with unit amount lower than €mil. 10	7	1	12		1	
Other companies and consortiums						
Panavia Aircraft GmbH	29					
Consorzio Protezioni Balistiche Italia	21					
Cons. G.e.i.e. Eurotorp	11					
Other with unit amount lower than €mil. 10	1		5			
Companies subject to the control or considerable influence of the MEF						
Cassa Depositi e Prestiti SpA	129		2			5
Poste Italiane SpA	37					
Ministero dell'Economia e delle Finanze	25					
ENAV SpA	19		1			
SOGEI - Società generale di informatica SPA	18					
ENEL SpA	8		118			
Other with unit amount lower than €mil. 10	14		1			
Total	**2,237**	**3**	**1,247**	**-**	**6**	**46**
% against total for the period	*14.6%*	*0.5%*	*9.1%*	*n.a.*	*3.6%*	*10.9%*

Trade receivables and revenues, in addition to those from joint ventures, are mainly related to:

- Eurofighter Jagdflugzeug GmbH in the scope of the EFA Kuwait aeronautical programme, increasing Revenues due to the start of the activities on new orders (Quadriga, Halcon) and to higher volumes of logistic support activities, and GCAP programme, launched in 2023;
- NH Industries in the scope of the NH90 helicopter programme;
- Iveco - Oto Melara for production and post-sales assistance on defence and security ground vehicles;
- Macchi Hurel Dubois for the sale of nacelles, decreasing due to lower volumes developed in the year;
- Panavia Aircraft GmbH in the scope of the Tornado programme;
- Ministry of the Economy and Finance mainly for the Italian Tax Police;
- CDP due to supplies to the subsidiary Fincantieri.

Costs related to those to Joint Ventures, as well as to companies:

- Eurofighter Jagdflugzeug GmbH within the scope of the abovesaid programme, decreasing due to lower logistic support activities compared to the comparative period and to the reduction in deliveries of the major items for aircraft assembly for the Kuwait customer;
- Gulf System Logistic Services Company W.L.L. decreasing for the gradual transfer of activities to the subsidiary Leonardo For Aviation Services;
- Elettronica Spa for the support to the fleet of EFA vehicles and within the scope of the GCAP programme.

37. FINANCIAL RISK MANAGEMENT

The Leonardo Group is exposed to financial risks associated with its operations, specifically related to these types of risks:

- interest-rate risks, related to the Group's financial exposure;
- exchange-rate risks, related to operations in currencies other than the reporting currency;
- liquidity risks, relating to the availability of financial resources and access to the credit market;
- credit risks, resulting from normal commercial transactions or financing activities.

Leonardo carefully and specifically follows each of these financial risks, with the objective of promptly minimizing them, even using hedging derivatives.

The sections below provide an analysis, conducted through sensitivity analysis, of the potential impact on the final results deriving from assumed fluctuations in reference parameters. As required by IFRS 7, these analyses are based on simplified scenarios applied to the final results of the reference periods and, by their own nature, they cannot be considered as indicators of the actual effects of future changes in reference parameters with different financial statements and market conditions, and cannot reflect the inter-relations and the complexity of reference markets.

Interest rate risk

The Leonardo Group is exposed to interest rate risk on borrowings. The management of interest rate risk is consistent with the long-standing practice of reducing the risk of fluctuations in interest rates while seeking to minimize related borrowing costs.

In this regard, it should be noted that borrowings at 31 December 2023, equal to €mil. 4,929, included the value of lease liabilities equal to €mil. 610 and payables to related parties.

The amount of fixed-rate borrowings from banking and lending institutions (excluding lease liabilities and loans and borrowings with Group's companies), also through the use of hedging instruments, amounts to about 70%, and, consequently, the floating-rate percentage is around 30%. At the date of these financial statements, the cost of debt came to about 3.3% p.a., with a residual average life of about 2.3 years.

At 31 December 2023, the transactions were the following:

- options for €mil. 200 (CAP at 4.20% and Knock out at 5.60% in relation to the 6-month Euribor interest rate), originally purchased in order to partially cover the bond issue due in 2025.
- floating/fixed interest rate swap for €mil. 300 relating to the EIB loan in the same amount, which guarantees a fixed rate of 1.82% on the loan.

The detail of the main outstanding interest-rate swaps is as follows:

	Notional		Underlying (maturity)	Fair value 01.01.2022	Changes			Fair value 31.12.2022
	2021	2022			Income	Expenses	CFH Reserve	
Options	200	200	Bond 2025	(1)	-			(1)
IRS fixed/floating/fixed	300	300	BEI	(13)			43	30
Total notional	**500**	**500**		**(14)**	**-**	**-**	**43**	**29**

	Notional		Underlying (maturity)	Fair value 01.01.2023	Changes			Fair value 31.12.2023
	2022	2023			Income	Expenses	CFH Reserve	
Options	200	200	Bond 2025	(1)	-			(1)
IRS floating/fixed	300	300	BEI	30			43	73
Total notional	**500**	**500**		**29**	**-**	**-**	**43**	**72**

The table below shows the effects of the sensitivity analysis deriving from the 50-basis-point shift in the interest-rate at the reporting date:

Effect of shift of interest rate curve	31 December 2022		31 December 2023	
	Increase of 50 bps	Decrease of 50 bps	Increase of 50 bps	Decrease of 50 bps
Net result	(3)	3	1	(1)
Equity (*)	1	(1)	1	(1)

(*) Defined as sum of earnings and cash-flow hedge reserve

Exchange rate risk

<u>Transaction risk</u>

Due to its commercial operations, the Group's companies are exposed to the risk of fluctuations in the currencies related to those cases in which orders, revenue and costs are expressed in currencies other than the functional one used in the financial statements (specifically, US dollars and, to a lesser extent, the pound sterling).

Exchange rate risk management is governed by the directive in force within the Group. The purpose of the directive is to standardize management criteria based on industrial-not-speculative strategies so as to contain risks within specific limits by carefully and constantly assessing all foreign currency transaction positions. The methodology adopted calls for the systematic hedging of commercial cash flows resulting from the assumption of contractual commitments that are certain or highly probable as either buyer or seller, thereby ensuring current exchange rates at the date of acquisition of multi-year contracts and neutralizing the effects of exchange-rate fluctuations. As a result, contracts for purchases or sales denominated in a currency different from the functional currency are hedged using forward contracts of amounts, maturities, and key parameters that are similar to the underlying position. The Group defines the existence of an economic relationship between the hedging instrument and the hedged item on the basis of the currency, amounts and respective cash flows and assesses whether the derivative designated in each hedging relationship will be and has been effective in offsetting changes in the cash flows of the hedged item. In the event that, due to their nature or following events that entail their ineffectiveness, derivative instruments held in the portfolio should be found to no longer be a hedge, the fair value of the instrument is recognised through profit and loss according to accounting principles. In the event the designation of the instrument as a hedge should continue to be supported, the cash-flow hedge accounting method of recognition is adopted (Note 4.3).

Leonardo carries out these transactions with banks in its own interest and of Group companies.

At 31 December 2023 the Leonardo Group had outstanding foreign exchange transactions totaling €mil. 8,287 (notional amount). Overall, the average EUR/USD dollar exchange rate for hedging purposes is 1.081 on sales and about 1.154 on purchases.

	Notional			Fair value 01.01.2022	Changes				Fair value 31.12.2022
	Sales	Purchases	Total		Discontinued operation	Income	Expenses	CFH Reserve	
Swap and forward transactions	5,361	2,696	8,057	(39)		26	(7)	(81)	(101)

	Notional			Fair value 01.01.2023	Changes				Fair value 31.12.2023
	Sales	Purchases	Total		Discontinued operation	Income	Expenses	CFH Reserve	
Swap and forward transactions	5,023	3,264	8,287	(101)		19	(14)	111	15

The table below shows the expected due dates of receipts and payments related to derivative instruments broken down by main currencies:

	31 December 2022				31 December 2023			
	Notional Receipts		Notional Payments		Notional Receipts		Notional Payments	
	USD	GBP	USD	GBP	USD	GBP	USD	GBP
Cash-flow and fair-value hedges								
Within 1 year	1,581	8	656	1,108	1,583	8	931	926
2 to 3 years	2,240	-	513	56	1,796	-	467	73
4 to 9 years	252	-	75	15	533	-	27	17
Total	**4,073**	**8**	**1,244**	**1,179**	**3,912**	**8**	**1,425**	**1,016**
Hedging transactions which cannot be classified as hedging transactions	211	4	211	4	225	2	225	2
Total transactions	**4,284**	**12**	**1,455**	**1,183**	**4,137**	**10**	**1,650**	**1,018**

The table below shows the effects of the sensitivity analysis carried out on the change in the exchange rates of the euro against the US dollar (USD) and the pound sterling (GBP) and, assuming a +/-5% change in the euro/US dollar exchange rate and the euro/pound sterling exchange rate compared with the reference rates at 31 December 2023 and at 31 December 2022.

	31 December 2022				31 December 2023			
	Effect of change in the €/GBP rate		Effect of change in the €/USD rate		Effect of change in the €/GBP rate		Effect of change in the €/USD rate	
	Increase of 50 bps	Decrease of 50 bps	Increase of 50 bps	Decrease of 50 bps	Increase of 50 bps	Decrease of 50 bps	Increase of 50 bps	Decrease of 50 bps
Net result	(3)	4	3	(4)	(4)	5	8	(8)
Equity (*)	(9)	10	88	(98)	(7)	8	82	(83)

(*) Defined as sum of earnings and cash flow hedge reserve

Translation risk

The Group is exposed to "translation risk", i.e. the risk that assets, liabilities and results in consolidated companies whose reporting currency is not the euro (mainly USD and GBP) can have different values in euros depending on the performance of exchange rates, which affect the equity reserve named "Translation reserve" (Note 20) and results of operations. It should be noted that Leonardo does not hedge translation risk relating to its own equity investments, the most important of which are in the USA and in the UK.

Leonardo UK Ltd., which is Leonardo's main equity holding in the UK had a positive net financial position which is transferred to Leonardo through cash pooling arrangements. Leonardo systematically hedges this exposure through exchange-rate derivatives recognised as fair value hedges. As a result, even though the Group has no economic exposure, it is subject to balance-sheet volatility directly impacting the amount of Group net debt, which is affected by the realigning payables/receivables in foreign currency.

The effects on the equity of the Group, broken down by the main currencies, are reported in Note 20.

Liquidity risk

The Group is exposed to the risk of not being able to finance the prospective requirements deriving from its usual business and investment operations, as well as those connected with the volatility of the relevant markets and with operations linked to commercial contracts for which there is the risk of renegotiation or cancellation. Furthermore, there is the risk of not being able to repay or refinance debts at the expiry dates.

In order to face these risks, the Leonardo Group had at its disposal, for financing its operations, at 31 December 2023:

- the cash and cash equivalents of €mil.2,407 generated at 31 December 2023 related to Leonardo Spa (€mil. 1,791) and to Group companies that, for different reasons, do not fall within the scope of the cash pooling system (€mil. 573), in addition to temporarily available cash amounts of the companies falling, directly or indirectly, within the scope of the cash pooling, as well as to deposits made for different reasons;
- an ESG-linked Revolving Credit Facility (RCF), available to Leonardo pa, amounting to €bil. 2.4, comprising a 5-year tranche of €bil. 1.8 expiring in September 2026 and a 3-year tranche of €mil. 600 expiring in September 2024. Both the RCF tranches had been entirely unused at 31 December 2023;
- a Sustainability-Linked loan of €mil. 260 with the European Investment Bank (EIB) (entirely unused at 31 December 2023);
- uncommitted bank credit lines totaling €mil. 810 (entirely unused at 31 December 2023);
- an EMTN (Euro Medium Term Notes) Programme, out of which all the bonds of Leonardo Spa were issued, which are currently in place on the Euromarket and which was still available at 31 December 2023 for a total nominal amount of €mil. 2,400 compared to a total amount of €mil. 4,000 under the programme;
- a Framework Programme for the issuance of Multi-Currency Commercial Paper on the European market, for a maximum amount of €bil. 1, which was entirely unused at 31 December 2023;
- a RCF available to Leonardo DRS amounting to USDmil. 275 (€mil. 249), which was also entirely unused at 31 December 2023;
- short-term credit lines subject to revocation, available to the subsidiary Leonardo US Corporation and guaranteed by Leonardo Spa, for an amount of USDmil. 210 (€mil. 190), used at 31 December 2023 for USDmil. 40 (€mil. 36);
- unconfirmed lines of credit for guarantees for a total amount of €mil. 10,877, of which an amount of €mil. 3,051 was available at 31 December 2023.

Credit risk

The Group is exposed to credit risk, which is defined as the probability of an insolvency with respect to a credit position with commercial and financial counterparties.

Regarding commercial transactions, the most significant programmes are made with public sector contractors or contractors belonging to public institutions, mainly in the Euro area, in the UK, the US and the Middle East. The risks associated with the counterparty, for contracts with countries for which there are no usual commercial relations, are analyzed and valued at the time of the offer in order to mitigate insolvency risks, if any. While solvency is guaranteed with public-entity customers, it can entail an extension of the collection times than for other business sectors, creating outstanding credit positions and the subsequent need, in some cases, for transactions to convert the receivables into cash. When requested to do so, the Group hedges against potential defaults of its customers by entering into insurance policies with leading Export Credit Agencies (ECAs) internationally and with major Italian agencies.

The types of contracts entered into by the Group often provide for sizeable retention money possibly withheld by customers, as well as back-to-back clauses in case of sub-supplies. All this may inherently extend the times for collection of outstanding receivables.

Furthermore, the Group operates in markets which are or have been recently affected by geopolitical or financial tensions. In particular, with reference to the situation at 31 December 2023, we note the following relations with countries exposed to credit risk according to the international institutions (SACE):

€mil.	Nigeria	Turkey	Pakistan	Kenya	Angola	Other countries	Total
Assets	29	160	86	4	31	38	348
Liabilities	(52)	(104)	(31)	(21)	(28)	(35)	(271)
Net exposure	**(23)**	**56**	**55**	**(17)**	**3**	**3**	**77**

As at 31 December 2023, the countries identified by SACE as countries at risk also included Russia and Ukraine to which the Group has no balance sheet exposures.

Finally, the receivables related to certain existing contracts, might not be paid, renegotiated or written off.

The table below summarizes trade receivables, with most of the balance claimed, as indicated, from public-sector contractors or contractors belonging to public institutions:

(€ billions)	31 December 2022	31 December 2023
Portion due	1.0	1.4
- of which: for more than 12 months	*0.3*	*0.4*
Portion not yet due	2.3	2.3
Total trade receivables	**3.3**	**3.7**

A part of the portion due is offset by a liability, in relation to payable items or provisions for risks on any net excesses.

Loans and receivables, amounting to €mil. 222 (€mil. 118 at 31 December 2022) included €mil. 17 (€mil. 13 at 31 December 2022) classified as "non-current" and consequently excluded from the net financial position. Loans and receivables are broken down in the table below:

	31 December 2022	31 December 2023
Loans and receivables from related parties	13	17
Other loans and receivables	-	-
Non-current loans and receivables	**13**	**17**
Loans and receivables from related parties	56	183
Other loans and receivables	49	22
Current loans and receivables	**105**	**205**
Total loans and receivables	**118**	**222**

Both the main trade and financial receivables are impaired based on their probability of default or individually in case of particular situations. Vice versa, for receivables that are not impaired individually, impairment provisions are accrued, using time series, statistical data and probability of default on an aggregate basis also supported by qualitative analyses.

During the year, receivables were assigned without recourse for a total volume of €mil. 305 (€mil. 404 in 2022). The amount of the assignments is lower than the previous year's figure as a result of the further streamlining of working capital management processes, which enabled, despite the continuation of some emergency situations, to further improve the dynamics underlying the realization of collection flows.

Classification of financial assets and liabilities

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

	31 December 2022			31 December 2023		
	Level 2	Level 3	**Total**	Level 2	Level 3	**Total**
Other non-current assets	-	-	-	-	-	-
Other current assets	224	-	224	207	-	207
Other non-current liabilities	-	17	17		17	17
Other current liabilities	296	-	296	175	-	175

The total fair value of pension plan assets amounted to €mil. 2,371 (€mil. 2,280 at 31 December 2022), classified under non-current assets and deducted from employee benefits.

38. REMUNERATION TO KEY MANAGEMENT PERSONNEL

Remuneration paid to persons who have strategic power and responsibility of Leonardo S.p.a. amounted to €mil. 15 (€mil. 12 at 31 December 2022).

Remuneration paid to Directors, excluding managers with strategic responsibility, amounted to €mil. 2 (€mil. 2 in 2022). This figure includes fees and other compensation, pensions and other benefits, including the portion borne by the Company.

39. INFORMATION ON THE IMPACT OF CLIMATE CHANGE

Leonardo defined a decarbonization strategy aimed at reducing direct and indirect climate altering emissions, in line with the path embarked on joining the Science Based Target initiative (SBTi), in relation to which in 2023 the Group promoted the submission of targets, following up its commitment undertaken in 2022. The decarbonization strategy aims not only to reduce emissions related to industrial processes (operations) but also those generated by suppliers and customers through the use of Leonardo's products and services (Scope 3 emissions). In this regard, during 2023, Leonardo conducted a careful examination of scope 3 emissions produced by the Group to identify, in line with the SBTi methodology, the areas requiring major commitment towards which it will promote its decarbonization actions, including its supply chain and products and services.

In order to reduce the emissions from its operations, Leonardo further intensified in 2023 some initiatives already launched in previous years, among which are the energy self-production programme, the Full Potential LED lighting programme and the replacement of the SF6 gases with gases with lower climate altering emissions. Furthermore, Leonardo is active in reducing scope 3 emissions related to the use of its sold products and services, promoting innovative solutions and the use of alternative materials and latest-generation fuels in place of fossil fuels. For instance, Leonardo through the realization of simulators allows pilots to perform virtual training and cutting on real flight hours and subsequent emissions. Leonardo is also investing to develop products exploiting alternative fuels to fossil fuels such as synthetic fuels and the Sustainable Aviation Fuel (SAF). Moreover, Leonardo embarked on a supplier engagement path aimed at creating an aware community committed to achieving increasingly ambitious sustainability goals. Among the initiatives promoted, Leonardo launched specific training, awareness and support programmes to plan sustainability reporting in order to align the decarbonization process of its suppliers with the SBTi.

The above initiatives are integrated into the Group's business plan. For further details, please refer to the Report on Operations (in particular the “Decarbonization path" paragraph of the “Planet” chapter).

As previously point out, the Group's business plans have been prepared considering, in addition to further investments linked to the search for innovative solutions in the field of sustainable business, also the prospective aspects and impacts linked to climate change.

Based on the above the Group does not expect any significant financial impact.

40. SHARE-BASED PAYMENTS

In order to implement an incentive and retention system for the Group’s employees and associates, starting from 2015 Leonardo adopted incentive plans which provide for the assignment of Leonardo shares, subject to assessing the attainment of pre-set business targets. These shares will be awarded to the beneficiaries at the end of the vesting period, provided that they have met the condition of being still employed with the company. The cost recognised in the income statement for the share incentive plans of the Parent Company amounted in 2023 to €mil. 11 (€mil. 5 in 2022).

With specific regard to the abovementioned current Long-Term Incentive Plans, the fair value used to measure the portion linked to the performance indicators (Group Net Debt, ROS and starting from the three-year cycle 2021-2023 the Sustainability indicators) was equal to €11.04 (value of Leonardo shares at the grant date of 31 July 2019) with reference to the three-year cycle 2019-2021, € 5.41 (value of Leonardo shares at the grant date of 31 July 2020) with reference to the three-year cycle 2020-2022, € 6.788 (value of Leonardo shares at the grant date of 31 July 2021) with reference to the three-year cycle 2021-2023 and € 9.15 (value of Leonardo shares at the grant date of 31 July 2022) with reference to the three-year cycle 2022-2024 and € 13.66 (value of Leonardo shares at the grant date of 1 October 2023) with reference to the three-year cycle 2023-2025.

Vice versa, the award of the remaining of the shares depends upon market conditions which affect the determination of the fair value (“adjusted fair value”). The adjusted fair value, calculated using the “Monte Carlo” method in order to simulate the possible performance of the stock and of the other companies within the basket, was equal to €6.72 with reference to the three-year cycle 2019-2021, €1.73 with reference to the three-year cycle 2020-2022, €3.7 with reference to the three-year cycle 2021-2023, €6.4 with reference to the three-year cycle 2022-2024 and €12.1 with reference to the three-year cycle 2023-2025.

The input data used to calculate the adjusted fair value were:

- the stock price at the grant date;
- the average share price in the three months preceding the performance period;
- the risk-free interest rate based on the zero-coupon yield curve in 36 months;

- the expected volatility of the price of Leonardo shares and of the shares of the other companies within the basket based on time series in the 36 months prior to the grant date;
- correlation coefficients between Leonardo and the other companies within the basket on the basis of logarithms of the daily performance of the stocks in the 36 months prior to the grant date;
- dividend distribution forecasts on a historical basis.

During 2023, like in 2022, no shares were awarded under the long-term incentive plan.

Share incentive plans also exist with reference to the US subsidiary Leonardo DRS, the cost of which recognised in the income statement amounted to USDmil. 17 in 2023 (€mil.16).

For the Board of Directors

The Chairman

(Stefano Pontecorvo)

Attachments

Attachment: Disclosure ex-lege 124/2017

In accordance with the provisions of Article 1, paragraphs 125-126, of Law 124 of 4 August 2017, information on grants received from public administrations and granted by the Group is provided below.

Grants received

Worth noting are the provisions of Law no. 124/2017 imposing disclosure obligations on those entities carrying out the activity referred to in article 2195 of the Italian Civil Code in relation to sums which are not of a general nature and do not consist of fees, remuneration or compensation received from public administrations or similar entities.

Excluded from such scope are any grant consisting of a consideration for the Group's services and any grant deriving from bilateral financial relationships, which are peculiar to the Group's business, as well as any general measure that falls within the broader general structure of the reference system defined by the State (among others, Law 237/1993, Law 297/1999, Development Contracts and Regional Operational Programme, Law 808/1985, Regional Laws and National Operational Programmes), the effects of which are described in the notes to the Consolidated Financial Statements, based on the accounting standards adopted in the preparation of said accounts that can be used by all sector businesses, as well as grants received for continuing professional development from interprofessional funds.

The Group has not received grants falling within the framework of those referred to in article 1, para. 125, of Law 124/2017.

It should also be noted that the transparency of State aid for which there is a publication obligation is protected by their publication in the National Register of State Aids referred to in Article no. 52 of Law 234 of 24 December 2012.

Grants disbursed

As a publicly traded company, Leonardo S.p.A. is not subject to the obligations under Article 1, para. 126, in accordance with Article 2-*bis*, para. 2, letter *b*) of Legislative Decree 33/2013.

There are no grants disbursed by Leonardo S.p.A. and its Italian subsidiaries in the form of donations or disbursements that do not consist of a consideration for services received, not even in the form of a return in terms of image.

Attachment: scope of consolidation

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

N.	Company name	Registered office	Partecipating company	Currency	Share capital	% Group ownership		% Group shareholding
						Direct	Indirect	
1	3083683 NOVA SCOTIA LIMITED	Halifax, Nova Scotia (Canada)	ENGINEERED SUPPORT SYSTEMS INC	CAD	-		100	72.30
2	AGUSTAWESTLAND INDIA PRIVATE LTD (IN LIQ.)	New Delhi (India)	AGUSTAWESTLAND SPA AGUSTAWESTLAND LTD	INR	11,519,450		100	100
3	AGUSTAWESTLAND INTERNATIONAL LTD	Yeovil, Somerset (UK)	AGUSTAWESTLAND SPA AGUSTAWESTLAND LTD	GBP	511,000		100	100
4	AGUSTAWESTLAND LTD	Yeovil, Somerset (UK)	LEONARDO UK LTD	GBP	1,520,304		100	100
5	AGUSTAWESTLAND PHILADELPHIA CO	Wilmington, Delaware (USA)	LEONARDO US CORPORATION	USD	20,000,000		100	100
6	AGUSTAWESTLAND SPA	Roma	LEONARDO PARTECIPAZIONI SPA	EUR	120,000		100	100
7	ALEA SRL	Polcenigo (Pordenone)	LEONARDO SPA	EUR	120,000	69.97		69.97
8	ALENIA AERMACCHI SPA	Roma	LEONARDO PARTECIPAZIONI SPA	EUR	120,000		100	100
9	ANSALDOBREDA SPA	Roma	LEONARDO PARTECIPAZIONI SPA	EUR	10,000,000		100	100
10	DAYLIGHT DEFENCE LLC	Wilmington, Delaware (USA)	DAYLIGHT SOLUTIONS INC	USD	-		100	72.30
11	DAYLIGHT SOLUTIONS INC	Wilmington, Delaware (USA)	LEONARDO DRS INC	USD	1		100	72.30
12	DISPOSITIVI PROTEZIONE INDIVIDUALE D.P.I. SRL	Roma	LARIMART SPA	EUR	309,600		77.92	46.75
13	DRS ADVANCED ISR LLC	Wilmington, Delaware (USA)	DRS DEFENSE SOLUTIONS LLC	USD	-		100	72.30
14	DRS DEFENSE SOLUTIONS LLC	Wilmington, Delaware (USA)	LEONARDO DRS INC	USD	-		100	72.30
15	DRS ENVIRONMENTAL SYSTEMS INC	Wilmington, Delaware (USA)	ENGINEERED SUPPORT SYSTEMS INC	USD	2		100	72.30
16	DRS HOMELAND SECURITY SOLUTIONS INC	Wilmington, Delaware (USA)	LEONARDO DRS INC	USD	1		100	72.30
17	DRS INTERNATIONAL INC	Wilmington, Delaware (USA)	LEONARDO DRS INC	USD	1		100	72.30
18	DRS NAVAL POWER SYSTEMS INC	Wilmington, Delaware (USA)	LEONARDO DRS INC	USD	1		100	72.30
19	DRS NETWORK & IMAGING SYSTEMS LLC	Wilmington, Delaware (USA)	LEONARDO DRS INC	USD	-		100	72.30
20	DRS SIGNAL SOLUTIONS INC	Wilmington, Delaware (USA)	DRS DEFENSE SOLUTIONS LLC	USD	10		100	72.30
21	DRS SURVEILLANCE SUPPORT SYSTEMS INC	Wilmington, Delaware (USA)	LEONARDO DRS INC	USD	1		100	72.30
22	DRS SUSTAINMENT SYSTEMS INC	Wilmington, Delaware (USA)	ENGINEERED SUPPORT SYSTEMS INC	USD	1,000		100	72.30
23	DRS SYSTEMS MANAGEMENT LLC	Wilmington, Delaware (USA)	LEONARDO DRS INC	USD	1		100	72.30
24	DRS SYSTEMS INC	Wilmington, Delaware (USA)	LEONARDO DRS INC	USD	1		100	72.30
25	DRS RADA TECHNOLOGIES LTD	Netanya (Israele)	LEONARDO DRS INC	ILS	1,491,527		100	72.30
26	DRS TECHNOLOGIES CANADA INC	Wilmington, Delaware (USA)	LEONARDO DRS INC	USD	1		100	72.30
27	DRS TECHNOLOGIES CANADA LTD	Kanata, Ontario (Canada)	DRS TECHNOLOGIES CANADA INC	CAD	100		100	72.30
28	DRS TECHNOLOGIES SAUDI ARABIA LLC	Riyadh (Arabia Saudita)	LEONARDO DRS INC	SAR	2,000,000		49	39.64
29	DRS TECHNOLOGIES UK LIMITED	Yeovil, Somerset (UK)	LEONARDO UK LTD	GBP	1		100	100
30	DRS TRAINING & CONTROL SYSTEMS LLC	Tallahassee, Florida (USA)	DRS DEFENSE SOLUTIONS LLC	USD	510		100	72.30
31	DRS UNMANNED TECHNOLOGIES INC	Wilmington, Delaware (USA)	DRS TRAINING & CONTROL SYSTEMS LLC	USD	1		100	72.30
32	ENGINEERED COIL COMPANY	Jefferson City, Missouri (USA)	ENGINEERED SUPPORT SYSTEMS INC	USD	1,000		100	72.30
33	ENGINEERED SUPPORT SYSTEMS INC	Jefferson City, Missouri (USA)	LEONARDO DRS INC	USD	1		100	72.30
34	ESSI RESOURCES LLC	Frankfort, Kentucky (USA)	DRS SUSTAINMENT SYSTEMS INC	USD	-		100	72.30
35	KOPTER GERMANY GMBH	HÖHENKIRCHEN-Siegertsbrunn (Germania)	KOPTER GROUP AG	EUR	25,000		100	100
36	KOPTER GROUP AG	Mollis, Glarona Nord (Svizzera)	LEONARDO SPA	CHF	32,000,000	100		100
37	LARIMART SPA	Roma	LEONARDO SPA	EUR	2,500,000	60		60
38	LAUREL TECHNOLOGIES PARTNERSHIP	Wilmington, Delaware (USA)	DRS SYSTEMS MANAGEMENT LLC DRS SIGNAL SOLUTIONS INC	USD	-		100	72.30
39	LEONARDO AUSTRALIA PTY LTD	Essendon, Victoria (Australia)	LEONARDO INTERNATIONAL SPA	AUD	8,366,301		100	100
40	LEONARDO BELGIUM SA	Grace Hollogne (Belgio)	LEONARDO INTERNATIONAL SPA SELEX ES INTERNATIONAL LTD	EUR	500,000		100	100
41	LEONARDO CAE ADVANCED JET TRAINING SRL	Villasor (Cagliari)	LEONARDO SPA	EUR	49,040,000	50		50
42	LEONARDO (CHINA) CO. LTD	Beijing (Cina)	LEONARDO INTERNATIONAL SPA	USD	800,000		100	100
43	LEONARDO DO BRASIL LTDA	Itapevi (Brasile)	LEONARDO INTERNATIONAL SPA SELEX ES INTERNATIONAL LTD	BRL	48,241,788		100	100
44	LEONARDO DRS INC	Wilmington, Delaware (USA)	LEONARDO US HOLDING LLC	USD	262,454,115		72.30	72.30
45	LEONARDO ELECTRONICS US INC	Wilmington, Delaware (USA)	LEONARDO UK LTD	USD	32,750,000		100	100
46	LEONARDO FOR AVIATION SERVICES (SPC)	Kuwait City (Kuwait)	LEONARDO SPA	KWD	300,000	100		100
47	LEONARDO GERMANY GMBH	Neuss (Germania)	LEONARDO INTERNATIONAL SPA SELEX ES INTERNATIONAL LTD	EUR	2,500,000		100	100
48	LEONARDO GLOBAL SOLUTIONS SPA	Roma	LEONARDO SPA	EUR	51,000,000	100		100
49	LEONARDO HELICOPTERS USA INC	Wilmington, Delaware (USA)	AGUSTAWESTLAND PHILADELPHIA CO	USD	-		100	100
50	LEONARDO HISPANIA SAU (IN LIQ.)	Loriguilla, Valencia (Spagna)	LEONARDO INTERNATIONAL SPA	EUR	5,189,019		100	100
51	LEONARDO INTERNATIONAL SPA	Roma	LEONARDO SPA	EUR	1,000,000	100		100
52	LEONARDO LOGISTICS SPA	Roma	LEONARDO SPA	EUR	100,000	100		100
53	LEONARDO LOGISTICS POLAND SP Z O.O	Swidnik (Polonia)	LEONARDO LOGISTICS SPA	PLN	5,000		100	100
54	LEONARDO MALAYSIA SDN BHD	Kuala Lumpur (Malesia)	LEONARDO INTERNATIONAL SPA	MYR	2,500,000		100	100
55	LEONARDO PARTECIPAZIONI SPA	Roma	LEONARDO SPA	EUR	1,000,000	100		100
56	LEONARDO PORTUGAL SA	Porto Salvo Oeiras (Portogallo)	LEONARDO INTERNATIONAL SPA	EUR	100,000		100	100
57	LEONARDO ROMANIA AEROSPACE, DEFENCE & SECURITY SA	Ploiesti (Romania)	LEONARDO INTERNATIONAL SPA SELEX ES INTERNATIONAL LTD	RON	10,847,960		100	100
58	LEONARDO SAUDI LTD	Riyadh (Arabia Saudita)	LEONARDO UK LTD SELEX ES (PROJECTS) LTD	SAR	500,000		100	100
59	LEONARDO SOUTH AFRICA (PTY) LTD	Pretoria (Sud Africa)	LEONARDO INTERNATIONAL SPA	ZAR	1,500		100	100
60	LEONARDO TECHNOLOGIES & SERVICES LTD	Nairobi (Kenya)	LEONARDO INTERNATIONAL SPA	KES	109,600,000		100	100
61	LEONARDO TURKEI HAVACILIK SAVUNMA VE GUVENLIK SISTEMLERI AS	Ankara (Turchia)	LEONARDO INTERNATIONAL SPA SELEX ES INTERNATIONAL LTD	TRY	79,557,009		100	100
62	LEONARDO UK LTD	Londra (UK)	LEONARDO SPA	GBP	314,500,100	100		100

63	LEONARDO US AIRCRAFT LLC	Wilmington, Delaware (USA)	LEONARDO US SUBHOLDING LLC	USD	100		100	100
64	LEONARDO US CORPORATION	Wilmington, Delaware (USA)	LEONARDO US HOLDING LLC	USD	10		100	100.00
65	LEONARDO US HOLDING LLC	Wilmington, Delaware (USA)	LEONARDO SPA LEONARDO INTERNATIONAL SPA	USD	10	53	47	100
66	LEONARDO US SUBHOLDING LLC	Wilmington, Delaware (USA)	LEONARDO US CORPORATION	USD	100		100	
67	OTO MELARA NORTH AMERICA LLC	Wilmington, Delaware (USA)	LEONARDO DRS INC	USD	-		100	72
68	PARTECH SYSTEMS PTY LTD	Yerriyong (Australia)	LEONARDO AUSTRALIA PTY LTD	AUD	330		100	100
69	PIVOTAL POWER INC	Halifax, Nova Scotia (Canada)	3083683 NOVA SCOTIA LIMITED	CAD	-		100	72.30
70	PRECISION AVIATION PROPERTY PTY LTD	Pretoria (Sud Africa)	LEONARDO SOUTH AFRICA (PTY) LTD	ZAR	100		100	100.00
71	PRECISION AVIATION TRAINING ACADEMY PTY LTD	Pretoria (Sud Africa)	LEONARDO SOUTH AFRICA (PTY) LTD	ZAR	1,000		100	100.00
72	RADA INNOVATIONS LLC	Delaware (USA)	RADA SENSORS INC	USD	1		100	72.30
73	RADA SENSORS INC	Delaware (USA)	DRS RADA TECHNOLOGIES LTD	USD	100		100.00	72.30
74	RADA TECHNOLOGIES LLC	Delaware (USA)	RADA SENSORS INC	USD	1		100	72
75	RADA USA LLC	Delaware (USA)	RADA SENSORS INC	USD	1		100	72
76	REGIONALNY PARK PRZEMYSLOWY SWIDNIK SP Z O.O	Swidnik (Polonia)	PZL-SWIDNIK SA	PLN	7,072,000		74	74
77	SELEX ELSAG LTD	Basildon, Essex (UK)	LEONARDO UK LTD	GBP	25,800,100		100	100
78	SELEX ES AUSTRALIA PTY LTD	Melbourne (Australia)	LEONARDO INTERNATIONAL SPA	AUD	500,000		100	100
79	SELEX ES LLC	Wilmington, Delaware (USA)	LEONARDO US SUBHOLDINGS LLC	USD	100		100	100
80	SELEX ES INTERNATIONAL LTD	Basildon, Essex (UK)	LEONARDO INTERNATIONAL SPA	GBP	100		100	100.00
81	SELEX ES MALAYSIA SDN BHD	Kuala Lumpur (Malesia)	LEONARDO INTERNATIONAL SPA	MYR	500,000		100	100.00
82	SELEX ES SPA (IN LIQ.)	Roma	LEONARDO PARTECIPAZIONI SPA	EUR	120,000		100	100
83	T - S HOLDING CORPORATION	Austin, Texas (USA)	TECH-SYM LLC	USD	280,000		100	72
84	TECH-SYM LLC	Carson City, Nevada (USA)	LEONARDO DRS INC	USD	10		100	72
85	TTI TACTICAL TECHNOLOGIES INC	Ottawa, Ontario (Canada)	LEONARDO UK LTD	CAD	2,500,001		100	100
86	UTM SYSTEMS & SERVICES SRL	Roma	LEONARDO SPA TELESPAZIO SPA	EUR	6,620,000	66.67	33.33	89
87	VEGA DEUTSCHLAND GMBH	Colonia (Germania)	LEONARDO INTERNATIONAL SPA	EUR	25,700		100	100
88	WYTWORNIA SPRZETU KOMUNIKACYJNEGO ``PZL-SWIDNIK`` SPOLKA AKCYJNA	Swidnik (Polonia)	LEONARDO SPA	PLN	137,401,350	100		100

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

N.	Company name	Registered office	Partecipating company	Currency	Share capital	% Group ownership Direct	Indirect	% Group shareholding
1	ADVANCED AIR TRAFFIC SYSTEMS SDN BHD	Shah Alam (Malesia)	SELEX ES INTERNATIONAL LTD	MYR	10,000,000		30	30
2	AGUSTAWESTLAND AVIATION SERVICES LLC	Abu Dhabi (Emirati Arabi Uniti)	LEONARDO SPA	AED	58,010,000	30		30
3	AIRBUS TELESPAZIO CAPACITY OPERATOR SAS	Issy Les Moulineaux (Francia)	TELESPAZIO FRANCE SAS	EUR	11,000,000		49	32.83
4	AMSH BV	Rotterdam (Olanda)	LEONARDO SPA	EUR	36,296,316	50		50
5	AVIO SPA	Roma	LEONARDO SPA	EUR	90,964,213	30		29.63
6	BLCAT INC	Ottawa, Ontario (Canada)	LEONARDO CANADA CO	CAD	100		50	50
7	CNBM LEONARDO (SHANGHAI) AEROSTRUCTURES CO. LTD	Shanghai (Cina)	LEONARDO SPA	USD	200,000,000	30		30
8	C-27J AVIATION SERVICES INC	Ottawa, Ontario (Canada)	LEONARDO CANADA CO	CAD	10,000		30	30
9	CONSORZIO ATR GIE	Tolosa (Francia)	LEONARDO SPA	USD	-	50		50
10	D-FLIGHT SPA	Roma	UTM SYSTEMS & SERVICES SRL	EUR	83,333		40	35.60
11	EARTHLAB LUXEMBOURG SA	Mamer (Lussemburgo)	TELESPAZIO BELGIUM SRL TELESPAZIO FRANCE SAS E - GEOS SPA	EUR	4,875,000		100	64.72
12	E - GEOS SPA	Matera	TELESPAZIO SPA	EUR	5,000,000		80	53.60
13	E2E ENGINEERING LIMITED	Luton (UK)	TELESPAZIO UK LTD	GBP	489		100	67
14	E2E SATCOM LIMITED	Luton (UK)	E2E ENGINEERING LIMITED	GBP	900		100	67
15	E2E SERVICES LIMITED	Luton (UK)	E2E ENGINEERING LIMITED	GBP	300		100	67
16	ELETTRONICA SPA	Roma	LEONARDO SPA	EUR	9,000,000	31		31.33
17	EUROFIGHTER JAGDFLUGZEUG GMBH	Hallbergmoos (Germania)	LEONARDO SPA	EUR	2,556,459	21		21
18	EUROFIGHTER SIMULATION SYSTEMS GMBH (IN LIQ.)	Monaco (Germania)	LEONARDO SPA	EUR	260,000	24		24
19	EUROMIDS SAS	Parigi (Francia)	LEONARDO SPA	EUR	40,500	25		25
20	GAF AG	Monaco (Germania)	E - GEOS SPA	EUR	256,000		100	53.60
21	GULF SYSTEMS LOGISTICS SERVICES COMPANY WLL	Kuwait City (Kuwait)	ALENIA AERMACCHI SPA	KWD	75,000		40	40
22	G.E.M. ELETTRONICA SRL	San Benedetto del Tronto (Ascoli Piceno)	LEONARDO SPA	EUR	4,500,000	30		30
23	HELIVERT JOINT STOCK COMPANY	Mosca (Russia)	LEONARDO SPA	RUB	325,010,000	50		50
24	HENSOLDT AG	Taufkirchen (Germania)	LEONARDO SPA	EUR	115,500,000	22.80		22.80
25	IAMCO - INTERNATIONAL AEROSPACE MANAGEMENT COMPANY SCRL	Venezia	LEONARDO SPA	EUR	208,000	25		25
26	ICARUS SCPA (IN LIQ.)	Torino	LEONARDO GLOBAL SOLUTIONS SPA	EUR	3,192,724		53	53
27	INDUSTRIA ITALIANA AUTOBUS SPA	Roma	LEONARDO SPA	EUR	24,115,593	29		29
28	INMOVE ITALIA SRL	Napoli	ANSALDOBREDA SPA	EUR	14,441		100	100
29	IVECO - OTO MELARA SC A RL	Roma	LEONARDO SPA	EUR	40,000	50		50
30	JIANGXI CHANGHE AGUSTA HELICOPTER CO LTD	Jingdezhen (Cina)	LEONARDO SPA	CNY	6,000,000	40		40
31	LEONARDO AEROSPACE DEFENSE & SECURITY INDIA PRIVATE LTD	New Delhi (India)	LEONARDO INTERNATIONAL SPA SELEX ES INTERNATIONAL LTD	INR	30,000,000		100	100
32	LEONARDO CANADA CO	Halifax, Nova Scotia (Canada)	LEONARDO INTERNATIONAL SPA	CAD	298,421		100	100
33	LEONARDO ELECTRONICS PENSION SCHEME (TRUSTEE) LTD	Yeovil, Somerset (UK)	LEONARDO UK LTD	GBP	100		100	100
34	LEONARDO FOR TRADING OF MACHINERY EQUIPMENT AND DEVICES WLL	Kuwait City (Kuwait)	LEONARDO INTERNATIONAL SPA	KWD	303,000		93	93
35	LEONARDO FUTUREPLANNER (TRUSTEE) LIMITED	Yeovil, Somerset (UK)	LEONARDO UK LTD	GBP	1		100	100
36	LEONARDO HELICOPTERES ALGERIE SPA	Bir Mourad Rais (DZ) (Algerie)	LEONARDO SPA LEONARDO INTERNATIONAL SPA	EUR	55,000,000	39	10	49
37	LEONARDO HELICOPTERS PENSION SCHEME (TRUSTEE) LTD	Yeovil, Somerset (UK)	LEONARDO UK LTD	GBP	1		100	100
38	LEONARDO MW Ltd	Basildon, Essex (UK)	LEONARDO UK LTD	GBP	1		100	100
39	LEONARDO LIMITED	Yeovil, Somerset (UK)	LEONARDO UK LTD	GBP	1		100	100
40	LEONARDO POLAND SP Z O.O	Varsavia (Polonia)	LEONARDO INTERNATIONAL SPA	PLN	850,000		100	100
41	LEONARDO SINGAPORE PTE. LTD	Singapore (Singapore)	LEONARDO INTERNATIONAL SPA	USD	150,000		100	100
42	LEONARDO TECHNOLOGY PAKISTAN (SMC-PRIVATE) LIMITED	Islamabad (Pakistan)	LEONARDO INTERNATIONAL SPA	PKR	30,000,000		100	100
43	LEONARDO & CODEMAR SA	Maricà (Brasile)	LEONARDO INTERNATIONAL SPA	BRL	4,010,000		51	51
44	LIBYAN ITALIAN ADVANCED TECHNOLOGY CO	Tripoli (Libia)	LEONARDO SPA AGUSTAWESTLAND SPA	EUR	8,000,000	25	25	50
45	MACCHI HUREL DUBOIS SAS	Versailles (Francia)	LEONARDO SPA	EUR	100,000	50		50
46	MBDA SAS	Parigi (Francia)	AMSH BV	EUR	53,824,021		50	25
47	NHINDUSTRIES SAS	Aix en Provence (Francia)	LEONARDO SPA	EUR	306,000	32		32
48	ORIZZONTE - SISTEMI NAVALI SPA	Genova	LEONARDO SPA	EUR	20,000,000	49		49
49	POLO STRATEGICO NAZIONALE SPA	Roma	LEONARDO SPA	EUR	3,000,000	25		25
50	RARTEL SA	Bucarest (Romania)	TELESPAZIO SPA	RON	468,500		61	41
51	ROTORSIM SRL	Sesto Calende (Varese)	LEONARDO SPA	EUR	9,800,000	50		50
52	ROTORSIM USA LLC	Wilmington, Delaware (USA)	AGUSTAWESTLAND PHILADELPHIA CO	USD	12.607.452		50	50
53	SELEX ES (PROJECTS) LTD	Basildon, Essex (UK)	LEONARDO UK LTD	GBP	100		100	100
54	SPACEOPAL GMBH	Monaco (Germania)	TELESPAZIO SPA	EUR	500,000		50	34
55	TELESPAZIO ARGENTINA SA	Buenos Aires (Argentina)	TELESPAZIO SPA TELESPAZIO BRASIL SA	ARS	9,950,000		100	66.96

56	TELESPAZIO BELGIUM SRL	Transinne (Belgio)	TELESPAZIO SPA TELESPAZIO FRENCH GUIANA SARL	EUR	1,282,750		100	67
57	TELESPAZIO BRASIL SA	Rio de Janeiro (Brasile)	TELESPAZIO LATIN AMERICA LTDA	BRL	58,724,000		99	66
58	TELESPAZIO FRANCE SAS	Tolosa (Francia)	TELESPAZIO SPA	EUR	33,670,000		100	67
59	TELESPAZIO FRENCH GUIANA SARL	Kourou (Guyana Francese)	TELESPAZIO SPA	EUR	7,625		100	67
60	TELESPAZIO GERMANY GMBH	Darmstadt (Germania)	TELESPAZIO SPA TELESPAZIO FRANCE SAS	EUR	44,150		100	67
61	TELESPAZIO IBERICA SL	Madrid (Spagna)	TELESPAZIO SPA	EUR	2,230,262		100	67
62	TELESPAZIO LATIN AMERICA LTDA	Rio de Janeiro (Brasile)	TELESPAZIO SPA TELESPAZIO UK LTD	BRL	56,444,390		100	67
63	TELESPAZIO SPA	Roma	LEONARDO SPA	EUR	50,000,000	67		67
64	TELESPAZIO UK LTD	Luton (UK)	TELESPAZIO SPA	GBP	14,400,048		100	67
65	TELESPAZIO UK SL	Madrid (Spagna)	TELESPAZIO UK LTD	EUR	3,100		100	67
66	THALES ALENIA SPACE SAS	Cannes (Francia)	LEONARDO SPA	EUR	918,037,500	33		33
67	TORPEDO SOUTH AFRICA (PTY) LTD	Gauteng (Sud Africa)	LEONARDO SPA	ZAR	-	49		49
68	VITROCISET JADWALEAN LTD	Riyadh (Arabia Saudita)	LEONARDO SPA	SAR	2,000,000	45		45

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

N.	*Company name*	*Registered office*	*Partecipating company*	*Currency*	*Share capital*	*% Group ownership*		*% Group shareholding*
						Direct	*Indirect*	
1	ADVANCED MALE AIRCRAFT LLC	Al Ain, Muwaiji (Emirati Arabi Uniti)	LEONARDO SPA	AED	200,000	49		49
2	ELSACOM - UKRAINE JOINT STOCK COMPANY	Kiev (Ucraina)	LEONARDO PARTECIPAZIONI SPA	UAH	7,945,000		49	49

Below are the main changes in the scope of consolidation at 31 December 2023 in comparison with 31 December 2022:

Company	Event	Month
Companies which entered the scope of consolidation:		
Leonardo Us Subholding Llc	newly established	March 2023
Cnbm Leonardo (Shanghai) Aerostructures Co. Ltd (*)	newly established	April 2023
E2E Engineering Ltd (*)	acquired	November 2023
E2E Satcom Ltd (*)	acquired	November 2023
E2E Services Ltd (*)	acquired	November 2023

Companies which left the scope of consolidation:

No change to report

Companies involved in merger transactions:

No change to report

Companies which changed their corporate name:

Old name	New name	Month
Leonardo US Aircraft Inc	Leonardo US Aircraft Llc	March 2023
Selex Es Inc	Selex Es Llc	March 2023

(*): companies valued at equity

STATEMENT ON THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 154-BIS, PARAGRAPH 5 OF LEGISLATIVE DECREE 58/98 AS AMENDED AND SUPPLEMENTED

1. The undersigned Roberto Cingolani as the Chief Executive Officer and General Manager and Alessandra Genco as the Officer in charge of Financial Reporting for Leonardo Spa, certify, in accordance with Article 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:
   - the appropriateness of the financial statements with regard to the nature of the business and
   - the effective application of administrative and accounting procedures in preparing the consolidated financial statements at 31 December 2023.
2. In this respect it is noted that no significant matters arose.
3. It is also certified that:

   3.1 The consolidated financial statements:

   - were prepared in accordance with International Financial Reporting Standards endorsed by the European Community pursuant to EU Regulation 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   - correspond to the entries in the books and accounting records;
   - were prepared in accordance with Article 154-ter of the aforesaid Legislative Decree 58/1998 and subsequent amendments and integrations and they provide a true and fair view of the financial position and results of operations of the issuer and of the entities included within the scope of consolidation.

   3.2 The Report on Operations includes a reliable analysis of the performance and the operating result, as well as the position of the issuer and of the entities included within the scope of consolidation, together with a description of the main risks and uncertainties they are exposed to.

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

Rome, 12 March 2024

Chief Executive Officer and General Manager	Officer in charge of financial reporting
(Roberto Cingolani)	(Alessandra Genco)

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2023

Leonardo S.p.A.

Consolidated financial statements as at December 31, 2023

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010, and article 10 of EU Regulation n. 537/2014

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010 and article 10 of EU Regulation n. 537/2014
(*Translation from the original Italian text*)

To the Shareholders of
Leonardo S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Leonardo Group (the Group), which comprise the statement of financial position as at December 31, 2023, the separate income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Leonardo S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

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Capitale Sociale Euro 2.600.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. di Milano 606158 - P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998

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Key Audit Matter	Audit response
Recognition of revenues and losses from long-term contracts with customers	
Revenues from long-term contracts with customers are recognized "over-time" using an input method for measuring progress towards complete satisfaction of performance obligations based on the percentage of completion obtained from the ratio of incurred costs on the total expected costs for the contract over the life of the project (cost to cost method). The estimation of the total expected project costs is, by its nature, complex and characterized by significant uncertainties as it may be impacted by many factors, including the ability to fulfill the obligations assumed towards customers, which may also result in penalties and additional expenses for significant amounts. Therefore, the estimate involves a high degree of judgment by Directors that may significantly affect the contract revenues recognition and any loss at completion in cases of negative margin expectation. Accordingly, we identified this area as a key audit matter. The disclosures related to the criteria applied for the recognition and measurement of revenues and margins on long-term contracts with customers are included in notes "3.9 Revenues and contract assets/liabilities with customers" and "4.4 Estimate of revenues and final costs of long- term contracts".	Our audit procedures in response to the key audit matter included, among others: • the understanding of the criteria applied for the recognition of revenues from long-term contracts with customers; • the assessment of the process and key controls over the recognition of revenues from long-term contracts with customers; • for a sample of contracts we performed: (i) testing of relevant contractual terms and conditions in order to verify whether those were adequately considered in management estimates; (ii) testing of the reasonableness of key assumptions underlying the estimation of the life-of-project costs based on inquiries, analysis of any communications with customers and comparative analysis; (iii) comparative analysis between actual figures and estimates made in previous periods in order to assess the accuracy of management's forecasting; (iv) testing of incurred costs and their allocation to proper on-going contracts. Lastly, we have reviewed the disclosures provided in the notes to the financial statements regarding this key audit matter.
Test of the recoverability of goodwill	
Goodwill as at December 31, 2023 amounts to Euro 3.899 million. Directors tested for impairment the Cash Generating Units (CGUs) to which goodwill has been allocated in order to identify any impairment loss in respect of their recoverable amount. The recoverable amount of each CGU is determined using the value in use method and it is based on complex assumptions that inherently	Our audit procedures in response to the key audit matter included, among others: • the assessment of the procedure applied in the performance of the impairment test as approved by the Directors; • testing of the criteria applied for identifying the CGUs and allocating relevant assets and liabilities to them; • the analysis of the expected cash flows of each CGU and testing of their consistency with the expected cash flows resulting from the Business Plan

involve a degree of judgment by Directors, with reference to the expected cash flows over the period considered in the Business Plan 2024-2028, to the estimate of the terminal value and the determination of the long-term growth and discount rates. Because of the judgement involved and the complexity of the assumptions underlying the estimation of the recoverable amount of goodwill, we identified this area as a key audit matter. Disclosures on the assumptions and the estimations adopted when performing the impairment test are included in the notes to the consolidated financial statements "4.6 Impairment of assets" and "9. Intangible Assets".	2024-2028; • the assessment of the reasonableness of the estimates made by Directors, also by comparing actual figures and estimates made in previous periods; • the assessment of the long-term growth and discount rates; • the assessment of the sensitivity analysis performed by Directors on key assumptions underlying the impairment test. In performing our procedures we involved our experts in valuation techniques. Lastly, we have reviewed the disclosures provided in the notes to the financial statements regarding this key audit matter.
Recognition and subsequent measurement of non-recurring costs and development costs Non-recurring costs and developments costs capitalized as intangible assets as at December 31, 2023 amount to an aggregate of Euro 2.924 million. The initial recognition of these assets and the subsequent assessment of their recoverability are based on complex assumptions that inherently involve a degree of judgment by Directors as influenced by many factors including the time horizon of the product business plans and management's ability to forecast the commercial success of the underlying technologies. Because of the judgement involved and the complexity of the underlying assumptions, we identified this area as a key audit matter. Disclosures on the assumptions and the estimations adopted in the recognition and subsequent measurement of non-recurring costs and development costs are included in the notes to the consolidated financial statements "4.1 Research and development costs ", "4.2 Non-recurring costs" and "9. Intangible assets".	Our audit procedures in response to the key audit matter included, among others: • understanding of the processes applied in recognizing for non-recurring costs and development costs and the process related to the assessment of their recoverability; • for a sample of development programs we performed: (i) substantive procedures aimed at verifying internal and external costs recognized during the period; (ii) assessment of the reasonableness of key assumptions underlying the product business plans; (iii) testing of the discount rates; (iv) assessment of the sensitivity analysis performed by Directors on the key assumptions underlying the impairment test. In performing our procedures we involved our experts in valuation techniques. Lastly, we have reviewed the disclosures provided in the notes to the financial statements regarding this key audit matter.

Responsibilities of Directors and Those Charged with Governance for the

Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Leonardo S.p.A. or to cease operations or have no realistic alternative but to do so.

The statutory audit committee (Collegio Sindacale) is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial

statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant risks or the safeguard measures applied.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The Shareholders of Leonardo S.p.A., in the general meeting held on May 20, 2020, engaged us to perform the audits of the financial statements and consolidated financial statements for each of the years ending December 31, 2021 to December 31, 2029.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion on the compliance with Delegated Regulation (EU) 2019/815

The Directors of Leonardo S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulation (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

We have performed the procedures under the audit standard SA Italia n. 700B, in order to express an opinion on the compliance of the consolidated financial statements as at December 31, 2023 with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at December 31, 2023 have been prepared in the XHTML format and have been marked-up, in all material aspects, in compliance with the provisions of the Delegated Regulation.

Due to certain technical limitations, some information included in the explanatory notes to the consolidated financial statements, when extracted from the XHTML format to an XBRL instance, may

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not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated January 27, 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated February 24, 1998

The Directors of Leonardo S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Leonardo Group as at December 31, 2023, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated February 24, 1998, with the consolidated financial statements of Leonardo Group as at December 31, 2023 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Leonardo Group as at December 31, 2023 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated January 27, 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated December 30, 2016

The Directors of Leonardo S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated December 30, 2016. We have verified that non-financial information has been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated December 30, 2016, such non-financial information is subject to a separate compliance report signed by us.

Rome, March 15, 2024

EY S.p.A.
Signed by: Riccardo Rossi, Auditor

The accompanying consolidated financial statements of Leonardo S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2023

LEONARDO – SOCIETÀ PER AZIONI

ACCOUNTING STATEMENTS TO THE SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2023

Separate income statement

Euro	*Note*	2022	of which with related parties	2023	of which with related parties
Revenues	*27*	9,555,715,284	*2,625,062,843*	9,936,503,303	*2,873,826,784*
Other operating income	*28*	629,495,658	*9,945,325*	468,915,672	*20,690,488*
Purchase and personnel expenses	*29*	(8,673,749,184)	*(2,161,796,489)*	*(9,066,297,275)*	*(2,113,519,201)*
Amortisation, depreciation and financial assets value adjustments	*30*	(503,160,662)		*(465,503,737)*	
Other operating expenses	*28*	(654,064,156)	*(326,004)*	*(462,388,282)*	*(775,330)*
Income before tax and financial expenses		**354,236,941**		**411,229,681**	
Financial income	*31*	1,732,704,805	*14,679,518*	882,100,617	*18,694,018*
Financial expense	*31*	(317,613,086)	*(30,831,973)*	*(425,423,631)*	*(104,246,254)*
Operating profit/(loss) before income taxes and discontinued operations		**1,769,328,659**		**867,906,667**	
Income taxes	*32*	(68,821,029)		*(84,209,553)*	
Net profit/(loss) for the period		**1,700,507,630**		**783,697,114**	

Statement of comprehensive income

Euro	2022		2023	
Profit /(Loss) for the period		**1,700,507,630**		**783,697,114**
Other comprehensive income (expense):				
Comprehensive income/expense which will not be subsequently reclassified within the profit (loss) for the period:				
- Measurement of defined-benefit plans:		10,268,375		(7,872,236)
- *revaluation*	10,268,375		(7,872,236)	
- *exchange rate gains (losses)*	-		-	
- Tax effect		277,491		(148,050)
		10,545,866		(8,020,286)
Comprehensive income/expense which will or might be subsequently reclassified within the profit (loss) for the period:				
- Changes in cash flow hedges:		391,171		68,551,829
- *change generated in the period*	(18,853,501)		80,009,170	
- *transferred to the profit (loss) for the period*	19,244,672		(11,457,341)	
- Tax effect		(94,077)		(16,452,626)
		297,094		52,099,203
Total other comprehensive income (expense), net of tax:		**10,842,960**		**44,078,917**
Total comprehensive income		**1,711,350,590**		**827,776,031**

Statement of financial position

Euro	*Note*	31 December 2022	of which with related parties	31 December 2023	of which with related parties
Intangible assets	*8*	3,187,528,399		3,222,872,590	
Property, plant and equipment	*9*	915,516,734		979,915,861	
Right of use	*10*	668,023,008		590,293,507	
Equity investments	*11*	9,638,110,253		9,425,821,958	
Receivables	*12*	133,500,660	*88,614,703*	174,907,570	*130,364,282*
Deferred tax assets	*32*	840,744,083		865,019,279	
Other non current assets	*12*	33,103,474		30,886,092	
Non-current assets		**15,416,526,611**		**15,289,716,857**	
Inventories	*13*	3,948,856,252		4,187,309,822	
Assets from contracts	*14*	2,381,318,738		2,365,098,888	
Trade receivables	*15*	3,121,395,939	*1,132,810,977*	3,627,571,900	*1,437,953,019*
Income tax receivables	*16*	33,961,452		60,437,956	
Loans and receivables	*15*	325,756,876	*277,272,797*	520,504,815	*506,932,306*
Other assets	*17*	488,146,468	*26,694,064*	513,267,614	*25,193,752*
Cash and cash equivalents	*18*	1,039,514,625		1,791,014,433	
Current assets		**11,338,950,350**		**13,065,205,428**	
Total assets		**26,755,476,961**		**28,354,922,285**	
Share capital		2,499,097,262		2,499,097,262	
Other reserves		5,159,614,499		5,913,929,998	
Total equity	*20*	**7,658,711,761**		**8,413,027,260**	
Loans and borrowings (non current)	*21*	3,424,966,639	*631,087,301*	2,684,925,516	*534,730,772*
Employee benefits	*23*	245,735,166		232,261,636	
Provisions for risks and charges	*22*	677,981,169		706,206,212	
Deferred tax liabilities	*32*	86,987,756		96,412,778	
Other non-current liabilities	*24*	732,936,896	*157,210,134*	763,229,276	*152,072,430*
Non-current liabilities		**5,168,607,626**		**4,483,035,418**	
Liabilities from contracts	*14*	6,751,375,914		7,210,824,070	
Trade payables	*25*	2,475,331,081	*667,020,089*	2,802,038,994	*825,845,849*
Loans and borrowings (current)	*21*	2,438,741,383	*2,336,537,165*	3,287,847,106	*2,576,109,866*
Income tax payables	*16*	64,428,416		2,726,492	
Provisions for short-term risks and charges	*22*	785,954,264		803,645,627	
Other current liabilities	*24*	1,412,326,516	*80,861,400*	1,311,692,318	*128,138,734*
Current liabilities		**13,928,157,574**		**15,418,774,607**	
Liabilities associated with assets held for sale	*19*	-		40,085,000	
Total liabilities		**19,096,765,200**		**19,941,895,025**	
Total liabilities and equity		**26,755,476,961**		**28,354,922,285**	

Statement of cash flows

Euro	*Note*	2022	of which with related parties	2023	of which with related parties
Gross cash flows from operating activities	*33*	1,133,854,603		1,134,639,078	
Change trade receivables/payables, assets/liabilities from contracts and inventories	*33*	(49,632,623)	*(62,241,850)*	(45,426,972)	*(129,975,282)*
Change in other operating assets and liabilities and provisions for risks and charges	*33*	(101,108,090)	*18,972,987*	(277,754,070)	*(29,656,646)*
Interest received (paid)		(150,960,654)	*(16,152,690)*	(158,672,353)	*(85,553,072)*
Income taxes received (paid)		(11,591,598)		(96,332,813)	
Cash flows generated (used) from operating activities		**820,561,638**		**556,452,870**	
Investments in property, plant and equipment and intangible assets		(471,073,654)		(453,374,788)	
Sales of property, plant and equipment and intangible assets		3,284,322		2,409,461	
Dividends received		269,032,291		729,968,800	
Other investing activities	*33*	(613,456,065)		154,328,595	*(54,719,579)*
Cash flows generated (used) from investing activities		**(812,213,106)**		**433,332,068**	
Bond buy repayments		(555,508,000)		-	
Net change in other loans and borrowings		(209,555,935)	*92,257,120*	(153,282,803)	*(98,778,171)*
Dividends paid		(79,680,998)		(81,405,039)	
Cash flows generated (used) from financing activities		**(844,744,933)**		**(234,687,842)**	
Net increase (decrease) in cash and cash equivalents		**(836,396,401)**		**755,097,096**	
Exchange rate differences		513,334		(3,597,288)	
Cash and cash equivalents at 1 January		1,875,397,692		1,039,514,625	
Cash and cash equivalents at 31 December		**1,039,514,625**		**1,791,014,433**	

Statement of changes in equity

Euro	Share capital	Retained earnings	Cash flow hedge reserve	Revaluation reserve of defined-benefit plans	Merger surplus	Total equity
1 January 2022	**2,499,097,262**	**2,946,117,219**	**(58,682,771)**	**(70,415,738)**	**720,062,704**	**6,036,178,676**
Profit (loss) for the period	-	1,700,507,630	-	-	-	1,700,507,630
Other comprehensive income (expense)	-	-	297,094	10,545,866	-	10,842,960
Total comprehensive income (expense)	**-**	**1,700,507,630**	**297,094**	**10,545,866**	**-**	**1,711,350,590**
Dividends resolved	-	(80,543,019)	-	-	-	(80,543,019)
Repurchase of treasury shares less sold shares	-	-	-	-	-	-
Total transactions with owners of the parent, recognised directly in equity	**-**	**(80,543,019)**	**-**	**-**	**-**	**(80,543,019)**
Effect from Mergers/Demergers	-	-	-	-	(14,259,687)	(14,259,687)
Stock option/grant plans - performance's value	-	5,232,072	-	-	-	5,232,072
Other changes	-	753,129	-	-	-	753,129
31 December 2022	**2,499,097,262**	**4,572,067,031**	**(58,385,677)**	**(59,869,872)**	**705,803,017**	**7,658,711,761**
1 January 2023	**2,499,097,262**	**4,572,067,031**	**(58,385,677)**	**(59,869,872)**	**705,803,017**	**7,658,711,761**
Profit (loss) for the period	-	783,697,114	-	-	-	783,697,114
Other comprehensive income (expense)	-	-	52,099,203	(8,020,286)	-	44,078,917
Total comprehensive income (expense)	**-**	**783,697,114**	**52,099,203**	**(8,020,286)**	**-**	**827,776,031**
Dividends resolved	-	(80,543,019)	-	-	-	(80,543,019)
Total transactions with owners of the parent, recognised directly in equity	**-**	**(80,543,019)**	**-**	**-**	**-**	**(80,543,019)**
Stock option/grant plans - performance's value	-	9,818,487	-	-	-	9,818,487
Other changes	-	(2,736,000)	-	-	-	(2,736,000)
31 December 2023	**2,499,097,262**	**5,282,303,613**	**(6,286,474)**	**(67,890,158)**	**705,803,017**	**8,413,027,260**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2023

1. GENERAL INFORMATION

Leonardo SpA is a company limited by shares based in Rome (Italy), at Piazza Monte Grappa 4, and is listed on the Italian Stock Exchange (FTSE MIB).

The Company is a major Italian high technology organization operating in the Helicopters, Defence Electronics & Security, Aircraft and Aerostructures business sectors.

2. FORM, CONTENT AND APPLICABLE ACCOUNTING STANDARDS

In application of EU Regulation 1606/2002 of 19 July 2002, the financial statements at 31 December 2023 were prepared in accordance with the international accounting standards (IFRS) endorsed by the European Commission, supplemented by the relevant interpretations (Standing Interpretations Committee - SIC and International Financial Reporting Interpretations Committee - IFRIC) issued by the International Accounting Standards Board (IASB) and in force at the year-end.

The general principle used in preparing these separate financial statements is the historical cost method, except for those items that, in accordance with IFRS, are obligatory recognised at fair value, as indicated in the valuation criteria of each item.

The separate financial statements are composed of the separate income statement, the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the related notes to the financial statements.

In consideration of the significant values, the figures in these notes are shown in millions of euros unless otherwise indicated. Among the options permitted by IAS 1, the Company has chosen to present its balance sheet by separating current and non-current items and its income statement by the nature of the costs. Instead, the statement of cash flows was prepared using the indirect method.

The International Financial Reporting Standards (IFRS) used for preparing these separate financial statements, drawn up under the going-concern assumption, are the same that were used in the preparation of the separate financial statements at 31 December 2022 except for what indicated below (Note 4). Preparation of the separate financial statements required management to make certain valuations and estimates. The main areas affected by estimates or assumptions of particular importance or that have significant effects on the balances shown are described in Note 4 to the Consolidated Financial Statements, to which reference is made.

The Board of Directors of 12 March 2024 resolved to submit to shareholders the draft financial statements at 31 December 2023.

The separate financial statements were prepared in accordance with IFRS and are subject to a statutory audit by EY S.p.A.

3. ACCOUNTING POLICIES

The accounting policies and criteria are the same adopted, where applicable, for the annual consolidated financial statements, to which reference is made, except for the recognition and measurement of equity investment in subsidiaries, jointly controlled companies and associates recognised at their purchase or incorporation cost. In case of any impairment losses their recoverability is verified through the comparison between their carrying amount and the higher of their value in use that is determined by discounting prospective cash flows of the equity investment, where applicable, and the assumed sales value (fair value) which is determined on the basis of recent transactions or market multiples. The portion of losses (if any) exceeding the carrying amount is recognised through profit or loss in a specific provision under liabilities to the extent that the Company states the existence of legal or implicit obligations to cover such losses, which are in any case within the limits of the book equity. If the impaired investee shows a subsequent improvement in performance which leads to believe that the reasons for the impairment cease to exist, the equity investments are revalued to the extent of the impairment losses recognised in previous periods under "adjustments to equity investments". In order to define the reversals of the value of an equity investment, the Company monitors, on an annual basis, any equity investment whose value has been previously written down and analyses whether the conditions are fulfilled for its reversal. Specifically, the analysis covers business plans, profitability levels, and future cash flows approved by corporate bodies and the results of sensitivity analyses are evaluated against the basic assumptions used to determine the recoverable value. The results of the write-back performed in 2023 are reported in Note 5. Dividends from subsidiaries and associates are recognised in the income statement in the year in which they are resolved.

Finally, with reference to transactions between entities under joint control, which are not governed by IFRS, either from the point of view of the purchaser/assignee or from that of the seller/assignor, Leonardo recognizes such transactions recognising directly in equity any gain on the transfer or sale of its subsidiaries.

In the event the Group has evidence of an impairment loss of the investment, in excess of the amount accounted for under the equity method, the Group will proceed with calculating the impairment to be recorded in the income statement which is determined as the difference between the recoverable amount and the carrying amount of the investment. The fair value of equity investments, in the event this method applies, is calculated based on the bid price of the last trading day of the month for which the IFRS report was prepared, or based on financial valuation techniques for not listed instruments.

Investments available for sale, like those acquired with the sole purpose of being disposed within the subsequent twelve months, are classified separately within "assets held for sale".

4. EFFECTS OF CHANGES IN ACCOUNTING POLICIES ADOPTED

No significant changes occurred in the period with reference to the application of the accounting policies adopted by the Company.

5. SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE YEAR

With reference to the request for termination for default due to alleged delays and non-compliant products formalised during 2022 by the governmental Norwegian Defence Materiel Agency (NDMA) under the contract for the supply of 14 NH90 helicopters entered into with NH Industries (NHI, a company whose shareholders are Leonardo, Airbus Helicopters and Fokker Aerostructure), the parties commenced a mediation process in April 2023 which should be completed in the next months. The NHI position, confirmed by Leonardo, is unchanged compared to what was reported in the Financial Statements as of 31 December 2022, considering this request to be legally unfounded and reasonably disputable in the appropriate forum due to a lack of factual and legal basis and misinterpretation of the contract and Norwegian law, as well as due to a breach of confidentiality obligations. As noted above, in April 2023, the customer and NHI initiated a mediation procedure in an attempt to reach a mutually satisfactory agreement. In the period from October 2023 to February 2024, the parties exchanged significant claims and counterclaims and took steps to file deeds and documents required under the mediation procedure; the hearing before the mediators is scheduled for the second half of March 2024. At this stage of the mediation neither NHI nor Leonardo considers that it should change its position.

With reference to the industrial transactions**,** it should be noted that work continued in 2023 on concentrating the assets held by Leonardo in the USA in a single legal entity started in 2022. During the period, the following transactions were completed, through direct and indirect subsidiaries:

- 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;
- Leonardo US Corporation established Leonardo US Subholding, wholly owned;
- Leonardo US Corporation contributed its stake in Leonardo US Aircraft to Leonardo US Subholding.

With reference to the financial transactions, during the 2023 financial year Leonardo completed the following capital market transactions:

- In November Leonardo SpA finalized, through the subholding Leonardo US Holding, LLC, ("LUSH"), the sale on the US market of a parcel of shares in Leonardo DRS ("DRS"). The proceeds from such transaction (approx. USDmil. 352 equal to €mil. 327) allowed Leonardo US Holding to repay a capital portion of about €mil. 171 to Leonardo SpA. The proceeds from this transaction allow Leonardo to increase its financial flexibility for investments and acquisitions, and to maintain at the same time a solid financial structure and a significant industrial and commercial footprint in the US defense business. For more details on the transaction, reference is made to the section "Group results and financial position" in the consolidated financial statements;
- in May 2023 the EMTN (Euro Medium Term Note) programme was renewed for further 12 months, which regulates possible bond issues on the European market for a maximum nominal value of €bil. 4. At the date of this report, the Programme could be still used for €mil. 2,400.

With reference to the industrial relations, in May 2023 Leonardo made supplements to the agreement signed in December 2022 (early retirement plan under art. 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 SpA, 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.

31 July 2023 saw the signature of the agreement with the Trade Unions for the regulation of the Performance Bonus and Target Bonus 2023, as well as the distinct component of pay (in Italian, EDR 2021 – *Elemento Distinto della Retribuzione*) for the portion related to 2023.

On 20 December 2023, the Company signed the agreement for renewal of Leonardo's supplementary contract. Such agreement sets for the three-year period 2024-2026 not just better economic conditions for employees, but additional measures reinforcing corporate welfare and experimental solutions to reformulate working hours, finetuning the path to harmonization started in 2016 with the creation of the One Company.

With reference to the comparative period, it should be remembered that the year 2022 saw the start of the Russian offensive, still underway, against Ukraine. In consideration of the profound changes in the world's geo-political and economic equilibriums that have come out, Leonardo had written down its financial exposures to the two countries involved in the conflict for a total amount of €mil. 33, including tax effects.

As set out above, the governmental Norwegian Defence Materiel Agency (NDMA) formalised the afore-mentioned request for termination for default in relation to the contract for the supply of 14 NH90 helicopters entered into in 2001 with NH Industries (NHI) due to alleged delays and non-compliant products.

6. SIGNIFICANT POST-BALANCE SHEET EVENTS

In January 2024 the Group amended the arrangements behind the Space Alliance with the shareholder Thales in relation to the Telespazio component. The nature of the amendments to the shareholders' agreements changed the qualification of the Telespazio group from a joint venture to a subsidiary.

With regard to the arbitration proceedings involving, on the one hand, Leonardo S.p.a. and PSC S.p.A. (hereinafter collectively referred to as unincorporated joint venture, "LP") and, on the other, Galfar Misnad Engineering & Contracting W.L.L., Salini-Impregilo S.p.A. (now Webuild) and Cimolai S.p.A. (hereinafter collectively referred to as unincorporated joint venture, "GSIC"), on 7 March 2024, the Court of Arbitration issued the petition for correction of the award filed by LP, ordering GSIC to pay an additional amount of approximately €mil. 11 to LP with respect to an initial net amount of approximately €mil. 146.5 under the award issued on 6 October 2023; for more details, reference should be made to the Note 22 to these separate financial statements.

7. SEGMENT INFORMATION

In accordance with the compliance model followed, management has adopted operating segments that correspond to the business sectors in which the Company operates: Helicopters, Defence Electronics & Security, Aircraft and Aerostructures.

For a more detailed analysis of the main programmes, outlooks and operating indicators for each segment, reference should be made to the Report on Operations.

8. INTANGIBLE ASSETS

	Intangible assets						
	Goodwill	Development costs	Non-recurring costs	Concessions, licenses and trademarks	Acquired through business combinations	Other intangible assets	Total
1 January 2022							
Cost	917	1,022	2,364	728	96	412	**5,539**
Amortisation, depreciation and write-offs	(210)	(625)	(704)	(494)	(56)	(310)	**(2,399)**
Carrying amount	**707**	**397**	**1,660**	**234**	**40**	**102**	**3,140**
Investments (net of grants)	-	44	98	9	-	53	**204**
Sales	-	(1)	-	-	-	-	**(1)**
Depreciation	-	(30)	(63)	(24)	(2)	(25)	**(144)**
Impairment losses	-	(1)	(21)	-	-	(1)	**(23)**
Other changes	1	(3)	5	18	-	(9)	**12**
31 December 2022	**708**	**406**	**1,679**	**237**	**38**	**120**	**3,188**
broken down as follows:							
Cost	918	1,107	2,466	758	97	462	**5,808**
Depreciation	-	(616)	(575)	(521)	(59)	(318)	**(2,089)**
Impairment losses	(210)	(85)	(212)	-	-	(24)	**(531)**
Carrying amount	**708**	**406**	**1,679**	**237**	**38**	**120**	**3,188**
Investments (net of grants)	-	56	86	7	-	51	**200**
Sales	-	(1)	-	-	-	-	**(1)**
Depreciation	-	(20)	(53)	(30)	(2)	(29)	**(134)**
Impairment losses	-	(5)	(26)	-	-	-	**(31)**
Other changes	-	(7)	5	26	-	(23)	**1**
31 December 2023	**708**	**429**	**1,691**	**240**	**36**	**119**	**3,223**
broken down as follows:							
Cost	918	1,153	2,556	788	97	487	**5,999**
Depreciation	-	(636)	(628)	(548)	(61)	(344)	**(2,217)**
Impairment losses	(210)	(88)	(237)	-	-	(24)	**(559)**
Carrying amount	**708**	**429**	**1,691**	**240**	**36**	**119**	**3,223**

31 December 2022	
Gross value	4,678
Grants	3,000
31 December 2023	
Gross value	4,689
Grants	2,998

The item increased by €mil. 35 as a result of new investments net of related grants and amortisation charges for the period.

Investments for the period are mainly related to *Helicopters* (€mil. 105) and *Defence Electronics & Security* (€mil. 52).

At 31 December 2023, commitments were in place for the purchase of intangible assets for €mil. 20 (€mil. 18 at 31 December 2022).

As set out in Note 4.1 of the consolidated financial statements, to which reference should be made, impairment tests on development costs and non-recurring costs are carried out – if conditions obtain- using the discounted cash flow method. The cash flows used are those of the product business plans, discounted on the basis of a WACC rate determined by applying the Capital Asset Pricing Model.

Goodwill

Goodwill is allocated to the Cash Generating Units (CGUs) or groups of CGUs concerned, which are determined with reference to the Group's organizational, management and control structure coinciding, as is known, with the Group's four business segments.

The breakdown of goodwill recognised by business sector at 31 December 2023 is as follows:

	31 December 2022	31 December 2023
Helicopters	459	459
Electronics for the Defence and Security	189	189
Aircraft	60	60
	708	**708**

Goodwill is tested for impairment in order to determine any possible loss in value, making reference to the CGU as a whole, including, in accordance with the organizational and operational model, the equity investments falling within the scope of consolidation, which are then included and tested in the same year as the impairment. Therefore, only the equity investments that are not tested together with goodwill are subject to an impairment test separately, if required.

The test is done by individual CGU by comparing the carrying amount with the greater of the value in use of the CGU and amount recoverable by sale (fair value). In practice, the Company has established an operational hierarchy between calculating the fair value net of costs to sell and value in use, where the value in use is estimated first, and then only after, if it is lower than the carrying value, is the fair value net of costs to sell determined. In particular, the value in use is measured by the unlevered discounting of the cash flows resulting from the Group's five-year business plans prepared by the CGU's management and incorporated into the plan approved by Leonardo's Board of Directors, projected beyond the explicit time horizon covered by the plan according to the perpetuity growth method (terminal value), using growth rates ("g-rate") no greater than those forecast for the markets in which the given CGU operates. The cash flows used were those provided for in the plans adjusted to exclude the effects of any future business restructurings, not yet approved, or future investments for improving future performance. Specifically, these cash flows are those generated before financial expense and taxes – determined on a notional basis - and include investments in capital assets and monetary changes in working capital, while excluding cash flows from financial management, extraordinary events or the payment of dividends. The basic macro-economic assumptions were made on the basis of external information sources, where available, while the profitability and growth estimates used in the plans were calculated by management based on past experience and expected prospective developments in the markets in which the Company operates.

These cash flows are discounted on a weighted-average cost of capital (WACC) basis calculated using the Capital Asset Pricing Model method. The following factors were taken into account in calculating WACCs, which were also determined using the data referable to the main competitors operating in each sector:

- the risk-free rate was determined using the 10-year gross yield of government bonds of the geographic market of the CGU;
- the market premium determined using the computations of external providers;
- the sector beta;
- the cost of debt;

- the debt/equity ratio.

On the contrary, the growth rates used to project the CGU's cash flows beyond the explicit term of the plan were estimated by making reference to the growth assumptions of the individual sectors in which said CGUs operate. These assumptions are based on the internal processing of external sources, making reference to a period of time that is usually ten years. The g-rates used for the purposes of the impairment test were equal to 2%, consistently with the actions taken in previous financial years, even in the presence of higher expected growth rates in some sectors.

Below are mostly important assumptions for the purposes of estimating the cash flows used in determining the value in use:

- WACC;
- g-rate;
- ROS;
- trend in Defence budgets.

In estimating these assumptions, the management made reference, in the case of external variables, to internal information processed on the basis of external surveys, as well as on its knowledge of the markets and of the specific contractual situations.

The following WACCs and (nominal) growth rates were used at 31 December 2023 and 2022:

	31 December 2022		31 December 2023	
	Wacc	g-rate	Wacc	g-rate
Helicopters	8.6%	2.0%	9.3%	2.0%
Electronics for the Defence and Security	7.5%	2.0%	8.2%	2.0%
Aircraft	8.1%	2.0%	9.2%	2.0%

Testing revealed no signs of impairment but showed, on the contrary, significant positive margins (Headroom). Sensitivity analysis was conducted on the results of the tests, making reference to the assumptions for which it is reasonable to believe that a change in the same may significantly modify the results of the test. The wide positive margins recorded in all sectors are such that they may not be significantly modified by any changes in the assumptions described above. In any case, the results for all CGUs are reported below for information purposes. The table below shows, for the 2023 and 2022 financial years, the headroom relating to the base scenario, compared with the results of the following sensitivity analyses: (i) increase by 50 basis points in the interest rate used to discount cash flows across all the CGUs, other conditions being equal; (ii) reduction by 50 basis points in the growth rate used in calculating the terminal value, other conditions being equal; (iii) reduction by half point in the operating profitability applied to the terminal value, other conditions being equal.

31 December 2022	Margin (base case)	Margin post sensitivity		
		Wacc	g-rate	ROS TV
Helicopters	1,321	967	1,041	1,135
Electronics for the Defence and Security	8,479	7,481	7,668	8,188
Aircraft	5,730	5,389	5,455	5,587

31 December 2023	Margin (base case)	Margin post sensitivity		
		Wacc	g-rate	ROS TV
Helicopters	1,158	833	908	976
Electronics for the Defence and Security	9,004	8,077	8,267	8,703
Aircraft	5,817	5,510	5,581	5,682

Development costs and non-recurring charges

Investments of the item “Development costs” chiefly related to Defence Electronics & Security and to Helicopters for €mil. 29 and €mil. 22, respectively. The investments of “Non-recurring costs” refer to the Helicopters sector for €mil. 62 and to the Defence Electronics & Security sector for €mil. 16.

As regards programmes that benefit from the provisions of Law 808/85 and that are classified as functional to national security, the portion of capitalised non-recurring costs, pending the fulfilment of the legal requirements for the classification under receivables, is separately classified among “other non-current assets” (Note 12). Receivables for grants assessed by the grantor in relation to capitalised costs (shown here net of the related grants) are illustrated in Note 28.

The impairment for the year mainly refers to write-downs linked to programmes in the Aircraft business segment. Impairment tests of non-recurring costs and development costs are performed on the most significant programmes in terms of capitalisation or risk or when impairment indicators emerge. They are carried out – if conditions obtain- using the discounted cash flow method. The cash flows used are those of the product business plans, discounted on the basis of a WACC rate determined by applying the Capital Asset Pricing Model. As stated in the section on accounting principles, product business plans include the investments related to climate change issues.

At 31 December 2023, total research and development costs, including also the “development costs” and “non-recurring costs” just mentioned, amount to €mil. 1,362 (€mil. 1,192 at 31 December 2022), of which €mil. 177 expensed (€mil. 164 at 31 December 2022).

Concessions Licenses and Trademarks

The item “Concessions, licenses and trademarks” especially includes the value of licenses acquired in previous years in the Helicopters sector.

Other intangible assets

“Other assets” mainly include software, intangible assets in progress and advances.

9. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment				
	Land and buildings	Plant and machinery	Equipment	Other tangible assets	Total
1 January 2022					
Cost	27	1,272	1,909	890	**4,098**
Amortisation, depreciation and write-offs	(22)	(1,026)	(1,697)	(561)	**(3,306)**
Carrying amount	**5**	**246**	**212**	**329**	**792**
Investments	-	13	45	202	**260**
Sales	-	-	-	(4)	**(4)**
Depreciation	(1)	(55)	(45)	(30)	**(131)**
Impairment losses	-	-	-	-	**-**
Other changes	2	33	28	(64)	**(1)**
31 December 2022	**6**	**237**	**240**	**433**	**916**
broken down as follows:					
Cost	28	1,316	1,995	1,024	**4,363**
Amortisation, depreciation and write-offs	(22)	(1,079)	(1,755)	(591)	**(3,447)**
Carrying amount	**6**	**237**	**240**	**433**	**916**
Investments	-	10	51	196	**257**
Sales	-	(1)	-	(15)	**(16)**
Depreciation	(2)	(56)	(52)	(31)	**(141)**
Impairment losses	-	(3)	(10)	(1)	**(14)**
Other changes	49	74	31	(176)	**(22)**
31 December 2023	**53**	**261**	**260**	**406**	**980**
broken down as follows:					
Cost	78	1,392	2,072	1,010	**4,552**
Amortisation, depreciation and write-offs	(25)	(1,131)	(1,812)	(604)	**(3,572)**
Carrying amount	**53**	**261**	**260**	**406**	**980**

The item showed an increase of €mil. 64 due to the new investments, net of the depreciation charges for the period, and as a result of investments in tangible assets under construction.

Investments in 2023 are mainly related to Aircraft for €mil. 54, Aerostructures for €mil. 66, Defence Electronics & Security for €mil. 91 and Helicopters for €mil. 35.

The item “Other property, plant and equipment” includes also the amount of property, plant and equipment under completion (€mil. 263 at 31 December 2023 and €mil. 272 at 31 December 2022).

Commitments for the acquisition of tangible assets were in place for €mil. 146 at 31 December 2023 (€mil. 162 at 31 December 2022).

10. RIGHT OF USE

	Right of use		
	Right of use of land and buildings	Right of use of other tangible assets	Total
1 January 2022			
Cost	782	64	**846**
Amortisation, depreciation and write-offs	(303)	(34)	**(337)**
Carrying amount	479	30	**509**
New Contract submission	52	2	**54**
Closing and contract modifications	212	1	**213**
Depreciation	(109)	(14)	**(123)**
Other changes	14	1	**15**
31 December 2022	**648**	**20**	**668**
broken down as follows:			
Cost	892	61	**953**
Amortisation, depreciation and write-offs	(244)	(41)	**(285)**
Carrying amount	**648**	**20**	**668**
New Contract submission	12	6	**18**
Closing and contract modifications	21	4	**25**
Depreciation	(110)	(11)	**(121)**
31 December 2023	**571**	**19**	**590**
broken down as follows:			
Cost	922	47	**969**
Amortisation, depreciation and write-offs	(351)	(28)	**(379)**
Carrying amount	**571**	**19**	**590**

During 2023 this item decreased by €mil. 78 mainly due to amortisation for the period net of the signature of new contracts and contractual changes.

The leases with a term of less than 12 months and those concerning assets of modest value were recognised among “costs for purchases” (Note 29)

At 31 December 2023 acquisition commitments were in place for short-term leases for €mil. 3 (€mil. 3 at 31 December 2022).

11. EQUITY INVESTMENTS

	31 December 2022			31 December 2023		
	Equity investments	Risk provisions	Total	Equity investments	Risk provisions	Total
1 January	**7,684**	**(14)**	**7,670**	**9,638**	**(5)**	**9,633**
Acquisitions/subscriptions	2,446	10	**2,456**	64	1	**65**
Repayment of capital	-	-	**-**	(171)		**(171)**
Effect from Mergers/Demergers	(43)	-	**(43)**	-	-	**-**
Write-back/Write-down	1,322	(1)	**1,321**	(32)	-	**(32)**
Disposals	(1,462)	-	**(1,462)**	(73)	-	**(73)**
Other changes	(309)	-	**(309)**	-	-	**-**
31 December	**9,638**	**(5)**	**9,633**	**9,426**	**(4)**	**9,422**

Appendices no. 1 and 2 to these Notes provide, respectively, the changes that occurred in the year and detailed information on equity investments showing the total of assets and liabilities, as required by IFRS 12.

The carrying amount of equity investments, if conditions obtain, is tested for impairment in order to determine any possible loss in value. As mentioned, the carrying amount of individual equity investments is mainly tested by making reference to the relevant divisions; for any information on the procedures for the performance of tests and any related information, reference should then be made to Note 4.6 of the Consolidated Financial Statements.

Among the changes that occurred during the period were the following transactions:

- Incorporation of the company CNBM Leonardo (Shanghai) Aereostructures Co., LTD., specializing in the manufacturing of compound material parts and components in the civil aerospace sector. The equity interest held by Leonardo is 30% for an amount of €mil. 28;
- A contribution to capital in favour of the company Polo Strategico Nazionale SpA for €mil. 11;
- The sales for the period, equal to €mil.73, related to the 100% sale to Leonardo companies of the following equity investments:
  - AnsaldoBreda SpA, for €mil. 17, sold to the direct subsidiary Leonardo Partecipazioni SpA;
  - Selex Es International Ltd sold to the direct subsidiary Leonardo International SpA for €mil. 56, with the recognition at the same time of a reversal of €mil. 2 of previous impairments;
- A repayment of capital, equal to €mil. 171, of Leonardo US Holding LLC (see Note 5);

Payments were also made to cover losses and on account of capital for a total amount of €mil. 24 in favour of the investee Industria Italiana Autobus SpA and subsequently written down in consequence of the losses recorded in the period. It should be noted that the equity investment was classified among assets and liabilities held for sale after a negotiation was started for the related sale to third parties (Note 19).

The recoverability of the carrying amount of equity investments is verified, where the prerequisites are met, including through impairment tests, from which no critical issues have emerged.

Finally, below is reported a comparison of the carrying amounts and the average market price of the listed shares of Avio SpA and Hensoldt AG in December 2023:

Listed company	N° of shares held	Stock price		Book value		Unit Difference in €	Total Difference in €mil.
		Unit €	Total €mil.	Unit €	Total €mil.		
Avio SpA	7,809,307	7.97	62.2	10.84	84.7	(2.9)	(22.5)
Hensoldt AG	26,355,000	24.14	636.1	23.45	618.0	0.7	18.1

The difference related to the investee Avio SpA is not considered indicative of a permanent loss in value.

A breakdown of the changes in equity investments in 2023 is provided below:

Company	Event	Month
CANARY BIT AB	acquisition	February 2023
VOLTA STRUCTURAL ENERGY S.R.L.	acquisition	February 2023
CNBM LEONARDO (SHANGAI) AEREOSTRUCTURES CO.,LTD.	acquisition	April 2023
CONSORZIO ELIS PER LA FORM PROFESS.SUP.SCRL	acquisition	May 2023
CONSORZIO ERION PROFESSIONAL	acquisition	July 2023
CONSORZIO HYPERBUILDERS	acquisition	July 2023
FLYINGBASKET S.R.L	acquisition	May 2023
LEONARDO LOGISTICS SPA	acquisition	August 2023
ANSALDOBREDA S.P.A.	disposal	May 2023
CONSORZIO ERION WEE	disposal	July 2023
SELEX ES INTERNATIONAL LTD	disposal	August 2023
LOGISTICA DIGITALE S.R.L.	disposal	December 2023

Companies which changed their corporate name:

Old name	New name	Month
CONSORZIO LEONARDO SKILLS AND TRAINING	LEONARDO TECHNICAL TRAINING	January 2023

12. RECEIVABLES AND OTHER NON-CURRENT ASSETS

	31 December 2022	31 December 2023
Deferred grants under Law no. 808/85	6	6
Related parties receivables (Note 34)	88	130
Other non-current receivables	39	39
Non-current receivables	**133**	**175**
Prepayments - non-current portion	4	2
Non-recurring costs pending under Law no. 808/1985	29	29
Non-current assets	**33**	**31**

Non-current receivables showed an increase of €mil. 42, mainly attributable to related parties, the details of which are reported in Note 34.

Non-current assets decreased by €mil. 2 in relation to the part of accrued income.

The changes during the year and the composition of assets by maturity, currency and geographical area are shown in Appendices nos. 3, 4, 5 and 6 to these Notes.

13. INVENTORIES

	31 December 2022	31 December 2023
Raw materials, supplies and consumables	1,634	1,810
Work in progress and semi-finished goods	984	1,152
Finished goods and merchandise	42	47
Assets from contracts point in time	224	233
Advances to suppliers	1,065	945
	3,949	**4,187**

Inventories showed an increase in the period equal to €mil. 238.

Provisions for write-down are entered against the inventories to cover any obsolescence, slow-moving items or if the entry value is higher than the net realizable value, for a total amount of €mil. 591 (€mil. 591 al 31 December 2022).

"Point-in-time contract assets" include production progress recorded on contracts that do not meet the requirements for the recognition of revenues on an over time basis.

14. CONTRACT ASSETS AND LIABILITIES

	31 December 2022	31 December 2023
Contract assets (gross)	5,360	4,404
Liabilities from contracts	(2,979)	(2,039)
Contract assets (net)	**2,381**	**2,365**
Contract liabilities (gross)	6,958	7,419
Assets from contracts	(207)	(208)
Contract liabilities (net)	**6,751**	**7,211**

Contract assets, equal to €mil. 2,365 (€mil. 2,381 in 2022), included the net amount of work executed that exceeded the advances received from customers. Similarly, contract liabilities, equal to €mil. 7,211 (€mil. 6,751 in 2022), included the opposite case.

This offsetting is performed only with regard to contract assets and liabilities and not to point-in-time contract assets classified among inventories. If the progress payments and advances from customers have not been collected at the reporting date, the corresponding amount is recognised as a receivable from customers.

In 2023, the portion of revenues deriving from those exposures classified at the start of the period within contract liabilities amounted to €bil. 2.5.

15. TRADE AND FINANCIAL RECEIVABLES

	31 December 2022		31 December 2023	
	Trade	Financial	Trade	Financial
Receivables	2,395	68	2,602	33
Allowance for doubtful accounts	(407)	(19)	(412)	(19)
Related parties current receivables (Note 34)	1,133	277	1,438	507
	3,121	**326**	**3,628**	**521**

The "Provision for bad debts" mainly includes the effects of the application of IFRS 9.

The composition of assets by currency and geographical area is shown in Appendices nos. 5 and 6 to these Notes. The ageing of receivables together with an analysis of how the Company manages credit risk is reported under Note 35.

16. RECEIVABLES AND PAYABLES FOR INCOME TAXES

At 31 December 2023, income tax receivables and payables amounted to €mil. 60 (€mil.34 at 31 December 2022) and €mil. 3 (€mil. 64 at 31 December 2022), respectively.

The direct taxes for the period are entered net of advances paid in the year.

The changes during the year and the composition of assets and liabilities by currency and geographical area are shown in Appendices nos. 5, 6, 8 and 9 to these Notes.

17. OTHER CURRENT ASSETS

	31 December 2022	31 December 2023
Derivatives	211	189
Prepaid expenses - current portion	63	80
Receivables for grants	59	61
Receivables from employees and social security	35	35
Indirect tax receivables	33	49
Deferred receivables under Law no. 808/85	2	-
Other related parties receivables (Note 34)	27	25
Other assets	58	74
	488	**513**

The item showed an increase on 2022 of €mil. 25 due to the increase in deferred expenses of €mil. 17 and in receivables for indirect taxes for €mil. 16.

The breakdown of current assets from related parties is commented on in Note 34 .

The changes during the year and the composition of assets by currency and geographical area are shown in Appendices nos. 5 and 6 to these Notes.

The reduction in derivative assets of €mil. 22 is due to the decrease in volumes as well as to the fluctuation in the Euro/ US dollar exchange rate.

The table below shows the trend in the fair value of the derivative portfolio.

	Fair value at					
	31 December 2022			31 December 2023		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Interest rate swaps						
Trading	-	(1)	**(1)**	-	(1)	**(1)**
Fair value hedge	-	-	**-**	-	-	**-**
Cash flow hedge	30	-	**30**	18	-	**18**
Currency forward/swap/option						
Trading	21	(21)	**-**	3	(3)	**-**
Fair value hedge	-	-	**-**	-	-	**-**
Cash flow hedge	160	(245)	**(85)**	168	(152)	**16**

The cash flow hedge is the forward instrument hedging trade items denominated in foreign currency.

18. CASH AND CASH EQUIVALENTS

At 31 December 2023, the balance of “Cash and cash equivalents”, equal to €mil. 1,791 (€mil. 1,040 at 31 December 2022), was mainly the result of the net cash flows realized by the Company’s divisions during the year. Cash and cash equivalents at 31 December 2023 included €mil. 0.6 of term deposits (€mil. 5 at 31 December 2022).

19. ASSETS AND LIABILITIES HELD FOR SALE

At 31 December 2023, the item included the liabilities accruing for an amount of €mil. 40 for the expected charges deriving from the sale of the investment in Industria Italiana Autobus SpA that is due to occur in 2024.

20. EQUITY

	31 December 2022	31 December 2023
Capital	2,499	2,499
Legal reserve	327	412
Extraordinary reserve	392	392
Reserve for actuarial gains/(losses) in equity	(60)	(68)
Cash flow hedge reserve	(58)	(6)
Stock grant reserve	45	54
Merger/demerger surplus reserve	706	706
Retained earnings and other reserves	2,107	3,640
Net profit/(loss) for the period	1,701	784
Equity	**7,659**	**8,413**

The composition of the share capital is as follows and is unchanged compared to the prior period:

	Number of ordinary shares	Par value	Treasury shares value	Costs incurred (net of tax effect)	Total
Outstanding shares	578,150,395	2,544	-	(19)	2,525
Treasury shares	(2,843,120)	-	(26)	-	(26)
31 December 2023	**575,307,275**	**2,544**	**(26)**	**(19)**	**2,499**

The share capital, fully subscribed and paid-up, is divided into 578,150,395 ordinary shares with a par value of € 4.40 each, including no. 2,843,120 treasury shares.

At 31 December 2023 the Ministry of Economy and Finance owned around 30.204% of the share capital.

The reserve includes changes in fair value of derivatives used by the Company to hedge its exposure to currency net of the effect of deferred taxes until the moment in which the "underlying position" is recognised. When this condition is met, the reserve is recognised in the income statement to offset the economic effects of the hedged transaction. In accordance with the provisions of IFRS 9 governing hedge accounting, the reserve also includes the fair value change in the forward component of forward contracts (premium points), taken to the income statement when the hedged item affects profit or loss.

The revaluation reserve includes the effects of the valuation of actuarial gains and losses with reference to severance pay.

The breakdown of the equity items according to their origin, possible use and distributable portion, is shown in the following table:

Nature/descriptiom	Amount	Possible use	Available portion	Reserve subject to deferred taxation under Article 110 of Legislative Decree 104/2020
Share capital (*)	2,499			
Profit reserve:				
Legal reserve	412	B		318
Extraordinary reserve	392	A,B,C	392	136
Reserve for actuarial gains/(losses) in equity	(68)	B		
Cash flow hedge reserve	(6)	B		
Stock grant reserve	54	B		
Reserve for merger and demerger surplus	706	A,B,C	706	
Retained earnings and other reserve	3,640	A,B,C	3,495	141
Total	7,629		4,593	595
Net profit/(loss) for the period	784	A,B,C	745	
Constraint ex art. 2426 paragraph 1 no. 5 Civil Code			(2,120)	
Total equity	8,413		3,218	

(*) less treasury shares for € mil. 26 and costs for capital increase for € mil. 19
(**) The tied-up amount of €mil. 141 as per tax requirement (Article 110 of Legislative Decree 104/2020) is allocated to the reserve for "Capital gains from transactions under common control"
Keys:
A: for capital increase
B: for loss coverage
C: for distribution to shareholders

21. LOANS AND BORROWINGS

	31 December 2022			31 December 2023		
	Non current	Current	Total	Non current	Current	Total
Bonds	1,592	36	1,628	996	635	1,631
Bank loans and borrowings	1,081	22	1,103	1,043	41	1,084
Lease liabilities	62	19	81	78	19	97
Lease liabilities from related parties (Note 34)	473	107	580	381	117	498
Other related parties loans and borrowings (Note 34)	158	2,229	2,387	154	2,459	2,613
Other financial debts	59	26	85	33	17	50
	3,425	**2,439**	**5,864**	**2,685**	**3,288**	**5,973**

The item increased by €mil. 109 mainly as a result of the change in other related parties loans and borrowings, the breakdown of which is shown in Note 34.

The main clauses that regulate the Company's loans and borrowings are provided in the section on "Financial Transactions" of the Report on Operations.

Below is the breakdown of loans and borrowings:

	1 January 2022	New borrowings	Repayments/Payment of coupons	Other net increase (decrease)	Exchange differences	31 December 2022
Bonds	2,208	-	(556)	(24)	-	**1,628**
Bank loans and borrowings	1,648	-	(546)	(1)	2	**1,103**
Lease liabilities	100	-	-	(19)	-	**81**
Lease liabilities from related parties (Note 34)	437	-	-	143	-	**580**
Other related parties loans and borrowings (Note 34)	2,147	-	(152)	419	(27)	**2,387**
Other financial debts	87	-	-	(2)	-	**85**
	6,627	**-**	**(1,254)**	**516**	**(25)**	**5,864**

	1 January 2023	New borrowings	Repayments/Payment of coupons	Other net increase (decrease)	Exchange differences	31 December 2023
Bonds	1,628	-	-	3	-	**1,631**
Bank loans and borrowings	1,103	-	(19)	(1)	1	**1,084**
Lease liabilities	81	-	-	16	-	**97**
Lease liabilities from related parties (Note 34)	580	-	-	(82)	-	**498**
Other related parties loans and borrowings (Note 34)	2,387	-	-	233	(7)	**2,613**
Other financial debts	85	-	-	(35)	-	**50**
	5,864	**-**	**(19)**	**134**	**(6)**	**5,973**

Below is the reconciliation of the financial liabilities with the cash flows from financing activities in 2023:

	31 December 2022	31 December 2023
Balance at 1 January	**6,627**	**5,864**
Changes included in cash flows from financing activities	**(762)**	**69**
- Bond issue (Repayments)	*(556)*	*-*
- Term loan and BEI Subscription	*(546)*	*(19)*
- Net change in other borrowings	*340*	*88*
Non-monetary movements:	**(1)**	**40**
- Non-monetary items of lease liabilities	49	44
- Exchange rate effects	*(25)*	*(7)*
- Accrued interest	*(25)*	*3*
Balance at 31 December	**5,864**	**5,973**

Bonds

Below are the bonded loans in place and listed on the Luxembourg Stock Exchange:

Year of issue	Maturity	Currency	Outstanding nominal amount (mil.)(*)	Annual coupon	Type of offer
2005	2025	€	500	4.88%	European institutional
2017	2024	€	600	1.50%	European institutional
2020	2026	€	500	2.38%	European institutional

(*)Residual nominal amounts in case of issues subject to the buy-back transactions

The Company's issues are governed by rules with standard legal clauses for these types of corporate transactions on institutional markets that do not require any undertaking with regard to compliance with specific financial parameters (financial covenants), but they do require negative pledge and cross-default clauses. Based on negative pledge clauses, the Company is expressly prohibited from pledging collateral security or other obligations to secure its debt in the form of bonds or listed financial instruments or financial instruments that qualify for listing, unless these guarantees are extended to all bondholders. Exceptions to this prohibition are securitization and, as from July 2006, the establishment of assets for the use indicated in Article 2447-bis et seq. of the Italian Civil Code. On the contrary, the cross-default clauses give the bondholders the right to request early redemption of the bonds in their possession in the event of default by the Company that results in a failure to make payment beyond pre-set limits.

Bank loans and borrowings

Bank loans and borrowings amounted to €mil. 1,084 and decreased by €mil. 19.

The item includes loan agreements entered into with the European Investment Bank (EIB) amounting to:

- €mil. 200 subscribed in December 2020 and used in January 2021, maturity date 2033;
- €mil. 300 subscribed in 2018, maturity date 2031.

Both loans have been raised to finance investment projects provided for in the Group's Industrial Plan.

The item also includes the ESG-linked Term Loan facility raised and used in December 2021 equal to €mil. 600, with a duration of 5 years and maturity date at the beginning of 2027.

Related parties loans and borrowings

Related parties loans and borrowings included lease liabilities equal to €mil. 498 (€mil. 580 at 31 December 2022) and other financial debts for €mil. 2,613 (€mil. 2,387 at 31 December 2022). The item comprised, among others, the loan agreement of €mil. 100 entered into in 2020 with Cassa Depositi e Prestiti (CDP) aimed at co-financing some investment projects provided for in the Industrial Plan.

For a more detailed breakdown of related parties loans and borrowings, reference is made to Note 34 .

Other financial debts

The item includes the residual balance of subsidised loans, related to programmes and projects of the companies and business units merged.

Exposure to changes in interest rates of the financial liabilities is as follows:

	Bonds		Bank loans and borrowings		Other related parties loans and borrowings (Note 34)		Lease liabilities from related parties (Note 34)		Lease liabilities		Other financial debts		Total	
31 December 2022	floating	fixed	floating	fixed	floating	fixed	floating	fixed	floating	fixed	floating	fixed	floating	fixed
Within 1 year	-	36	22	-	2,286	1	-	107	-	19	26	-	**2,334**	**163**
2 to 5 years	-	1,592	749	62	100	-	-	362	-	36	59	-	**908**	**2,052**
Beyond 5 years	-	-	131	139	-	-	-	111	-	26	-	-	**131**	**276**
Total	**-**	**1,628**	**902**	**201**	**2,386**	**1**	**-**	**580**	**-**	**81**	**85**	**-**	**3,373**	**2,491**

	Bonds		Bank loans and borrowings		Other related parties loans and borrowings (Note 34)		Lease liabilities from related parties (Note 34)		Lease liabilities		Other financial debts		Total	
31 December 2023	floating	fixed	floating	fixed	floating	fixed	floating	fixed	floating	fixed	floating	fixed	floating	fixed
Within 1 year	-	635	40	1	2,459	-	-	117	-	19	17	-	**2,516**	**772**
2 to 5 years	-	996	748	88	154	-	-	333	-	47	33	-	**935**	**1,464**
Beyond 5 years	-	-	94	113	-	-	-	48	-	31	-	-	**94**	**192**
Total	**-**	**1,631**	**882**	**202**	**2,613**	**-**	**-**	**498**	**-**	**97**	**50**	**-**	**3,545**	**2,428**

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Below is the financial information prepared in accordance with the scheme required under CONSOB communication DEM/6064293 of 28 July 2006 and updated in accordance with the ESMA guidelines 32-382-1138 of 4 March 2021 as implemented in the CONSOB warning notice no. 5/21 of 29 April 2021.

	31 December 2022	31 December 2023
A - Cash	(1,040)	(1,791)
C - Other current financial assets	-	-
D - Liquidity	**(1,040)**	**(1,791)**
E - Current financial debt (*)	2,077	2,133
F - Current portion of non-current financial debt	36	635
G - Current financial debt	**2,113**	**2,768**
H - Net current financial debt (funds)	**1,073**	**977**
I - Non-current financial debt (*)	3,425	2,685
J - Debt instruments (**)	19	6
K - Trade payables and other non-current liabilities	170	212
L - Non-current financial debt	**3,614**	**2,903**
M - Total financial debt	**4,687**	**3,880**

(*) Includes leasing payables for € mil. 595, of which € mil. 136 current (€ mil. 661 at 31 December 2021, of which € mil. 126 current)
(**) Includes the fair value of foreign exchange derivatives hedging debt items

Based on current interpretations, the item "Trade payables and other non-current payables" of the abovesaid scheme includes the value of payables for grants received from MEMIT for the development of programmes not related to national security eligible for benefits under Law 808/1985, even though such value is not, by its very nature, a financial caption.

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

	Note	31 December 2022	31 December 2023
Net financial debt com. CONSOB no. DEM/6064293		**4,687**	**3,880**
Non-current payables to MEMiT (Law 808/1985)	*24*	(170)	(212)
Non current financial receivables from Group's consolidated entities		(75)	(113)
Net debt (KPI)		**4,442**	**3,555**

22. PROVISIONS FOR RISKS AND CHARGES AND CONTINGENT LIABILITIES

	Guarantees given	Restructuring	Penalties	Product guarantees	Contracts (final losses)	Other provisions	Total
1 January 2022							
Current	35	48	8	138	242	379	**850**
Non current	-	62	6	84	-	346	**498**
	35	**110**	**14**	**222**	**242**	**725**	**1,348**
Effect from Mergers/Demergers	-	-	-	-	-	-	**-**
Allocations	2	97	1	81	67	303	**551**
Uses	(1)	(32)	-	(14)	-	(14)	**(61)**
Reversals	(14)	-	(4)	(48)	(126)	(174)	**(366)**
Other changes	(1)	(7)	-	-	76	(76)	**(8)**
31 December 2022	**21**	**168**	**11**	**241**	**259**	**764**	**1,464**
Broken down as follows:							
Current	21	39	7	161	259	299	**786**
Non current	-	129	4	80	-	465	**678**
	21	**168**	**11**	**241**	**259**	**764**	**1,464**
Allocations	-	38	3	59	58	228	**386**
Uses	(1)	(33)	-	(17)	-	(19)	**(70)**
Reversals	-	(4)	(1)	(36)	(115)	(43)	**(199)**
Other changes	1	2	1	(1)	22	(96)	**(71)**
31 December 2023	**21**	**171**	**14**	**246**	**224**	**834**	**1,510**
Broken down as follows:							
Current	21	64	9	182	224	304	**804**
Non current	-	107	5	64	-	530	**706**
	21	**171**	**14**	**246**	**224**	**834**	**1,510**

The amount of the provisions for risks showed an increase of €mil.46 compared to the previous year.

"Other provisions for risks and charges" mainly include:

- the provision for tax disputes of €mil. 67 (€mil. 61 at 31 December 2022), of which new accruals to provisions for €mil. 10;
- the provision for litigation with employees and former employees of €mil. 14 (€mil. 18 at 31 December 2022) of which new accruals to provisions for €mil. 2;
- the provision for critical issues on contracts equal to €mil. 404 (€mil. 380 at 31 December 2022), of which new accruals to provisions for €mil. 62.

The provision for "restructuring" showed an increase of €mil. 3 and includes the effects of the early retirement schemes under Article 4 of Law 92/2012 (Fornero Act), provided for in the agreement signed with the national trade unions in 2023.

With regard to risks, below is a summary of the criminal proceedings that are currently underway against Leonardo SpA, and certain former directors and executives, concerning acts committed during the performance of their duties at the Company. With specific reference to the events that occurred in 2023 and in early 2024:

- On 22 May 2019 the Supreme Court rejected the appeals submitted against the judgment whereby on 8 January 2018 the Milan Court of Appeal had acquitted the former Chairman and Chief Executive

Officer of Leonardo and the former Chief Executive Officer of AgustaWestland SpA of the charges for the crimes under Articles 110, 112, paragraph 1, 318, 321 and 322-bis, paragraph 2(2) of the Italian Criminal Code and Article 2 of Legislative Decree 74/2000, within the proceedings brought in relation to the supply of twelve AW 101 VIP/VVIP helicopters to the Indian Government.

In respect of these companies, it is recalled that on 25 July 2014, pursuant to Article 58 of Legislative Decree 231/2001, the Public Prosecutor dismissed the proceedings against Leonardo, holding groundless, following the conclusion of investigations, the Company's involvement from both a factual and legal point of view. The Prosecutor also acknowledged that since 2003 the Company has adopted, actually implemented and regularly updated an Organisational, Management and Control Model that is conceptually suitable to prevent offences like the one in question and is also focused on compliance processes as to guarantee adequate standards of fairness and ethical conduct. In addition, on 28 August 2014 the Judge for Preliminary Investigations (GIP, *Giudice delle Indagini Preliminari*) of the Court of Busto Arsizio – in granting the motions put forth by the companies – imposed administrative penalties pursuant to Article 63 of Legislative Decree 231/2001 and Article 444 and ff. of the Italian Code of Criminal Procedure, amounting to €80,000 for AgustaWestland SpA and €300,000 for AgustaWestland Ltd, and ordered the confiscation of the equivalent of €mil. 7.5. In this regard, on 20 April 2021 the Court of Appeal of Brescia, following the requests by AgustaWestland SpA and AgustaWestland Ltd for the review of the abovementioned rulings, revoked the rulings challenged and acquitted the abovesaid companies. Since times for a possible appeal to the Supreme Court expired, the ruling became definitive.

As regards the investigations started by the Indian Judicial Authority (CBI) in February 2013 for the same facts referred to above, on 2 February 2018 a notice was served on AgustaWestland International Ltd., whereby the latter was invited to appear at the hearing to be held on 30 May 2018 before the Rouse Avenue Court in New Delhi within the criminal proceedings brought therein against the aforesaid company and other entities and persons, including Leonardo SpA.

On 13 April 2018 the Milan Public Prosecutor's Office served the abovementioned notice of invitation to appear at the hearing on 30 May 2018 on Leonardo SpA. The Company submitted an application for enforcement review before the Judge for Preliminary Investigations (GIP) of the Court of Milan, which was rejected on 22 May 2018, as well as an appeal before the Lazio Regional Administrative Court. The Company also took the same legal actions with respect to the service of the notice of invitation to appear in court at the hearing on 10 September 2018. By a judgment dated 3 July 2019, the Lazio Regional Administrative Court rejected the appeals submitted by Leonardo Spa; the Company then filed an appeal against the abovementioned measures. By a judgment dated 7 May 2020 the Council of State granted the appeals submitted by Leonardo.

Leonardo SpA has brought the same lawsuits before the administrative Court and before the Judge for Preliminary Investigations of the Court of Milan, including with reference to the services of notice of invitation to appear at the hearings set on 18 September 2019 and 18 December 2019. The Lazio Regional Administrative Court, by judgment dated 24 September 2021, rejected the appeals submitted by Leonardo. The Company filed an appeal with the Council of State, which, by judgment handed down at a plenary meeting on 6 December 2022, granted the appeal filed by Leonardo, annulling the orders issued by the Ministry of Justice.

With regard to objecting to the execution of a judicial measure, the Judge of Preliminary Investigations of the Court of Milan granted the claims submitted by Leonardo by an order filed on 22 March 2022 while revoking the decrees whereby the notifications had been ordered by the Milan Public Prosecutor's Office.

On the contrary AgustaWestland International Ltd appeared at the hearings set within the proceedings brought by the Central Bureau of Investigation (CBI) and the proceedings are continuing.

On 28 August 2019 the Public Prosecutor's Office of Milan served on Leonardo SpA a notice of invitation to appear at the hearing of 18 September 2019 within further proceedings brought by the Indian Judicial Authority (Directorate of Enforcement) in relation to the supply of 12 AW 101 VIP/VVIP helicopters to the Indian Government. The Company submitted an application for enforcement review before the Judge for Preliminary Investigations of the Court of Milan, as well as an appeal with the Lazio Regional Administrative Court, even in relation to this notice. The Lazio Regional Administrative Court, by the same judgment of 24 September 2021, rejected the appeal submitted by Leonardo which filed an appeal with the Council of State. The latter granted the appeal submitted by Leonardo by a judgment handed down at a Plenary Meeting on 6 December 2022. With regard to objecting to the execution of a judicial measure, the Judge of Preliminary Investigations of the Court of Milan revoked, in the same order of 22 March 2022, the decree whereby the notification had been ordered by the Milan Public Prosecutor's Office.

Finally, it should be noted that on 11 February 2020 a notice was served on AgustaWestland International Ltd whereby it was invited to appear in court within the proceedings brought by the Directorate of Enforcement.

The proceedings initiated by the Indian Authorities (CBI and Directorate of Enforcement) are currently pending in the preliminary stage before the Rouse Avenue Court New Delhi.

- On 6 June 2023 a search and seizure warrant was executed against the former Chief Executive Officer of Leonardo SpA, who terminated his office on 9 May 2023. The warrant was issued as part of the proceedings, conducted by the Public Prosecutor's Office with the Court of Naples, where the former Chief Executive Officer is under investigation for the crime under articles 110, 61 bis, 322 bis para. I and II, no. 2 of the Italian Criminal Code in relation to the supply of the Company's products to Colombia;
- On 20 September 2023 Leonardo SpA, during the preliminary hearing, entered an appearance in the civil action within the criminal proceedings pending before the Court of Gorizia, in which are involved, *inter alia*, certain former directors of the then Ansaldo Componenti SpA, the then Ansaldo SpA and the then Ansaldo Industria SpA, in office in the period between 1979 and 1991, charged with having committed the crimes under Articles 589 paragraphs 1, 2 and 4, 40 and 41 of the Italian Criminal Code for violation of the rules governing the prevention of occupational diseases, and in particular Article 2087 of the Italian Civil Code, Presidential Decree 547/55 and Presidential Decree 303/56. The proceedings are at a trial stage still pending before the Court of Gorizia.

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

* * * * * * * *

With regard to the provisions for civil, tax and administrative disputes, it is underlined that the Company's operations regard industries and markets where many disputes, both as petitioner and plaintiff, are settled only after a considerable period of time, especially in cases where the customer is a government entity. Pursuant to the IFRSs, provisions have only been set aside for risks that are deemed probable and for which the amount can be determined. No specific provisions have been set aside for certain disputes in which the

Company is defendant as these disputes are reasonably expected to be settled, based on current knowledge, satisfactorily and without significantly impacting the Company. Of particular note are the following disputes:

- the proceedings brought by Firema under extraordinary management before the Court of Naples against the directors; and statutory and independent auditors of Firema Trasporti (General Register 32257/13) in order to have them declared responsible for the financial collapse caused to the company, who then summoned Leonardo and AnsaldoBreda requesting for direct compensation in favour of the plaintiff for the damages that should be ascertained (presumptively at €mil. 262, equal to Firema's statement of liabilities).

  As to the action brought by GMR against Leonardo and AnsaldoBreda due to abuse of economic dependence before the Court of Naples (General Register 16312/15), at the hearing held on 1 October 2020 the President of the Division first pointed out some issues connecting the two proceedings and then referred the present case before the judge of the proceedings under General Register 32257/13 in order for the proceedings to be possibly joined.

  In both proceedings Leonardo and AnsaldoBreda appeared before the court requesting that, on the merits, the claims submitted against them be dismissed as clearly groundless as of fact and as of right.

  It should be noted that, within these proceedings, the plaintiff states that Firema Trasporti was allegedly subject, during the period in which Leonardo held an investment in it (from 1993 to 2005), to management and coordination activities that were carried out to its detriment and in the sole interest of the Leonardo Group and that, even after the sale of the aforesaid investment, Firema Trasporti was allegedly de facto subjected to an abuse of economic dependence from the abovementioned Leonardo Group in performing the various agreements existing with AnsaldoBreda.

  Following the reservation taken at the hearing on 19 October 2023, the Court (i) ordered the joinder of the aforementioned proceedings, and (ii) admitted a technical ascertainment/accounting audit in order for the expert to analyze the corporate events concerning the company subsequently subjected to Extraordinary Management and verify whether statutory auditors and directors acted in a proper manner. The Court-appointed expert took an oath at the hearing held on 7 December 2023 and technical experts were appointed by the parties.

  By an order dated 18 December 2023, the Court, having read the briefs pursuant to Article 101, paragraph 2, of the Italian Code of Civil Procedure and the written discussion notes filed by the parties, noted that, in an application filed on 6 December 2023, the defence counsels to Giorgio Fiore had "submitted objections concerning the expiry of the proceedings due to the fact that Firema under extraordinary management had joined the criminal proceedings Rg. (General Register) no. 21567/10/2021 as an aggrieved party to recover damages on the assumption that the latter, although it declared (in order to avoid effects on the ongoing civil action) that it had appeared with regard only to item D), had also specifically dealt with item C) during the pre-trial investigation", and, therefore, set the hearing on 24 January 2024 for the relevant discussion. At this hearing, the Court asked the attorneys to inform the Court of whether there would be the possibility of pursuing a settlement agreement in relation to any individual situations and positions and, for this purpose, set the hearing on 14 March 2024 for possibly submitting a settlement proposal.

  As a result, the technical ascertainment was suspended.

- the proceedings brought by Mr. Pio Deiana (to have a deed of settlement entered into with former Ansaldo Industria declared null and void) before the Rome Court of Appeal, which had been suspended following Mr. Deiana's death and then resumed by his sister. During the proceedings, the existence of another heir of the deceased person was ascertained; accordingly, at the last hearing held on 26 October 2022, the Court declared the latter's contumacy and set the final hearing on 18 December 2024.

* * * * * * * *

Moreover, given their complexity, their cutting-edge technological content and the nature of the customers, the Company's long-term contracts are sometimes affected by disputes with customers in relation to the compliance of works with customer specifications and product performances. The Company adjusts the estimated contract costs for foreseeable issues, also taking into account the possible developments in the relevant disputes. With regard to contracts in progress affected by uncertainties and issues under discussion with customers, there are:

- by a request for arbitration filed on 25 October 2019, Leonardo S.p.a. and PSC S.p.A. (collectively referred to as "LP" unincorporated joint venture,) initiated arbitration proceedings against Galfar Misnad Engineering & Contracting W.L.L., Salini-Impregilo S.p.A. (now Webuild) and Cimolai S.p.A. (collectively referred to "GSIC" unincorporated joint venture) to seek an order imposing them to pay, among others, the outstanding amounts and all the additional costs relating to the subcontract entered into between the parties on 22 September 2016, whereby GSIC appointed LP to provide supplies and carry out certain manufacturing operations. These electrical, mechanical and plumbing plant engineering works are included in the general contract, awarded to GSIC, for the design and construction of the Al Bayt Stadium in Al Khor City (Qatar). The regular progress of the subcontracted works was strongly affected by a number of delays not attributable to LP, as well as by numerous additions and variations to the works that had been initially agreed and the shortcomings of the technical documentation prepared by GSIC. On the other hand, the latter submitted allegations to the contrary, while also charging LP with having caused damages to its organisation. In this context, on a preliminary basis LP asked the court to order GSIC to pay the remaining amounts provided by the subcontract, as well as any and all additional costs incurred, for a total of approximately QAR mil. 1,500 (about €mil. 388 at 17 February 2023). On the other hand, GSIC contested each and every charge and asked the court, as a counterclaim, to order LP to compensate for any damage the latter had allegedly caused, for a total of QAR mil. 721 (approximately €mil. 186 at 17 February 2023).

  On 6 October 2023 the Court of Arbitration issued the award ordering GSIC to pay LP a net amount of approximately €mil. 146.5; on 7 March 2024 this amount was modified by the granting of the petition for correction of the award filed by LP for an additional amount of approximately €mil. 11..

- with reference to the request for termination for default due to alleged delays and non-compliant products formalised during 2022 by the governmental Norwegian Defence Materiel Agency (NDMA) under the contract for the supply of 14 NH90 helicopters entered into with NH Industries (NHI, whose shareholders are Leonardo, Airbus Helicopters and Fokker Aerostructure), the parties started a mediation process in April 2023, which should be completed in the next months. The NHI position, confirmed by Leonardo, is unchanged compared to what was reported in the financial statements as of 31 December 2022, considering this request to be legally ungrounded and reasonably disputable in the appropriate forum due to a lack of factual and legal basis and misinterpretation of the contract and Norwegian law, as well as due to a breach of confidentiality obligations. As noted above, in April 2023, the customer and NHI initiated a mediation procedure in an attempt to reach a mutually satisfactory agreement. In the period from October 2023 to February 2024, the parties exchanged significant claims and counterclaims and took steps to file deeds and documents required under the mediation procedure; the hearing before the mediators is scheduled for the second half of March

2024. At this stage of the mediation neither NHI nor Leonardo considers that it should change its position.

23. EMPLOYEE BENEFIT OBLIGATIONS

	31 December 2022	31 December 2023
Severance pay provision	208	191
Defined contribution plans	38	41
	246	**232**

The severance pay provision showed a reduction essentially due to early retirements under art. 4 of Law 92/2012 (Fornero Act).

The amount of the costs related to employee benefit obligations, which was recognised during the year under financial expense, is equal to €mil. 7 (€mil.2 at 31 December 2022).

Below are the changes in the severance pay:

	31 December 2022	31 December 2023
Opening balance	239	208
Net interest expense	2	7
Remeasurement	(10)	7
Actuarial losses (gains) through equity - financial assumptions	*(25)*	*3*
Actuarial losses (gains) through equity resulting from adjustments based on the experience	*15*	*4*
Benefits paid	(27)	(31)
Other changes	4	-
Closing balance	**208**	**191**

It should be noted that the portion of cost for the year relating to amounts transferred to pension funds or to a treasury fund managed by INPS is recognised according to the rules for defined-contribution plans, without any actuarial assessment.

The main actuarial assumptions used in the valuation of defined-benefit plans and of the portion of the severance pay that has maintained the nature of defined-benefit plan are as follows:

	31 December 2022	31 December 2023
Discount rate (annual)	3.7%	3.3%
Inflation rate	2.2%	2.0%

The sensitivity analysis for each significant actuarial assumption, which shows the effects on bonds in absolute value, is as follows:

	31 December 2022		31 December 2023	
	-0.25%	+0.25%	-0.25%	+0.25%
Discount rate (annual)	2	(2)	2	(2)
Inflation rate	(2)	2	(1)	1

The average duration of the severance pay is four years.

24. OTHER NON-CURRENT AND CURRENT LIABILITIES

	31 December 2022		31 December 2023	
	Non current	Current	Non current	Current
Employee obligations (*)	41	367	39	386
Deferred income	122	124	132	133
Amounts due to social security institutions	-	195	-	192
Payables to MEMiT (Law no. 808/85)	170	-	212	1
Payables to MEMiT for monopoly costs (Law no. 808/85)	185	45	209	21
Indirect tax liabilities	-	88	-	83
Derivatives	-	267	-	156
Other payables to related parties (Note 34)	157	81	152	128
Other liabilities	58	246	19	212
	733	**1,413**	**763**	**1,312**

(*) Non-current item includes other employee benefits related to seniority bonuses

The item decreased by €mil. 71 compared to 2022 in particular due to the decrease in derivative liabilities for €mil. 111, determined by the reduction in volumes as well as by the fluctuation in the Euro/US Dollar exchange rate.

"Deferred income" includes subsequent years rentals already collected in past years in relation to the agreements for the sale of "Ansaldo" trademark, royalties and grants collected.

The payables to the Ministry of Enterprises and Made in Italy (MEMiT) under Law 808/1985 relate to monopoly costs accrued on national security and similar projects, as well as payables for grants received from MEMiT for the development of programmes not related to national security and similar projects eligible for benefits under Law 808/1985.

The breakdown of other payables to related parties includes payables deriving from the Group tax consolidation mechanism recorded by the Company for €mil. 83. The breakdown is shown in Note 34 .

"Other liabilities" refer in particular to contractual agreement and penalties for €mil. 91 and to commissions and royalties for €mil. 35.

The changes recorded during the year and the composition of liabilities by maturity, currency and geographical area are shown in Appendices nos. 7, 8 and 9 to these Notes.

25. TRADE PAYABLES

	31 December 2022	31 December 2023
Suppliers	1,808	1,976
Trade payables to related parties (Note 34)	667	826
	2,475	**2,802**

26. GUARANTEES AND OTHER COMMITMENTS

At 31 December 2023 the Company had in place the following guarantees:

	31 December 2022	31 December 2023
Guarantees in favour of related parties (Note 34)	3,782	4,211
Guarantees in favour of third parties	8,101	8,467
Guarantees given to third parties	1,732	1,827
Unsecured guarantees given	**13,615**	**14,505**

Specifically, the main guarantees issued consist of:

- bank and insurance sureties in favour of third-party companies for an amount of €mil. 8,467 (€mil. 8,101 at 31 December 2022);
- bank and insurance counter-guarantees issued in the interest of related parties for €mil. 1,797 (€mil. 1,200 at 31 December 2022);
- direct commitments issued by the Company in favour of tax authorities, customers and co-suppliers (Parent Company Guarantee) for €mil. 1,825 (€mil. 1,730 at 31 December 2022), in favour of related parties for €mil. 2,414 (€mil. 2,582 at 31 December 2022) and in favour of other companies for €mil. 2 (€mil. 2 at 31 December 2022).

In addition to the above commitments, the Company issued non-binding letters of patronage on behalf of subsidiaries and certain associates in support for their commercial activities.

27. REVENUES

	2022	2023
Revenue from contracts with customers	6,640	8,075
Change in contract assets	291	(1,012)
Revenue and change in contract assets from related parties (Note 34)	2,625	2,874
Total revenues	**9,556**	**9,937**

The performance in terms of revenues by business sector at Group level is commented on in the Report on Operations.

Below is the breakdown of revenue by timing of reporting:

	2022	2023
Revenues recognized at point in time	1,429	1,639
Revenues recognized over time	8,127	8,298
Total	**9,556**	**9,937**

Revenues were realized in the following geographical areas:

	2022	2023
Italy	2,060	2,649
United Kingdom	389	297
Rest of Europe	2,619	3,239
United states of America	1,159	1,194
Rest of the world	3,329	2,558
	9,556	**9,937**

28. OTHER OPERATING INCOME (EXPENSES)

	2022			2023		
	Income	Expenses	Net	Income	Expenses	Net
Grants for research and development costs (*)	26	-	26	35	-	35
Other operating grants	4	-	4	14	-	14
Gains/losses on sales of intangible asset, property, plant and equipment	2	-	2	-	-	-
Reversals/accruals to provisions for risks	360	(439)	(79)	185	(280)	(95)
Exchange rate difference on operating items	155	(163)	(8)	133	(123)	10
Insurance reimbursements	3	-	3	40	-	40
Indirect taxes	-	(9)	(9)	-	(9)	(9)
Other operating income (expenses)	69	(43)	26	41	(50)	(9)
Other operating income (expenses) from related parties (Note 34)	10	-	10	21	(1)	20
	629	**(654)**	**(25)**	**469**	**(463)**	**6**

(*) To which must be added "Deferred non-current and current receivables for measures under Law 808/1985" (Note 12 and Note 17 respectively) equal to €mil. 17 (€mil. 5 at 31 December 2022). In 2023 there were no assessments for "Non-recurring costs for measures pending under Law 808/85" (Note 12) (€mil. 15 at 31 December 2022).

Other income, net of operating expenses, at 31 December 2023, increased by €mil. 31 compared to the previous year. The main changes involved the use of and accruals to provisions for risks. In particular:

- the product warranty provision for an accrual of €mil. 59 and reversals of €mil. 36;
- the provision for onerous contracts (final losses) for an accrual of €mil. 58 and reversals of €mil. 115;
- the provision for critical issues on contracts for an accrual of €mil. 62 and reversals of €mil. 9.

29. PURCHASE AND PERSONNEL EXPENSES

	2022	2023
Purchase of materials from third parties	2,365	2,826
Change in inventories of raw materials	(77)	(176)
Costs for purchases from related parties (Note 34)	1,340	1,181
Purchases	***3,628***	***3,831***
Services rendered by third parties	2,110	2,290
Costs of leases	59	55
Royalties	24	12
Services rendered by related parties (Note 34)	822	932
Services	***3,015***	***3,289***
Wages and salaries	1,574	1,665
Social security contributions	457	483
Costs related to defined-contribution plans	116	116
Employee disputes	(4)	(3)
Restructuring costs - net	108	48
Other personnel expenses net of cost recovery	18	5
Personnel expenses	***2,269***	***2,314***
Change in finished goods, work in progress and semi-finished products	***(62)***	***(181)***
Internal work capitalised	***(176)***	***(187)***
Total purchases and personnel expenses	**8,674**	**9,066**

The item increased by €mil. 392 essentially for the acquisition of materials and services related to the increase in revenues.

Personnel expenses showed an increase by €mil. 45 related to the average workforce at 31 December 2023, equal to 30,353 units, which showed an increase of 561 units compared to 2022.

The figure related to the average workforce is affected by the presence of part-time employees and personnel that took extended leave.

The figure of total workforce at 31 December 2023, equal to 31,255 units, showed an increase of 798 units compared to 2022.

Below is the breakdown of workforce by category:

	Average Workforce			Total Workforce		
	31 December 2022	31 December 2023	Change	31 December 2022	31 December 2023	Change
Senior managers (*)	834	848	14	875	829	(46)
Middle managers	3,493	3,526	33	3,642	3,469	(173)
Clerical employees	17,907	18,792	885	18,573	19,779	1,206
Manual labourers (**)	7,558	7,187	(371)	7,367	7,178	(189)
Total	**29,792**	**30,353**	**561**	**30,457**	**31,255**	**798**

(*) Includes pilots
(**) Includes senior manual labours

30. AMORTISATION, DEPRECIATION AND FINANCIAL ASSETS VALUE ADJUSTMENTS

	2022		2023	
Amortisation of intangible assets		144		134
Development costs	30		20	
Non-recurring costs	63		53	
Acquired through business combinations	2		2	
Concessions, licenses and trademarks	24		30	
Other intangible assets	25		29	
Depreciation of property, plant and equipment and investment properties		131		141
Depreciation of right of use		123		121
Impairment of other assets		23		45
Financial assets value adjustments		82		25
Contract assets and liabilities	(3)		4	
Operating receivables	16		(1)	
Other financial assets	69		22	
		503		**466**

Amortisation, depreciation and financial assets value adjustments showed a decrease of €mil. 37 compared to 2022. Financial assets value adjustments refer to evaluations periodically carried out in order to assess the recoverability of the financial assets recognised in the separate financial statements, in compliance with the provisions of IFRS 9 on impairment.

31. FINANCIAL INCOME AND EXPENSE

	2022			2023		
	Income	Expenses	Net	Income	Expenses	Net
Interest to/from banks	2	(19)	(17)	27	(39)	(12)
Interest on lease liabilities	-	(2)	(2)	-	(3)	(3)
Interest and other charges on bonds	-	(50)	(50)	-	(49)	(49)
Commissions	-	(10)	(10)	-	(10)	(10)
Dividends	269	-	269	730	-	730
Premiums (paid) received on IRS	-	(4)	(4)	6	-	6
Premiums (paid) received on forwards	35	(56)	(21)	39	(45)	(6)
Value adjustments on equity investments	1,330	(44)	1,286	2	(91)	(89)
Fair value gains (losses) through profit or loss	25	(5)	20	19	(12)	7
Exchange rate differences	38	(44)	(6)	29	(33)	(4)
Financial income (expense) - related parties (Note 34)	15	(31)	(16)	19	(104)	(85)
Other financial income and expense	19	(52)	(33)	11	(39)	(28)
	1,733	**(317)**	**1,416**	**882**	**(425)**	**457**

Income net of financial expense amounted to €mil. 457 (€mil. 1,416 at 31 December 2022) and decreased by €mil. 959, compared to 2022. The change is mainly attributable to the value adjustment of the equity investments that included in 2022, the write-back for €mil. 1,290 of Leonardo US Holding LLC. Moreover, this item comprises total charges, for €mil. 57, linked to the negotiations underway for the sale of the equity investment in Industria Italiana Autobus SpA, in addition to the write-down of the same investment for €mil. 24 performed as a result of the recapitalizations which became necessary given the losses for the period recognised by the investee.

Dividends, equal to €mil. 730, increased by €mil. 461 compared to 31 December 2022. The increase is attributable to the dividend paid in 2023 by Leonardo UK for €mil. 464, not assigned in 2022.

The breakdown of income and expense from/to related parties is shown in Note 34.

Fair value results through profit or loss are as follows:

	2022			2023		
	Income	Expenses	Net	Income	Expenses	Net
Ineffective portion of hedging swap	24	(5)	19	19	(12)	7
Gains (charges) on FVTPL	1	-	1	-	-	-

32. INCOME TAXES

Income taxes can be broken down as follows:

	2022	2023
IRES (corporate income tax)	(52)	(83)
IRAP (reg. tax on production)	(32)	(23)
Tax related to previous periods	(13)	1
Provisions for tax disputes	(12)	(6)
Deferred tax - net	41	31
Other taxes	(1)	(4)
Total income taxes	**(69)**	**(84)**

Below is an analysis of the composition of the theoretical and effective tax rates for 2023 and 2022:

	2022	2023
Profit (loss) before income taxes	**1,769**	**868**
Tax rate	**3.9%**	**9.7%**
Theoretical tax	(425)	(208)
Permanent differences	(1)	(2)
Dividends	61	163
Reversal (Impairment) of equity investments	317	(22)
IRAP tax	(32)	(23)
Net deferred tax assets	13	1
Registration of deferred tax assets on tax losses	5	19
Tax provision	(12)	(6)
Other taxes	5	(6)
Total tax through profit or loss	**(69)**	**(84)**
Theoretical tax	**24.0%**	**24.0%**
Permanent differences	(0.1%)	(0.2%)
Timing differences	n.a.	n.a.
Unrecognised tax consolidation benefit	n.a.	n.a.
Dividends	3.4%	18.8%
Revaluations of equity investments	n.a.	n.a.
Reversal (Impairment) of equity investments	17.9%	(2.5%)
IRAP tax	(1.8%)	(2.6%)
Net deferred tax assets	0.7%	0.1%
Registration of deferred tax assets on tax losses	0.3%	0.3%
Tax provision	(0.7%)	(0.7%)
Other taxes	0.3%	(0.7%)
Total tax	**(3.9%)**	**(9.7%)**

The effective tax rate went from (3.9%) in 2022 to (9.7%) in 2023.

It should be noted that a portion of deferred tax assets related to tax losses. In this regard, during the year they were written off with a reversal through profit or loss for €mil. 5 and new deferred tax assets of €mil. 19 were recognised against tax losses on the basis of the prospective recoverability vis-à-vis the taxable profits envisaged by the business plans, in the context of the national tax consolidation scheme. At the end of the year, there were no losses which had not been measured for the Company.

Deferred taxes and related receivables and payables at 31 December 2023 were the result of the following differences:

	2022	2023
Deferred tax assets on tax losses	(59)	14
Property, plant and equipment and intangible assets	(7)	(4)
Provision for risks and impairment	58	13
Other	49	8
Deferred taxes recognised through profit or loss	**41**	**31**

	31 December 2022			31 December 2023		
	Financial statement			Financial statement		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred tax assets on tax losses	5	-	5	19	-	19
Property, plant and equipment and intangible assets	22	(26)	(4)	22	(30)	(8)
Provision for risks and impairment	588	-	588	601	-	601
Other	177	(38)	139	184	(37)	147
Deferred taxes recognised through balance sheet	**792**	**(64)**	**728**	**826**	**(67)**	**759**
Cash-flow hedge derivatives	38	(19)	19	28	(25)	3
On actuarial gains and losses	11	(4)	7	11	(4)	7
Deferred taxes recognised through equity	**49**	**(23)**	**26**	**39**	**(29)**	**10**
	841	**(87)**	**754**	**865**	**(96)**	**769**

33. CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES

	2022	2023
Net result	1,701	784
Amortisation, depreciation and financial assets value adjustments	503	466
Income taxes	69	84
Net allocations to the provisions for risks and inventory write-downs	278	227
Net financial expense /(income)	(1,416)	(457)
Other non-monetary items	(1)	31
	1,134	**1,135**

The changes in working capital are as follows:

	2022	2023
Inventories	232	(227)
Contract assets and liabilities	206	377
Trade receivables and payables	(488)	(196)
	(50)	**(46)**

The changes in other operating assets and liabilities are as follows:

	2022	2023
Payment of pension plans	(27)	(31)
Changes in provisions for risks and other operating items	(74)	(247)
	(101)	**(278)**

Changes in other investing activities include dividends received and the effects of acquisitions and sales of equity investments. Below is a breakdown:

	2022	2023
Strategic transactions	(616)	-
Transactions on equity investments	(138)	177
Changes in other investment and divestment activities	141	(23)
	(613)	**154**

34. FINANCIAL TRANSACTIONS WITH RELATED PARTIES

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

Receivables at 31 December 2022	Non-current loans and receivables	Current loans and receivables	Trade receivables	Other current and non-current receivables	Total
Subsidiaries					
Agustawestland Philadelphia Corporation			127	1	128
W.S.K. PZL-Swidnik S.A.			15		15
Selex ES SpA (In Liquid.)			1	15	16
Kopter Group AG		199	3		202
Leonardo UK Ltd			184		184
Leonardo Global Solutions SpA	75	1	3	7	86
Leonardo CAE Advanced Jet Training Srl			31		31
Leonardo DRS INC		1	1		2
Leonardo Belgium SA			11		11
Leonardo Australia PTY Ltd			13		13
Leonardo Malaysia SDN BHD			25		25
Leonardo Logistics SpA		23	4		27
Leonardo do Brasil LTDA			10		10
Other with unit amount lower than €mil. 10			20		20
Associates					
Nhindustries (S.A.S)			186		186
Eurofighter Jagdflugzeug Gmbh			97		97
Industria Italiana Autobus SpA		8			8
Iveco - Oto Melara S.c.a.r.l.			50		50
Agustawestland Aviation Services LLC			12		12
Macchi Hurel Dubois SAS			15		15
Other with unit amount lower than €mil. 10			25		25
Joint Venture					
Avions De Transport Regional - ATR GIE			29		29
Gruppo MBDA S.A.S			28		28
Gruppo Thales Alenia Space S.A.S		40	9		49
Orizzonte - Sistemi Navali SpA			21		21
Gruppo Telespazio SpA	8	3			11
Polo Strategico Nazionale SpA			8		8
Other with unit amount lower than €mil. 10			11	1	12
Other companies and consortiums					
Other with unit amount lower than €mil. 10		2	9	2	13
Companies subject to the control or considerable influence of the MEF					
CDP Cassa Depositi e Prestiti SPA			71		71
Ministero dell'Economia e delle Finanze			85		85
Other with unit amount lower than €mil. 10	5		29	1	35
Total	**88**	**277**	**1,133**	**27**	**1,525**
% against total for the period	*66.2%*	*85.0%*	*36.3%*	*5.1%*	

Receivables at 31 December 2023	Non-current loans and receivables	Current loans and receivables	Trade receivables	Other current and non-current receivables	Total
Subsidiaries					
Agustawestland Philadelphia Corporation			198	1	199
Kopter Group AG		297	9		306
Leonardo Australia PTY Ltd			22		22
Leonardo Belgium S.A.			22		22
Leonardo CAE Advanced Jet Training Srl			28	3	31
Leonardo do Brasil LTDA			11		11
Leonardo DRS INC		1	1		2
Leonardo Global Solutions SpA	113		3	9	125
Leonardo Logistics SpA		30	5		35
Leonardo Malaysia SDN BHD			39		39
Leonardo South Africa (PTY) Ltd			11		11
Leonardo UK Ltd			196		196
W.S.K. PZL-Swidnik S.A.			86		86
Other with unit amount lower than €mil. 10			16	4	20
Associates					
Advanced Air Traffic System SDH BHD			4		4
Agustawestland Aviation Services LLC			21		21
Eurofighter Jagdflugzeug Gmbh			65		65
Euromids S.A.S.			8		8
Industria Italiana Autobus SpA			1		1
Iveco - Oto Melara S.c.a.r.l.			18		18
Nhindustries (S.A.S)			339		339
Other with unit amount lower than €mil. 10			13		13
Joint Venture					
Avions De Transport Regional - ATR GIE			33		33
Gruppo MBDA S.A.S			17		17
Gruppo Telespazio SpA	17	2	10	4	
Gruppo Thales Alenia Space S.A.S		175	22		197
Orizzonte - Sistemi Navali SpA			34	1	35
Polo Strategico Nazionale SpA			17		17
Other companies and consortiums					
Other with unit amount lower than €mil. 10		2	9	2	13
Companies subject to the control or considerable influence of the MEF					
CDP Cassa Depositi e Prestiti SPA			47		47
Ministero dell'Economia e delle Finanze			101		101
Poste Italiane SpA			12		12
Other with unit amount lower than €mil. 10			20	1	21
Total	**130**	**507**	**1,438**	**25**	**2,100**
% against total for the period	*74.3%*	*97.3%*	*39.6%*	*4.9%*	

As regards the most important loans and receivables we note that:

- Non-current loans and receivables equal to €mil. 130 (€mil. 88 at 31 December 2022) were up by €mil. 42 and included the assets related to lease transactions in compliance with IFRS16;
- Current loans and receivables equal to €mil. 507 (€mil. 277 at 31 December 2022) increased by €mil. 230, as a result of financing activities conducted by Leonardo in favour of the Group companies, with the abovementioned centralisation of treasury resources;
- Other receivables equal to €mil. € 25 (€mil. 27 at 31 December 2022) included amounts deriving from the Group tax consolidation mechanism, recognised by Leonardo, the party having a legal relationship with the Tax Authority;
- Trade receivables equal to €mil. 1,438 (€mil. 1,133 at 31 December 2022) include receivables related to services rendered in the interest and in favour of the Group's companies.

Payables at 31 December 2022	Other current and non-current loans and borrowings	Trade payables	Current and non-current lease loans and borrowings	Other current payables	Total	Guarantees
Subsidiaries						
Agustawestland Philadelphia Corporation	58	54		157	**269**	585
Leonardo UK Ltd	1,002	81			**1,083**	1,647
Ansaldobreda SpA	41			23	**64**	214
Larimart SpA	8	12			**20**	1
Leonardo Logistics SpA		52		1	**53**	1
Leonardo Global Solutions SpA	168	38	580	1	**787**	4
Leonardo US Aircraft Inc		14			**14**	
W.S.K. PZL-Swidnik S.A.	13	33			**46**	356
Selex ES International Ltd	48				**48**	
Leonardo Malaysia SDN BHD		13			**13**	
Leonardo Saudi Limited					**-**	13
Leonardo US Holding LLC					**-**	245
Gruppo Leonardo DRS INC					**-**	208
Leonardo International SpA	36			1	**37**	102
Leonardo Partecipazioni SpA	58			4	**62**	90
Leonardo CAE Advanced Jet Training Srl		21			**21**	
Other with unit amount lower than €mil. 10		44		3	**47**	
Associates						
Eurofighter Jagdflugzeug Gmbh	85	60			**145**	
Gruppo Elettronica SpA		24			**24**	
Gulf System Logistic Services Company WLL		27			**27**	
Nhindustries (S.A.S)		91			**91**	
Industria Italiana Autobus SpA					**-**	43
Leonardo Hélicoptères Algérie SpA	16				**16**	
Other with unit amount lower than €mil. 10		9		4	**13**	
Joint Venture						
Avions De Transport Regional - ATR GIE		19		39	**58**	
Gruppo MBDA S.A.S	713	38			**751**	8
Gruppo Telespazio SpA	41	2		2	**45**	100
Polo Strategico Nazionale SpA						
Other with unit amount lower than €mil. 10		11			**11**	
Other companies and consortiums						
Other with unit amount lower than €mil. 10		10		2	**12**	
Companies subject to the control or considerable influence of the MEF						
Cassa Depositi e Prestiti Spa	100	1		1	**102**	165
Enel Spa		12			**12**	
Altre di importo unitario inferiore a €mil. 10		1			**1**	
Total	**2,387**	**667**	**580**	**238**	**3,872**	**3,782**
% against total for the period	*50.6%*	*26.9%*	*9.9%*	*11.8%*		*27.8%*

Payables at 31 December 2023	Other current and non-current loans and borrowings	Trade payables	Current and non-current lease loans and borrowings	Other current payables	Total	Guarantees
Subsidiaries						
Ansaldobreda SpA				50	**50**	206
Agustawestland SpA				24	**24**	
Agustawestland Philadelphia Corporation	54	71		152	**277**	669
Gruppo Leonardo DRS INC		7			**7**	52
Larimart SpA		16		1	**17**	
Leonardo Australia PTY Ltd		12			**12**	
Leonardo CAE Advanced Jet Training Srl		24			**24**	
Leonardo for Aviation Services (SPC)		12			**12**	
Leonardo Global Solutions SpA	175	38	498	4	**715**	2
Leonardo International SpA	211				**211**	99
Leonardo Logistics SpA		56		1	**57**	1
Leonardo Malaysia SDN BHD		14			**14**	
Leonardo Partecipazioni SpA	33			7	**40**	17
Leonardo Saudi Limited					**-**	13
Leonardo UK Ltd	760	74			**834**	1,648
Leonardo US Aircraft, Inc		14			**14**	
Leonardo US Corporation					**-**	211
W.S.K. PZL-Swidnik S.A.	90	33			**123**	984
Other with unit amount lower than €mil. 10	1	33			**34**	
Associates						
Eurofighter Jagdflugzeug GmbH	75	136			**211**	
Gruppo Elettronica SpA		13			**13**	
Gruppo HENSOLDT AG		9			**9**	
Gulf System Logistic Services Company WLL		37			**37**	
Industria Italiana Autobus SpA					**-**	47
Leonardo Hélicoptères Algérie SpA	16				**16**	
Nhindustries (S.A.S)		144			**144**	
Other with unit amount lower than €mil. 10		16		3	**19**	
Joint Venture					**-**	
Avions De Transport Regional - ATR GIE		3		35	**38**	
Gruppo MBDA S.A.S	1,070	14			**1,084**	8
Gruppo Telespazio SpA	26	2		2	**30**	93
Other with unit amount lower than €mil. 10		12			**12**	
Other companies and consortiums						
Other with unit amount lower than €mil. 10	2	9			**11**	
Companies subject to the control or considerable influence of the MEF						
Cassa Depositi e Prestiti SPA	100	1		1	**102**	161
Enel SpA		26			**26**	
Total	**2,613**	**826**	**498**	**280**	**4,217**	**4,211**
% against total for the period	*43.7%*	*29.5%*	*8.3%*	*13.5%*		*29.0%*

As regards the most important loans and receivables we note that:

- Loans and borrowings equal to €mil. 2,613 (€mil. 2,387 at 31 December 2022) include current financial debt relationships arising from net cash inflows achieved by the Group companies during the year, which were contributed to Leonardo as a result of the Group's cash pooling system; among these, the item includes a payable of €mil. 1,070 (€mil. 713 at 31 December 2022) to the joint ventures of the MBDA group and the loan of €mil. 100 taken out with Cassa Depositi e Prestiti (CDP) which is aimed at co-financing some investment projects envisaged in the Industrial Plan;
- Loans and borrowings for leases include a fixed amount of €mil. 498 (€mil. 580 at 31 December 2022) linked to lease transactions in accordance with IFRS16

- Other payables equal to €mil. 280 (€mil. € 238 at 31 December 2022), increased by €mil. 42, and include for €mil. 83 the values deriving from the Group tax consolidation mechanism recognised by the Company.

The changes during the year and the composition of assets and liabilities by maturity, currency and geographical area are shown in Appendices nos. 3, 4, 5, 6, 7, 8 and 9 to these Notes.

Below are all income statement transactions with the Leonardo's related parties for the years 2023 and 2022:

Income statement transactions at 31 December 2022	Revenue	Other operating revenues	Purchase and Service expenses	Other operating expenses	Financial income	Financial expenses
Subsidiaries						
Agustawestland Philadelphia Co	144		90			
Leonardo Logistics SpA			131			
Leonardo Global Solutions SpA			134			13
Leonardo CAE Advanced Jet Training Srl	35		21			
Leonardo for Aviation Services (SPC)			23			
Leonardo UK Ltd	178	2	152		1	9
Larimart SpA			19			
Leonardo Belgium SA	24		8			
Leonardo Australia (PTY) Ltd	35		13			
Leonardo Malaysia SDN BHD	56		19			
Leonardo Electronics US Inc.			10			
Kopter Group AG	4		6		6	
W.S.K. PZL-Swidnik S.A.	11	3	174			
Other with unit amount lower than €mil. 10	27		42		4	1
Associates						
Eurofighter Jagdflugzeug GmbH	694		495			
Gruppo Elettronica SpA	2		72			
Euromids S.A.S.	18		3			
Gulf System Logistic Services Company WLL			96			
Gruppo HENSOLDT AG	15		23			
Nhindustries (S.A.S)	388		423			
Iveco-Oto Melara Scarl	116		2			
Macchi Hurel Dubois SAS	41					
Agustawestland Aviation Services LLC	22		2			
Other with unit amount lower than €mil. 10	24		9			
Joint Venture						
Avions De Transport Regional - ATR GIE	117		12			
Orizzonte - Sistemi Navali S.p.A.	147		1			
Gruppo MBDA S.A.S	65		86			7
Gruppo Thales Alenia Space Sas	63		2			
Rotorsim Srl	2	2	18			
Polo Strategico Nazionale SpA						
Other with unit amount lower than €mil. 10	7	2	4			
Other companies and consortiums						
Cons. G.e.i.e. Eurotorp	10		1			
Panavia Aircraft GMBH	38					
Other with unit amount lower than €mil. 10	2	1	4		4	1
Companies subject to the control or considerable influence of the MEF						
Enel SpA	11		63			
CDP Cassa Depositi e Prestiti SPA	221		2			
Ministero dell'Economia e delle Finanze	42					
Enav SpA	21		1			
Poste Italiane SpA	20					
Sogei SpA	14					
Other with unit amount lower than €mil. 10	11		1			
Total	**2,625**	**10**	**2,162**	**-**	**15**	**31**
% against total for the period	*27.5%*	*1.6%*	*24.9%*	*0.0%*	*0.9%*	*9.8%*

Income statement transactions at 31 December 2023	Revenue	Other operating revenues	Purchase and Service expenses	Other operating expenses	Financial income	Financial expenses
Subsidiaries						
Agustawestland Philadelphia Corporation	176		86		1	
Gruppo Leonardo DRS INC			12			
Larimart SpA			24			
Leonardo Australia PTY Ltd	31		17			
Leonardo Belgium S.A.	35		11			
Leonardo CAE Advanced Jet Training Srl	11	11	42			
Leonardo do Brasil LTDA	10		3			
Leonardo Electronics US Inc.			15			
Leonardo for Aviation Services (SPC)			33			
Leonardo Global Solutions SpA			136			24
Leonardo Logistics SpA	1		156		1	
Leonardo Malaysia SDN BHD	68		30			
Leonardo Saudi Limited			17			
Leonardo UK Ltd	166	3	164		1	32
Kopter Group AG	10		4		7	
W.S.K. PZL-Swidnik S.A.	181	3	211		1	1
Other with unit amount lower than €mil. 10	20		31			1
Associates						
Agustawestland Aviation Services LLC	29		3			
Eurofighter Jagdflugzeug GmbH	940		306			2
Euromids S.A.S.	9		3			
G.E.M. Elettronica Srl			18			
Gruppo Elettronica SpA	1		64			
Gruppo HENSOLDT AG	18		28			
Gulf System Logistic Services Company WLL			14			
Iveco-Oto Melara Scarl	113					
Macchi Hurel Dubois SAS	28					
Nhindustries (S.A.S)	317		470			
Other with unit amount lower than €mil. 10	16		5		1	
Joint Venture						
Avions De Transport Regional - ATR GIE	143		8			
Gruppo MBDA S.A.S	57		49			39
Gruppo Thales Alenia Space S.A.S	44		2		4	
Orizzonte - Sistemi Navali S.p.A.	134		2			
Polo Strategico Nazionale SpA	16					
Rotorsim Srl	1	2	19			
Other with unit amount lower than €mil. 10	5	1	5		1	
Other companies and consortiums						
Cons. G.e.i.e. Eurotorp	11					
Panavia Aircraft GMBH	29					
Other with unit amount lower than €mil. 10	6	1	3	1	2	
Companies subject to the control or considerable influence of the MEF						
Cassa Depositi e Prestiti SPA	128		2			5
Enav SpA	19		1			
Enel SpA	8		118			
Ministero dell'Economia e delle Finanze	25					
Poste Italiane SpA	37					
Sogei SpA	18					
Other with unit amount lower than €mil. 10	13		1			
Total	**2,874**	**21**	**2,113**	**1**	**19**	**104**
% against total for the period	*28.9%*	*4.5%*	*23.3%*	*0.2%*	*2.2%*	*24.5%*

"Financial income (expense)" relates to interest on loans and receivables and loans and borrowings and commissions which mainly arise from the centralisation of the management of Group treasury resources within Leonardo. In carrying out its treasury management functions, the Company acts as the main counterparty, always at arm's length, for the financial assets and liabilities of the subsidiaries within the scope of such centralisation.

35. FINANCIAL RISK MANAGEMENT

Leonardo SpA is exposed to financial risks associated with its operations, specifically related to these types of risks:

- interest-rate risks, related to the Company's financial exposure;
- exchange-rate risks, related to operations in currencies other than the reporting currency;
- liquidity risks, relating to the availability of financial resources and access to the credit market;
- credit risks, resulting from normal commercial transactions or financing activities.

The Company carefully and specifically follows each of these financial risks, with the objective of promptly minimizing them, even using hedging derivatives.

The sections below provide an analysis, conducted through sensitivity analysis, of the potential impact on the final results deriving from assumed fluctuations in reference parameters. As required by IFRS 7, these analyses are based on simplified scenarios applied to the final results of the reference periods and, by their own nature, they cannot be considered as indicators of the actual effects of future changes in reference parameters with different financial statements and market conditions, and cannot reflect the inter-relations and the complexity of reference markets.

Below is the main information related to the abovementioned risks. However, for further details reference is made to the section on "Financial risk management" of the consolidated financial statements.

Interest rate risk

Leonardo is exposed to interest rate risk on borrowings. The management of interest rate risk is consistent with the long-standing practice of reducing the risk of fluctuations in trends in interest rates while seeking to minimize related borrowing costs.

In this regard, it should be noted that loans and borrowings at 31 December 2023 equal to 5,973 included lease liabilities of €mil. 595 and other payables to related parties. The amount of fixed-rate loans and borrowings from banks and financing institutions (excluding lease liabilities and loans and receivables/borrowings from related parties) – including by using hedging instruments – was equal to about 42% and the amount at floating rate was equal to about 58%.

At 31 December 2023, the transactions were the following:

- options for €mil. 200 (CAP at 4.20% and Knock out at 5.60% in relation to the 6-month Euribor interest rate), originally purchased in order to partially cover the bond issue due 2025;
- floating/fixed interest rate swap for €mil. 300 relating to the EIB loan in the same amount, which guarantees a fixed rate of 1.82% on the loan.

The detail of the main interest-rate swaps at 31 December 2023 is as follows:

	Notional		Underlying (maturity)	Fair value 01.01.2022	Changes			Fair value 31.12.2022
	2021	2022			Income	Expense	CFH Reserve	
Options	200	200	Bond 2025	(1)	-	-	-	(1)
IRS fixed/floating	300	300	BEI 2031	(13)	-	-	43	30
Total notional	**500**	**500**		**(14)**	**-**	**-**	**43**	**29**

	Notional		Underlying (maturity)	Fair value 01.01.2023	Changes			Fair value 31.12.2023
	2022	2023			Income	Expense	CFH Reserve	
Options	200	200	Bond 2025	(1)	-	-	-	(1)
IRS fixed/floating	300	300	BEI 2031	30	-	-	(12)	18
Total notional	**500**	**500**		**29**	**-**	**-**	**(12)**	**17**

The table below shows the effects of the sensitivity analysis for 2023 and 2022 on interest rates at the reporting dates deriving from the 50-basis-point shift in the interest rate curve (bps):

Effect of shift of interest rate curve	31 December 2022		31 December 2023	
	Increase of 50 bps	Decrease of 50 bps	Increase of 50 bps	Decrease of 50 bps
Net result	(8)	8	(6)	6
Equity (*)	(4)	4	(6)	6

(*): Defined as sum of earnings and cash-flow hedge reserve

Exchange rate risk

Due to its commercial operations, the Company is exposed to the risk of fluctuations in the currencies related to those cases in which orders, revenue and costs are expressed in currencies other than the functional one used in the financial statements (specifically, US dollars and, to a lesser extent, the pound sterling).

Exchange-rate risk management for the Group is governed by the Directive issued by Leonardo SpA, the purpose of which is to standardize management criteria based on industrial-not-speculative strategies so as to contain risks within specific limits by carefully and constantly assessing all foreign currency transaction positions. The methodology adopted calls for the systematic hedging of commercial cash flows resulting from the assumption of contractual commitments that are certain or highly probable as either buyer or seller, thereby ensuring current exchange rates at the date of acquisition of multi-year contracts and neutralizing the effects of exchange-rate fluctuations. As a result, contracts for purchases or sales denominated in a currency different from the functional currency are hedged using forward contracts of amounts, maturities, and key parameters that are similar to the underlying position. The Company defines the existence of an economic relationship between the hedging instrument and the hedged item on the basis of the currency, amounts and respective cash flows and assesses whether the derivative designated in each hedging relationship will be and has been effective in offsetting changes in the cash flows of the hedged item. In the event that, due to their nature or following events that entail their ineffectiveness, derivative instruments held in the portfolio should be found to no longer be a hedge, the fair value of the instrument is recognised through profit and loss according to accounting principles. In the event the designation of the instrument as a hedge should continue to be supported, the cash-flow hedge accounting method of recognition is adopted (see Note 4.3 of the Consolidated Financial Statements).

Leonardo carries out these transactions with banks in its own interest and of Group companies.

The Company hedges the risks related to short-term financial payables and receivables denominated in currencies other than the euro and had entered into foreign exchange transactions at 31 December 2023, totaling €mil. 6,619 (notional amount), as detailed in the following table:

	Notional 2022			Notional 2023		
	Sales	Purchases	Total	Sales	Purchases	Total
Swap and forward transactions	4,038	2,285	6,323	4,009	2,610	6,619

As a result of the financial centralization, the cash flows of the Group's foreign companies were recharged to Leonardo through intercompany transactions mainly denominated in GBP and USD. This risk is hedged using mirror transactions of payables/receivables to/from third parties in the currency of intercompany items or through specific exchange-rate derivatives, classified as fair-value hedges. The table below shows the expected due dates of receipts and payments related to derivative instruments broken down by main currencies:

	31 December 2022				31 December 2023			
	Notional Receipts		Notional Payments		Notional Receipts		Notional Payments	
Cash-flow and fair-value hedges	USD	GBP	USD	GBP	USD	GBP	USD	GBP
Within 1 year	1,636	62	612	1,357	1,608	40	998	1,157
2 to 3 years	1,355	-	219	31	1,282	-	214	27
4 to 9 years	456	-	1	17	174	-	6	5
Total	3,447	62	832	1,405	3,064	40	1,218	1,189
Total transactions	**3,447**	**62**	**832**	**1,405**	**3,064**	**40**	**1,218**	**1,189**

The table below shows the effects of the sensitivity analysis carried out on the change in the exchange rates of the euro against the US dollar (USD) and the pound sterling (GBP) and, assuming a +/-5% change in the euro/pound sterling exchange rate and in the euro/US dollar exchange rate compared with the reference rates at 31 December 2023 and 31 December 2022.

	31 December 2022				31 December 2023			
	Effect of change in the €/GBP rate		Effect of change in the €/USD rate		Effect of change in the €/GBP rate		Effect of change in the €/USD rate	
	Increase of 50 bps	Decrease of 50 bps	Increase of 50 bps	Decrease of 50 bps	Increase of 50 bps	Decrease of 50 bps	Increase of 50 bps	Decrease of 50 bps
Net result	3	(1)	7	(8)	2	(1)	13	(12)
Equity (*)	(3)	5	99	(109)	(3)	5	91	(99)

(*): Defined as sum of earnings and cash-flow hedge reserve

Liquidity risk

Leonardo is exposed to liquidity risk, i.e. the risk of not being able to finance the prospective requirements arising from usual business and investment operations, as well as those connected with the volatility of the relevant markets in relation to commercial contracts at risk of renegotiation or cancellation. Moreover, there is the risk of not being able to repay or finance debts at the expiry dates.

In order to face the series of above-mentioned risks, Leonardo has adopted a series of instruments aimed at optimizing the management of financial resources by resorting to bank and bond transactions.

In order to finance its operations, the Company had at its disposal at 31 December 2023:

- the cash and cash equivalents of €mil. 1,791 generated at 31 December 2023 by amounts temporarily remaining at the disposal of the companies falling under, directly or indirectly, the scope of the centralization of treasury resources, as well as by deposits made for various reasons;

- an ESG-linked Revolving Credit Facility (RCF), available to Leonardo SpA, amounting to €bil. 2.4, comprising a 5-year tranche of €bil. 1.8 expiring in September 2026 and a 3-year tranche of €mil. 600 expiring in September 2024. Both the RCF tranches had been entirely unused at 31 December 2023;
- a sustainability-linked loan for an amount of €mil. 260 with the European Investment Bank (EIB) entirely unused at 31 December 2023);
- uncommitted bank credit lines totaling €mil. 810, entirely unused at 31 December 2023);
- the EMTN (Euro Medium Term Note) Programme, out of which all the bonds of Leonardo SpA currently in place on the Euromarket were issued, was still available at 31 December 2023 for a total nominal amount of €mil. 2,400, compared to a total amount of €mil. 4,000 under the programme;
- a Framework Programme for the issuance of Multi-Currency Commercial Papers on the European market, for a maximum amount of €bil. 1, which had been entirely unused at 31 December 2023;
- unconfirmed lines of credit for guarantees for a total amount of €mil. 10,479, of which an amount of €mil. 3,019 was available at 31 December 2023.

Credit risk

The Company is exposed to credit risk, which is defined as the probability of an insolvency with respect to a credit position with commercial and financial counterparties.

Regarding commercial transactions, the most significant programmes are made with public sector contractors or contractors belonging to public institutions, mainly in the Euro area, in the UK, the US and the Middle East. The risks associated with the counterparty, for contracts with countries for which there are no usual commercial relations, are analyzed and valued at the time of the offer in order to mitigate insolvency risks, if any. While solvency is guaranteed with public-entity customers, collection times are longer (in some countries they are significantly longer) than for other business sectors, creating significant outstanding credit positions and the subsequent need for transactions to convert the receivables into cash. On the other hand, the Company hedges, when deemed appropriate, against potential defaults in the payment of its receivables by entering into insurance policies with leading Export Credit Agencies (ECAs) internationally and with major Italian agencies.

The types of contracts entered into by the Group provide for the possibility of sizeable retention money withheld by customers, as well as back-to-back clauses in case of sub-supplies. Such cases may inherently extend the times for collection of outstanding receivables.

Furthermore, the Company operates in markets which are or have been recently affected by geopolitical or financial tensions. In particular, with reference to the situation at 31 December 2023, we note the following relations with countries exposed to credit risk according to the international institutions (SACE):

(€ millions)	Libya	Nigeria	Turkey	Turkmenistan	Kenya	Pakistan	Other	Total
Assets	1	28	141	11	1	85	45	**312**
Liabilities	(8)	(52)	(103)	(1)	(21)	(30)	(41)	**(256)**
Net exposure	**(7)**	**(24)**	**38**	**10**	**(20)**	**55**	**4**	**56**

As at 31 December 2023, the countries identified by SACE as countries at risk also included Russia and Ukraine to which, however, the Company has no residual balance sheet exposures at risk.

The receivables related to these agreements might not be paid, renegotiated or written off.

The table below summarizes trade receivables at 31 December 2023 and 2022 (values in €bil.).

	31 December 2022	31 December 2023
Portion due	0.5	1.5
- of which: for more than 12 months	*0.2*	*0.5*
Portion not yet due	2.5	2.1
Total trade receivables	**3.0**	**3.6**

A part of the portion due is offset by a liability, in relation to payable items or provisions for risks on any net excesses.

Loans and receivables, equal to €mil. 651 (€mil. 414 at 31 December 2022) include €mil. 17 (€mil. 12 at 31 December 2022) classified as "non-current" and subsequently excluded from the net financial position. The table below shows the breakdown of loans and receivables:

	31 December 2022	31 December 2023
Loans and receivables from related parties	88	130
Other loans and receivables	-	-
Non-current loans and receivables	**88**	**130**
Loans and receivables from related parties	277	507
Other loans and receivables	49	14
Current loans and receivables	**326**	**521**
Total loans and receivables	**414**	**651**

Both the main trade and financial receivables are impaired based on their probability of default or individually in case of particular situations. Vice versa, for receivables that are not impaired individually, impairment provisions are accrued, using historical series, statistical data and probability of default on an aggregate basis also supported by qualitative analyses.

During the year, receivables were assigned without recourse for a total volume of €mil. 25 (€mil. 50 in 2022). The amount of the assignments is significantly lower than the previous year's figure, due to the effects of making the processes to manage working capital more efficient, which has allowed a further improvement in the dynamics underlying the realization of collection flows, despite the continuation of emergency situations of various kinds.

Classification of financial assets and liabilities

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

	31 December 2022			31 December 2023		
	Level 2	Level 3	Total	Level 2	Level 3	Total
Other non current assets	-	-	-	-	-	-
Other assets	267	-	267	156	-	156
Other non-current liabilities	-	16	16	-	16	16
Other current liabilities	211	-	211	189	-	189

36. REMUNERATION TO KEY MANAGEMENT PERSONNEL

Remuneration paid to persons who have strategic power and responsibility of Leonardo SpA amounted to €mil. 15 (€mil. 12 at 31 December 2022).

Remuneration paid to Directors, excluding managers with strategic responsibility, amounted to about €mil. 2 (€mil. 2 in 2022). This figure includes fees and other compensation, pensions and other benefits, including the portion borne by the Company.

37. SHARE-BASED PAYMENTS

In order to implement an incentive and retention system for the Group's employees and associates, starting from 2015 Leonardo adopted incentive plans which provide for the assignment of Leonardo shares, subject to assessing the attainment of pre-set business targets. These shares will be awarded to the beneficiaries at the end of the vesting period, provided that they have met the condition of being still employed with the company. The cost recognised in the income statement for the share incentive plans amounted in 2023 to €mil. 11 (€mil. 5 in 2022).

With specific regard to the Long-Term Incentive Plan, the fair value used to measure the portion linked to the performance indicators (Group Net Debt, ROS and starting from the three-year cycle 2021-2023 Sustainability Indicators) was equal to € 11.04 (the value of Leonardo shares at the grant date of 31 July 2019) with reference to the three-year cycle 2019-2021, to € 5.41 (the value of Leonardo shares at the grant date of 31 July 2020) with reference to the three-year cycle 2020-2022 and to € 6.788 (the value of Leonardo shares at the grant date of 31 July 2021) with reference to the three-year cycle 2021-2023 and € 9.15 (the value of Leonardo shares at the grant date of 31 July 2022) with reference to the three-year cycle 2022-2024 and € 13.66 (the value of Leonardo shares at the grant date of 1 October 2023) with reference to the three-year cycle 2023-2025.

Vice versa, the award of the remaining amount of the shares depends upon market conditions which affect the determination of the fair value ("adjusted fair value"). The adjusted fair value, calculated using the "Monte Carlo" method in order to simulate the possible performance of the stock and of the other companies within the basket, was equal to € 6.72 with reference to the three-year cycle 2019-2021, € 1.73 with reference to the three-year cycle 2020-2022, € 3.7 with reference to the three-year cycle 2021-2023 and € 6.4 with reference to the three-year cycle 2022-2024 and €12.1 with reference to the three-year cycle 2023-2025.

The input data used to calculate the adjusted fair value were:

- the stock price at the grant date;
- the average share price in the three months preceding the performance period;
- the risk-free interest rate based on the zero-coupon yield curve in 36 months;

- the expected volatility of the price of Leonardo shares and of the shares of the other companies within the basket based on time series in the 36 months prior to the grant date;
- correlation coefficients between Leonardo and the other companies within the basket on the basis of logarithms of the daily performance of the stocks in the 36 months prior to the grant date;
- dividend distribution forecasts on a historical basis.

In 2023, as in 2022, no shares were granted under the long-term incentive plan.

PROPOSAL TO THE SHAREHOLDERS' MEETING

Dear Shareholders,

The 2023 financial statements, which we submit for your approval, close with a net profit of Euro 783,697,113.66 :

In light of the foregoing, we submit the following proposed resolution for your approval:

"The Ordinary Shareholders' Meeting of LEONARDO - Società per azioni:

- considering the Report of the Board of Directors;
- considering the Report of the Board of Statutory Auditors;
- having examined the financial statements at 31 December 2023;
- having acknowledged the report of EY S.p.A.

resolves

- to approve the Directors' Report on operations and the financial statements at 31 December 2023;
- to approve the proposal posed by the Board of Directors of allocating the profit of € 783,697,113.66 for the 2023 financial year as follows:
    - as to € 39,184,855.68, equal to 5% of the profit, to legal reserve;
    - as to € 0.28, on account of dividend, by paying it, including any withholding prescribed by law, as from 26 June 2024, with "detachment date" of coupon no. 14 falling on 24 June 2024 and "record date" (i.e. date on which the dividend is payable, pursuant to Art.83-terdecies of Legislative Decree no. 58 of 24 February 1998 and Art. 2.6.6, paragraph 2, of the Regulations for the Markets organized and managed by Borsa Italiana S.p.A.) falling on 25 June 2024; the above provisions refer to each ordinary share that will be outstanding at the detachment date of the coupon, excluding treasury shares in portfolio at that date, without prejudice to the regime of those that will be actually awarded, under the current incentive plans, during the current financial year.
    - with regard to the remaining amount, to retained earnings."

For the Board of Directors

The Chairman

(Stefano Pontecorvo)

ATTACHMENT: DISCLOSURE EX-LEGE 124/2017

In accordance with the provisions of Article 1, paragraphs 125-126, of Law 124 of 4 August 2017, information is provided below on grants received from public administrations and granted to Leonardo SpA.

Grants received

Worth noting are the provisions of Law no. 124/2017 imposing disclosure obligations on those entities carrying out the activity referred to in article 2195 of the Italian Civil Code in relation to sums which are not of a general nature and do not consist of fees, remuneration or compensation received from public administrations or similar entities.

Excluded from such scope are any grant consisting of a consideration for Company's services and any grant deriving from bilateral financial relationships, which are peculiar to the Company's business, as well as any general measure that falls within the broader general structure of the reference system defined by the State (among others, Law 237/1993, Law 297/1999, Development Contracts and Regional Operational Programme, Law 808/1985, Regional Laws and National Operational Programmes), the effects of which are described in the notes to the Separate Financial Statements, based on the accounting standards adopted in the preparation of said accounts that can be used by all sector businesses, as well as grants received for continuing professional development from interprofessional funds.

The Company has not received grants falling within the framework of those referred to in article 1, para. 125, of Law 124/2017.

It should also be noted that the transparency of State aid for which there is a publication obligation is protected by their publication in the National Register of State Aids referred to in Article no. 52 of Law 234 of 24 December 2012.

Grants disbursed

As a publicly traded company, Leonardo SpA, is not subject to the obligations under article 1, para. 126 pursuant to art. 2-bis, para. 2, letter b) of Legislative Decree 33/2013.

There are no grants disbursed by Leonardo SpA in the form of donations or disbursements that do not consist of a consideration for services received, not even in the form of a return in terms of image.

APPENDICES

Appendix no.1 (€ mil) - EQUITY INVESTMENTS 1/3

%	Equity investments in subsidiaries		31 December 2022	Movements of the year				31 December 2023
			Carrying amount	Acquis./Subscriptions/ payments of capital	Disposal	Reversals/Impairment	Other changes	Carrying amount
68	ALEA SRL		3	-	-	-	-	3
100	ANSALDOBREDA SPA		17	-	(17)	-	-	-
100	KOPTER GROUP AG		258	-	-	-	-	258
60	LARIMART SPA		14	-	-	-	-	14
100	LEONARDO FOR AVIATION SERVICES (SPC)		1	-	-	-	-	1
100	LEONARDO GLOBAL SOLUTIONS SPA		850	-	-	-	-	850
100	LEONARDO INTERNATIONAL SPA		1,612	-	-	-	-	1,612
100	LEONARDO PARTECIPAZIONI SPA		29	-	-	-	-	29
100	LEONARDO UK LTD		2,805	-	-	-	-	2,805
53	LEONARDO US HOLDING, LLC		1,699	(171)	-	-	-	1,528
100	SELEX ES INTERNATIONAL LTD		54	-	(56)	2	-	-
67	TELESPAZIO SPA	(*)	190	-	-	-	-	190
67	UTM SYSTEMS & SERVICES SRL		4	-	-	-	-	4
100	W.S.K. PZL-SWIDNIK S.A.		143	-	-	-	-	143
TOTAL EQUITY INVESTMENTS IN SUBSIDIARIES			**7,679**	**(171)**	**(73)**	**2**	**-**	**7,437**
	of which							
	Cost		8,269	(171)	(640)	-	-	7,458
	Write-back/Write-down		(590)	-	567	2	-	(21)

(*): joint control

Appendix no.1 (€ mil) - EQUITY INVESTMENTS 2/3

%	Equity investments in associates		31 December 2022	Movements of the year				31 December 2023
			Carrying amount	Acquis./Subscriptions/ payments of capital	Disposal	Reversals/Impairment	Other changes	Carrying amount
30	AGUSTAWESTLAND AVIATION SERVICES LLC		4	-	-	-	-	4
50	AMSH B.V.	(*)	481	-	-	-	-	481
30	AVIO SPA		85	-	-	-	-	85
50	AVIONS DE TRANSPORT REG. - ATR GIE		232	-	-	-	-	232
30	CNBM LEONARDO (SHANGAI) AEROSTRUCTURES CO,. LTD		-	28				28
31	ELETTRONICA SPA		7	-	-	-	-	7
21	EUROFIGHTER JAGDFLUGZEUG GMBH		9	-	-	-	-	9
24	EUROFIGHTER SIMULATION SYSTEMS GMBH		2	-	-	-	-	2
30	G.E.M. ELETTRONICA SRL		5	-	-	-	-	5
23	HENSOLDT AG		618	-	-	-	-	618
32	NHINDUSTRIES SAS		1	-	-	-	-	1
29	INDUSTRIA ITALIANA AUTOBUS SPA	(**)	-	24	-	(24)	-	-
40	JIANGXI CHANGHE AGUSTA HELICOPTERS CO. LTD		2	-	-	-	-	2
50	LEONARDO CAE ADVANCED JET TRAINING SRL		25	-	-	-	-	25
39	LEONARDO HELICOPTERES ALGERIE SPA		22	-	-	-	-	22
49	ORIZZONTE - SISTEMI NAVALI SPA		16	-	-	-	-	16
25	POLO STRATEGICO NAZIONALE SPA	(*)	3	11	-	-	-	14
50	ROTORSIM SRL		28	-	-	-	-	28
33	THALES ALENIA SPACE S.A.S	(*)	401	-	-	-	-	401
Other with unit amount lower than €mil. 1			1	-	-	-	-	1
TOTAL EQUITY INVESTMENTS IN ASSOCIATES			**1,942**	**63**	**-**	**(24)**	**-**	**1,981**
of which								
	Cost		2,568	63	-	-	-	2,631
	Write-back/Write-down		(626)	-	-	(24)	-	(650)

(*): joint control
(**): investment classified at 31 December 2023 within assets/liabilities held for sale

Appendix no.1 (€ mil) - EQUITY INVESTMENTS 3/3

%	Other companies	31 December 2022	Movements of the year				31 December 2023
		Carrying amount	Acquis./Subscriptions/ payments of capital	Disposal	Reversals/Impairment	Other changes	Carrying amount
3	ISTITUTO TRECCANI SPA	2	-	-	-	-	2
15	PANAVIA AIRCRAFT GMBH	3	-	-	-	-	3
17	SKYDWELLER AERO INC.	10	-	-	(10)	-	-
5	VOLTA STRUCTURAL ENERGY SRL	-	1	-	-	-	1
Other with unit amount lower than €mil. 1		2	-	-	-	-	2
TOTAL EQUITY INVESTMENTS IN OTHER COMPANIES		**17**	**1**	**-**	**(10)**	**-**	**8**
of which							
	Cost	18	1	-	-	-	19
	Write-back/Write-down	(1)	-	-	(10)	-	(11)
TOTAL EQUITY INVESTMENTS		**9,638**	**(107)**	**(73)**	**(32)**	**-**	**9,426**
of which							
	Cost	10,855	(107)	(640)	-	-	10,108
	Write-back/Write-down	(1,217)	-	567	(32)	-	(682)

Appendix no.2 (€mil.) - LIST OF EQUITY INVESTMENTS 1/4

Equity investments in subsidiaries

Name		Office	Reporting date	Currency	Share capital (total)	Net Equity (€mil.)	Total Assets (€mil.)	Total Liabilities (€mil.)	Profit (loss) (€mil.)	Ownership %	Equity attributable to the Company (€mil.)	Carrying amount (€mil.)
ALEA SRL		Polcenigo (Italy)	31/12/2023	EUR	129,383	5	5	-	-	67.65	3	3
KOPTER GROUP AG		Wetzikon (Switzerland)	31/12/2023	CHF	32,000,000	209	1,086	877	34	100	209	258
LARIMART SPA		Rome (Italy)	31/12/2023	EUR	2,500,000	37	58	21	9	60	22	14
LEONARDO FOR AVIATION SERVICES (SPC)		Kuwait	31/12/2022	KWD	300,000	-	18	18	-	100	-	1
LEONARDO GLOBAL SOLUTIONS SPA		Rome (Italy)	31/12/2023	EUR	51,000,000	901	1,240	339	22	100	901	850
LEONARDO INTERNATIONAL SPA		Rome (Italy)	31/12/2023	EUR	1,000,000	1,890	1,978	88	6	100	1,890	1,612
LEONARDO LOGISTICS SPA		Rome (Italy)	31/1272023	EUR	1,000,000	3	108	105	-	100	3	-
LEONARDO PARTECIPAZIONI SPA		Rome (Italy)	31/12/2023	EUR	100,000	22	134	112	(7)	100	22	29
LEONARDO UK LTD		Basildon (UK)	31/12/2023	GBP	314,500,100	2,402	4,612	2,210	192	100	2,402	2,805
LEONARDO US HOLDING, LLC		Wilmington (USA)	31/12/2023	USD	10	2,969	2,971	2	47	53.11	1,577	1,528
TELESPAZIO SPA	(*)	Rome (Italy)	31/12/2023	EUR	50,000,000	275	654	379	41	67	184	190
UTM SYSTEMS & SERVICES SRL		Rome (Italy)	31/12/2023	EUR	6,620,000	7	9	2	-	66.67	5	4
W.S.K. PZL-SWIDNIK S.A.		Świdnik (Poland)	31/12/2023	PLN	307,642,000	207	541	334	(18)	100	207	143
											TOTAL EQUITY INVESTMENTS IN SUBSIDIARIES	**7,437**

(*): joint control

Appendix no.2 (€mil.) - LIST OF EQUITY INVESTMENTS **2/4**

Equity investments in associates

Name		Office	Reporting date	Currency	Share capital (total)	Net Equity (€mil.)	Total Assets (€mil.)	Total Liabilities (€mil.)	Profit (loss) (€mil.)	Ownership %	Equity attributable to the Company (€mil.)	Carrying amount (€mil.)
ADVANCED MALE AIRCRAFT LLC		Al Ain (United Arab Emirates)	n.d.	AED	200,000	-	-	-	-	49	-	-
AGUSTAWESTLAND AVIATION SERVICES LLC		Abu Dhabi City (United Arab Emirates)	31/12/2023	AED	58,010,000	27	39	12	3	30	8	4
AMSH B.V.	(*)	Rotterdam (Netherlands)	31/12/2022	EUR	36,296,316	1,455	1,455	-	193	50	728	481
AVIO SPA		Rome (Italy)	31/12/2022	EUR	90,964,212	281	1,318	1,037	(2)	29.63	83	85
CNBM (SHANGHAI) AVIATION TECHNOLOGY CO. LTD.		Shanghai (China)	n.d.	CNY	200,000,000	-	-	-	-	30	-	28
AVIONS DE TRANSPORT REGIONAL - GIE ATR		Blagnac Cedex (France)	31/12/2022	USD	n.d.	31	1,013	982	31	50	15	232
ELETTRONICA SPA		Rome (Italy)	31/12/2023	EUR	9,000,000	132	-	-	15	31.33	41	7
EUROFIGHTER JAGDFLUGZEUG GMBH		Hallbergmoos (Germany)	31/12/2022	EUR	639,114	31	1,482	1,451	8	21	7	9
EUROFIGHTER SIMULATION SYSTEMS GMBH		Hallbergmoos (Germany)	31/12/2022	EUR	260,000	3	4	1	-	24	1	2
EUROMIDS S.A.S		Paris (France)	31/12/2022	EUR	40,500	4	42	38	-	25	1	1
G.E.M. ELETTRONICA SRL		Ascoli Piceno (Italy)	31/12/2022	EUR	4,500,000	16	45	29	3	30	5	5
HELIVERT JOINT STOCK COMPANY		Moscow (Russia)	31/12/2023	RUB	325,010,000	(14)	27	41	(4)	50	(7)	-
HENSOLDT AG		Taufkirchen (Germany)	31/12/2022	EUR	105,000,000	1,778	2,934	1,156	38	22.80	405	618
IAMCO-INT. AEROSPACE MANAG. COMPANY SCRL		Venice (Italy)	31/12/2022	EUR	208,000	2	9	7	1	25	1	-
IVECO - OTO MELARA S.C. A. RL		Rome (Italy)	31/12/2022	EUR	40,000	-	327	327	-	50	-	-
JIANGXI CHANGHE AGUSTA HELICOPTERS CO. LTD		Jingdezhen (China)	31/12/2023	CNY	48,403,000	7	12	5	6	40	3	2
LEONARDO CAE ADVANCED JET TRAINING SRL		Decimomannu (Italy)	31/12/2022	EUR	29,040,000	40	186	146	(7)	50	20	25
LEONARDO HELICOPTERES ALGERIE SPA		Ain Arnat (Algeria)	31/12/2022	DZD	7,420,165	50	50	-	-	39	20	22
LIBYAN ITALIAN ADVANCED TECHNOLOGY COMPANY		Tripoli (Lybia)	31/12/2011	LYD	8,000,000	1	5	4	(1)	25	-	-
MACCHI HUREL DUBOIS S.A.S		Versailles (France)	31/12/2022	EUR	100,000	1	33	32	-	50	1	-
NHINDUSTRIES (S.A.S)		Aix-en-Provence (France)	31/12/2023	EUR	306,000	11	9	9	2	32	4	1
ORIZZONTE - SISTEMI NAVALI SPA		Genoa (Italy)	31/12/2022	EUR	20,000,000	36	2,324	2,288	-	49	18	16
POLO STRATEGICO NAZIONALE SPA	(*)	Rome (Italy)	31/03/2023	EUR	3,000,000	35	153	118	13	25	9	14
ROTORSIM SRL		Sesto Calende (Italy)	31/12/2023	EUR	9,800,000	77	86	9	6	50	39	28
THALES ALENIA SPACE S.A.S	(*)	Cannes (France)	31/12/2022	EUR	918,037,500	1,268	1,571	303	142	33	418	401
											TOTAL EQUITY INVESTMENTS IN ASSOCIATES	**1,981**

(*): joint control

Appendix no.2 (€mil.) - LIST OF EQUITY INVESTMENTS **3/4**

Consortiums

Name	Office	Reporting date	Currency	Share capital (total)	Net Equity (€mil.)	Total Assets (€mil.)	Total Liabilities (€mil.)	Profit (loss) (€mil.)	Ownership %	Equity attributable to the Company (€mil.)	Carrying amount (€mil.)
CONS. ELIS PER LA FORMAZIONE PROFESSIOALE SUPERIORE SCRL	Rome (Italy)	31/12/2022	EUR	51,000	-	10	10	-	0.10	-	-
CONAI - CONSORZIO NAZIONALE IMBALLAGGI	Rome (Italy)	31/12/2022	EUR	15,073,170	26	83	57	1	0.02	-	-
CONSORZIO BI-REX	Bologna (Italy)	31/12/2022	EUR	235,000	-	7	7	-	0.45	-	-
CONSORZIO CREO - CENTRO RICERCHE ELETTRONICHE	L'Aquila (Italy)	31/12/2023	EUR	774,685	-	2	2	-	99	-	1
CONS. ERION PROFESSIONAL	Milan (Italy)	31/12/2023	EUR	3,787,621	1	1	-	1	0.02	-	-
CONSORZIO IANUA	Genoa (Italy)	31/12/2022	EUR	49,716	-	-	-	-	16.67	-	-
CONS. IMPRENDITORI GIUGLIANO - ASI	Giugliano (Italy)	31/12/2022	EUR	50,000	-	1	1	-	15.15	-	-
CONSORZIO KIDS	Rome (Italy)	31/12/2023	EUR	100,000	-	-	-	-	90	-	-
CONS. PER L'ENERGIA VARESE - ENERGI.VA	Varese (Italy)	31/12/2022	EUR	80,242	-	-	-	-	0.67	-	-
CONS. LEONARDO SKILLS AND TRAINING	Naples (Italy)	31/12/2022	EUR	211,123	1	3	2	-	64.81	1	-
CONSORZIO HYPERBUILDERS	Rome (Italy)	n.d	EUR	n.d.	-	-	-	-	3.78	-	-
CONS. SISTEMA SOLDATO SICURO	Rome (Italy)	31/12/2023	EUR	40,000	-	-	-	-	65	-	-
CONSORZIO TESSERA	Venice (Italy)	31/12/2022	EUR	40,000	-	-	-	-	90	-	-
E-NET SERVIZI DI PRESIDIO E ASSISTENZA TECNICA (E-SPAT)	Rome (Italy)	31/12/2022	EUR	10,000	-	3	3	-	92	-	-
G.E.I.E EUROTORP	Vallauris (France)	31/12/2016	EUR	n.d.	-	-	-	-	50	-	-
TICOM - CONS. PER LE TECNOL. DELL'INFORMAZ.E COMUNICAZ.	Campi Bisenzio (Italy)	31/12/2022	EUR	10,000	-	-	-	-	100	-	-
										TOTAL EQUITY INVESTMENTS IN CONSORTIUMS	**1**

Appendix no.2 (€mil.) - LIST OF EQUITY INVESTMENTS **4/4**

Other companies

Name	Office	Reporting date	Currency	Share capital (total)	Net Equity (€mil.)	Total Assets (€mil.)	Total Liabilities (€mil.)	Profit (loss) (€mil.)	Ownership %	Equity attributable to the Company (€mil.)	Carrying amount (€mil.)
A4ESSOR S.A.S	Gennevilliers (France)	31/12/2022	EUR	123,100	1	58	57	-	18.77	-	-
AGGREG. PUBL-PRIV. SULLA LOGISTICA MARE-TERRA SCARL	Naples (Italy)	31/12/2022	EUR	81,000	-	1	-	-	7.69	-	-
CANARY BIT AB	Sollentuna (Sweden)	31/12/2022	SEK	29,412	0	0	-	-	15	-	1
C.I.R.A. (CENTRO ITALIANO DI RICERCHE AEROSPAZIALI) - SCPA	Capua (Italy)	31/12/2022	EUR	985,224	108	154	47	2	12	13	-
CENTRO PER GLI STUDI DI TECNICA NAVALE CETENA SPA	Genoa (Italy)	31/12/2022	EUR	1,000,000	10	38	28	1	2.60	-	-
COMPAGNIA AEREA ITALIANA SPA	Rome (Italy)	31/12/2022	EUR	3,526,846	10	34	25	-	0.01	-	-
COMPETENCE INDUSTRY MANUFACTURING 4.0 S.C. A R.L.	Turin (Italy)	31/12/2022	EUR	3,460,000	4	16	12	-	4.31	-	-
DISTRETTO AEREOSPAZIALE DELLA SARDEGNA S.C.A R.L.	Cagliari (Italy)	31/12/2022	EUR	97,112	-	-	-	-	5.55	-	-
DISTRETTO LIGURE DELLE TECNOLOGIE MARINE S.C.A R.L.	La Spezia (Italy)	31/12/2022	EUR	1,140,000	1	9	8	-	9.80	-	-
DISTRETTO TECNOLOGICO AEROSPAZIALE DELLA CAMPANIA S.C.A R.L.	Capua (Italy)	31/12/2022	EUR	827,500	1	7	6	-	3.69	-	-
DISTRETTO TECNOLOGICO AEROSPAZIALE S.C.A R.L.	Brindisi (Italy)	31/12/2022	EUR	150,000	2	13	11	-	18.74	-	-
EUROPEAN ORGANISATION FOR SECURITY S.C.R.L.	Bruxelles (Belgium)	31/12/2022	EUR	72,000	-	2	2	-	2.38	-	-
EUROPEAN SATELLITE NAVIGATION INDUSTRIES GMBH (IN LIQ.)	Ottobrunn (Germany)	12/11/2020	EUR	264,000	-	3	3	-	18.94	-	-
FLYINGBASKET SRL	Bolzano (Italy)	31/12/2022	EUR	14,426	2	3	1	(1)	8.53	-	
I.M.A.S.T. S.C. A R.L.	Naples (Italy)	31/12/2022	EUR	689,000	2	5	3	-	7.27	-	-
ISTITUTO DELLA ENCICL. ITALIANA TRECCANI SPA	Rome (Italy)	31/12/2022	EUR	62,124,105	89	101	12	-	2.72	2	2
PANAVIA AIRCRAFT GMBH	Hallbergmoos (Germany)	31/12/2022	EUR	10,225,838	41	180	139	-	15	6	3
S.E.C.B.A.T. SARL	Saint - Cloud (France)	31/12/2022	EUR	32,000	1	15	14	-	13.55	-	-
SIIT SCPA	Genoa (Italy)	31/12/2022	EUR	600,000	1	2	1	-	12.10	-	-
SKYDWELLER AERO INC	Delaware (USA)	31/12/2022	USD	474,004	37	59	22	2	16.54	6	-
SUPERJET INTERNATIONAL SPA	Tessera (Italy)	n.d.	EUR	32,984,147	-	-	-	-	10	-	-
TEC DATABENC S.C.A R.L.	Naples (Italy)	31/12/2022	EUR	30,000	-	-	-	-	3.33	-	-
VITROCISET JADWALEAN LTD	Riyadh (Saudi Aradia)	n.d.	RIAL SAUDITA	2,000,000	-	-	-	-	45	-	-
VOLTA STRUCTURAL ENERGY SRL	Milan (Italy)	31/12/2022	EUR	15,309	-	-	-	-	19.05	-	1
TOTAL EQUITY INVESTMENTS IN OTHER COMPANIES											**7**
TOTAL EQUITY INVESTMENTS											**9,426**

Appendix no.3 (€ mil.)- NON-CURRENT RECEIVABLES

	31 December 2022			Movements of the year			31 December 2023		
	Residual nominal amount	Impairment	Carrying amount	Disbursement	Reclass.	Reimbourse ments	Residual nominal amount	Impairment	Carrying amount
Receivables	45	-	45	-	-	-	45	-	45
- Receivables from subsidiaries	88	-	88	48	(5)	(1)	130	-	130
Total receivables	**133**	**-**	**133**	**48**	**(5)**	**(1)**	**175**	**-**	**175**

Appendix no. 4 (€ mil.) - ASSETS BROKEN DOWN BY MATURITY

	31 December 2022			31 December 2023		
	Amounts due			Amounts due		
	from 2nd to 5th subsequent year	beyond 5th year	Total	from 2nd to 5th subsequent year	beyond 5th year	Total
Receivables	42	3	45	42	3	45
Non-current loans and receivables from relates parties	62	26	88	50	80	130
Other non current assets	33	-	33	31	-	31
Total receivables and non-current assets	**137**	**29**	**166**	**123**	**83**	**206**

Appendix no.5 (€ mil.) - FOREIGN CURRENCY ASSETS

	31 December 2022			31 December 2023		
	In foreign currency	in Euro	Total	In foreign currency	in Euro	Total
Receivables	-	45	45	-	45	45
Non-current loans and receivables from relates parties	5	83	88	-	130	130
Other non current assets	-	33	33	-	31	31
Total receivables and other non-current assets	**5**	**161**	**166**	**-**	**206**	**206**
Deferred tax assets	-	841	841	-	865	865
Total non-current assets	**5**	**1,002**	**1,007**	**-**	**1,071**	**1,071**
Loans and receivables	-	49	49	-	14	14
Loans and receivables form related parties	200	77	277	298	209	507
	200	**126**	**326**	**298**	**223**	**521**
Trade receivables	413	1,575	1,988	688	1,502	2,190
Trade receivables from related parties	268	865	1,133	383	1,055	1,438
	681	**2,440**	**3,121**	**1,071**	**2,557**	**3,628**
Other assets	30	431	461	23	465	488
Other receivables from related parties	1	26	27	1	24	25
	31	**457**	**488**	**24**	**489**	**513**
Income tax receivables	7	27	34	8	52	60
Cash and cash equivalents	113	927	1,040	106	1,685	1,791
Total current assets	**1,032**	**3,977**	**5,009**	**1,507**	**5,006**	**6,513**

Appendix no.6 (€ mil.) - ASSETS BY GEOGRAPHICAL AREA

	31 December 2022					31 December 2023				
	Italy	Rest of Europe	North America	Rest of the world	Total	Italy	Rest of Europe	North America	Rest of the world	Total
Receivables	16	**29**	-	-	45	16	29	-	-	45
Non-current loans and receivables from relates parties	83	0	5	-	88	130	-	-	-	130
Other non current assets	33	-	-	-	33	31	-	-	-	31
Total receivables and other non-current assets	**132**	**29**	**5**	-	**166**	**177**	**29**	-	-	**206**
Deferred tax assets	841	-	-	-	841	865	-	-	-	865
Total non-current assets	**973**	**29**	**5**	-	**1,007**	**1,042**	**29**	-	-	**1,071**
Loans and receivables	13	**36**	-	-	49	3	2	-	9	14
Loans and receivables form related parties	38	238	**1**	-	277	35	471	1	-	507
	51	**274**	**1**	-	**326**	**38**	**473**	**1**	**9**	**521**
Trade receivables	456	422	160	950	1,988	414	440	173	1,163	2,190
Trade receivables from related parties	355	601	130	47	1,133	327	750	200	161	1,438
	811	**1,023**	**290**	**997**	**3,121**	**741**	**1,190**	**373**	**1,324**	**3,628**
Other assets	425	6	-	30	461	397	49	2	40	488
Other receivables from related parties	3	**23**	1	-	27	24		1	-	25
	428	**29**	**1**	**30**	**488**	**421**	**49**	**3**	**40**	**513**
Income tax receivables	27	-	-	**7**	34	53	1	1	5	60
Cash and cash equivalents	1,013	1	-	26	1,040	1,764	3	-	24	1,791
Total current assets	**2,330**	**1,327**	**292**	**1,060**	**5,009**	**3,017**	**1,716**	**378**	**1,402**	**6,513**

Appendix no.7 (€ mil.) - LIABILITIES BROKEN DOWN BY MATURITY

	31 December 2022			31 December 2023		
	Amounts due			Amounts due		
	from 2nd to 5th subsequent year	beyond 5th year	Total	from 2nd to 5th subsequent year	beyond 5th year	Total
Other non-current liabilities	297	436	733	303	460	763
Loans and borrowings (non current)	2,486	308	2,794	1,896	254	2,150
Non-current loans and borrowings to related parties	473	158	631	415	120	535
Total non-current liabilities	**3,256**	**902**	**4,158**	**2,614**	**834**	**3,448**

Appendix no.8 (€ mil.) - FOREIGN CURRENCY LIABILITIES

	31 December 2022			31 December 2023		
	In foreign currency	in Euro	Total	In foreign currency	in Euro	Total
Loans and borrowings (non current)	2	2,792	2,794	-	2,150	2,150
Non-current loans and borrowings to related parties	58	573	631	54	481	535
	60	3,365	3,425	54	2,631	2,685
Deferred tax assets	-	87	87	-	96	96
Other non-current liabilities	20	556	576	20	516	536
Other non-current liabilities to related parties	157	-	157	152	75	227
Total non-current liabilities	**237**	**4,008**	**4,245**	**226**	**3,318**	**3,544**
Loans and Borrowings	3	100	103	1	711	712
Related-parties loans and borrowings	1,158	1,178	2,336	1,122	1,454	2,576
	1,161	1,278	2,439	1,123	2,165	3,288
Trade payables	266	1,542	1,808	204	1,772	1,976
Trade payables to related parties	172	495	667	256	570	826
	438	2,037	2,475	460	2,342	2,802
Other liabilities	24	1,308	1,332	13	1,171	1,184
Other payables to related parties	-	81	81	35	93	128
	24	1,389	1,413	48	1,264	1,312
Income tax payables	-	64	64	3	-	3
Total current liabilities	**1,623**	**4,768**	**6,391**	**1,634**	**5,771**	**7,405**

Appendix no. 9 (€ mil) - LIABILITIES BY GEOGRAPHICAL AREA

	31 December 2022					31 December 2023				
	Italy	Rest of Europe	North America	Rest of the world	Total	Italy	Rest of Europe	North America	Rest of the world	Total
Loans and borrowings (non current)	2,310	483	-	1	2,794	1,089	1,061	-	-	2,150
Non-current loans and borrowings to related parties	573	-	58	-	631	481	-	54	-	535
	2,883	483	58	1	3,425	1,570	1,061	54	-	2,685
Deferred tax assets	87	-	-	-	87	96	-	-	-	96
Other non-current liabilities	556	-	20	-	576	516	-	20	-	536
Other non-current liabilities to related parties	-	-	157	-	157	75	-	152	-	227
Total non-current liabilities	**3,526**	**483**	**235**	**1**	**4,245**	**2,257**	**1,061**	**226**	**-**	**3,544**
Loans and Borrowings	78	22	-	3	103	671	41	-	-	712
Related-parties loans and borrowings	460	1,860	-	16	2,336	564	1,996	-	16	2,576
	538	1,882	-	19	2,439	1,235	2,037	-	16	3,288
Trade payables	1,291	192	136	189	1,808	1,398	340	122	116	1,976
Trade payables to related parties	218	305	71	73	667	213	401	100	112	826
	1,509	497	207	262	2,475	1,611	741	222	228	2,802
Other liabilities	1,275	14	-	43	1,332	1,123	6	23	32	1,184
Other payables to related parties	81	-	-	-	81	93	35	-	-	128
	1,356	14	-	43	1,413	1,216	41	23	32	1,312
Income tax payables	63	-	-	1	64	-	1	-	2	3
Total current liabilities	**3,466**	**2,393**	**207**	**325**	**6,391**	**4,062**	**2,820**	**245**	**278**	**7,405**

For the Board of Directors

The Chairman

(Stefano Pontecorvo)

STATEMENT ON THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ART. 154-BIS, PARAGRAPH 5 OF LEGISLATIVE DECREE 58/98 AS AMENDED

1. The undersigned Roberto Cingolani as the Chief Executive Officer and General Manager and Alessandra Genco as the Officer in charge of Financial Reporting for Leonardo SpA, certify, in accordance with Article 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:

- the appropriateness of the financial statements with regard to the nature of the business and
- the effective application of administrative and accounting procedures in preparing the separate financial statements at 31 December 2023.

2. In this respect it is noted that no significant matters arose.
3. It is also certified that:

3.1 The separate financial statements:

- were prepared in accordance with International Financial Reporting Standards endorsed by the European Community pursuant to EU Regulation 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to the entries in the books and accounting records;
- were prepared in compliance with Article 154-ter of the mentioned Legislative Decree no. 58/98 as amended and supplemented, and provide a true and fair view of the financial position and results of operations of the issuer.

3.2 The Report on Operations includes a reliable analysis of the performance and the operating result, as well as the position of the issuer, together with a description of the main risks and uncertainties it is exposed to.

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

Rome, 12 March 2024

Chief Executive Officer and General Manager	Officer in charge of financial reporting
(Roberto Cingolani)	(Alessandra Genco)

Independent Auditor's report on the separate financial statements as at 31 December 2023

Leonardo S.p.A.

Financial statements as at December 31, 2023

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010, and article 10 of EU Regulation n. 537/2014

EY S.p.A.
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00187 Roma

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Leonardo S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Leonardo S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2023, the separate income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

EY S.p.A.
Sede Legale: Via Meravigli, 12 – 20123 Milano
Sede Secondaria: Via Lombardia, 31 – 00187 Roma
Capitale Sociale Euro 2.600.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. di Milano 606158 - P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998

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We identified the following key audit matters:

Key Audit Matter	Audit response
Recognition of revenues and losses from long-term contracts with customers Revenues from long-term contracts with customers are recognized "over-time" using an input method for measuring progress towards complete satisfaction of performance obligations based on the percentage of completion obtained from the ratio of incurred costs on the total expected costs for the contract over the life of the project (cost to cost method). The estimation of the total expected project costs is, by its nature, complex and characterized by significant uncertainties as it may be impacted by many factors, including the ability to fulfill the obligations assumed towards customers, which may also result in penalties and additional expenses for significant amounts. Therefore, the estimate involves a high degree of judgment by Directors that may significantly affect the contract revenues recognition and any loss at completion in cases of negative margin expectation. Accordingly, we identified this area as a key audit matter. The disclosures related to the criteria applied for the recognition and measurement of revenues and margins on long-term contracts with customers are included in notes "3. Accounting policies", "14. Contract assets and liabilities", "22. Provisions for risk and charges and contingent liabilities" and "27. Revenues".	Our audit procedures in response to the key audit matter included, among others: • the understanding of the criteria applied for the recognition of revenues from long-term contracts with customers; • the assessment of the process and key controls over the recognition of revenues from long-term contracts with customers; • for a sample of contracts we performed: (i) testing of relevant contractual terms and conditions in order to verify whether those were adequately considered in management estimates; (ii) testing of the reasonableness of key assumptions underlying the estimation of the life-of-project costs based on inquiries, analysis of any communications with customers and comparative analysis; (iii) comparative analysis between actual figures and estimates made in previous periods in order to assess the accuracy of management's forecasting; (iv) testing of incurred costs and their allocation to proper on-going contracts. Lastly, we have reviewed the disclosures provided in the notes to the financial statements regarding this key audit matter.
Test of the recoverability of goodwill and equity investments Goodwill as at December 31,2023 amounts to Euro 708 million; Equity investments amount to Euro 9.426 million. Directors tested for impairment the Cash Generating Units (CGUs) to which goodwill and equity investments have been allocated in order	Our audit procedures in response to the key audit matter included, among others: • the assessment of the procedure applied in the performance of the impairment test as approved by the Directors; • testing of the criteria applied for identifying the CGUs and allocating

to identify any impairment loss in respect of their recoverable amount.

The recoverable amount of each CGU is determined using the value in use method and it is based on complex assumptions that inherently involve a degree of judgment by Directors, with reference to the expected cash flows over the period considered in the Business Plan 2024-2028, to the estimate of the terminal value and the determination of the long-term growth and discount rates.

Because of the judgement involved and the complexity of the assumptions underlying the estimation of the recoverable amount of goodwill and equity investments, we identified this area as a key audit matter.

Disclosures on the assumptions and the estimations adopted when performing the impairment test are included in the notes "3. Accounting policies", "8. Intangible Assets" and "11. Equity investments".

relevant assets and liabilities to them;

- the assessment of the presence of any impairment indicator on the recoverability of equity investments;
- the analysis of the expected cash flows of each CGU and testing of their consistency with the expected cash flows resulting from the Business Plan 2024-2028;
- the assessment of the reasonableness of the estimates made by Directors, also by comparing actual figures and estimates made in previous periods;
- the assessment of the long-term growth and discount rates;
- the assessment of the sensitivity analysis performed by Directors on key assumptions underlying the impairment test.

In performing our procedures we involved our experts in valuation techniques.

Lastly, we have reviewed the disclosures provided in the notes to the financial statements regarding this key audit matter.

Recognition and subsequent measurement of non-recurring costs and development costs

Non-recurring costs and developments costs capitalized as intangible assets as at December 31, 2023 amount to an aggregate of Euro 2.120 million.

The initial recognition of these assets and the subsequent assessment of their recoverability are based on complex assumptions that inherently involve a degree of judgment by Directors as influenced by many factors including the time horizon of the product business plans and management's ability to forecast the commercial success of the underlying technologies.

Because of the judgement involved and the complexity of the underlying assumptions, we identified this area as a key audit matter.

Disclosures on the assumptions and the estimations adopted in the recognition and

Our audit procedures in response to the key audit matter included, among others:

- understanding of the processes applied in recognizing for non-recurring costs and development costs and the process related to the assessment of their recoverability;
- for a sample of development programs we performed:
  - (i) substantive procedures aimed at verifying internal and external costs recognized during the period;
  - (ii) assessment of the reasonableness of key assumptions underlying the product business plans;
  - (iii) testing of the discount rates;
  - (iv) assessment of the sensitivity analysis performed by Directors on the key assumptions underlying the impairment test.

subsequent measurement of non-recurring costs and development costs are included in the notes "3. Accounting policies" and "8. Intangible Assets".	In performing our procedures we involved our experts in valuation techniques. Lastly, we have reviewed the disclosures provided in the notes to the financial statements regarding this key audit matter.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The statutory audit committee (Collegio Sindacale) is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant risks or the safeguard measures applied.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The Shareholders of Leonardo S.p.A., in the general meeting held on May 20, 2020, engaged us to perform the audits of the financial statements and consolidated financial statements for each of the years ending December 31, 2021 to December 31, 2029.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion on the compliance with Delegated Regulation (EU) 2019/815

The Directors of Leonardo S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulation (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the "Delegated Regulation") to the financial statements, to be included in the annual financial report.

We have performed the procedures under the audit standard SA Italia n. 700B, in order to express an opinion on the compliance of the financial statements as at December 31, 2023 with the provisions of the Delegated Regulation.

In our opinion, the financial statements as at December 31, 2023 have been prepared in the XHTML format in compliance with the provisions of the Delegated Regulation.

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated January 27, 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated February 24, 1998

The Directors of Leonardo S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Leonardo S.p.A. as at December 31, 2023, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated February 24, 1998, with the financial statements of Leonardo S.p.A. as at December 31, 2023 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Leonardo S.p.A. as at December 31, 2023 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated January 27, 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Rome, March 15, 2024

EY S.p.A.
Signed by: Riccardo Rossi, Auditor

The accompanying financial statements of Leonardo S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Report of the Board of statutory Auditors to the Shareholders' Meeting

REPORT OF THE BOARD OF STATUTORY AUDITORS
TO THE SHAREHOLDERS' MEETING OF LEONARDO S.P.A.
CALLED TO APPROVE THE 2023 FINANCIAL STATEMENTS
(PURSUANT TO ART. 153 OF LEGISLATIVE DECREE NO. 58/1998)

To the Shareholders' Meeting of the company Leonardo S.p.a.

Dear Shareholders,

the Board of Statutory Auditors of the company Leonardo S.p.a. (hereinafter also "the Company") hereby submits its report pursuant to Article 153 of Legislative Decree No. 58/1998 (T.U.F. - *Testo Unico della Finanza*, Consolidated Law on Financial Intermediation) to report on the activity performed.

The Board of Statutory Auditors serving at present was appointed by the Shareholders' Meeting on 19 May 2021 and will terminate its mandate with the Shareholders' Meeting to approve the Financial Statements as at 31 December 2023.

The Board of Statutory Auditors consists of the following members: Mr Luca Rossi, Chairman, Ms Anna Rita de Mauro, Ms Sara Fornasiero, Mr Leonardo Quagliata and Mr Amedeo Sacrestano, Regular Auditors.

The Shareholders' Meeting held on 20 May 2020 appointed the independent auditing firm EY S.p.A. (hereinafter also the "Auditing Firm"), to carry out the statutory audit of accounts starting from 2021 and for the period from 2021 to 2029.

On 9 May 2023, the Shareholders' Meeting, after setting the number of Board members at twelve, proceeded with the appointment of the new Board of Directors of the Company for the three-year period 2023 – 2025 and of the Chairman. Again on 9 May on 9 May 2023 the Board of Directors appointed the Chief Executive Officer and General Manager assigning powers to him and to the Chairman. On 23 May 2023, the internal Board committees were set up in accordance with the Corporate Governance Code for listed companies, and the Lead Independent Director was appointed. On 28 July 2023, the Surveillance Body was appointed pursuant to Legislative Decree 231/2001.

Furthermore, on 9 May 2023, the Board of Directors approved the creation, effective from 1 June 2023, of the new General Business & Operations Department.

During the year ended on 31 December 2023 the Board of Statutory Auditors, also in its capacity as Internal Control and Auditing Committee, carried out the checks and other supervisory activities in compliance with the relevant laws and regulations in force, as well as the Corporate Governance Code, the Rules of Conduct of the Board of Statutory Auditors of listed companies issued by the National Council of Chartered Accountants and Accounting Experts and the Communications issued by CONSOB regarding corporate checks and the activities of the Board of Statutory Auditors.

With effect from 1 June 2022, Leonardo S.p.a. is subject to the audit of the Court of Auditors pursuant to Art. 12 of Law No. 259 of 21 March 1958. We point out that, by virtue of the provisions of Art. 12 of Law No. 259/1958, the Delegated Judge for the audit of the financial transactions attends the meetings of the Board of Directors and of the Board of Statutory Auditors of Leonardo S.p.a.

This report has been prepared in accordance with the instructions provided by CONSOB with Communication DEM/1025564 of 6 April 2001 as amended and supplemented.

* * *

The Board of Statutory Auditors has adopted its own Rules of Procedure which govern the role, organization and the methods of functioning of the body, in line with the main organizational aspects of Leonardo’s corporate governance model, in the light of the principles and rules laid down by the Corporate Governance Code and by the Rules of conduct of the boards of statutory auditors of listed companies.

During the year the Board of Statutory Auditors – in the meeting held on 26 February 2024 – provided for the self-assessment of the independence of its members, whose outcome confirmed the existence of the independence requirements for all its members. It is hereby acknowledged that no Statutory Auditor has had any interests, on his/her own behalf or on behalf of third parties, in any transaction of the Company during the financial year and that the members of the Board of Statutory Auditors have complied with the cumulation of offices required by Art. 144-*terdecies* of the Issuers’ Regulation.

As required by the Corporate Governance Code, the Board of Statutory Auditors, within the scope of the tasks assigned to it by law, verified the correct application of the assessment criteria and procedures adopted by the Board of Directors to assess the independence of its members, on the occasion of the renewal of the Board of Directors as well as upon the annual verification about the existence of the independence requirements, as per the press releases of 9 May 2023 and 29 February 2024.

As in previous years, the Board carried out a self-assessment process relating to the 2023 financial year, thus making use of the support of the external consultant (Eric Salmon & Partners S.r.l.) for the fourth year running. This self-assessment process was aimed at gathering the opinions of the members of the Board of Statutory Auditors regarding both the work and the composition of the Board itself, in line with the provisions of the Rules of Conduct of the Board of Statutory Auditors of listed companies issued by the National Council of Chartered Accountants and Accounting Experts. The results, the assessments carried out and the conclusive instructions of the Board of Statutory Auditors were discussed collectively and subsequently collected in the document called "Analysis of the results and comments of the Statutory Auditors", on the basis of which an executive summary was prepared, sent to the Board of Directors and whose content was incorporated in the Report on Corporate Governance and Shareholder Structure. On completion of this self-evaluation, the Board of Statutory Auditors drafted, supported by the aforesaid external advisor, a document containing its Guidelines to the Shareholders for the renewal of the monitoring body.

* * *

The Board of Statutory Auditors regularly met during the year, minuting the control activities carried out. As part of the activities and tasks assigned to the Board of Statutory Auditors while implementing the relevant regulations, the Board of Statutory Auditors:

a) held twenty-two meetings in 2023 and seven meetings from the beginning of 2024 to the date of this report and carried out audits and gathered information from the heads of the different corporate functions, periodically meeting the top positions for an exchange of information on the performance of the corporate transactions, thus acquiring the knowledge necessary to monitor, pursuant to Art. 149 of T.U.F., the compliance with the law and the memorandum of association, the compliance with the principles of correct management and the adequacy of the organizational structure, the internal control system, the administrative-accounting system, also pursuant to Art. 2086 of the Italian Civil Code and of Legislative Decree No. 14 of 12 January 2019 (Business Crisis and Insolvency Code), as well as the implementation of the corporate governance rules from the codes of conduct and the adequacy of the instructions given to the subsidiaries, without any remark; relations with the Company's personnel were inspired by mutual collaboration in compliance with the subjective roles and areas of competence and each body or function of the Company has fulfilled the reporting obligations provided for by the applicable regulation;

b) attended the Shareholders’ Meeting held on 9 May 2023 in its ordinary session, to which the Shareholders were able to intervene exclusively through the designated representative, pursuant to Art. 106 of Law Decree No. 18/2020, subsequently converted into Law No. 27/2020, whose efficacy was extended until 31 July 2023 by Law Decree No. 198 of 29 December 2022, converted with amendments by Law No. 14 of 24 February 2023;

c) attended the thirteen meetings held by the Board of Directors during 2023 and the three meetings held from the beginning of 2024 to the date of this report, during which it was informed of the work done and of the financial transactions which are materially important in terms of the Company’s assets and financial position carried out by the Company and its subsidiaries, thus obtaining adequate and timely information on their performance;

d) attended the eleven meetings of the Control and Risks Committee, the eight meetings of the Remuneration Committee, the nine meetings of the Nomination and Governance Committee, the eight meetings of the Sustainability and Innovation Committee held in 2023 and the four meetings of the Control and Risks Committee, the three meetings of the Remuneration Committee, the three meetings of the Nomination and Governance Committee, the five meetings of the Sustainability and Innovation Committee held from the beginning of 2024 to the date of this report, thus acknowledging that the above-mentioned Committees have worked in compliance with the provisions of the Corporate Governance Code and their own Rules of Procedure.

An effective flow of information is in place between the Board of Statutory Auditors, the Board of Directors, the internal Committees and the Company's offices.

The collaboration and discussions with the Control and Risks Committee, also through the organization of joint meetings on topics of common interest, have been fruitful and effective and have, among other things, allowed to complete the analysis process of the Board of Statutory Auditors on risk control and management, thus acquiring further information with respect to that obtained through the constant contacts and meetings with the Chief Audit Executive ("CAE") and the Chief Risk Officer of the Company, as well as with the other persons involved in any capacity in the internal control and risk management system including the Group General Counsel and, following organizational changes, the Heads of the Compliance O.U. and Legal Affairs O.U..

The Board of Statutory Auditors, in particular, acknowledges that during the meetings of the Control and Risks Committee, checks were carried out, as established by the Corporate Governance Code and the Committee's Rules of Procedure, regularly presented to the Board of Statutory Auditors also as Internal Control and Auditing Committee, in particular monitoring the adequacy and effectiveness of the Internal Control and Risks Management System, with respect to the Company's characteristics and the risk factor accepted by the Company and of the Work Plan prepared by the CAE and referred to the audits of Leonardo planned for 2023 and carried out by the Group Internal Audit O.U. ("GIA") in the relevant period (April 2023 – March 2024) after submission of the Plan to the Control and Risks Committee and then to the Board of Directors. Furthermore, the Board of Statutory Auditors acknowledged that the Control and Risks Committee expressed its favourable opinion on 8 March 2024 on the annual assessment of the adequacy of the Internal Control and Risks Management System on the basis of the relevant results provided by the CAE in relation to what is provided for in the Guidelines regarding the assessment process of the Internal Control and Risks Management System adopted by the Board of Directors in February 2022.

Furthermore, the Board of Statutory Auditors acknowledged that the Board of Directors, on 11 March 2024, assessed, also in light of Art. 2086 of the Italian Civil Code, the adequacy of the organizational, administrative and accounting structure of the Company and strategic subsidiaries, also for the purpose of timely detection of the company's crisis and loss of business continuity, after having obtained the opinion of the Control and Risks Committee with specific reference to the Internal Control and Risks Management System;

e) as part of the periodic meetings with the CAE, it acknowledged the results of the control activities carried out in 2023 and concluded in the first months of 2024, in line with the audit plan and the special audits carried out from time to time, following reports received from the Company or requested by management. From the recurring audit activities, the opportunity sometimes emerged to implement improvement actions on the processes examined that, after being shared with the corporate management, were reflected in Action Plans whose implementation was monitored by the GIA O.U. on a quarterly basis and whose results were transmitted to the Top management. As for Special Audit activities required to the GIA O.U. by management or the Whistleblowing Committee, the Board acknowledged that the results of some audits, in a few cases, led to the Leonardo management taking management initiatives in order also to strengthen the Internal Control and Risk Management System with particular reference to corporate procedures. The Board also acknowledged the results of the "Quality Assurance and Improvement Plan" (QAIP) of the GIA O.U. prepared in order to monitor and improve the effectiveness, efficiency and quality of its activities; the results revealed, for all the audits sampled, a General Compliance with international standards and best practices that is the "highest compliance degree" required by the Institute of Internal Auditors*.* Furthermore, the Board was informed that the GIA O.U. intends to develop, also for 2024, internal audit activities on the quality of its work, through a new Quality Assurance & Improvement Plan. The results of the 2023 Plan and the activities envisaged by the new 2024 QAIP were analyzed by the Control and Risks Committee in the meeting of 24 January 2024 and explained to the Board of Directors on 25 January 2024;

f) received information about the activities carried out by the GIA O.U. in order to evaluate the operations of the Internal Control over Financial Reporting (hereinafter ICFR) system at Leonardo S.p.a. and the companies falling under the scope of Law 262/2005. In addition to the Test 262 activities for 2023, the Board was informed by the GIA O.U. about the specific monitoring (the so-called "Detection Audit*"*), as an anti-fraud component of the ICFR Model. Following the performance of these activities, the GIA O.U. informed the Board of Statutory Auditors that no critical issues emerged such as to affect the reliability of the Internal Control System with regard to Accounting and Financial Information;

g) received information about the Control Model on the Leonardo Non-Financial Reporting, designed also to allow the issue a "reasonable assurance" opinion by the independent auditing firm in relation to a set of selected of indicators within the consolidated non-financial statement;

h) periodically met with the Officer in charge of financial reporting;

i) periodically met the Surveillance Body pursuant to Legislative Decree No. 231/2001;

j) received regular reports prepared by the Whistleblowing Committee based on the "Whistleblowing Management Guidelines" related to evidence taken from the activities carried out every six months by the GIA O.U. or by other competent functions, assigned by the Whistleblowing Committee. As part of this, we note that the statutory auditors are informed by the Surveillance Body at the same time as the members of the Whistleblowing Committee about the reports received by the Company and of the relevant decisions;

k) also participated, in the person of the Chairman, in the meetings of the Coordinating and Consultative Body for the prevention of corruption, chaired by the Chairman of the Board of Directors as coordinator and composed of the Chairman of the Control and Risks Committee, the Chairman of the Surveillance Body and the Chairman of the Board of Statutory Auditors; it was also informed of the activity carried out by the same Body within the framework of the reports that it periodically provides to the Board;

l) was informed of the activities carried out by the Anti-corruption organizational unit, acknowledging the annual audit, by the Certification Body, of the ISO 37001:2016 ("Anti-bribery Management System") certification;

m) was periodically updated regarding the main disputes of the Company and the Group, thus monitoring their progress during the financial year;

n) during 2023 and from the beginning of 2024 to the date of this report, received from the independent auditing firm information on the audit strategy, the areas of attention, the checks performed and the related outcomes, as well as the essential issues encountered in carrying out the activity pursuant to the provisions of Art. 19 of Legislative Decree No. 39/2010 and Art. 11 of Regulation (EU) No. 537/2014;

o) verified the full compliance with of the obligations regarding regulated, privileged or required information by the Supervisory Authorities;

p) received every six months from the Company, through the Legal, Corporate Affairs, Compliance, Criminal Law and Anti-corruption organizational unit (and following the organizational changes through the Legal Affairs O.U.), information on Transactions with Related Parties initiated or concluded during the period, including those exempt transactions under CONSOB Regulation No. 17221/2010 as amended and supplemented and the Leonardo S.p.A. procedure, as well as the information on the distribution of the powers to represent the Company;

q) verified the adequacy of the instructions given to the subsidiaries in order to ensure prompt compliance with reporting obligations pursuant to Art. 114, paragraph 2, of T.U.F.;

r) received adequate information, with reference to the provisions of Articles 15 et seq. of the Market Regulation, relating to the subsidiaries established and regulated by the laws of non-EU countries, by the CAE on 8 March 2024, brought to the attention also of the Control and Risks Committee, showing, for the companies that are significant according to the criteria set by the Issuers' Regulation, a control environment substantially adequate to the requirements referred to in the above-mentioned Art. 15. Therefore, the preparation of a specific adjustment plan is not required;

s) verified that the Report on Corporate Governance and Shareholder Structure contains all the information required by Art. 123-bis of T.U.F. as well as other information provided in compliance with the regulation governing issuers listed on regulated markets;

t) was informed of changes in the organizational structure, thus supervising the existence, updating and effective dissemination of the corporate directives and procedures and the general adequacy of the organizational structure, including in light of the overall corporate reorganization announced by the Company by the press release of 15 June 2023;

u) supervised the adequacy of the internal control system and the administrative and accounting system and the reliability of the latter as a means of accurately reporting business operations;

v) met with the Boards of Statutory Auditors of the main subsidiaries in order to acquire information in particular regarding the operation of the company business, the reliability of the internal control system and the company organization, the relevant dispute - as required by Art. 151 of T.U.F. - and compliance with internal procedures issued by the Parent Company. In particular, the checks were aimed at acquiring information and assessments regarding the management and control systems of the subsidiaries: on these profiles the Boards of Statutory Auditors of the Group companies did not represent critical issues worthy of mention. All the Boards of Statutory Auditors involved also expressed a positive opinion regarding the adequacy of the organizational, administrative and accounting system of the respective companies; no breach of procedures qualifying as material or significant emerged, nor any gaps or inadequacies in the internal control systems; for foreign companies controlled directly by Leonardo S.p.a. the supervisory activity of the Board developed with the collaboration of the Group Internal Audit organizational unit. Specifically, in relation to the 2022 Aggregate Audit Plan and the 2023 Aggregate Audit Plan, the Board was periodically informed, together with the Control and Risks Committee, about the results of the audits carried out at the said Leonardo Group foreign companies and about the related results expressed in the audit reports;

w) actively participated in all the meetings organized by the Company as part of the "Induction" program proposed to the Corporate Bodies, in compliance with the Corporate Governance Code, in order to increase the skills and knowledge of the business sectors in which the Company operates and to investigate news introduced by legislation and regulation that have a direct impact on the supervisory role of the Board of Statutory Auditors;

x) received, on a quarterly basis, an update by the Chief Executive Officer regarding the exercise of the delegated powers granted by the Board of Directors and the implementation of the Board's resolutions.

The Board of Statutory Auditors, also in compliance with the recommendations of the CONSOB Resolution DEM/1025564 of 6 April 2001, reports that it has not found any critical issues regarding the main transactions of greater financial and economic importance, carried out during the reporting period, including through subsidiaries, which are shown in the draft financial statements to which reference should be made.

With reference to significant transactions having an impact on the overall operating model of the Company, the Board of Statutory Auditors monitored a set of organizational changes that the Company has put in place during the year in light also of the aforesaid corporate reorganization.

The Board of Statutory Auditors did not detect any atypical and/or unusual transactions that, due to their significance or relevance, the nature of the counterparties, the object of the transaction, the methods for determining the transfer price and the timing of the event, could give rise to doubts regarding the correctness/completeness of the information in the financial statements, conflict of interests, safeguarding of corporate assets, protection of minority shareholders.

* * *

Furthermore, the Board, in the course of the activities carried out:

a) find no omissions or reprehensible facts;

b) acknowledged that, on 23 May 2023, a report was lodged pursuant to article 2408 of the Italian Civil Code by shareholder Fondazione Finanza Etica (holder of no. 3 shares), represented by the Director of the Foundation, Simone Siliani, who complained a "lack of control" on the part of the Company about Prof. Cingolani being allegedly incompatible to take on the position of CEO of Leonardo pursuant to Law no. 215 of 2004, as well as the alleged lack of reasons behind the reply given by the Company to a specific question posed by the shareholder before the general meeting.

The Board of Statutory Auditors, which met on 17 July 2023, after a broad and thorough analysis – considering the lack of legitimacy of the Company to pass any decision on the matter, which is the exclusive responsibility of the Competition Authority, as well as taking account of the exhaustive reply provided to the shareholder by the Company – assessed the report submitted by the shareholder as being groundless.

Moreover, it should be noted that, following a report sent by Fondazione Finanza Etica in May 2023, the Competition Authority considered that there were no impediments for Prof. Cingolani to take on the position of chief executive officer of the Company and ruled out that Leonardo mainly operates in sectors connected with the position he previously held with the Government, pursuant to and for the purposes of Article 2 (4), second sentence, of Law no. 215/2004;

c) acknowledged that no complaints were received;

d) acknowledged that no appeals were notified to the Company related to reports to a court pursuant to Art. 2409, first paragraph, of the Italian Civil Code, nor was the Bord required to make reports pursuant to Art. 2409, paragraph 7, of the Italian Civil Code;

e) was not required to take action due to omissions by the Board of Directors pursuant to Art. 2406 of the Italian Civil Code;

f) made no reports to the Board of Directors pursuant to and for the purposes of Art. 25-octies of Legislative Decree No. 14/2019;

g) expressed its opinion in all the cases provided for by the law and by the Corporate Governance Code and, in particular, with regard to the correct application of the criteria for assessing the independence of directors;

h) verified the methods of actual implementation of the corporate governance rules;

i) also supervised the corporate documents and information to the market, in particular:

- noted that the Report on Operations to the financial statements for the financial year 2023 contains adequate information on transactions with related parties and has verified, pursuant to Art. 4, sixth paragraph, of the Regulation approved by CONSOB with resolution 17221 of 12 March 2010 as amended, the compliance of the "Procedure for Related Parties Transactions", implemented by the Company, with the principles listed in the same Regulation, as well as full compliance with this procedure for individual transactions with related parties entered into during the financial year;
- ascertained that the 2023 Integrated Annual Report had been drafted on the single electronic reporting format provided for by the European Commission Delegated Regulation No. 2019/815 of 17 December 2018;
- supervised communications to the market, thus monitoring the adequacy of the related procedures;

l) acknowledges that, in compliance with the recommendations of the joint Banca d'Italia-CONSOB-ISVAP document No. 4 of 3 March 2010, the Impairment Test procedure governed by IAS 36 received the favorable opinion of the Control and Risks Committee on 28 February 2024 and was approved by the Board of Directors on 29 February 2024; in this regard, the Board monitored the substantive and formal legitimacy of the impairment process;

m) verified that the Company has fulfilled the obligations provided for by Legislative Decree No. 254/2016 and that, in particular, has prepared the Integrated Annual Report as a single document that includes the consolidated non-financial statement in accordance with the provisions of Articles 3 and 4 of the same decree; it also verified that the above-mentioned statement was accompanied by the report of the Independent Auditing firm EY S.p.A. pursuant to Art. 3, paragraph 10, of Legislative Decree No. 254/2016 that certified that the Directors had prepared the non-financial statement, as part of the Report on Operations of the Integrated Annual Report; by virtue of a specific assignment, the Auditing Firm also issued on 15 March 2024 a report, without qualifications, in the form of "Negative Assurance", on the compliance of the information relating to the non-financial statement, in all material aspects, with articles 3 and 4 of Legislative Decree 254/2016 and with the GRI standards, as well as a report, without qualifications, in the form of "reasonable assurance" on a set of selected indicators within the consolidated non-financial statement.

* * *

The responsibility for expressing an opinion on the financial statements pursuant to Article 14 of Legislative Decree No. 39 of 27 January 2010 lies with the auditing firm EY S.p.A., entrusted with the statutory audit of the accounts.

Since the Board of Statutory Auditors is not entrusted with the analytical control on the merits of the content of the financial statements, the Board supervised the Directors' compliance with the procedural rules relating to the preparation, approval and publication of the draft financial statements, assessing their overall compliance with the law with regard to their formation and structure, and supervised the process of preparing and presenting the financial statement disclosures to the Shareholders' Meeting.

The Auditing Firm released the reports pursuant to Art. 14 of Legislative Decree No. 39 of 27 January 2010 and of articles 10 and 11 of Regulation (EU) No. 537/2014; the aforementioned reports show that there are no qualifications or emphasis of matters, nor statements issued pursuant to subparas. e) and f) of Art. 14, second paragraph of Legislative Decree No. 39/2010.

More specifically, the Board examined the Independent Auditors' Reports on the consolidated financial statements of the Leonardo Group and on the separate financial statements of the Company for the year ended 31 December 2023 issued, pursuant to Art. 14 of Legislative Decree No. 39/2010 and Art. 10 of the Reg. (EU) No. 537/2014, on 15 March 2024 and with which the auditor certified that:

- the consolidated financial statements of the Group and the separate financial statements of the Company provide a true and fair view of the financial position as at

31 December 2023, the result of operations and the cash flows for the financial year then ended in compliance with the International Financial Reporting Standards adopted by the European Union as well as the provisions issued in implementation of Art. 9 of Legislative Decree No. 38/2005 and are prepared in compliance with the European Commission Delegated Regulation (EU) 2019/815 of 17 December 2018;

- the Report on Operations and some specific information contained in the Report on Corporate Governance and Shareholder Structure indicated in Art. 123-bis, paragraph 4, of Legislative Decree No. 58/1998 are consistent with the financial statements of the Company and with the consolidated financial statements of the Group and drafted in compliance with the law;
- the opinion on the separate financial statements and consolidated financial statements expressed in the aforementioned Reports is in line with what is shown in the Additional Report prepared pursuant to Art. 11 of Regulation (EU) No. 537/2014.

The Board also examined the contents of the Additional Report pursuant to Art. 11 of Regulation (EU) No. 537/2014, which is sent to the Board of Directors, whose examination shows no aspects that need to be highlighted in this report.

The Board, pursuant to Art. 19 of Legislative Decree No. 39/2010 and Art. 150, paragraph 3 of T.U.F., periodically met the Auditing Firm for a constant exchange of information useful to perform their respective tasks. During the meetings and from the exchange of information, no facts or situations emerged worthy of mention in this Report.

The Board monitored the observance of the Company's procedure and policy for the assignment of tasks to the Group Auditing Firm, which envisages specific information and authorization flows and procedures for the assignment of such appointments aimed at allowing the Board of Statutory Auditors to carry out its supervision activities properly. From the set of information flows put in place in compliance with the provisions of the procedure and the policy for the assignment of appointments to the Group Auditing Firm, which the Board considers adequate, no critical issues or anomalies emerged that could affect the opinions on the separate financial statements and the consolidated financial statements of the Company.

Pursuant to Art. 149-*duodecies* of the Issuers Regulation, a summary table is attached to the notes to the financial statements and shows the fees paid to the Auditing Firm and to the entities belonging to its network for auditing, assurance and other services provided to Leonardo S.p.a. and its subsidiaries, in relation to which the Board:

- verified that no assignments were granted that were not permitted under Art.5, paragraph 1, of Regulation (EU) No. 537/2014;
- carried out a monitoring process in order to verify that the Auditing Firm, in relation to the "non-audit services” provided to Leonardo S.p.a. and its subsidiaries complied with the limits set by Art. 4, paragraph 2, of Regulation (EU) No. 537/2014;

- declares that the fees for the aforementioned assignments for the financial year amount to a total of € 1,418 thousand and related (i) for € 174 thousand to the limited assurance engagement (negative assurance) on the consolidated non-financial statement (ii) for € 473 thousand to the reasonable assurance engagement on a selection of performance indicators (KPIs) included in the consolidated non-financial statement (iii) for € 399 thousand to the examination of the schedule on R&D expenses (iv) for € 231 thousand to the issue of the comfort letter concerning the sale of DRS shares and (v) for € 141 thousand to other assurance services.

Taking into account the declarations of independence issued by EY S.p.A., as well as the tasks assigned to it and to the companies belonging to its network by Leonardo S.p.a. and by its subsidiaries, the Board believes that there are no critical aspects to report on the continued fulfilment of the independence requirement by the Auditing Firm.

During the supervisory activity performed by the Board of Statutory Auditors in accordance with the methods described above, on the basis of the information and data acquired, no facts emerged from which to infer that the law and the memorandum of association were not complied with or that justified any reports to the Supervisory Authority or the mention in this report.

* * *

With regard to the result for the financial year ended 31 December 2023, which recorded a net profit of € 783,697,113.66, the Board of Directors set out in detail the formation of the result and the events that generated it in the Report on Operations and in the Explanatory Notes.

On the basis of the supervisory activities carried out up to today, taking into account the above and within its sphere of competence, the Board of Statutory Auditors, pursuant to Article 153, paragraph 2, of the T.U.F. finds no grounds for objecting to the proposal to approve the financial statements for the year ended 31 December 2023, nor the proposal for the allocation of the relevant FY result as requested by the Board of Directors.

15 March 2024

ON BEHALF OF THE BOARD OF STATUTORY AUDITORS
The Chairman
Luca Rossi

INFORMATION PURSUANT TO ARTICLE 149 DUODECIES OF THE ISSUER REGULATION

The following statement reports the fees for the year 2023 for auditing and assurance services and for tax and other services provided by the same auditing firm and entities belonging to the auditing firm's network.

	Entity providing the services	To	Fees for the 2023 year (€ thousands)
Auditing services	EY SpA	Parent Company	2,704
	EY SpA	Subsidiaries	913
	EY Network	Subsidiaries	8,106
Assurance services	EY SpA	Parent Company	1,079
	EY SpA	Subsidiaries	40
	EY Network	Subsidiaries	239
Other services	EY SpA	Parent Company	60
	EY Network	Parent Company	-
	EY Network	Subsidiaries	-
Total			**13,141**

ANNEX TO THE REPORT ON OPERATIONS – NOTE TO THE NFS

Methodology note of the NFS

The Consolidated Non-Financial Statement (NFS) in accordance with Legislative Decree 254/2016 forms an integral part of the 2023 Integrated Annual Report and is prepared annually in accordance with the most up-to-date version of the GRI Sustainability Reporting Standards of the Global Reporting Initiative (GRI). The Integrated Report has been prepared taking into consideration the Integrated Reporting Framework, the standards of the Sustainability Accounting Standards Board (SASB) for the Aerospace & Defense sector, as published by the International Sustainability Standards Board (ISSB) in December 2023[106], the Sustainable Development Goals (SDGs), the Ten Principles of the United Nations Global Compact, the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) and the "core" metrics contained in the White Paper on "Measuring Stakeholder Capitalism - Towards Common Metrics and Consistent Reporting of Sustainable Value Creation" by the World Economic Forum (WEF)[107].

The NFS covers the 2023 fiscal year (1 January 2023 – 31 December 2023), includes all fully consolidated companies (see "Reporting Scope" section for more information) and was approved by the Leonardo S.p.A. Board of Directors at its meeting on 12 March 2024. The Sustainability and Innovation Committee and Control and Risks Committee reviewed the overall approach of the NFS, as well as the completeness and transparency of the disclosure, issuing a prior opinion for approval by the Board of Directors.

In compliance with Legislative Decree 254/2016, the Consolidated Non-Financial Statement 2023, with the exception of the disclosures related to the indicators summarised in the paragraph "Table of Contents SASB" and "Table of Contents TCFD (Task Force on Climate-related Financial Disclosure)", was subject to limited review, in accordance with the provisions of the "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB), by EY S.p.A..

In addition, with reference to FY2023 and for the third consecutive year, a selection of indicators (below shown) has been subjected to comprehensive examination (reasonable assurance) in accordance with the provisions of the "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements. Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB), by EY S.p.A.. The indicators subjected to full examination are listed below:

- GRI 302-1: Energy consumption within the organization;
- GRI 302-3: Energy intensity - (calculated on consolidated revenues);
- GRI 305-1: Direct (Scope 1) GHG emissions;
- GRI 305-2: Energy indirect (Scope 2) GHG emissions);
- GRI 305-4: GHG emissions intensity - (calculated on consolidated revenues);

[106] The Integrated Reporting Framework and the standards issued by the Sustainability Accounting Standards Board (SASB) were merged within the IFRS Foundation with the work completed, in August 2022, on the consolidation of the Value Reporting Foundation (VRF), which, in turn, had been created in June 2021 through the merger of the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB). The International Sustainability Standards Board (ISSB), created within the IFRS Foundation to develop sustainability-related disclosure standards, promotes the use of both of them. In December 2023, ISSB published an updated version of the SASB standards in order to improve their applicability at an international level, regardless of the reference jurisdiction while at the same time not alterating their structure or purpose.

[107] For more details, please see the section on the Correlation Table of the Non-Financial Statement.

- GRI 303-3: Water withdrawal;
- GRI 306-3: Waste generated;
- GRI 405-1: Diversity of governance bodies and employees;
- GRI 401-1: New employee hires and employee turnover (including details of women hired with STEM degrees);
- GRI 404-1: Average hours of training per year per employee;
- GRI 403-9: Work-related injuries.

The audit was carried out according to the procedures set out in the "Independent Auditors' Report on the NFS as of 31 December 2023", included in this document. For additional information about the scope of the audit work and the procedures performed by the independent auditors, reference should be made to the Independent Auditors' Report included in the document. The information summarised in the GRI Content Index is included in the scope of the limited assurance engagement.

Quantitative indicators reported in the pages referred to in the Content Index that are not related to any GRI Standards general or topic-specific disclosure, are not subject to the limited assurance performed by EY S.p.A..

The document is published on the Company's website at www.leonardo.com.

Sustainability governance

The Board of Directors, assisted by the Sustainability and Innovation Committee and the Control and Risks Committee, sets out the key guidelines on sustainability and monitors the pursuit of sustainability objectives.

The Sustainability and Innovation Committee, which is composed of five non-executive members, mostly independent, in collaboration with the Control and Risks Committee, establishes whether the Sustainability Plan objectives have been pursued, examines the general approach of the NFS, promotes interaction with stakeholders (stakeholder engagement), monitors Leonardo's positioning in the Sustainability/ESG Indices and collaborates to setting out and assessing technological capabilities and in creating academic and research networks.

Furthermore, all the Board Committees provide their support to the Board - each one within the sphere of its respective competence - in considering the topics that are material for Leonardo for the purposes of generating long-term value.

As from 2023, the Sustainability Organisational Unit (O.U.), headed by the Chief Sustainability Officer, reports directly to the Chief Executive Officer and General Manager, in order to integrate sustainability as a key lever of the Group. The O.U., through the Climate and Environmental Strategy and Projects, ESG Ratings & Benchmarking, Stakeholder Engagement, Sustainability Projects & Reporting and Social Impact OUs, is responsible for guidance, management, monitoring and strategic dialogue on sustainability issues, particularly focusing on environmental, climate, social issues. Sustainability, in coordination with the Top Management, supports the preparation of the Sustainability Plan, in accordance with the Group's Business Plan, by developing and monitoring the relevant KPIs for sustainability performance planning.

The unit is also responsible for managing relations with ESG rating companies and activities related to admission to the main sustainability stock indices.

Reporting and the preparation of the integrated report are managed, under the responsibility of the Chief Financial Officer (CFO), by the ESG & Integrated Reporting O.U., within Administration & Financial Statement, with the aim of providing a full and integrated view of the Group. In addition, relations with financial stakeholders on ESG issues are managed by the Investor Relations & Credit Rating Agencies O.U., again under the responsibility of the CFO, in coordination with Sustainability O.U..

The Sustainability Managers and Coordinators – from the various divisions, Corporate functions and Group companies - are the internal connection point and are involved in the materiality analysis and in the process of setting out, implementing and monitoring the Sustainability Plan, ensuring consistency between strategic objectives, Sustainability Plan and non-financial indicators.

In order to strengthen the sustainability governance system, Leonardo has included the achievement of objectives linked to specific ESG indicators[108] in its remuneration policy.

Materiality analysis

The materiality analysis allows the identification and evaluation of the relevant impacts generated by the Group along the entire value chain. The result of this analysis is a list of material topics that supports and steers the identification of key targets, the definition of the Sustainability Plan and the preparation of the Integrated Annual Report. As required by the operating sustainability model, Leonardo proceeds with updating, on an annual basis, the materiality analysis for an appropriate integration of the stakeholder

[108] For more details, please see the Corporate Governance Report 2024 and the Remuneration Report 2023.

perspective into company processes. Based on regulatory developments and market trends, the impact materiality process was structured into 3 stages in 2023: analysis and understanding the relevant context, identifying impacts, and assessing their significance.

Analysis and understanding of the context

The identification of potentially relevant impacts for Leonardo is derived from an analysis of the reference context, the Group's key characteristics and priorities, and specialist sources, including the OECD Due Diligence Guidelines. The analysis covered both regulatory developments, with attention to European regulations and standards which will become applicable in the future, and market trends, including priorities expressed by the financial community and relevant issues (reported in the most recent reporting documents) from a sample of 22 peers and competitors. Finally, the mapping was compared and added to by the findings of the Group's Enterprise Risk Management, covering the ESG risk and opportunity areas identified by Leonardo to 2023.

Identification of impacts

The above analysis led to the identification of a list of more than 60 impacts, classified as negative or positive and actual or potential, placed along Leonardo's value chain. The preliminary mapping was reviewed with representatives from all functions, business areas and companies in the Group to ensure a comprehensive and representative view of business dynamics, which led to the identification of the 30 most significant impacts for Leonardo.

Impact assessment

After having been identified, impacts were subjected to the assessment of selected categories of internal and external stakeholders for a total of 527 people involved compared to 348 in 2022, with an overall response rate of 49%. Specifically, the following were involved:

- 33 company representatives from all business areas, who hold positions as sustainability managers/coordinators, who were asked to assess the significance and likelihood of impacts;
- 39 members of the Group's Top Management and Board of Directors, representative of Leonardo's strategic vision;
- 455 stakeholders and industry experts attributable to 13 categories, including suppliers, employees, customers, and representatives of the academia and research world.

The latter 2 groups were questioned, via special survey, about the significance of the impacts, rated on a scale of 1 (not significant) to 5 (extremely significant).

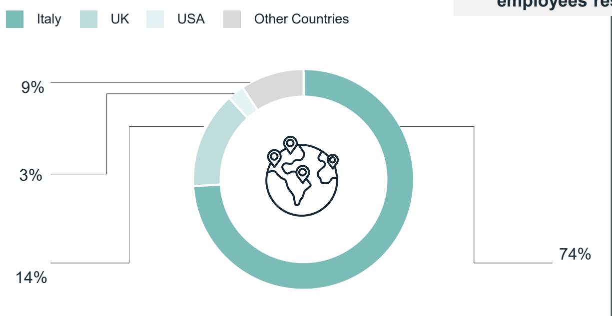
The results of the above assessments were then integrated with a data-driven analysis, which, through data intelligence, big data analytics and semantic analysis tools, considered large databases of peers' documents, regulations and press articles relating to the significance of the impacts that had been mapped.

The integration of the analyses described above made it possible to assign an order of priority to the impacts, defined on the basis of their respective significance and, in case of equal value of the latter, the probability of occurrence. A materiality threshold was applied to the impacts ordered in this manner, resulting in the identification of 26 material impacts, which were subsequently aggregated into issues pertaining to the same scope of action. The process then led to the definition of 15 material topics, listed in order of priority below.

SURVEY PARTICIPATION – EXTERNAL STAKEHOLDERS AND EMPLOYEES

Data refer to **205** external and employees respondents

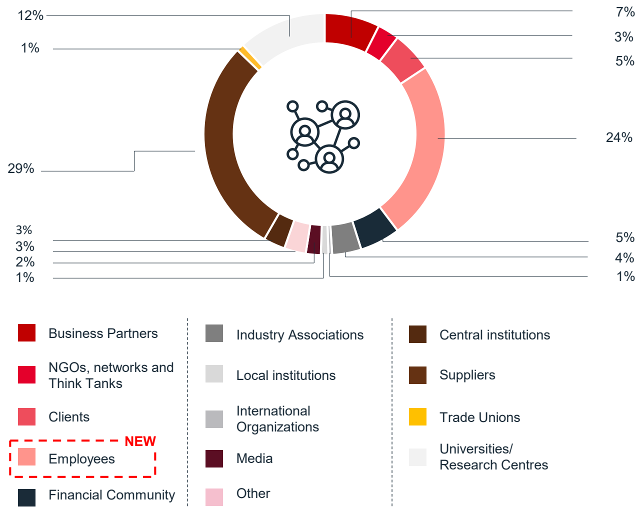
EXTERNAL STAKEHOLDERS BY COUNTRY



Past years

	ITALY	UK	USA	OTHER
2022	79%	9%	3%	9%
2021	72%	10%	7%	11%

EXTERNAL STAKEHOLDERS BY CATEGORY



Prioritized list of material topic

1. Citizen security 2. Climate change, adaptation/mitigation 3. Cybersecurity and data protection 4. R&D, innovation and advanced technology 5. Protection of human rights 6. Diversity, equity and inclusion 7. Solutions' quality, security and performance 8. Health and safety 9. Business integrity, compliance and anti-corruption	10. Skill development, talent attraction and employee wellbeing 11. Digital transformation 12. Environmental impact of the use of materials and circularity 13. Relations with territories and communities 14. Sustainable supply chain 15. Natural resources and biodiversity management

A preliminary exercise of double materiality was also completed during the 2023 materiality process. The principle requires that material topics be defined by integrating the materiality of impact or inside-out (impact of Leonardo and its value chain on the planet, people and the economy) with the outside-in perspective, i.e., considering any risks and opportunities associated with a given issue and the impact these could have on the creation of the company's value. In line with regulatory requirements and best market practices, the process was conducted in close alignment with the latest findings of the Group's Enterprise Risk Management, including assessments, even from a financial perspective, of risks and opportunities in the area of sustainability. The evidence that emerged will direct the integration of future regulatory requirements, especially at the European level, with the Corporate Sustainability Reporting Directive, within the scope of Leonardo's processes.

Reporting scope

The 2023 environmental reporting scope[109] covered 111 sites around the world. The scope has been based on the materiality of the environmental impact from operating sites, the number of employees of Leonardo SpA's and its subsidiaries consolidated on a line-by-line basis. In order to ensure consistency with the consolidation criteria of the Consolidated Financial Statements, the Group's environmental data do not include those of the joint ventures.

The personnel reporting scope corresponds to 100% of companies consolidated on a line-by-line basis in the 2023 Consolidated Financial Statements. Any possible limitations are set out from time to time in this document.

Sites covered by the environmental reporting scope

	2021	2022	2023
Italy	55	54	55
United Kingdom	7	7	7
United States	32	32	30
Poland	1	1	1
Rest of the World	12	11	18
Total sites	**106**	**105**	**111**

Country	Sites included in the environmental reporting scope
Italy	Abbadia San Salvatore, Brescia, Campi Bisenzio – Florence, Carsoli, Catania, Chieti, Cisterna di Latina, Genoa Fiumara, Genoa Puccini, Giugliano, L'Aquila - Zona Industriale Di Pile, La Spezia – Valdilocchi, Livorno, Montevarchi, Naples– Fusaro, Nerviano, Palermo, Pisa - Via di Marmiceto 6/C, Pomezia, Pozzuoli, Rome - Via Laurentina, Rome - Via Tiburtina 1020 (ELE ITA), Rome - Via Tiburtina km. 12400 (ELE ITA), Ronchi dei Legionari, S. Maurizio Canavese, Taranto, Villaputzu, Rome - Via Torrevecchia, Anagni, Benevento, Brindisi, Cascina C. Di Samarate, Frosinone, Pisa - Via S. Cannizzaro, 7, Sesto Calende, Tessera - Via Triestina 214 (ELI), Vergiate, Cameri - Loc. Aereoporto, Caselle Nord, Caselle Sud, Tessera - Via Triestina 214 (VEL), Turin - C.so Francia, Venegono Campo Volo, Venegono Superiore, Decimomannu, Foggia, Grottaglie, Nola, Pomigliano, Rome - Piazza Monte Grappa, Rome - Via Faustiniana, Rome - Via Montello, Aprilia - Via Vallelata 2/A, Rome - Via Pastrengo, Rome - Via Sardegna
United Kingdom	Basildon Sigma House, Bristol Building 430, Edinburgh, Lincoln, Luton, Southampton, Yeovil
United States	Arlington, Austin, Burnsville, Cypress, Dallas 1057 Sherman Street, Dallas 1300 Sherman Street, Dallas Expressway, Danbury, Dayton, Fitchburg, Fort Walton Beach (Anchor St.), Germantown DRS, Germantown Rada, Greensboro, High Ridge, Huntsville, Johnstown Airport, Largo, Madison, Melbourne Babcock St., Menomonee Falls, Milwaukee, Overland Park, San Diego, Sidman, St. Louis, West Plains, Broussard, Milton, Philadelphia

[109] Environmental data, as reported through the Group's web-based system (and in particular those relating to energy consumption), were obtained through: direct measurements (e.g., meters and consumption measurement systems); calculations (e.g., bills; purchase orders/invoices); estimates based on the number of employees and/or activities carried out. In particular, with regard to emissions into the atmosphere, where sites have monitoring systems (e.g., industrial sites), these are calculated from laboratory analyses carried out during the year. If these analyses are not carried out (e.g., at office sites and/or in cases where the production processes conducted are not characterised by emissions into the atmosphere), the Group's reporting system automatically calculates the NO_X and SO_2 emissions produced, based on the annual consumption of methane and diesel fuel for the production of energy/heat and emission coefficients available in literature.

Australia	Essendon Sites, Fishermans Bend, Rockingham
Belgium	Grâce Hollogne
Brazil	Itapevi
Canada	Bedford, Ottawa
Germany	Neuss, Backnang
Israel	Bet Shean, Netanya
Malaysia	Subang
Poland	Swidnik
Romania	Ploiesti
Spain	Loriguilla
South Africa	Pretoria
Switzerland	Mollis, Wetzikon
Turkey	Ankara

INDICATORS – DETAILS

GRI INDICATORS

ENVIRONMENTAL INDICATORS

Energy				GRI 302-1/3
Energy consumption within the organisation (GRI 302-1)	**Unit**	**2021**	**2022**	**2023**
Non-renewable energy consumed	**TJ**	**2,982**	**2,836**	**2,806**
Natural gas	TJ	2,699	2,575	2,434
Diesel oil for energy and/or heat generation	TJ	2	5	2
Fuel oil	TJ	-	-	-
Other (LPG, fuels used for product tests)	TJ	281	257	370
Energy purchased for electricity and district heating	**TJ**	**2,493**	**2,473**	**2,504**
Electrical energy from conventional sources	TJ	460	469	347
Electrical energy from renewable sources	TJ	1,805	1,790	1,967
District heating	TJ	228	214	191
Self-generated energy	**TJ**	**138**	**126**	**0.47**
Energy sold	TJ	-	-	-
Total	**TJ**	**5,614**	**5,435**	**5,311**

Energy intensity (GRI 302-3)	Unit	2021	2022	2023
Energy consumption/Revenues	MJ/€	0.40	0.37	0.35

Water and water discharge				GRI 302-1/3
Water withdrawal by source and category (GRI 303-3)	**Unit**	**2021**	**2022**	**2023**
Water supply systems	megaliters	2,349	2,142	2,038
of which freshwater	megaliters	2,126	1,976	2,029
of which other water	megaliters	223	166	8
Wells	megaliters	3,175	2,849	2,485
of which freshwater	megaliters	3,053	2,299	1,661
of which other water	megaliters	122	550	824
Other sources	megaliters	364	338	406
of which freshwater	megaliters	354	338	406
of which other water	megaliters	10	-	-
Total	**megaliters**	**5,888**	**5,329**	**4,929**

Water withdrawal from water-stressed areas by source and category (GRI 303-3)	Unit	2021	2022	2023
Water supply systems	megaliters	519	425	407
of which freshwater	megaliters	510	423	404
of which other water	megaliters	8	2	2
Wells	megaliters	146	124	142
of which freshwater	megaliters	35	59	131
of which other water	megaliters	111	65	11
Other sources	megaliters	14	8	45
of which freshwater	megaliters	5	8	45
of which other water	megaliters	9	-	-
Total	**megaliters**	**679**	**556**	**594**

Water discharge by type of destination (GRI 303-4)	Unit	2021	2022	2023
Sewers	megaliters	3,993	3,112	2,929
Surface water	megaliters	257	860	257
Seawater	megaliters	14	24	17
Other use	megaliters	15	12	13
Total	**megaliters**	**4,279**	**4,007**	**3,215**

Water discharge to water-stressed areas by type of destination and category (GRI 303-4)	Unit	2021	2022	2023
Freshwater	megaliters	3,989	3,528	2,300
of which in areas with water stress	megaliters	462	383	269
Other water	megaliters	291	480	914
of which in areas with water stress	megaliters	21	62	134
Total	**megaliters**	**4,279**	**4,007**	**3,215**

Waste				GRI 306-3
Waste produced by type and disposal	Unit	2021	2022	2023
Non-hazardous	**t**	**21,642**	**20,472**	**24,628**
Recovered	t	13,333	13,631	14,106
Disposed	t	8,309	6,841	10,522
Hazardous	**t**	**8,242**	**9,528**	**8,437**
Recovered	t	1,988	1,707	2,236
Disposed	t	6,254	7,821	6,201
Total waste produced (hazardous and non-hazardous)	**t**	**29,884**	**30,001**	**33,065**

NOTE:

- Environmental data may be subject to estimates, should final data not be available.

Emissions				GRI 305-1/2/3/4/7
CO2e emissions (GRI 305-1/2/3)	**Unit**	**2021**	**2022**	**2023**
Direct emissions (Scope 1)	t	262,984	213,107	195,682
Indirect emissions (Scope 2 market-based)*	t	62,029	63,924	55,088
Indirect emissions (Scope 2 location-based)*	t	215,907	213,040	227,905
Other indirect emissions (Scope 3)(1)	t	220,472	243,425	5,800,193
cat. 1(2)	t	na	na	2,263,633
cat. 2	t	na	na	149,149
cat. 3	t	na	na	34,594
cat. 4	t	na	na	17,027
cat. 5	t	na	na	26,371
cat. 6	t	na	na	27,200
cat. 7	t	na	na	54,713
cat. 8	t	na	na	12,170
cat. 9	t	(3)	(3)	(3)
cat. 10	t	(4)	(4)	(4)
cat. 11(2)	t	na	na	3,215,336
cat. 12	t	(5)	(5)	(5)
cat. 13	t	(6)	(6)	(6)
cat. 14	t	(7)	(7)	(7)
cat. 15	t	(8)	(8)	(8)
Total Scopes 1, 2 market-based, 3	**t**	**545,485**	**520,457**	**6,050,963**
Total Scopes 1, 2 location-based, 3	**t**	**699,363**	**669,573**	**6,223,780**

CO2e emission intensity (GRI 305-4)	Unit	2021	2022	2023
Total emissions (Scope 1 + Scope 2 market-based)/Revenues	g/€	22.99	18.83	16.40
Total emissions (Scope 1 + Scope 2 location-based)/Revenues	g/€	33.88	28.96	27.70

Other emissions (GRI 305-7)	Unit	2021	2022	2023
NOx	t	162	143	146
SO2	t	1	2	2
VOC	t	99	166	178
VIC	t	3	3	3
Heavy metal	t	0,5	0.4	0.9
Particulate	t	13	19	16

** Starting from 2023, emissions from district heating are included. These emissions are equal to 15,281 t (Scope 2 market-based) and 9,544 t (Scope 2 location-based) in 2023.*

(1) Over the course of 2023, and as part of its science-based target setting effort, Leonardo overhauled its calculation methodology for Scope 3 CO_2 emissions. This overhaul allowed to get: a full visibility into Scope 3 Category 11 (use of sold product) emissions, which previously were not accounted for, that all products and services purchased by Leonardo contribute to the calculation of Scope 3 Category 1 (purchased goods) emissions and emission factors are aligned with IAEG's, a more complete inventory of all the other categories of emissions within Scope 3. As a result of this activity, the CO_2 emissions for Leonardo in 2023 have changed significantly since the last report.

(2) Leonardo's business is cyclical so a +/- 15% YoY variability between 2020 and 2030 is forecast on Cat. 1 and 11 emissions. This YoY variability reduces to +/-6% in the 2027-2030 timeframe due to several high-impact programs coming to an end and business stabilizing on lower emissions / higher volumes platforms.

(3) Not Applicable: Leonardo manages and pays the delivery of products and services directly to the customer. Therefore, according to GHG protocol, emissions related to transportation and distribution of sold products are tracked and reported under the upstream transportation and distribution category because Leonardo purchases the service. Thus, downstream transportation and distribution emissions are not applicable.

(4) Negligible - around 0.05% of total Scope 3 emissions.

(5) Negligible - around 0.01% of total Scope 3 emissions.

(6) Leonardo's business is based on selling products, not on leasing them. Therefore, this category is not applicable.

(7) Leonardo does not have any franchises. This category is not applicable for Leonardo's business structure or activities.

(8) Negligible - around 0.5% of total Scope 3 emissions.

EMPLOYEE INDICATORS

Information on employees and other workers				GRI 2-7, 2-8
Employees by employment contract, employment type and gender	**Unit**	**2021**	**2022**	**2023**
Total employees	**N.**	**50,413**	**51,392**	**53,566**
Men	N.	41,073	41,639	43,070
Women	N.	9,340	9,753	10,496
Permanent employment contracts	**N.**	**49,669**	**50,570**	**52,132**
Men	N.	40,495	41,022	41,948
Women	N.	9,174	9,548	10,184
Fixed-term contracts	**N.**	**744**	**822**	**1,434**
Men	N.	578	617	1,122
Women	N.	166	205	312
Full-time contracts (permanent)	**N.**	**48,587**	**49,498**	**51,040**
Men	N.	40,280	40,778	41,692
Women	N.	8,307	8,720	9,348
Part-time contracts (permanent)	**N.**	**1,082**	**1,072**	**1,092**
Men	N.	215	244	256
Women	N.	867	828	836
Full-time contracts (temporary)	**N.**	**n.a.**	**788**	**1,383**
Men	N.	n.a.	597	1,089
Women	N.	n.a.	191	294
Part-time contracts (temporary)	**N.**	**n.a.**	**34**	**51**
Men	N.	n.a.	20	33
Women	N.	n.a.	14	18

Employees by professional category and gender	Unit	2021	2022	2023
Managers	**N.**	**1,174**	**1,227**	**1,169**
Men	N.	1,018	1,051	993
Women	N.	156	176	176
Middle managers	**N.**	**6,243**	**6,512**	**6,579**
Men	N.	5,063	5,244	5,244
Women	N.	1,180	1,268	1,335
White collars	**N.**	**29,413**	**30,302**	**32,336**
Men	N.	22,648	23,228	24,647
Women	N.	6,765	7,074	7,689
Blue collars	**N.**	**13,538**	**13,304**	**13,431**
Men	N.	12,299	12,069	12,135
Women	N.	1,239	1,235	1,296
Pilots	**N.**	**45**	**47**	**51**
Men	N.	45	47	51
Women	N.	-	-	-
Employees by Country and gender	**Unit**	**2021**	**2022**	**2023**
Italy	**N.**	**31,661**	**32,327**	**33,306**
Men	N.	26,402	26,847	27,459
Women	N.	5,259	5,480	5,847
United States	**N.**	**7,274**	**7,143**	**7,329**
Men	N.	5,413	5,307	5,413
Women	N.	1,861	1,836	1,916
United Kingdom	**N.**	**7,375**	**7,540**	**8,106**
Men	N.	6,015	6,057	6,462
Women	N.	1,360	1,483	1,644
Poland	**N.**	**2,548**	**2,578**	**2,913**
Men	N.	2,073	2,076	2,317

Women	N.	475	502	596
Other countries	**N.**	**1,555**	**1,804**	**1,912**
Men	N.	1,170	1,352	1,419
Women	N.	385	452	493
Employees by employment contract and Country	**Unit**	**2021**	**2022**	**2023**
Permanent employment contracts	**N.**	**49,669**	**50,570**	**52,132**
Italy	N.	31,464	32,193	32,966
United States	N.	7,228	7,082	7,274
United Kingdom	N.	7,011	7,164	7,683
Poland	N.	2,502	2,458	2,493
Other countries	N.	1,464	1,673	1,716
Temporary employment contracts	**N.**	**744**	**822**	**1,434**
Italy	N.	197	134	340
United States	N.	46	61	55
United Kingdom	N.	364	376	423
Poland	N.	46	120	420
Other countries	N.	91	131	196
Workers other than employees	**Unit**	**2021**	**2022**	**2023**
Supervised workers	**N.**	**1,790**	**1,919**	**2,325**

NOTE:
- With regards to the total Leonardo's workforce: 52,423 full-time employees and 1,143 part-time employees.

Employment				GRI 401-1/3
New employee hires and employee turnover (GRI 401-1)	**Unit**	**2021**	**2022**	**2023**
Total hires and gender breakdown	**N.**	**3,753**	**4,984**	**6,118**
Percentage of hires on total employees	%	7	10	11
Men	N.	2,862	3,781	4,618
	%	76	76	75
Women	N.	891	1,203	1,500
	%	24	24	25
Number and percentage of hires by age group				
< 30 years	N.	1,585	2,189	2,979
	%	42	44	49
30-50 years	N.	1,616	2,208	2,522
	%	43	44	41
> 50 years	N.	552	587	617
	%	15	12	10
Number and percentage of hires by Country				
Italy	N.	1,456	2,121	2,626
	%	39	43	43
United States	N.	1,298	1,158	1,313
	%	35	23	21
United Kingdom	N.	689	1,278	1,315
	%	18	26	21
Poland	N.	64	144	472
	%	2	3	8
Other countries	N.	246	283	392
	%	7	6	6
Number of hires with STEM degree	**N.**	**1,527**	**2,217**	**2,644**
Men	N.	1231	1,728	2,051
Women	N.	296	489	593
Total employees leaving and gender breakdown	**N.**	**3,303**	**4,176**	**4,039**
Percentage of employees leaving on total employees	%	7	8	8
Men	N.	2,599	3,323	3,229
	%	79	80	80
Women	N.	704	853	810
	%	21	20	20
Number and percentage of employees leaving by age group				
< 30 years	N.	601	814	798
	%	18	19	20
30-50 years	N.	1081	1,429	1,237
	%	33	34	31
> 50 years	N.	1,621	1,933	2,004
	%	49	46	50
Number and percentage of employees leaving by Country				
Italy	N.	911	1,409	1,645
	%	28	34	41
United States	N.	1311	1,428	1,141
	%	40	34	28
United Kingdom	N.	732	911	773
	%	22	22	19
Poland	N.	102	114	176
	%	3	3	4
Other countries	N.	247	314	304
	%	7	8	8
Return to work and retention rates after parental leave (GRI 401-3)	**Unit**	**2021**	**2022**	**2023**
Employees entitled to parental leave	**N.**	**50,413**	**51,392**	**53,566**
Men	N.	41,073	41,639	43,070

Employment				GRI 401-1/3
Women	N.	9,340	9,753	10,496
Rate of return to work by gender	**%**	**95**	**94**	**98**
Men	%	97	95	100
Women	%	92	89	94
Retention rate by gender	**%**	**95**	**93**	**97**
Men	%	96	95	98
Women	%	93	88	95
Employees who took parental leave during the reporting period, by gender	**N.**	**1,504**	**1,757**	**1,726**
Men	N.	1,039	1,235	1,288
Women	N.	465	522	438
Employees who returned to work at the end of the parental leave during the reporting period, by gender	**N.**	**1,542**	**1,518**	**1,506**
Men	N.	1,079	1,141	1,179
Women	N.	463	377	327
Employees who returned to work at the end of the parental leave and continued to work 12 months after their return, by gender	**N.**	**1,579**	**1,240**	**1,194**
Men	N.	1,027	948	924
Women	N.	552	292	270

Occupational health and safety				GRI 403-9
Injuries of employees	**Unit**	**2021**	**2022**	**2023**
Number of injuries	**N.**	**246**	**200**	**179**
Injury Rate (IR) by gender and Country	**i**	**2.91**	**2.35**	**2.03**
Men	i	3.13	2.57	2.15
Women	i	1.93	1.40	1.51
Italy	**i**	**3.53**	**2.98**	**2.65**
Men	i	3.72	3.21	2.79
Women	i	2.55	1.80	1.90
United States	**i**	**2.73**	**2.06**	**1.20**
Men	i	3.28	2.17	1.28
Women	i	1.13	1.74	0.97
United Kingdom	**i**	**1.15**	**0.31**	**0.52**
Men	i	1.13	0.39	0.65
Women	i	1.24	0.00	0.00
Poland	**i**	**1.63**	**1.60**	**1.26**
Men	i	1.70	1.67	1.04
Women	i	1.30	1.26	2.15
Number of injuries with high consequences	**N.**	**-**	**1**	**2**
Injury Rate with high consequences	**i**	**-**	**0**	**0**

Injuries of workers not employees	Unit	2021	2022	2023
Number of injuries	**N.**	**11**	**10**	**8**
Total Injury Rate	**i**	**3.30**	**4.35**	**2.57**
Number of injuries with high consequences	**N.**	**-**	**-**	**-**
Injury Rate with high consequences	**i**	**-**	**-**	**-**

Work-related fatalities	Unit	2021	2022	2023
Work-related fatalities	**N.**	**-**	**-**	**-**
Fatality Rate of employees	**i**	**-**	**-**	**-**
Number of fatalities of workers not employees	**N.**	**-**	**-**	**-**
Number of fatalities of workers not employees	**i**	**-**	**-**	**-**

NOTES:

- The injury is defined in this way if it has been communicated to the agencies/authorities/regulators and if it has caused the inability to work to one or more days.

*- The Injury Rate (IR) is calculated using the following formula: (Total injuries/Total worked hours)*1,000,000. Workers not-employees refer to the category of supervised workers.*

Training				GRI 404-1
Average hours of training per employee	**Unit**	**2021**	**2022**	**2023**
Training hours	**ore**	**31.8**	**20.6**	**24.1**
Training hours by gender				
Men	ore	32.6	20.7	24.8
Women	ore	28.3	20.3	21.3
Training hours by employee category				
Managers	ore	29.0	16.1	15.1
Middle managers	ore	28.8	20.4	21.1
White collars	ore	27.4	20.5	22.4
Blue collars	ore	43.0	21.5	30.7

Diversity and equal opportunities				GRI 405-1
Diversity of governance bodies and employees	**Unit**	**2021**	**2022**	**2023**
Composition of governance bodies				
Men	%	58	58	58
Women	%	42	42	42
< 30 years	%	-	-	-
30-50 years	%	25	25	33
> 50 years	%	75	75	67
Breakdown of employees by category and gender				
Men				
Managers	%	87	86	85
Middle managers	%	81	81	80
White collars	%	77	77	76
Blue collars	%	91	91	90
Pilots	%	100	100	100
Women				
Managers	%	13	14	15
Middle managers	%	19	19	20
White collars	%	23	23	24
Blue collars	%	9	9	10
Pilots	%	-	-	-
Breakdown of employees by category and age group				
< 30 years				
Managers	%	-	-	-
Middle managers	%	-	-	1
White collars	%	11	13	16
Blue collars	%	14	13	13
Pilots	%	-	-	2
30-50 years				
Managers	%	34	36	32
Middle managers	%	42	43	43
White collars	%	54	53	52
Blue collars	%	53	57	58
Pilots	%	33	32	25
> 50 years				
Managers	%	66	64	68
Middle managers	%	58	56	56
White collars	%	35	34	32
Blue collars	%	31	30	29
Pilots	%	67	68	73

Equal remuneration for women and men				GRI 405-2
Ratio of basic salary of women to men by employee category	**Unit**	**2021**	**2022**	**2023**
Italy				
Managers	%	96	91	88
Middle managers	%	96	97	96
White collars	%	97	97	98
Blue collars	%	97	97	101
United States				
Managers	%	92	95	89
Middle managers	%	89	88	86
White collars	%	75	74	75
Blue collars	%	86	82	82
United Kingdom				
Managers	%	100	107	98
Middle managers	%	94	96	97
White collars	%	82	86	89
Blue collars	%	76	79	82
Poland				
Managers	%	70	69	85
Middle managers	%	98	98	89
White collars	%	88	88	89
Blue collars	%	91	90	90

Ratio of remuneration of women to men by employee category	Unit	2021	2022	2023
Italy				
Managers	%	94	84	84
Middle managers	%	92	91	92
White collars	%	92	91	91
Blue collars	%	92	88	90
United States				
Managers	%	94	94	85
Middle managers	%	88	88	86
White collars	%	73	71	74
Blue collars	%	84	82	80
United Kingdom				
Managers	%	96	98	99
Middle managers	%	94	96	98
White collars	%	83	85	89
Blue collars	%	68	66	82
Poland				
Managers	%	69	60	73
Middle managers	%	99	98	89
White collars	%	79	80	85
Blue collars	%	88	85	88

ECONOMIC INDICATORS

Direct economic value generated and distributed			GRI 201-1
€ mlllions	**2021**	**2022**	**2023**
Direct economic value generated	**15,364**	**16,365**	**16,634**
Economic value distributed	**13,810**	**14,179**	**14,706**
Operating costs	9,523	9,568	9,870
Value distributed to employees	3,762	4,010	4,258
Value distributed to providers of capital	335	410	405
Value distributed to Public Administration	185	107	147
Value distributed to shareholders	-	81	83
Value distributed to community	5	3	26
Economic value retained	**1,554**	**2,186**	**1,928**

Notes:

- Starting from 2022, in order to ensure a further adherence with GRI Standard 201-1, a different representation compared to previous reports is provided

- Generated economic value includes: value of the production, income from equity investments and other financial incomes. Value distributed to shareholders refers to dividends paid during the reporting year.

GRI 207-1 Approach to tax
GRI 207-2 Tax governance, control and risk management
GRI 207-3 Stakeholder engagement and management of concerns related to tax

With the aim of tax risk-aware management[110], Leonardo aims to minimize tax risk by determining the proper level of due taxation, in the application of national and supranational regulations in force in any local area in which it operates. For this purpose, Leonardo SpA's tax strategy, adopted since 2017, is inspired by principles of interpretative prudence and compliance with tax regulations, envisaging conduct characterised by the utmost honesty and fairness towards the Tax Authorities and third parties.

With this in mind, the Chief Executive Officer and the Officer in charge of financial reporting participate in tax-related decisions, in terms of both strategy and operations. They are responsible for managing the tax risk, the performance of the tax department, and the personnel dedicated to tax risk management while the BoD designs the related strategy. Specifically, tax governance provides for the continuing involvement of the competent tax departments in the decision-making processes pertaining to all business operations. As early as from 2016, Leonardo S.p.a. joined, on a voluntary basis, the Cooperative Compliance scheme in Italy (Legislative Decree no. 128/2015), which provides for the implementation of a system for the detection, measurement, management and control of tax risk in all processes with any possible impact on tax computation and tax compliance (Tax Control Framework - TCF). The TCF takes the form of a clear assignment of roles and responsibilities, mapping of any tax risk associated with business processes, as well as their measurement and control through effective monitoring procedures. In addition, TCF requires continuous training and updating on tax issues, from an interdisciplinary and cross-functional perspective, involving the company personnel, and is subject to ongoing adaptation and updating to corporate and external changes (e.g., tax legislation). In addition, Leonardo promotes the training of all personnel involved in tax-relevant business processes, including through specific training plans. Tax risk control and management tools have also been adopted, outside of the scope of cooperative compliance agreements with local tax authorities, by the main foreign subsidiaries Leonardo S.p.a. (Leonardo UK, DRS and PZL).

[110] It is to be understood as the risk of operating in breach of tax regulations or contrary to the principles or purposes of the tax system.

The approach to taxation adopted by Leonardo is aimed at protecting the interests of all stakeholders, including Governments and the local communities in which it operates[111]. Leonardo's personnel and management, at all levels, are expected to conduct business and corporate activities by imbuing their behaviour with the "general principles" of compliance with laws, transparency, integrity and fair management, good faith, trust, and cooperation with stakeholders, as required and promoted in the Group Code of Ethics, the Group Charter of Values, and the Anti-Corruption Code[112].

GRI 207-4 Country-by-Country Reporting

The table below is consistent with the information provided to the Revenue Agency (Revenue Agency Director's Order file 275956 of 28 November 2017) within the framework of the "Country-by-Country Reporting" (CBCR). This information has been prepared by taking account of the OECD guidelines relating to this requirement. Therefore, although the figures shown are derived from the same database, they do not follow the rules of representation and preparation of the data included in the Group's consolidated financial statements. In particular, the main changes refer to the following requirements of the OECD guidelines, as reported in the abovementioned Order:

- perimeter of companies: inclusion of all companies;
- allocation by Country: allocation of items relating to permanent establishments in the Countries in which they operate, instead of the registered offices of the companies to which they belong, used to prepare consolidated financial statements;
- definitions: levels of aggregation of specific data that are not immediately comparable with the values reported in the consolidated financial statements.

Tax - Country-by-Country Reporting (Year 2021)						GRI 207-4
Tax jurisdiction	**Notes**	**USA**	**UK**	**Poland**	**Italy**	**Other countires**
Revenues from third parties	1	*3,165*	*2,203*	*53*	*9,550*	*378*
Revenues from related parties	2	*188*	*206*	*176*	*847*	*99*
Total revenues	3	**3,353**	**2,409**	**229**	**10,397**	**477**
Profit/(Loss) before income taxes*	4	**163**	**263**	**30**	**166**	**12**
Income taxes paid (based on cash accounting)	5	**4**	**(17)**	**(4)**	**(28)**	**(8)**
Income taxes accrued in the year		**12**	**43**	**6**	**24**	**12**
Workforce	6	**7,253**	**7,338**	**2,548**	**31,521**	**1,753**
Property, plant and equipment other than cash and cash equivalents	7	**339**	**193**	**36**	**1,660**	**68**

[111] In this regard, it should be noted that Leonardo SpA operates in full compliance with the rules governing transfer pricing, in adherence to the OECD Guidelines, as well as with those on DAC6 (mandatory automatic exchange of information on cross-border arrangements) and on transactions that can potentially give rise to the hybrid tax mismatch referred to in Legislative Decree no. 142/2018 ("ATAD Decree").

[112] In this regard, it should be also considered that the company incentive system of Leonardo's function dealing with tax matters does not include specific targets related to tax rate reduction.

Tax - Country-by-Country Reporting (Year 2022)						GRI 207-4
Tax jurisdiction	**Notes**	**USA**	**UK**	**Poland**	**Italy**	**Other countires**
Revenues from third parties	1	*3,316*	*2,342*	*46*	*10,047*	*368*
Revenues from related parties	2	*947*	*194*	*233*	*2,240*	*132*
Total revenues	3	**4,264**	**2,536**	**279**	**12,287**	**500**
Profit/(Loss) before income taxes	4	**1,027**	**253**	**31**	**1,628**	**(2)**
Income taxes paid (based on cash accounting)	5	**6**	**(38)**	**(2)**	**(15)**	**(2)**
Income taxes accrued in the year		**60**	**37**	**8**	**49**	**16**
Workforce	6	**7,141**	**7,482**	**2,578**	**31,842**	**2,349**
Property, plant and equipment other than cash and cash equivalents	7	**344**	**202**	**46**	**1,828**	**81**

NOTES:

1. Revenues from third parties: include all revenues (as defined below), net of those from companies subject to CBCR.

2. Revenues from related parties: include all revenues (as defined below) from companies subject to CBCR.

3. Revenues: include all revenues and financial income, net of dividends.

4. Profit/(Loss) before income taxes: includes the result before tax and the result from discontinued operations.

5. Income taxes paid: positive value indicates receipts, while negative value indicates payments. This includes payments for current tax and for tax disputes.

6. Workforce: number of employees entered in the register on the last day of the period (31 December).

7. Property, plant and equipment other than cash and cash equivalents: include tangible assets and investment property.

OTHER INDICATORS

1. Trade union relations

Industrial Relations (% on total employees)	Unit	2023
Employees covered by collective bargaining	%	77
Employees who are members of trade unions	%	31

In Italy, 100% of employees are covered by collective bargaining agreements. In 2023, the hours of strike on the total hours worked was 0.05%.

2. Employee training

Average hours of training per employee	Unit	2023
Total average training hours	**n.**	**24.1**
Mandatory training	n.	14.8
Non mandatory training	n.	9.3
Average hours of training per employee by age group	**Unit**	**2023**
< 30 years	n.	37.3
30-50 years	n.	26.1
> 50 years	n.	16.3
N. employees who received training	**Unit**	**2023**
N. employees who received training in the reporting period	n.	51,605

3. Employee health and safety

Health and safety indicators	Unit	2023
Occupational Disease Rate (ODR)	i	0.07
Lost Days Rate (LDR)	i	34.54
Absenteeism Rate (AR)	i	4.83

Details on indicator calculation: ODR is calculated using the following formula: (Total cases of occupational diseases/Total worked hours)*200,000. LDR is calculated using the following formula: (Total days of lost work/Total worked hours)*200,000. AR is calculated using the following formula: (Total days of absence/Total working days)*100.

4. Employee performance appraisal

Performance appraisal		
Total employees assessed	**Unit**	**2023**
Employees with performance appraisal	N.	29,059
	%.	54
Employees assessed on the total workforce - by gender	**Unit**	**2023**
Men	%	52
Women	%	62
Employees assessed on the total workforce - by category	**Unit**	**2023**
Managers	%	93
Middle managers	%	91
White collars	%	60
Blue collars	%	18
Employees assessed on the total employees assessed - by gender	**Unit**	**2023**
Men	%	78
Women	%	22
Employees assessed on the total employees assessed - by category	**Unit**	**2023**
Managers	%	4
Middle managers	%	21
White collars	%	67
Blue collars	%	8

5. Diversity – Ethnic minorities

Ethnic minority US employees	Unit	2023
Employees from minorities by gender	**N.**	**1,860**
Men	N.	1,269
Women	N.	591
Ethnic minority employees by category	**N.**	**1,860**
Managers	**N.**	**9**
Men	N.	7
Women	N.	2
Middle managers	**N.**	**266**
Men	N.	191
Women	N.	75
White collars	**N.**	**739**
Men	N.	489
Women	N.	250
Blue collars	**N.**	**844**
Men	N.	580
Women	N.	264
Pilots	**N.**	**2**
Men	N.	2
Women	N.	-
Ethnic minority employees by type	**N.**	**1,860**
Asian	N.	540
of which managers and middle managers	N.	*71*
Black or African American	N.	488
of which managers and middle managers	N.	*62*
American Indian (Alaska Native)	N.	19
of which managers and middle managers	N.	*9*
Hispanic or Latino	N.	624
of which managers and middle managers	N.	*94*

Native Hawaiian	N.	13
of which managers and middle managers	N.	*2*
Other Pacific Islander	N.	-
of which managers and middle managers	N.	-
Mixed / Multiple ethnic	N.	176
of which managers and middle managers	N.	*37*
Other	N.	-
of which managers and middle managers	N.	-

Ethnic minority UK employees	Unit	2023
Employees from minorities by gender	**N.**	**248**
Men	N.	181
Women	N.	67
Ethnic minority employees by category	**N.**	**144**
Managers	**N.**	**2**
Men	N.	2
Women	N.	-
Middle managers	**N.**	**25**
Men	N.	20
Women	N.	5
White collars	**N.**	**113**
Men	N.	84
Women	N.	29
Blue collars	**N.**	**4**
Men	N.	3
Women	N.	1
Pilots	**N.**	**-**
Men	N.	-
Women	N.	-
Ethnic minority employees by type	**N.**	**248**
Asian / Asian British	N.	144
of which managers and middle managers	*N.*	*17*
Black African / Black British / Carribean	N.	51
of which managers and middle managers	*N.*	*2*
Mixed / Multiple ethnic (White and Black Caribbean, White and Black African, White and Asian, Any other Mixed or multiple ethnic background)	N.	30
of which managers and middle managers	*N.*	*5*
Other	N.	23
of which managers and middle managers	*N.*	*4*

6. Diversity - disability

Employees with disability	Unit	2023
Total employees with disability	**N.**	**1,705**
Employees belonging to minorities groups by professional category		
Managers	N.	10
Middle managers	N.	167
White collars	N.	1,068
Blue collars	N.	458

7. Gender diversity

Gender pay gap	First quartile	Second quartile	Third quartile	Last quartile	Total
Men	81%	77%	78%	86%	80%
Women	19%	23%	22%	14%	20%
2023 remuneration ratio	**94%**	**100%**	**101%**	**95%**	**98%**

First quartile: employees with higher remuneration

Second quartile: employees with medium-high remuneration

Third quartile: employees with low-medium remuneration

Fourth quartile: employees with lower remuneration

Remuneration ratio is calculated on 96.5% of employees using the following formula: women average remuneration/men average remuneration. The total median value of the remuneration ratio is 104%. 10% of employees with the highest remuneration is composed of 17% women and 83% men.

Top management composition	Unit	2023
Men	%	84
Women	%	16

For the “top management” category, the percentage is calculated by considering first-level (reporting directly to the Chief Executive Officer) and second level management positions.

The executive team (CEO included) consists of 21 men (84%) and 4 women (16%).

8. Certifications

Health and safety management systems	Unit	2023
Employees at ISO 45001-certified sites on total employees	%	81
Environmental management systems		
Employees at ISO14001-certified sites on total employees	%	82
Quality management systems		
Employees at ISO 9001-certified sites on total employees	%	89
Employees at AS/EN 9100-certified sites on total employees	%	83

ISO 45001-certified sites are 65, ISO 14001-certified sites are 70, ISO 50001-certified sites are 7, ISO 9001-certified sites are 93, AS/EN 9100-certified sites are 75. As part of the activities carried out by external auditors with the above-mentioned certifications (conducted on an annual basis for the purposes of new certification / maintenance / renewal of certification), systematic assessments are performed that also cover the risk management process, its tools and methodologies.

9. Data protection

In terms of personal data protection, in line with the applicable privacy regulations[113], Leonardo adopts adequate technical and organisational measures to respect fundamental rights and freedoms and mitigate the risks associated with any possible violation. For this purpose, it has implemented processes, procedures and technologies to ensure the broadest protection of the data of employees, collaborators, guests, customers, suppliers and any natural person whose personal data are processed by Leonardo. The organisational structures and technologies used allow for the accurate and prompt detection of security threats and breaches. Processes, procedures and technologies are subject to periodical audits to ensure full compliance with the highest standards of protection. Leonardo has designated a Group Data Protection Officer who oversees, monitors, and provides specialist advice to Leonardo when acting as both a data controller and a data processor, acts as a contact person for the supervisory authority and for data subjects in relation to any and all matters concerning the processing of their personal data and the exercise of their rights, with regard to the protection of personal data. By means of training, numerous reporting channels and support tools, in the event of situations or episodes that put people's data at risk, all employees and collaborators are trained and enabled to immediately give notices to the competent departments in order to adopt remedial and risk mitigation measures in accordance with law, according to the methods and schedules set out in the procedures for handling data breaches and managing security incidents in general. If requests are submitted to exercise rights regarding the protection of personal data, Leonardo has set up specific organisational processes and information flows that make it possible to provide information regarding data processing in a transparent and easily accessible form and to follow up such requests promptly and effectively. Furthermore, Leonardo only uses suppliers that present sufficient guarantees to meet the requirements of the applicable privacy legislation and implements risk assessment and mitigation processes in any case of transfer of personal data outside the European Economic Area, in full compliance with current legislation.

10. Supply chain management

Leonardo manages the sustainability of its supply chain by integrating environmental, social and governance parameters in any and all phases of collaboration with suppliers: from the application to become a supplier, to the pre-qualification and qualification phases to enter the register, from the selection criteria to the contract Terms and Conditions, up to the verification audits and development plans of suppliers.

Potential suppliers of Leonardo must first pass a pre-qualification phase to establish whether they meet economic-financial, ethical-legal, social and environmental requirements. This is the preliminary assessment of the risk associated with establishing an industrial relationship with a potential supplier and consists of audits carried out both through an exchange of documents with the supplier and through infoproviders, which, through specialist databases and media analysis, enable a reputational audit of the counterparty to be carried out. If potential risks emerge from these analyses, Leonardo proceeds to further verifications with the supplier, in order to have evidence and updates about the company's position in relation to the reported facts and about any self-cleaning actions put in place. The rate of dependence of turnover on the Leonardo Group is also measured during pre-qualification. Failure to meet even one of these requirements prevents the company from accessing Leonardo's Register of Suppliers.

This is followed by the qualification phase, during which the technical and operational capabilities linked to specific supplies are assessed, as are the minimum requirements demanded by Leonardo regarding

[113] The protection of personal data is a fundamental right of the individual under the Charter of Fundamental Rights of the European Union (Article 8). In Europe, the protection of natural persons with regard to the processing of personal data is regulated, in particular, by Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016.

environmental management, health and safety protection, cyber security and intellectual property protection, which are also regulated by specific contractual clauses at any time[114]. As from 2022, the process was extended to all divisions with massive application to all suppliers subject to qualification. Moreover, Leonardo examines any possible certification uploaded to the Purchasing Portal by potential suppliers.

According to the product sector, an additional qualification, the Product Qualification, may be necessary to ascertain compliance with technical/technological requirements and the production process applied in the manufacture of the purchased component that will form part of a product configuration. Successful completion of the qualification phase is necessary for the award of a tender and the assignment of a purchase order, and therefore to become actual suppliers of Leonardo. Furthermore, for some product areas, supplier selection takes also account of the availability of specific additional ESG requirements, for example ISO 14001, ISO 45001 and other quality and cyber security certifications.

The ongoing satisfaction of the requirements is monitored through periodic control activities throughout the term of the contractual relationship, both through recurring audits (every two years for pre-qualification requirements and every three years for qualification requirements) and through audit plans, going as far as temporary or definitive exclusion from the Register in cases of serious or repeated failures. As for supplier audits on HSE issues, every year Leonardo sets out an audit plan and selects the suppliers that will have to be audited in the subsequent year, giving priority to those operating within Leonardo sites whose activities carried out and/or products supplied may have an impact on compliance with environmental or occupational health and safety regulations. Suppliers may also be selected to be audited for whom risk factors have emerged in relation to environmental, and occupational health and safety issues, either through reports or during the requalification phase, or even suppliers selected on a random basis. The audit consists of checks carried out by Leonardo personnel or by a third-party entity and is also an opportunity to inform the supplier of any possible opportunity for improvement. In any case of non-conformity, Leonardo always asks the supplier to take a corrective action, reported by the supplier in an Action Plan, complete with the related date of implementation, which is verified by Leonardo in the subsequent audit.

Supplier relations are managed through a dedicated Portal (Procurement Portal) to ensure transparency and traceability of information, and the storage of all supporting documentation.

Progress on sustainability objectives	Unit	2022	2023	Target year
Implementation of development programmes of the supply chain and medium/long-term partnerships, focusing on SMEs, to improve business sustainability	no. of suppliers	165	206	2023
Raising wareness/training on SDGs and support tools for reporting to more than 80% of key suppliers (over 500 suppliers)	no. of suppliers	336	648	2023
100% of LEAP partners with targets and plans set out on green energy, reduction of CO2, emissions, waste recycling, water consumption	%	40	100	2023

11. Ozone-depleting substances

Emissions of ozone-depleting substances	Unit	2023
SF6 emissions	t CO2e	20,820
HFC emissions	t CO2e	8,357
Total SF6 and HFC emissions	t CO2e	**29,177**
Quantity of ozone-depleting substances emitted in atmosphere	**t CFC-11e**	**0.00065**

[114] By including clauses in their contracts, suppliers are required to ensure that their subcontractors also comply with the same requirements.

Content Indexes

GRI Content Index

The GRI table is reported below, which is in line with requirement 7 of GRI 1: Foundation 2021 included in the GRI Universal Standards 2021. References reported refer to the 2023 Report on Operations or to the other documents where expressly stated: the 2024 Corporate Governance Report (FY 2023), the Code of Ethics and the Anti-Corruption Code.

Statement of use	Leonardo has reported in accordance with the GRI Standards for the period 1 January 2023 – 31 December 2023.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	GRI Sector Standard not avaialble yet

GRI STANDARDS/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION
General disclosures			
GRI 2: General Disclosures – version 2021	2-1 Organizational details	Leonardo SpA Leonardo S.p.A.'s registered office is in Piazza Monte Grappa, 4 - Rome (Italy) Group profile	
	2-2 Entities included in the organization's sustainability reporting	Consolidation principles and area Methodology note of the NFS	
	2-3 Reporting period, frequency and contact point	FY 2023 Annual Financial Report ir@leonardocompany.com The report is published on 12 March 2024	
	2-4 Restatements of information	Any restatements or adjustments of information are indicated in the document from time to time	

	2-5 External assurance.	Methodology note of the NFS Independent Auditors' Report	
	2-6 Activities, value chain and other business relationships	Profile Business sectors Business model Group results and financial position Sector results and outlook Supply chain value	
	2-7 Employees	Table GRI 2-7 Employment protection, people wellbeing and engagement Profile	
	2-8 Workers who are not employees	Table GRI 2-8	
	2-9 Governance structure and composition	Corporate governance Corporate governance – Corporate governance model	
	2-10 Nomination and selection of the highest governance body	Corporate governance CORPORATE GOVERNANCE REPORT 2023 – Diversity criteria and policies	
	2-11 Chair of the highest governance body	CORPORATE GOVERNANCE REPORT 2023 – Par. Corporate governance information and Par. 4.9. Directors' interests and transactions with related parties	
	2-12 Role of the highest governance body in overseeing the management of impacts	Corporate Governance Sustainability targets and plan Sustainability governance	

		Leonardo's integrated model for the responsible conduct of business is based on a set of conduct rules and ethical principles which underly a Group culture driving the relationship with stakeholders and a synergic dialogue with institutions and civil society. The Board of Directors, supported by its internal committees, is responsible for setting the strategic guidelines needed to pursue such objectives. Top management is responsible for implementing and complying the ethical principles, as well as for promoting both a continuous improvement of the model for the responsible conduct and a strong culture of integrity aimed at value creation in the long term. Moreover, the Board of Directors assigned to the President the oversight on the implementation of the corporate governance regarding the integrity of company behaviors and the anti-corruption. CORPORATE GOVERNANCE REPORT 2023 – Board of Directors and Committees	
	2-13 Delegation of responsibility for managing impacts	Corporate governance Sustainability targets and plan Sustainability governance	
	2-14 Role of the highest governance body in sustainability reporting	Corporate governance Sustainability governance	
	2-15 Conflicts of interests	Code of Ethics Par. 6 Conflict of interests Organisational, Management and Control Model under Legislative Decree 231 of 8 June 2001 (pages 14; 24; 29) CORPORATE GOVERNANCE REPORT 2023 Par. 4.3 Composition - Curricula of the Directors, Par 4.9 Directors' interests and Transactions with Related Parties	
	2-16 Communication of critical concerns	Responsible business conduct	

	2-17 Collective knowledge of the highest governance body	Corporate Governance Report 2023 --> par. Board Induction During 2023, Leonardo's Board of Directors was updated on the development of the Strategic Plan, and, on that occasion, on issues related to business development and strategies in information security and cyber security, as well as current activities and prospects in this area.	
	2-18 Evaluation of the performance of the highest governance body	Corporate Governance Report 2023 --> par. Self-evaluation and succession of Directors	
	2-19 Remuneration policies	Corporate Governance Report 2023 -> par. 8.2 The ESG indicators stated in the 2023 remuneration policy (MBO and LTIP sections) are reported below: MBO > Inclusion in the Dow Jones Sustainability Index: Inclusion in the 2023 index. > Rate of injury: 2.03 in 2023. LTIP > Intensity of CO_2 emissions Scope 1 + Scope 2 (Location Based) / Revenues: 28.96 in 2022, 27.70 in 2023. > % of women hired with STEM degree out of total new hires with STEM degree: 21.6% in the three-year period 2023-2021.	
	2-20 Process to determine remuneration	In accordance with applicable regulations, Leonardo’s Shareholders' Meeting is called upon to resolve on the remuneration policy Corporate Governance Report 2023 -> par. Remuneration Committee Remuneration Report 2023 --> par. Remuneration Policy 2023	
	2-21 Annual total compensation ratio	Corporate Governance – Remuneration policy The CEO’s total pay is unchanged and the percentage increase in the median total pay of employees is 8%.	

		For the calculation, remuneration received by employees during the year was used, according to the cash principle accounting method.	
	2-22 Statement on sustainable development strategy	Strategy and outlook Sustainability targets and plan	
	2-23 Policy commitments	Responsible business conduct Decarbonisation path Charter of Values available on the website. Code of Ethics -> par. 11 "External relations " Policy on human rights	
	2-24 Embedding policy commitment	Corporate Governance – Remuneration policy People – Respect for human rights	
	2-25 Processes to remediate negative impacts	Business model Methodology note of the NFS – Materiality analysis Strategy and outlook – Materiality analysis Corporate Governance – Responsible business conduct	
	2-26 Mechanisms for seeking advice and raising concerns	In accordance with Legislative Decree No. 24/2023 on whistleblowing, Leonardo has: > provided clear information on the channel, procedures and prerequisites for filing internal reports, as well as on the channel, procedures and prerequisites for filing external reports; > identified the Internal Reporting Channel in the Whistleblowing Platform already online since 2020 and compliant with the new regulatory requirements; > released the updated version of the Whistleblowing Management Guidelines (in both Italian and English) to both Italian and foreign Group companies; > published the Whistleblowing Management Guidelines together with the FAQ and the Privacy Policy (both in Italian and in English), as well as in the dedicated "Whistleblowing"	

		section on the corporate intranet and on the leonardo.com website. Furthermore, Leonardo DRS implements an Ethics Helpline available 24/7 managed by a third-party company[115]. Responsible business conduct In addition to what is reported in the paragraph "Responsible business conduct" Governance chapter on Whistleblowing, it should be noted that among the audits on the complaints concluded in 2023, 3 led to the detection of the presence of elements of substantiation, sometimes even partial, with reference to situations of potential "Conflicts of Interest". For 1 report in particular, the appropriate management actions were taken by the corporate structures of Leonardo S.p.A.. In addition, the following activities were carried out following two reports also valid for "Anti-corruption" purposes: Special Audit carried out by the Internal Audit function concerning the management of the supply relationship with two suppliers of Leonardo S.p.A. and whose Audit Report was also forwarded to the function responsible for anti-corruption of Leonardo S.p.A., for the assessments of competence. Qualified report in which several cases were reported that may constitute violations of the Code of Ethics committed by employees and a supplier of Leonardo S.p.A.. For some of them, the Judicial Authority was involved for the relevant assessments.	

[115] The helpline website is https://secure.ethicspoint.com/domain/media/en/gui/80079/index.html.

	2-27 Compliance with laws and regulations	With regards to environmental issues, during 2023 the number of violations of environmental laws reported by the control bodies amounted to 3 (2 in 2022, 6 in 2021, 11 in 2020, 6 in 2019 and 9 in 2018), one of which resulted in fines imposed during the year (64k€ in the site of Frosinone). During 2023, 2 environmental incidents occurred, of which: 1 of about 50 litres caused by a spillage of liquid waste (derived from galvanic processes) in the site of Swidnik and 1 spill of hydraulic fluid (from cooling processes) of about 151 litres in the site of West Plains. Within the context of remediation processes, there was no damage caused to the environment for which Leonardo has been definitively found to be liable, and no fines were imposed on Leonardo for environmental offences. In addition, 6 violations of health and safety regulations were reported by the control bodies, which resulted in 2 fines amounting to € 7,156. For a summary of criminal proceedings, reference should be made to Note 22 in the chapter on Notes to the Consolidated Financial Statements at 31 December 2023.	
	2-28 Membership of associations	World: > AIAC (Aerospace Industries Association of Canada) > CIS International - The Center for Internet Security > Gama (General Aviation Manufacturers Association) > Heli Offshore > TCCA (Tetra and Critical Communications Association) Europe: > ASD (AeroSpace and Defence Industries Association of Europe) > ECSO (European Cyber Security Organization) > EOS (European Organization for Security) > ETSI (European Telecommunication Standards Institute) > EUROCAE (European Organisation for Civil Aviation Equipment)	

		> Gaia X Italy: > AIAD (Italian Industry Federation for Aerospace, Defence and Security) – associated with CONFINDUSTRIA > ANITEC-ASSINFORM (Association of Information & Communication Technology companies) - associated with CONFINDUSTRIA > Air Tech Italy > Global Compact Network Italia (GCNI) Foundation > UNAVIA (Association for Standardisation, Training and Qualification in the Aerospace, Defence & Security sectors) > Italian National Unification Body (UNI) UK: > ADS (Aerospace Defence Security & Space) – the major trade association in the AD&S sector in the United Kingdom > techUK (Information Technology Telecommunications and Electronics Association) > make UK (formerly Federation of engineering employers) – represents the manufacturing sector in the United Kingdom > 5% Club - employer movement offering training opportunities > Team Defence Information – Non-profit collaborative organisation to modernise and transform Defence support in the United Kingdom > Social Value Portal UK (national organisation that to support the generation of a Social Value framework and provides tools to quantify social value reporting in order to help us deliver Social Value that improves well-being and reduce inequality and environmental degradation) > Royal United Services Institute (RUSI) - think tank engaged in cutting edge defence and security research	

		> Engineering UK – works in partnership with the engineering community to inspire tomorrow's engineers and increase the talent pipeline into engineering and helps its members influence UK skills policy through its research and annual report. United States: > NDIA (National Defense Industry Association) > SIA (Satellite Industry Association) > AIA (Aerospace Industry Association) Poland: > Association of Polish Aviation Industry > Aviation Valley - Association of Aerospace Industry Entrepreneurs Group > Association of Employers of Defense and Aerospace Industries > Association of Lublin Cluster of Advanced Aviation Technologies > Italian Chamber of Commerce and Industry in Poland. In 2023, membership fees for trade associations, industry and business support organisations, technical interest bodies and think tanks totalled approximately €mil. 5.7 (approximately €mil. 5.3 in 2022, approximately €mil. 5.8 in 2021, approximately €mil. 5.2 in 2020, approximately €mil. 5 in 2019 and approximately €mil. 5 in 2018). In particular, the most significant contributions in 2023 concerned Confindustria (associated local bodies) for €mil. 2.5, AIAD (Italian Industry Federation for Aerospace, Defence and Security) for €mil. 1.15 and Gama (General Aviation Manufacturers Association) for 211K€.	
	2-29 Approach to stakeholder engagement	Stakeholder engagement Responsible business conduct	
	2-30 Collective bargaining agreements	Stakeholder engagement Employment protection, people wellbeing and engagement Skill management and enhancement	

		Table – Other indicators Where there is no collective bargaining agreement, the general principles laid down in paragraph 3 of Leonardo's Code of Ethics (Human Resources, Employment Policy and Privacy Protection) and paragraph 5 of Leonardo's Charter of Values (Rights and Sustainability) still apply to employees.	
Material Topics			
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Methodology note of the NFS – Materiality analysis Strategy and outlook – Materiality analysis	
	3-2 List of material topics	Methodology note of the NFS – Materiality analysis Strategy and outlook – Materiality analysis	
Diversity, equity and inclusion			
GRI 3: Material topics 2021	3-3 Management of material topics	Positive impacts generated by Leonardo's activities to promote a culture of Diversity, Equity and Inclusion inside and outside the company, including through mentorship, coaching and training programs in collaboration with the education system. Negative impacts arising from potential cases of discrimination and harassment against Leonardo employees or external to the Group. Diversity, equity and inclusion Respect for human rights	
GRI 201: Economic Performance–2016	201-3 Defined benefit plan obligations and other retirement plans	Group companies use various pension schemes, as described in Note 3.16 in the chapter on Notes to the Consolidated Financial Statements at 31 December 2023.	
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	In Italy and abroad, Leonardo applies the mechanisms allowed by the regulations and the agreements with the trade unions. In Italy, this issue is regulated by the National Collective Bargaining Agreement (CCNL), as well as by any relevant union agreements.	
GRI 405: Diversity and equal opportunity 2016	405-2 Ratio of basic salary and remuneration of women to men	Table GRI 405-2 Other indicators – Gender diversity	
Protection of human rights			
GRI 3: Material Topics 2021	3-3 Management of material topics	Negative impacts arising from potential human rights violations along the value chain (including workers' rights, such as violations of	

		freedom of association and expression, modern slavery, health and safety, discrimination, fair pay) and violations of rights of individuals and communities related to the use of Leonardo solutions (e.g. related to non-compliance in the control of sales and distribution operations).	
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	It should be noted that the audits on reports completed in 2023 did not reveal any discriminatory or harassing behaviour and, therefore, no disciplinary action was taken.	
Health and safety			
GRI 3: Material Topics 2021	3-3 Management of material topics	Potential injuries or illnesses of Leonardo employees and workers outside the Group. Health and safety	
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Health and safety	
	403-2 Hazard identification, risk assessment, and incident investigation	Health and safety Decarbonisation path	
	403-3 Occupational health services	Health and safety	
	403-4 Worker participation, consultation, and communication on occupational health and safety	Health and safety	
	403-5 Worker training on occupational health and safety	Health and safety	
	403-6 Promotion of worker health	Health and safety	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Health and safety	
	403-9 Work-related injuries	Health and safety Table GRI 403-9	
Skill development, talent attraction and wellbeing of employees			
GRI 3: Material Topics 2021	3-3 Management of material topics	Contribution to improving the quality of life, human capital and skills of employees and	

		developing STEM culture and skills for young people and women both within and outside the Group. Potential employee dissatisfaction resulting from insufficient internal growth and involvement policies. Skill management and enhancement	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Employment protection, people wellbeing and engagement Skill management and enhancement In 2023, voluntary resignations accounted for 4.4% of total employees.	
	401-3 Parental leave	Table GRI 401-3 In Italy, the rules governing permits and leaves to protect maternity and paternity are laid down in Legislative Decree 151/2001 and the remaining relevant legislation. For metalmechanical companies, the issue is also regulated by the current CCNL. Specific more favourable provisions on the subject for Leonardo employees are also contained in the current Supplementary Company Agreement.	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Other indicators – Employee training Table GRI 404-1	
	404-2 Programs for upgrading employee skills and transition assistance programs	Skill management and enhancement	
Sustainable supply chain			
GRI 3: Material Topics 2021	3-3 Management of material topics	Growth, development and support for sustainable supply chain transition through dedicated programmes implemented by Leonardo. Respect for human rights Sustainable supply chain Other indicators – Supply chain management	
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Supply chain value	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Sustainable supply chain management	

GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Supply chain value Other indicators – Supply chain management	
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Sustainable supply chain management Other indicators – Supply chain management	
Business integrity, compliance and anti-corruption			
GRI 3: Material Topics 2021	3-3 Management of material topics	Negative impacts resulting from potential wrongdoing and misconduct by the Group, its employees, business-related third parties and suppliers along the value chain. Responsible business conduct	
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	Leonardo's anti-corruption policies are communicated to all members of governing bodies, employees and business partners, in all geographies in which the Group operates. In addition, anti-corruption training for new hires continued in 2023, with 84% of users taking the course. With the new internal regulation on Business Compliance of 2023 Leonardo confirmed the training requirement (with successful completion of the learning test) to distributors and resellers as well; eligibility for signing contracts is now conditional on passing the end-of-course test. Responsible business conduct Anti-Corruption Code pages 3-4	
	205-3 Confirmed incidents of corruption and actions taken	Provisions for risks and contingent liabilities In 2023 there were no convictions within criminal proceedings against Group's legal entities, nor dismissals due to confirmed cases of corruption.	
GRI 206: Anti-competitive behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	No legal actions were commenced in 2023 related to unfair competition, anti-trust and monopoly practices.	
GRI 207: Tax 2019	207-1 Approach to tax	Paragraph GRI 207-1	
	207-2 Tax governance, control, and risk management	Paragraph GRI 207-2	

	207-3 Stakeholder engagement and management of concerns related to tax	Paragraph GRI 207-3	
	207-4 Country-by-country reporting	Table GRI 207-4	
GRI 405: Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	Employment protection, people wellbeing and engagement Corporate Governance Table GRI 405-1	
GRI 415: Public Policy 2016	415-1 Political contributions	Code of Ethics page 14 As provided for in Leonardo's Code of Ethics, the Company does not contribute company funds to political and trade union parties, movements, committees and organizations, or to their representatives and/or candidates; therefore, Leonardo did not pay any political contribution in 2022. The prohibition in the Code of Ethics on political contributions applies to all Group companies worldwide, including the United States. For more details, please see the Code of Ethics and Business conduct of Leonardo DRS. In the United States, where voluntary contributions to Political Action Committees (PACs) by employees are allowed, the operation of the PAC is supervised and monitored for legal compliance to ensure they are not used as vehicles for corruption.	
Environmental impact of the use of materials and circularity			
GRI 3: Material Topics 2021	3-3 Management of material topics	Development of circular economy models and longer life cycles through product and process innovations by Leonardo. Consumption of materials and fossil fuels and production of waste from activities along Leonardo's value chain. Natural resources and biodiversity management Circular economy	
GRI 301: Materials 2016	301-1 Materials used by weight or volume	In 2023, Leonardo purchased about 25.5 of raw materials (14.7 ktons in 2022), among which: about 8.9 ktons of iron, ferroalloys and steel (7.5 ktons in 2022), about 6.8 ktons of aluminium, magnesium and other metals (5.4 ktons in 2022), 0.8 ktons of paper and cardboard (0.9 ktons in 2022), 0.8 ktons of other raw materials (0.9 ktons in 2022) and 7.1	

		kton of semi-finished products (not available in 2022). 2021 data have been collected on a partial perimeter and are not comparable with the data for 2023 and 2022.	
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Leonardo undertakes to adopt measures for the reduction and prevention of pollution and waste, thus minimising the production of hazardous and non-hazardous waste and promoting recycling. In order to reduce the impact related to waste production, Leonardo has implemented and is developing circular economy programmes and activated collaborations with third-party partners. Natural resources and biodiversity management Circular economy	
	306-2 Management of significant waste-related impacts	Natural resources and biodiversity management	
	306-3 Waste generated	Table GRI 306-3	
GRI 306: Effluents and Waste 2016	306(2016)-3 Significant spills	In 2023 following events were reported: > 1 spill f about 50 litres of liquid waste (derived from galvanic processes) in the site of Swidnik; > 1 spill of hydraulic fluid (from cooling processes) of about 151 litres in the site of West Plains.	
Climate change, adaptation/mitigation			
GRI 3: Material Topics 2021	3-3 Management of material topics	Contribution to the mitigation of climate change through the development of sustainable aviation technologies and sustainable mobility services and products (including SAF-compatible aircraft and helicopters, optimised air traffic management systems and virtualisation systems) and through sensors and satellite observation technologies enabling analysis and monitoring of climate phenomena. Contribution to emergency management, including environmental and climate emergencies, through special aircraft and helicopter configurations and satellite and global monitoring technologies. Contribution to the worsening of climate change and air pollution through emissions attributable to Leonardo in operations, along	

		the supply chain, in the use of its solutions or related to its investments. Natural resources and biodiversity management Decarbonisation path	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Natural resources and biodiversity management Decarbonisation path Table GRI 302-1	
	302-3 Energy intensity	ESG performance indicators Table GRI 302-3	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Natural resources and biodiversity management Decarbonisation path Table GRI 305-1 Source of the emission factor: > UNFCCC - National Inventory Submissions 2023 > Tabella dei parametri standard nazionali (MASE) 2022 > AIMS Energy Article 2018 > IPCC AR6 - Sixth assessment report > Australian National Greenhouse accounts factors (February 2023)	
	305-2 Energy indirect (Scope 2) GHG emissions	Natural resources and biodiversity management Decarbonisation path Table GRI 305-2 Source of the emission factor: > Location based US, Source: EPA - United States Environmental Protection Agency - eGRID2021; > Location based Europe and World, Source: TERNA - ENERDATA 2020; > Market based Rest of the world, Source: Terna –ENERDATA 2020; Ministero Brasile, Australian National Greenhouse accounts factors (February 2023); > Market based United States and Canada, Source: 2023 Green-e Energy Residual Mix Emissions Rates;	

		> Market base Europe, Source: AIB - Association of Issuing Bodies - European Residual Mixes 2022; > Market Based District Heating, Source: site's providers; > Location Based District Heating, Source: UK Government GHG Conversion Factors for Company Reporting (DEFRA 2023).	
	305-3 Other indirect (Scope 3) GHG emissions	Natural resources and biodiversity management Decarbonisation path Table GRI 305-3 Source of the emission factor: > GHG Protocol – Emission factor from cross sector tools; > UNFCCC - National Inventory Submissions 2023; > UK Government GHG Conversion Factors for Company Reporting (DEFRA 2023, 2021); > Australian National Greenhouse accounts factors (February 2023); > GHG Aviation Tool; > SBT Aviation Guideline; > Terna Enerdata 2019; > IRENA 2019; > IPCC 2006 Guidelines for National Greenhouse Gas Inventories; > IAEG emissions available here.	
	305-4 GHG emissions intensity	ESG performance indicators Decarbonisation path Table GRI 305-4	
	305-5 Reduction of GHG emissions	Natural resources and biodiversity management Decarbonisation path Tables GRI 305-1,2,3,4	
Solutions' quality, security and performance			
GRI 3: Material Topics 2021	3-3 Management of material topics	Negative impacts on end-users and customers resulting from potential inadequate performance or malfunctioning of Leonardo's solutions. Quality and safety Cyber security and data protection	

		Responsible business conduct Other indicators - Par. Data protection	
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Quality and safety	
R&D, innovation and advanced technologies			
GRI 3: Material Topics 2021	3-3 Management of material topics	Strengthening research, development and innovation through Leonardo's investments and collaborations with academia, start-ups and other research organisations. Innovation	
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Table of economic value generated, distributed and retained The following list includes the parent company and the main subsidiaries in the 4 domestic markets (fully consolidated) and their main countries of operations at 31 December 2023 (these companies are incorporated in the main country of operation). These companies have been selected based on materiality in terms of revenues, number of employees, fixed assets, and tax contribution. > Leonardo SpA - Italy > Leonardo UK – United Kingdom > Leonardo DRS INC – United States of America > PZL-Świdnik SA – Poland > AgustaWestland Philadelphia Co - United States of America > Leonardo Global Solutions SpA – Italy The aforesaid subsidiaries account for a total of: > 97% of revenues generated > 90% of fixed assets > 94% of employees	
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Supply chain value Value for communities and territories Table of generated, distributed and retained economic value	
Cyber security and data protection			
GRI 3: Material Topics 2021	3-3 Management of material topics	Contribution of Leonardo, through its solutions, to the digital security of the country, the protection of strategic information and the continuity of essential services.	

		Potential loss of data/violation of the privacy of stakeholders whose information the Group manages. Cyber security and data protection Responsible business conduct Other indicators - Par. Data privacy	
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Cyber security and data protection Responsible business conduct Other indicators - Par. Data protection	
Relations with local areas and communities			
GRI 3: Material Topics 2021	3-3 Management of material topics	Positive impacts on local communities resulting from job creation and economic value generated, directly or indirectly, by activities along Leonardo's value chain, including with regard to vulnerable stakeholder groups or geographic areas. Customer intimacy, quality and safety Value for communities and territories	
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Quality and safety	
Natural resources and biodiversity management			
GRI 3: Material Topics 2021	3-3 Management of material topics	Contribution to the protection and preservation of ecosystems, natural resources and people through good site management practices and sensors and satellite observation technologies that enable the analysis and monitoring of resources, biomass and natural elements. Worsening of water resource quality and quantity due to water withdrawals, consumption and pollution along the Leonardo value chain. Natural resources and biodiversity management Circular economy	
GRI 303: Water and effluents 2018	303-1 Interactions with water as a shared resource	Natural resources and biodiversity management	

	303-2 Management of water discharge-related impacts	Natural resources and biodiversity management	
	303-3 Water withdrawal	Natural resources and biodiversity management Table GRI 303-3	
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Natural resources and biodiversity management	
GRI 305: Emissions 2016	305-7 Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	Tables GRI 305-7 Natural resources and biodiversity management	
Digital Transformation			
GRI 3: Material Topics 2021	3-3 Management of material topics	Facilitating the digital transition for Leonardo employees, its customers, suppliers (including SMEs) and PAs with which the Group works. Skill management and enhancement Innovation Natural resources and biodiversity management Supply chain value Customer support, quality and safety Value for communities and territories	
Citizens' security			
GRI 3: Material Topics 2021	3-3 Management of material topics	Increased security for people, infrastructure and territories thanks to the civil and defense market solutions offered by Leonardo. Customer support, quality and safety Innovation	

SASB Content Index

DISCLOSURE		SECTION/NOTES
RT-AE-000.A	Production/trend by reportable segment	Profile Sector results and outlook
RT-AE-000.B	Number of employees	People
RT-AE-130a.1	(1) Total energy consumed (2) percentage grid electricity (3) percentage renewable	Natural resources and biodiversity management Decarbonisation path
RT-AE-150a.1	Amount of hazardous waste generated, percentage recycled	Natural resources and biodiversity management
RT-AE-150a.2	Number and aggregate quantity of reportable spills, quantity recovered	GRI 306-3: Significant spills
RT-AE-230a.1	(1) Number of data breaches (2) percentage involving confidential information	Responsible business conduct
RT-AE-230a.2	Description of approach to identifying and addressing data security risks in (1) company operations and (2) products	Cyber security and data protection Other indicators– par. Data Privacy Sustainable supply chain management
RT-AE-250a.1	Number of recalls issued, total units recalled	Any measure issued to the in-service fleet, should there be a safety impact, is covered by the Authority with an Emergency Airworthiness Directive (see indicator RT-AE-250a.3).
RT-AE-250a.2	Number of counterfeit parts detected, percentage avoided	NA
RT-AE-250a.3	Number of Airworthiness Directives received, resulting in Emergency Airworthiness Directive, total units affected	In the applicable businesses, Leonardo has Airworthiness Review processes in place to investigate any events with potential impact on the safety of its products and takes appropriate precautionary and/or corrective actions. In 2023, Leonardo agreed with the relevant aviation authority two Emergency Airworthiness Directives. Following the investigation and in compliance with the current regulations, Leonardo issued the relevant applicable Alert Service Bulletins (ASBs), providing instructions to manage the risk that had been reported. More information is available on the website of the European Union Aviation Safety Agency.
RT-AE-250a.4	Amount of fines and legal and regulatory transactions associated with product safety	No fine/settlement agreement associated with Emergency Airworthiness directives referred to in indicator RT-AE-250a.3.
RT-AE-410a.1	Revenue from alternative energy-related products	Some of the helicopters produced by Leonardo can operate with fuels having up to 50% of SAFs without operational limitations or performance degradation are the following: AW139, AW169, AW189, AW149, A109S,

		AW109SP, AW119MkII, A109A/AII, A109C, A109K2, A109E, A119.
RT-AE-410a.2	Description of strategic approach to reduce fuel consumption and greenhouse gas (GHG) emissions of products	Decarbonisation path
RT-AE-440a.1	Description of risk management associated with the use of critical materials	Risk management
RT-AE-510a.1	Total amount of monetary losses resulting from legal proceedings associated with incidents of corruption, bribery and/or illicit international trade.	In 2023, there were not convictions or compensation ordered to the Group's legal entities as part of criminal proceedings for corruption.
RT-AE-510a.2	Revenues from countries classified in band "E" and "F" of Transparency International's Government Defence Anti-Corruption Index	15% of revenues in 2023 from countries classified in bands E and F of the Government Defence Anti-Corruption Index of Transparency International, of which 60% for EFA Kuwait and NH90 Qatar contracts under which Leonardo is the prime contractor.
RT-AE-510a.3	Description of processes to manage ethical risks in conducting business throughout the value chain	Responsible business conduct Risk management Supply chain value

TCFD (Task Force on Climate-related Financial Disclosures) Content Index

TCFD RECOMMENDATIONS		Section/Notes
Pillar	TCFD Recommended Disclosures	
GOVERNANCE	a) Describe the board's oversight of climate related risks and opportunities.	Sustainability governance
	b) Describe management's role in assessing and managing climate related risks and opportunities.	
STRATEGY	a) Describe the climate related risks and opportunities the company has identified over the short, medium, and long term.	Decarbonisation path
	b) Describe the impact of climate-related risks and opportunities on the company's businesses, strategy, and financial planning.	
	c) Describe the resilience of the company's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	
RISK MANAGEMENT	a) Describe the company's processes for identifying and assessing climate related risks.	Risk management Decarbonisation path
	b) Describe the company's processes for managing climate related risks.	
	c) Describe how processes for identifying, assessing, and managing climate related risks are integrated into the company's overall risk management.	
METRICS AND TARGETS	a) Disclose the metrics used by the company to assess climate-related risks and opportunities in line with its strategy and risk management process.	GRI indicators Natural resources and biodiversity management Decarbonisation path
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	
	c) Describe the targets used by the company to manage climate-related risks and opportunities and performance against targets.	

Information on EU Taxonomy for sustainable activities

Regulatory framework

In 2019, the European Union unveiled the European Green Deal plan with the goal of achieving climate neutrality by 2050. In order to attain this goal, the European Union aims to promote investments in assets and activities needed to ensure an equitable ecological transition.

In 2020, in this perspective, Regulation (EU) 2020/852 (Taxonomy Regulation) brought in a classification system or taxonomy, which identifies the list of economic activities that can be considered to be environmentally sustainable. The Taxonomy Regulation sets out the criteria for establishing whether an activity can be considered environmentally sustainable based on its substantial contribution to six objectives: a) climate change mitigation; b) climate change adaptation; c) the sustainable use and protection of water and marine resources; d) the transition to a circular economy; e) pollution prevention and control; f) the protection and restoration of biodiversity and ecosystems.

Companies are required to provide information about the share of sales (revenues), capital expenditures (Capex) and operating expenses (Opex) that are derived from environmentally sustainable activities, i.e., that are "eligible" and "aligned" to the Taxonomy. Specifically, an economic activity is "eligible" if it is explicitly included in the European regulations and "aligned" if it simultaneously meets the following 3 criteria:

- it contributes substantially to one or more of the 6 environmental objectives listed above by meeting the technical screening criteria that set conditions and performance requirements ("Significant Contribution");
- it does not cause any significant harm to any of the other environmental objectives ("Do Not Significant Harm -DNSH criteria");
- it is carried out in accordance with specific social safeguards ("minimum safeguards").

In 2021, the regulatory framework was supplemented by some Delegated Acts, including:

- the “Climate Delegated Act” - Delegated Regulation (EU) 2021/2139 of 4 June 2021 -, which defined the "Technical Screening Criteria," i.e., "significant contribution" and "Do Not Significant Harm - DNSH" criteria, of an initial set of activities for the two climate change mitigation and adaptation goals;
- the “Disclosures Delegated Act” - and the Delegated Regulation (EU) 2021/2178 of 6 July 2021, which regulates the mandatory disclosure regime for companies.

In 2022, the Platform on Sustainable Finance[116] published the *“Final Report on Minimum Safeguards”*, which identifies the minimum social safeguards (“minimum safeguards”).

In 2023, the European Commission adopted:

- the “COMMISSION DELEGATED REGULATION (EU) 2023/2485", which integrates the “Climate Delegated Act” - Delegated Regulation (EU) 2021/2139 of 4 June 2021 with additional economic activities that contribute to the climate change mitigation and adaptation goals, defining the relevant “Technical Screening Criteria”;
- the “Environmental Delegated Act” - COMMISSION DELEGATED REGULATION (EU) 2023/2486, which sets out the “Technical Screening Criteria” of the economic activities of the remaining 4 objectives set out in Taxonomy (sustainable use and protection of water and marine resources; transition to a

[116] This is a platform established by the European Commission for the purposes of providing advice on taxonomy.

circular economy; pollution prevention and control; protection and restoration of biodiversity and ecosystems).

The "Environmental Delegated Act"[117] requires companies to provide information about the eligibility of additional economic activities as early as the 2023 financial statements, while alignment will be mandatory from those prepared for 2024.

With the integration of the Climate Delegated Act published in 2023, the primary reference NACE code for the Aerospace, Defence & Security sector[118] has been included among the activities that contribute to climate change mitigation. Moreover, the same legislation stresses the relevance of certain aircraft for carrying out disaster risk management activities with a view to adapting to climate change and recognises the potential need to set out specific "Technical Screening Criteria" in the future with respect to their production[119]. In agreeing with this need, Leonardo hopes for the prompt inclusion of the production of such aircraft, both fixed-wing and rotary-wing, among the activities that are relevant to the climate change adaptation goal.

Leonardo reporting

Leonardo publishes the required information for the year 2023 regarding the percentages of revenues, CapEx and OpEx relating to:

- eligibility/non-eligibility and alignment/non-alignment for economic activities related to the climate change mitigation and adaptation objectives and set out in the "Climate Delegated Act";
- eligibility/non-eligibility for economic activities provided by the supplement to the Climate Delegated Act[120] and for economic activities related to the remaining four objectives included in the "Environmental Delegated Act".

In view of the above, it can be expected that future alignment %s could deviate, even significantly, from what is published in this report.

The guidelines provided in Annex I attached to the "Disclosures Delegated Act" have been considered for the definition of the denominators of revenues, CapEx and OpEx.

Any information necessary for the calculation of the KPIs envisaged by the Taxonomy is mainly extracted from the IT accounting systems of Leonardo and of its divisions/legal entities and corresponds, therefore, to the information used for the preparation of the Group's income and cash flow statements. In this way, the due level of granularity of the analyses is ensured, on the one hand, and, on the other hand, the risk of double counting is eliminated, both when the same economic activity contributes to more than one objective and in the case of intercompany revenues. OpEx considered are largely related to expensed R&D activities, according to a principle of materiality and in accordance with regulatory requirements.

In addition to establishing the significant contribution to the goal, in assessing alignment with the Taxonomy, Leonardo's management also verified that:

- economic activities do not significantly undermine the achievement of the other environmental objectives through the assessment of compliance with "Do Not Significant Harm (DNSH)" criteria;

[117] In particular, please see Art. 5 "Amendments to Delegated Regulation (EU) 2021/2178".
[118] NACE code C30.3 "Manufacture of air and spacecraft and related machinery".
[119] The regulations in force to date only provide for the "Technical Screening Criteria" for the performance of disaster risk management activities in the strict sense (and not also for the production of aircraft required to carry out such activities).
[120] I.e., the "Commission Delegated Regulation amending the Taxonomy Climate Delegated Act".

- compliance with "minimum safeguards" as defined in Article 18 of Regulation (EU) 2020/852 is ensured, in accordance with the OECD Guidelines for multinational enterprises and the United Nations Guiding Principles on Business and Human Rights.

Below are details of the analyses carried out by Leonardo with regard to the 3 macro-criteria provided for in Regulation (EU) 2020/852: analysis of the substantial contribution to one or more of the 6 environmental objectives ("significant contribution"), analysis of the "Do Not Significant Harm - DNSH" criteria, and analysis of compliance with social safeguards ("minimum safeguards").

ANALYSIS OF "SIGNIFICANT CONTRIBUTION"

"Core" business

The activities that are part of Leonardo's business are found to be eligible for the objectives of climate change mitigation and adaptation and transition to a circular economy; specifically:

Climate change mitigation

Production of fixed-wing and rotary-wing aircraft related to the Helicopters, Aircraft and Aerostructures sectors, including the production of electronics components for avionics in the Defense Electronics & Security sector (code 3.21 Manufacturing of aircraft).

Climate change adaptation

- Computer programming and consultancy carried out by the Defense Electronics & Security sector (code 8.2 Computer programming, consultancy and related activities).

Transition to a circular economy

- Manufacture of electrical and electronic equipment related to the Defense Electronics & Electronic Security, Helicopters, Aircraft sectors (code 1.2 Manufacture of electrical and electronic equipment).
- Repair, refurbishment and remanufacturing related to the Defense Electronics & Security, Helicopters, Aircraft sectors (code 5.1 Repair, refurbishment and remanufacturing).
- Sales of spares parts within the scope of Customer Support & Training activities of all Leonardo sectors (code 5.2 Sale of spare parts).
- Sales of second-hand goods in the Helicopters sector (code 5.4 Sales of second-hand goods).
- "Product-as-a-service" and other circular use- and result-oriented service models related to simulators of Helicopters, Aircraft and Defense Electronics & Security (code 5.5 Product-as-a-service and other circular use- and result-oriented service models).

For those activities that are planned in the acts adopted during 2023, only the level of eligibility/non-eligibility is reported[121].

Ancillary activities

At the same time, additional activities carried out by Leonardo that refer to non-primary processes ancillary to the production process were identified as eligible and in some cases aligned with the goal of climate change mitigation, namely:

[121] Reference is made to all the activities reported above, except for those relating to computer programming and consultancy services rendered by the Cyber & Security Solutions division, for which alignment/non-alignment is also reported in the tables below.

- 6.5 Transport by motorbikes, passenger cars and light commercial vehicles;
- 7.3 Installation, maintenance and repair of energy efficiency equipment;
- 7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings);
- 7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings;
- 8.1 Data processing, hosting and related activities.

These activities have already been reported in Leonardo's 2022 Integrated Annual Report since they are provided for in the Climate Delegated Act of 2021.

ANALYSIS OF “DNSH” CRITERIA

Leonardo's management has positively assessed compliance with the “Do Not Significant Harm (DNSH)” criteria envisaged for economic activities that contribute substantially to the climate change mitigation goals listed above[122].

Climate change adaptation (codes 6.5, 7.3, 7.4, 7.5, 8.1)

This criterion requires a robust climate risk and vulnerability assessment. Leonardo invests in the development of initiatives, products, and services that facilitate climate change adaptation of both its own manufacturing operations and of the society in general. With regards to its assets, Leonardo has:

- defined action plans by identifying all sites located in geographical areas exposed to potential conditions of water stress, risks of hurricanes, storms and flooding, changing weather patterns, and other climate-related physical hazards;
- conducted a Water Site Risk Analysis (WSRA) to develop a water risk response strategy for relevant industrial sites;
- included in the criteria for inclusion of suppliers on vendor lists the evaluation of their continuity plans, including with regard to impacts related to climate change risks.

For more information, please see Leonardo's "DECARBONIZATION PATH TCFD (Task Force on Climate-related Financial Disclosures) Report 2022"[123].

Sustainable use and protection of water and marine resources (Code 8.1)

82% of employees are at sites with ISO 14001-certified environmental management systems, which also include issues concerning the responsible use of water. In addition, Leonardo has taken various actions at its manufacturing plants, aimed at reducing water withdrawals and analysing water risk.[124].

[122] For the activity related to computer programming, consultancy which contributes to the objective of "climate change adaptation" (8.2 Computer programming, consultancy and related activities), no DNSH criteria are envisaged.
[123] The report is available at the following link.
[124] For more details on water management, please see the paragraph on “Natural resources management and biodiversity” in the on chapter on Planet.

Transition to a circular economy (Code 6.5)

Vehicles within the Leonardo fleet meet the requirements prescribed in terms of reusability/recyclability/recoverability and for the management of their end of life.

Transition to a circular economy (Code 8.1)

Leonardo uses instruments that meet the regulatory requirements referred to by the Taxonomy and has implemented waste management plan, which also includes end of life.

Pollution prevention and control (Code 6.5)

Leonardo's fleet meets the requirements prescribed by the Taxonomy on European standards on pollutant emissions, tires and engine noise.

Pollution prevention and control (Code 7.3)

Leonardo's equipment meets the regulatory requirements prescribed by regulations in terms of components, materials and asbestos.

ANALYSIS OF "MINIMUM SAFEGUARDS"

Leonardo has positively assessed compliance with the safeguards prescribed by the Taxonomy, which refer to the following areas: human rights, including workers' rights, corruption, fair competition and taxation.

Human rights

Leonardo has set out specific principles and rules of conducts aimed at spreading a culture of respect for universally recognised human rights in line with the United Nations' Universal Declaration of Human Rights, the International Labor Organisation (ILO) Conventions, the Organisation for Economic Co-operation and Development (OECD) guidelines and the Charter of Fundamental Rights of the European Union. As also reported in the disclosure required by the Sustainable Finance Disclosure Regulation, referring to Principal Adverse Impacts (PAIs)[125], in order to strengthen the surveillance system, the Group promotes the protection of human rights along the value chain, supporting its dissemination among its stakeholders, including though the action under the Sustainability Plan and by participating in multilateral initiatives to create synergies between associations, businesses and institutions[126].

Corruption and fair competition

Leonardo acts with integrity and transparency in compliance with regulations and with zero tolerance for any type of corruption to ensure the most proper management of the business and to establish relationships of trust and collaboration with employees, customers, suppliers and all other counterparties, which are asked to accept and apply the principles and values stated in the Charter of Values, the Code of Ethics and other codes of conduct. In conducting its business, Leonardo confirms its commitment to respecting and promoting the Ten Principles of the United Nations Global Compact related to human rights, labour, environment and

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[125] For more details, please see this file.

[126] For more details, please see the paragraph on "Respect for human rights" in the chapter on "People".

anti-corruption. Leonardo's model for the responsible conduct of business, inspired by national and international best practices, is based on company codes of conduct and a system of clear rules, periodically updated, which guide compliant and responsible behaviour[127].

Taxation

With the aim of tax risk-aware management, Leonardo aims to minimise tax risk by determining the proper level of due taxation, in the application of national and supranational regulations in force in any local area in which it operates. For this purpose, Leonardo SpA's tax strategy, adopted since 2017, is inspired by principles of interpretative prudence and compliance with tax regulations, envisaging conduct characterised by the utmost honesty and fairness towards the Tax Authorities and third parties[128].

[127] For more details, please see the paragraph on "Responsible business conduct" in the chapter on "Governance".
[128] For more details, please see the paragraph on "Economic indicators" of ANNEX TO THE REPORT ON OPERATIONS – NOTE TO THE NFS.

Financial year 2023		2023		Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities	Code	Turnover	Proportion of Turnover, year 2023	Climate Change mititgation	Climate Change adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change mititgation	Climate Change adaptation	Water	Pollution	Circular Economy	Biodiversity	Miminum Safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) turnover, year 2022	Category enabling activity	Category transitional activity
Text		*€ Mln*	*%*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*%*	*E*	*T*
A TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**Y**	**0%**		
Of which Enabling		**0**	0%	%	%	%	%	%	%	n/a	n/a	n/a	n/a	n/a	n/a	Y	0%	A	
Of which Transitional		0	0%	%						n/a	n/a	n/a	n/a	n/a	n/a	Y	0%		T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*										
Computer programming, consultancy and related activities	CCA 8.2	386	3%	N/EL	EL	N/EL	N/EL	N/EL	N/EL								n/a		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**386**	3%	0%	100%	0%	0%	0%	0%								**n/a**		
A. Turnover of Taxonomy eligible activities (A1+A2)		**386**	3%	0%	100%	0%	0%	0%	0%								**n/a**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities[(*)]		14.905	97%																
TOTAL		**15.291**	**100%**																

(*) Consistently with what reported above, the eligibility related to economic activities envisaged by the Delegated Regulations (EU) 2023/2485 "Climate Delegated Act" and 2023/2486 "Environmental Delegated Act" is provided in the table below.

Financial year 2023	2023			Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities	Code	CapEx	Proportion of Capex year 2023	Climate Change mititgation	Climate Change adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change mititgation	Climate Change adaptation	Water	Pollution	Circular Economy	Biodiversity	Miminum Safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) CapEx, year 2022	Category enabling activity	Category transitional activity
Text		*€ Mln*	*%*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*%*	*E*	*T*
A TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	18,3	2%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	n/a	Y	n/a	Y	n/a	n/a	Y	1%	E	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	0,7	0,08%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	n/a	Y	n/a	n/a	n/a	n/a	Y	0,01%	E	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	CCM 7.5	0,2	0,02%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	n/a	Y	n/a	n/a	n/a	n/a	Y	0,02%	E	
CapEx of environmentally sustainable activities (Taxonomy-aligned) A.1		**19,2**	**2%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**	**n/a**	**Y**	**n/a**	**Y**	**n/a**	**n/a**	**Y**	**1%**		
Of which Enabling		19,2	2%	100%	0%	0%	0%	0%	0%	n/a	Y	n/a	Y	n/a	n/a	Y	**1%**	E	
Of which Transitional		0	0%	0%						n/a	Y	n/a	Y	n/a	n/a	Y	0%		T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*										
Computer programming, consultancy and related activities	CCA 8.2	9,15	1%	N/EL	EL	N/EL	N/EL	N/EL	N/EL								n/a		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**9,15**	**1%**	**0%**	**100%**	**0%**	**0%**	**0%**	**0%**								**n/a**		
A. CapEx of Taxonomy eligible activities (A1+A2)		**28,4**	**%**	**68%**	**32%**	**0%**	**0%**	**0%**	**0%**								**n/a**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities(*)		923	97%																
TOTAL		**951**	**100%**																

(*) Consistently with what reported above, the eligibility related to economic activities envisaged by the Delegated Regulations (EU) 2023/2485 "Climate Delegated Act" and 2023/2486 "Environmental Delegated Act" is provided in the table below.

Financial year 2023	Year			Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities	**Code**	**OpEx**	**Proportion of OpEx year 2023**	**Climate Change mititgation**	**Climate Change adaptation**	**Water**	**Pollution**	**Circular Economy**	**Biodiversity**	**Climate Change mititgation**	**Climate Change adaptation**	**Water**	**Pollution**	**Circular Economy**	**Biodiversity**	**Miminum Safeguards**	**Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) OpEx, year 2022**	**Category enabling activity**	**Category transitional activity**
Text		*€ Mln*	*%*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*%*	*E*	*T*
A TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	6,6	1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	n/a	Y	n/a	Y	Y	n/a	Y	1,1%	E	
OpEx of environmentally sustainable activities (Taxonomy-aligned) A.1		**6,6**	**1%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**	**n/a**	**Y**	**Y**	**Y**	**Y**	**n/a**	**Y**	**1,7%**		
Of which Enabling		**6,6**	1%	100%	0%	0%	0%	0%	0%	n/a	Y	Y	n/a	Y	n/a	Y	1,1%		
Of which Transitional		**0**	0%	0%						n/a	Y	Y	n/a	Y	n/a	Y	0,6%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*										
Computer programming, consultancy and related activities	CCA 8.2	13,4	3%	N/EL	EL	N/EL	N/EL	N/EL	N/EL								n/a		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**13,4**	**3%**	**0%**	**100%**	**0%**	**0%**	**0%**	**0%**								**1,6%**		
A. OpEx of Taxonomy eligible activities (A1+A2)		**20,0**	**4%**	**33%**	**67%**	**0%**	**0%**	**0%**	**0%**								**3,3%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities[(*)]		456	96%																
Total		**476**	**100%**																

(*) Consistently with what reported above, the eligibility related to economic activities envisaged by the Delegated Regulations (EU) 2023/2485 "Climate Delegated Act" and 2023/2486 "Environmental Delegated Act" is provided in the table below.

Economic activities envisaged by the COMMISSION DELEGATED REGULATION (EU) 2023/2485 and by the COMMISSION DELEGATED REGULATION (EU) 2023/2486	Eligible (€ mil.)	Eligible (%)	Non-eligible (%)
Turnover	11,687	86%	14%
Capex	478	51%	49%
Opex	270	59%	41%

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