ACCELERATING TECHNOLOGY EVOLUTION

INTEGRATED ANNUAL REPORT

2021

LEONARDO

INTEGRATED ANNUAL REPORT

2021

TABLE OF CONTENTS

PART 2 - NON-FINANCIAL STATEMENT (NFS)

PART 3 - OTHER INFORMATION OF THE REPORT ON OPERATIONS

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 decade expressed in the "Be Tomorrow - Leonardo 2030" Strategic 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**.

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 Framework of the International Integrated Reporting Council (IIRC); the Sustainable Development Goals (SDGs); the Ten Principles of the United Nations Global Compact; the standards of the Sustainability Accounting Standards Board (SASB) for the Aerospace & Defence sector; the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the core metrics laid down in the White Paper on "Measuring Stakeholder Capitalism - Towards Common Metrics and Consistent Reporting of Sustainable Value Creation" of the World Economic Forum (WEF), structured into four pillars:

- **Governance**: corporate governance, responsible business conduct, risk management and stakeholder engagement.
- **People**: protection of labour, welfare and inclusion, the enhancement of people and skills, health and safety and respect for human rights.
- **Planet**: sustainable management of natural resources and the decarbonisation of industrial processes and technological solutions, limiting the environmental impact and adopting circular models.
- **Prosperity**: technology innovation, supply chain value, relations with customers, territories and communities, and technological solutions to contribute to economic and social progress.

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

Furthermore, among the developments in 2021, a selection of indicators (ref. "Annex to the Report on Operations - Notes to the NFS") has been subjected to full examination (reasonable assurance), 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 SpA. The audit was carried out according to the procedures set out in the "Independent Auditors' Report on the Non-Financial Statement at 31 December 2021", which is included herein.

CONTENT OF THE INTEGRATED ANNUAL REPORT 2021

Table of contents	Financial information	NFS information
Report on Operations at 31 December 2021	●	●
Group profile	●	●
Strategy and outlook	●	●
Group's results and financial position	●	●
Segment results and outlook	●	
"Non-GAAP" alternative performance indicators	●	
Industrial and financial transactions	●	
Governance		●
People		●
Planet		●
Prosperity		●
Correlation table - Non-Financial Statement		●
Other information	●	
Performance of the Parent Company	●	
Consolidated financial statements at 31 December 2021	●	
Separate financial statements at 31 December 2021 Leonardo SpA	●	
Annex to the Report on Operations - Notes to the NFS		●

LETTER TO STAKEHOLDERS

2021 was an important year: we resumed the path to growth which we had already embarked on and recorded results higher than those finally achieved before the pandemic in all business sectors, except for Aerostructures, which were still hit by the impact of COVID-19 on the civil aeronautics market.

In the scenario of continuing uncertainty that marked the year just ended, Leonardo demonstrated its resilience and the strength of its commercial, industrial, economic and financial fundamentals, laying the foundations for the resumption of the path to growth and sustainable development.

Once again, Leonardo fulfilled the commitments it had undertaken and met and exceeded the targets it had set itself.

We achieved a level of orders above pre-pandemic levels and increased revenues; we achieved excellent operating results and improved profitability, meeting and exceeding the targets we had set ourselves, with cash generation more than double the initial expectations.

At present our Group is stronger in terms of structure, supported by the Defence and Government business and further strengthened by the acquisition of 25.1% of Hensoldt, reflecting the long-term vision on the importance of building cooperation in the European Aerospace and Defence industry and Leonardo's determination to play an active role in its development.

A concrete plan has been implemented to recover and relaunch the Aerostructures business and the first signs of improvement can already be seen.

Despite a widespread crisis in the civil aeronautics sector, Leonardo gained orders of over €bil. 14.3 in 2021 (+4.0% compared to 2020), thus bringing its portfolio to over €bil. 35.5. In particular, a substantial order volume in Helicopters, €mil. 4,370, which sees a partial recovery in the civil aviation segment, was accompanied by the excellent performance of Defence Electronics & Security, €mil. 7,579, in particular of the European component (+14.5% compared to 2020), as well as of Aeronautics, €mil. 2,945, with Aircraft recording growth of over 30%, more than offsetting the decline expected in civil aeronautics.

Despite the effects of the pandemic, revenues of more than €bil. 14.1 were achieved in 2021, recording an increase of 2.45% compared to the pre-pandemic result of 2019 (+5.4% compared to 2020), thanks to the efforts undertaken and the strength of the Group's fundamentals. All of Leonardo's businesses marked substantial growth and, in particular, Helicopters, which recorded total revenues of €bil. 4.2, with an increase of 4.7% compared to 2020, Defence Electronics & Security, which stood at €bil. 7 (+6.4% compared to 2020) and Aircraft, which closed with €bil. 3.3 (+24% compared to 2020), more than offsetting the decline expected in the civil component.

EBITA also showed sharp growth, at €bil. 1.1 (+19.7% compared to 2020), with a ROS of 7.9%, despite the downturn in Aerostructures, which were heavily hit by the continuing air traffic crisis resulting from the pandemic. It is worth noting that an excellent performance was recorded by Defence Electronics & Security, which reported an increase of over 30% compared to the previous year and 14.7% compared to 2019, reaching €mil. 703, with a ROS of 10.1%. The Aircraft performance also grew by more than 21% (+35% compared to 2019), with EBITA of €mil. 432 (ROS of 13.2%), and the Helicopters Division grew by 6% compared to the previous year, with EBITA of €mil. 406 and ROS of 9.8%. The Space business segment tripled the results of the previous year, recording EBITA of €mil. 62.

Despite the costs incurred to ensure the health protection of all personnel, and the costs related to the start of operations for the announced recovery of the civil aeronautics sector pursuant to Article 4 of the "Fornero Act", Leonardo recorded an operating result (EBIT) of €mil. 911 with an increase of over 76% compared to the previous year.

From a financial perspective, 2021 FOCF was €mil. 209, more than twice the target set, and the overall debt level was reduced down to €mil. 3,122. The reduction in debt then led to a substantial reduction in the cost of debt, which fell from 5.4% in 2016 to the minimum level of 2.3% in 2021.

We have again proposed the payment of dividends (€ 0.14 per share) in consideration of our performance and confidence in the path to growth we have embarked upon.

Such great results make us increasingly aware of how sustainable our growth must also be.

Luciano Carta
THE CHAIRMAN

Alessandro Profumo
THE CHIEF EXECUTIVE OFFICER

We feel the responsibility to play a key role – together with institutions and governments – in providing security and protection of citizens and territories. This is why we continue to selectively invest 12.8% of our revenues in Research & Development: we invest in complex projects that create value in the long term and drive technological progress. In being aware of representing a driver of development, security and progress, we continue to pursue our strategic programme outlined in the "Be Tomorrow - Leonardo 2030" Strategic Plan. We have embarked on a path to sustainable growth in the long term that focuses on innovation and technological development, which are enabling factors and decisive elements that allow us to face the challenges of the present and the future and to seize opportunities in a constantly changing scenario. Looking at Italy, for example, we can only be proud to support the relaunch of the national economic and production system, making our skills and expertise available to the Italian institutions. Think, for example, of the digitisation of the Public Administration, as well as to road infrastructure modernisation and environmental monitoring.

Our commitment to sustainable development has enabled us to achieve important milestones in 2021 too. On the decarbonisation front, we have reduced CO_2 emissions by 23% compared to 2020, mainly due to the replacement of SF_6 gas in the Helicopters sector. This is an important step that brings us closer to the goal we have set ourselves: reducing emissions by 40% by 2030. Important results have also been achieved in terms of diversity and inclusion: the percentage of women hired with a STEM degree has increased, amounting to 19% of total hires with a STEM degree in 2021, as well as the proportion of young people under 30.
Work also continued on our commitment to sustainable finance. In order to increasingly bring our financing strategy into line with sustainability objectives, we have in fact entered into the first ESG-linked Revolving Credit Facility and the first ESG-linked Term Loan, making 50% of the total sources of financing linked to ESG parameters, including the reduction of CO_2 emissions through eco-efficiency of industrial processes and the promotion of female employment with STEM degrees, which are the same as the Long-Term Incentive Plan.
On the other hand, we are committed to keeping 50% of the Group's investments in line with the achievement of the Sustainable Development Goals (SDGs), contributing in particular to innovation and digital transformation, creating skilled jobs and developing solutions for the security of people, infrastructure and territories.

The results we have achieved on ESG topics have also been recognised worldwide, following the Group's presence in several major sustainability ratings, indices and rankings. Among these, we must mention the achievement of the highest score in the Aerospace and Defence sector in the Dow Jones Sustainability Index of S&P Global for the third year running, the inclusion in the MIB ESG Index launched by Borsa Italiana in 2021, the confirmation in the A List of CDP Climate Change and in the Bloomberg Gender-Equality Index. These are results that make us proud of the path we have taken so far and that drive us to an ever greater commitment to meet and exceed the targets we have set ourselves.

None of this would have been possible without the fundamental contribution given by the men and women of Leonardo, who have once again demonstrated great strength, adaptability and team spirit in working in a constantly evolving context. Let's extend to them our most heartfelt thanks.

The Chairman
(Luciano Carta)

The Chief Executive Officer
(Alessandro Profumo)

REPORT ON OPERATIONS AT 31 DECEMBER 2021

GROUP PROFILE

PROFILE

Leonardo is an **industrial and technological leader** in the Aerospace, Defence and Security sector, with a **balanced** and geographically distributed **order backlog** and a significant industrial footprint in Italy, the United Kingdom, Poland and the United States.

€BIL. 14.1
revenues 2021

€BIL. 35.5
order backlog 2021

€BIL. 14.3
new orders 2021

€BIL. 1.8
R&D 2021

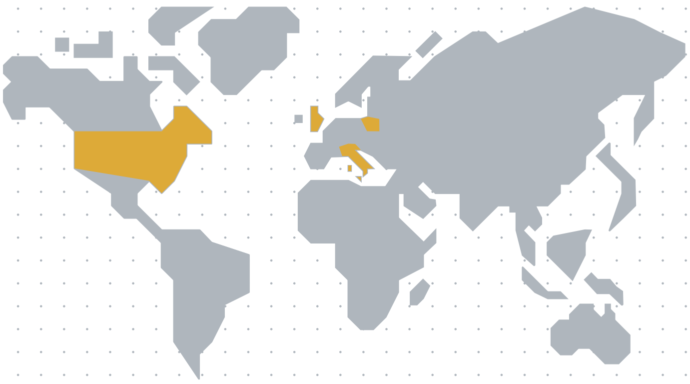
DOMESTIC MARKETS

Italy
Employees: **31,661** (63%)
Main sites: **55**

United Kingdom
Employees: **7,375** (15%)
Main sites: **7**

United States
Employees: **7,274** (14%)
Main sites: **32**

Poland
Employees: **2,548** (5%)
Main sites: **1**



Rest of the world
Employees: **1,555** (3%)
Main sites: **11**

€BIL. 1.1
EBITA 2021

50,413
employees

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).

PURPOSE

Contribute to the world's progress and safety by delivering meaningful and innovative technological solutions.

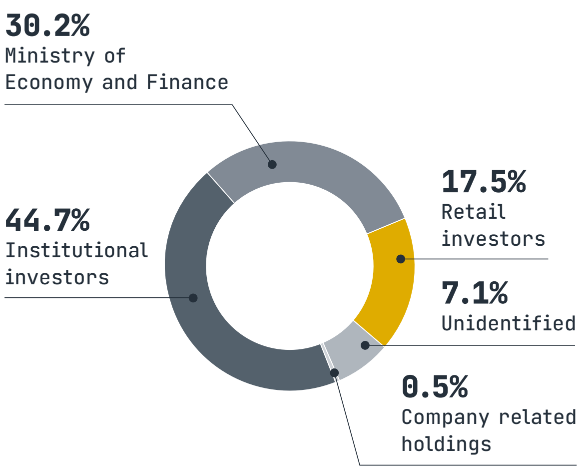
MISSION

To be the international Aerospace, Defence and Security company that best enables its customers' success, by thinking creatively and working with passion.

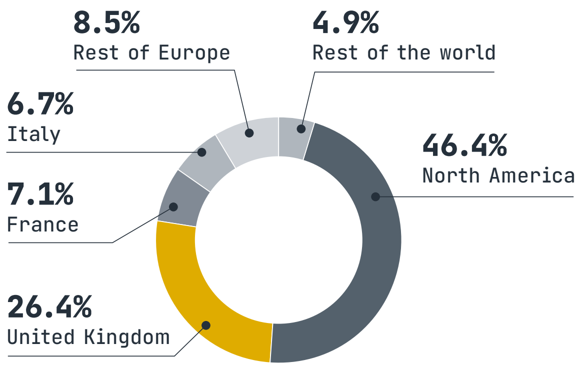
2021 ESG LEADERSHIP

- **Sustainability Leader** in the **Dow Jones Sustainability Indices** of S&P Global since 12 years ago, with the highest score in the Aerospace and Defence sector for the third 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 in the **CDP 2021 Climate A List**, among six Italian companies and the only one in the sector.
- Ranked in **Band A** in the Defence Companies Index on Anti-Corruption and Corporate Transparency (DCI) of **Transparency International**.
- Included in the **Bloomberg Gender-Equality Index 2022** for the second year.
- **UN Global Compact LEAD**, for the second year running, the only company among major enterprises in the Aerospace and Defence sector.

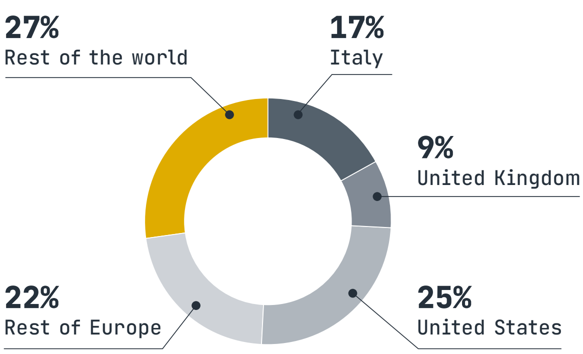
SHAREHOLDER COMPOSITION



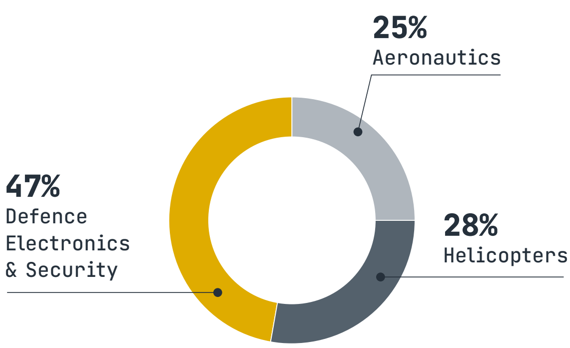
INSTITUTIONAL SHAREHOLDERS BY GEOGRAPHICAL AREA



REVENUES BY GEOGRAPHICAL AREA

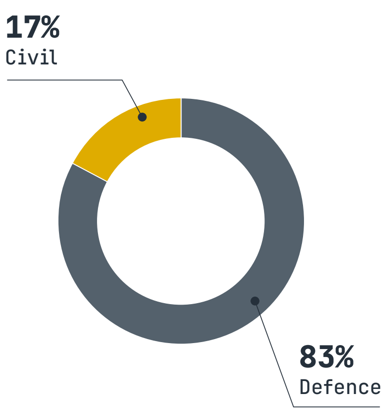


REVENUES BY SECTOR[3]

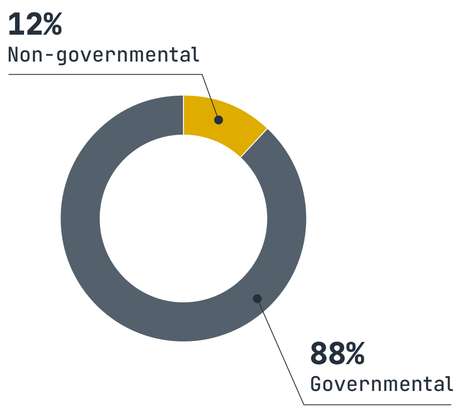


1 Evaluation based on the data of the Corporate Sustainability Assessment (CSA), as of 12 November 2021.
2 Review dated December 2021.
3 Revenues by sector before eliminations.

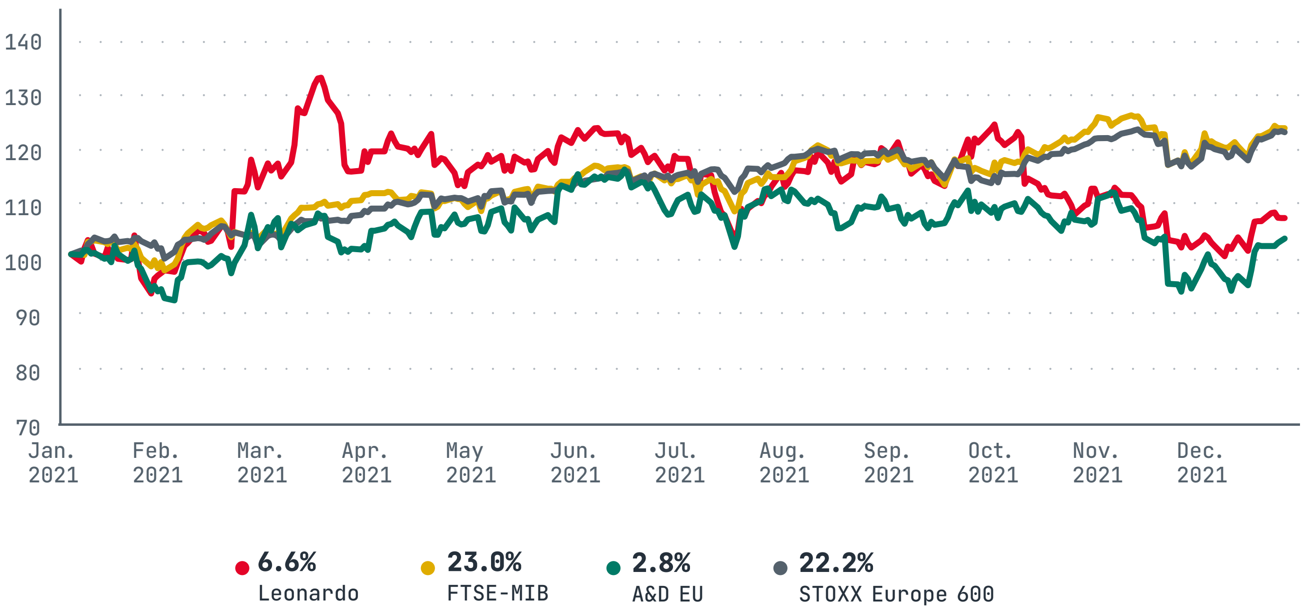
SALES BY MARKET



GOVERNMENTAL/ NON-GOVERNMENTAL SALES



LEONARDO SHARE PRICE[4]



4 Performance of the Leonardo stock from the beginning of 2021 to 31 December 2021 compared to the European sector index Bloomberg EMEA Aerospace & Defence (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). Leonardo ordinary shares are traded on the Mercato Telematico Azionario organised and managed by the Italian stock exchange Borsa Italiana SpA (Euronext) and can be identified through the following codes: ISIN Code: IT0003856405; Nasdaq: LDO-MTAA; Bloomberg: LDO IM.

Business sectors

Leonardo is organised into four sectors and five business divisions and also operates through subsidiaries, such as Leonardo DRS (Defence Electronics), joint ventures and investees.

SECTORS	2021 RESULTS		DIVISIONS Main legal entities	MAIN COUNTRIES
Helicopters	NEW ORDERS **€mil. 4,370** REVENUES **€mil. 4,157**	ORDER BACKLOG **€mil. 12,377** EBITA **€mil. 406**	Helicopters Division -Leonardo SpA -Leonardo UK Ltd -PZL-Świdnik SA -AgustaWestland Philadelphia Co. -Kopter Group AG	Italy United Kingdom Poland United States Switzerland
Defence Electronics & Security	NEW ORDERS **€mil. 7,579** REVENUES **€mil. 6,944**	ORDER BACKLOG **€mil. 14,237** EBITA **€mil. 703**	Electronics Division -Leonardo SpA -Leonardo MW Ltd Leonardo DRS Cyber Security Division -Leonardo SpA -Leonardo UK Ltd MBDA (25%*) Elettronica SpA (31.33%) Hensoldt AG (25.1%)[5]	Italy United Kingdom United States France Germany
Aeronautics	**AIRCRAFT** NEW ORDERS **€mil. 2,668** REVENUES **€mil. 3,268** EBITA **€mil. 432** **AEROSTRUCTURES** NEW ORDERS **€mil. 365** REVENUES **€mil. 442** EBITA **€mil. (203)**	ORDER BACKLOG **€mil. 10,033**	Aircraft Division -Leonardo SpA Aerostructures Division -Leonardo SpA GIE-ATR (50%*)	Italy France
Space	EBITA **€mil. 62**		Telespazio (67%*) Thales Alenia Space (33%*) Avio SpA (29.63%)	Italy France

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

5 The transaction was completed in January 2022.

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. In line with the "Be Tomorrow - Leonardo 2030" Strategic Plan, the Company's objective is to become a driver of innovation at a "systemic" level, through the creation of an ecosystem centred on the research for product development and on technological research.

€bil. 1.8
in R&D and product engineering

Collaborations with 90 universities and research centres in the world

BUSINESS SECTORS

Leonardo is a resilient Group founding its strategy on four business sectors characterised by different trends, with innovative solutions, products and technologies.

Among the leading companies worldwide in Aerospace, Defence and Security and the major Italian industrial company

SOLUTIONS AND CUSTOMER SUPPORT

Leonardo business model aims at offering customised solutions and innovative value-added post-sale support services in order to be a trusted partner for its customers: 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 programmes 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 33,700 training hours through flight simulators

About 11,100 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)

Data 2021

Main trends

- Geopolitical tensions
- Digital, environmental and technological transition
- Big data and security
- Reducing strategic dependencies
- Stakeholder capitalism and sustainable finance
- New skills and inclusion

CAPITALS

PEOPLE AND SKILLS

- **50,413** employees
- **4** domestic countries
- **9,600** people in R&D and engineering

FINANCIAL RESOURCES

- **€bil. 9.2** in purchase of goods and services
- **€bil. 4.0** of personnel cost
- **€bil. 9.6** of net invested capital
- **50%** of sources of financing linked to ESG parameters

TECHNOLOGIES AND INTELLECTUAL PROPERTY

- **6.2** petaflops of computing power
- **27.1** petabytes of storage capacity
- **10** Leonardo Labs

INDUSTRIAL ASSETS

- **106** sites and main plants
- **€mil. 322** of investments in tangible assets

RELATIONS AND COLLABORATIONS

- **90** universities and research centres
- **11,000** suppliers

ENERGY AND NATURAL RESOURCES

- **80%** of electricity from renewable sources
- **51%** of waste recovered

BUSINESS MODEL

R&D

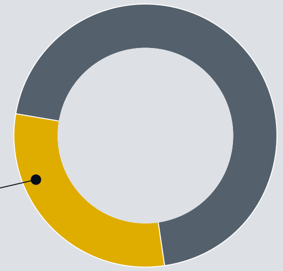
€bil. 1.8
in R&D

OPERATIONS

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

SOLUTIONS AND CUSTOMER SUPPORT

REVENUES
€bil. 14.1

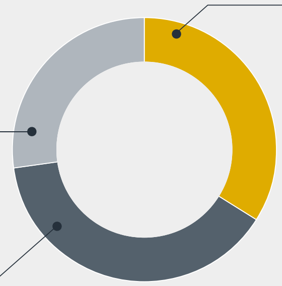


30%
of revenues from Customer Support, Services & Training

BUSINESS SECTORS

	ROS	BACKLOG
Helicopters	9.8%	34%
Electronics	10.1%	39%
Aeronautics	5.7%	27%

ORDER BACKLOG
€bil. 35.5



STRATEGIC VISION: BE TOMORROW - LEONARDO 2030

SOLID

GLOBAL

DRIVER OF INNOVATION

IMPACTS

PEOPLE

- **3,753** new hires, **54%** hold a STEM qualification, **42%** under 30 and **24%** women
- **1.6 million** hours of training delivered to employees
- **776** training opportunities including internship, apprenticeship, traineeship and school-to-work alternation programmes
- **-51%** reduction in the injury rate compared to 2018

SDGs: 4 Quality education; 5 Gender equality; 8 Decent work and economic growth

PLANET

- **-22%** intensity of Scopes 1 and 2 CO_2e emissions compared to 2019
- **-24%** intensity of waste produced compared to 2019
- **-2%** intensity of water withdrawals compared to 2019
- **-6%** intensity of energy consumption compared to 2019
- about **117,200 tons of CO_2e** avoided through the use of virtual training systems from 2019

SDGs: 9 Industry, innovation and infrastructure; 12 Responsible consumption and production; 13 Climate action; 15 Life on land

PROSPERITY

- **50%** of 2012-2023 investments supporting SDGs
- **81%** of purchases related to domestic markets
- solutions for security and progress in **150 countries**
- **24%** of investors are signatories to PRI

SDGs: 8 Decent work and economic growth; 9 Industry, innovation and infrastructure; 11 Sustainable cities and communities; 16 Peace, justice and strong institutions

Data 2021

STRATEGY AND OUTLOOK

TREND AND VISION TO 2030

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 did not traditionally have an AD&S industry, but which are now growing, even in the new technology segments, beginning to cover domestic demand and sometimes even entering the international market: among these we can mention South Korea, Turkey, Iran and Brazil.

In addition, there are players from adjacent civil and commercial sectors with established expertise in innovative technologies, such as Artificial Intelligence (AI) and Quantum Computing, which are capable of affecting the traditional power relations and dynamics of the AD&S industry with effects on competitive pressure and, consequently, on prices and margins.

The continuation of the health and economic crisis linked to the COVID-19 pandemic, in the uncertainty of an international framework that is still evolving, has confirmed the profound 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 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, 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.

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

MAIN TRENDS	LEONARDO'S POSITION
Geopolitical tensions - Geopolitical tensions and crisis have deepened, sometimes aggravated by internal problems in many nations. Defence and security budgets are growing or stable in most countries. › In 2020 the world military spending reached USDbil. 1,925, up by 1.3% compared to 2019 and by 13% compared to 2010[6]. › In 2020 there were at least 39 active armed conflicts (7 more compared to the previous year) and 62 multilateral peace operations, while negotiations for peace agreements were affected by the constraints imposed by the COVID-19 pandemic[7]. › In 2021, the areas of friction in the immediate vicinity of Europe were Libya, Syria, Iran and Yemen, with new crises emerging in Nagorno-Karabakh, Ukraine[8], Belarus and with the withdrawal from Afghanistan, while the Indo-Pacific region became the scenario of greatest attention by the United States and other Allies, with the contrast between China and Taiwan and the continuation of military development in North Korea.	Segment results and outlook Respect for human rights Customer intimacy, quality and safety
Big data and security - The social scenario has been characterised by a renewed focus on the management of borders, citizen and traveller information, clinical and health data and information dissemination, especially through social channels. Security and big data technologies will be increasingly important to manage risks, flows and sensitive information and this area is precisely the object of various projects in Europe: among these, for example, the Data Act and Industrial Data, Edge & Cloud Alliance. › It is estimated that more than 25 billion Internet of Things (IoT) devices[9] were active in 2021, with a market value of more than USDbil. 1,000, of which about 75% was of consumer-type[10]. › In 2021, the IoT security market value was estimated at USDbil. 3[11], demonstrating the need to increase the security of new data generation and processing technologies.	Leonardo for the National Recovery and Resilience Plan (NRRP) Technological innovation Cyber security and dataprotection Solutions for security and progress
Digital, environmental and technological transition - The post-pandemic economic recovery will be driven by digital and environmental 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), which could be the engine of a new technological development. The increasing importance attributed to Defence, even on the side of technology, to support the renewed strategic ambition of Europe and its member states, including at international level, entails positive implications for the Aerospace, Defence and Security (AD&S) sector. › In the period from 2021 to 2027, the EU budget amounted to more than €bil. 1,800, with a particular focus on research and innovation and climate and digital transitions[12]. › To achieve Net Zero Transition, investments of USDbil. 275,000 will be required globally over the period from 2021 to 2050, equal to an average of USDbil. 9,200 per year[13].	Leonardo for the National Recovery and Resilience Plan (NRRP) "Be Tomorrow - Leonardo 2030" Strategic Plan Sustainability Plan Towards energy transition Technological innovation

>>

6 Source: Jane's Defence Budgets worldwide.
7 Source: Sipri.
8 See Note 7 to the consolidated financial statements.
9 Source: Gartner, Statista.
10 Source: SdxCentral, PwC.
11 Source: Gartner.
12 Budget at prices 2018. Source: European Commission website.
13 Source: "The net-zero transition. What it would cost, what it could bring", McKinsey.

>>

- 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[14].

Reducing strategic dependencies - The concept of technological sovereignty evolved in 2021 based on a better understanding of the effects generated by disruptions of the global supply chains (lockdowns of manufacturing facilities, cascading effects of demand shock, disruption of logistics chains, shortage of raw materials). Technologies and process innovation continued to be the drivers of institutional, business and individual resilience.

- A lack of understanding of the value chain is one of the causes of semiconductor shortages, for example in the automotive market, where 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)[15].
- US West Coast ports are experiencing congestion since September 2021 due to increased shipments (3 times compared to the first part of the year, 10 times compared to the same period of the previous year) and labour shortages at ports and at the facilities of logistics operators[16].

Supply chain value

Business continuity

Stakeholder capitalism and sustainable finance - There is an unprecedented awareness of and commitment to sustainability issues, with respect to which companies and financial institutions are being called upon to direct their strategies. This will also increasingly regard the AD&S sector, which must be recognised as a key sector for sustainability from an environmental and social perspective.

- The first delegated act of the European Taxonomy of environmentally sustainable economic activities has come into force, which does not include the A&D sector (mainly represented by NACE code C.30.3 Manufacture of air and spacecraft and related machinery).
- As of 2021, the investors that are signatories of the Principles of Responsible Investment supported by the United Nations were more than 3,800 and managed assets under management for more than USDbil. 120,000 according to the ESG criteria[17].

Sustainability Plan

Financial planning and investment management

Solutions for security and progress

Profile (shareholder composition)

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. The reskilling of workforce and the promotion of gender equality are among the main levers on which to act in the A&D sector.

- In 2019, companies in the top quartile for gender diversity on executive teams were 25% more likely to have above-average profitability than similar companies in the fourth quartile[18].
- Over the next decade, more than a billion jobs will be transformed by technology[19].

Sustainability Plan

Well-being, inclusion and employment protection

Enhancement of people and skills

Technological innovation

Value for territories and communities

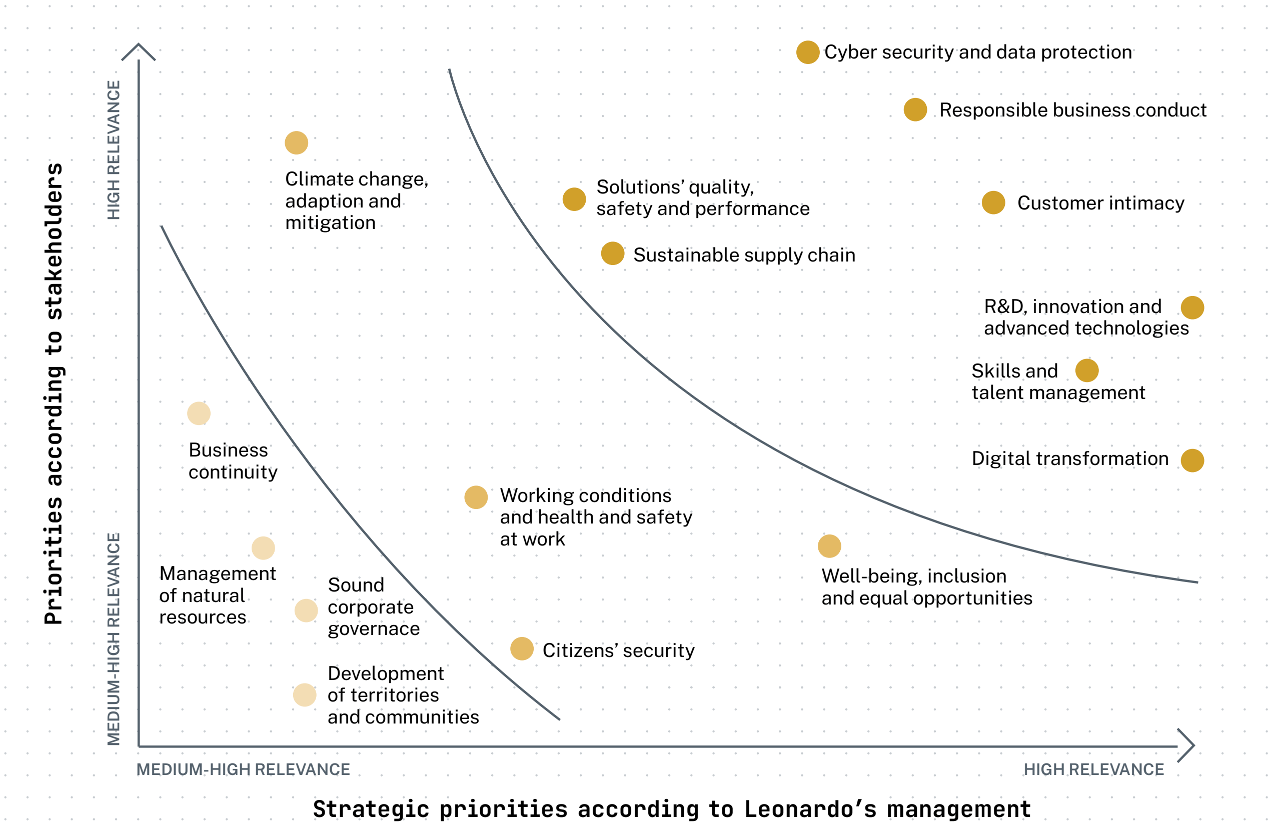
14 Source: Destination 2050 website.
15 Source: IHS Markit, New York Times.
16 Source: BBC, 16 October 2021.
17 Source: PRI website.
18 Source: "Diversity wins: How inclusion matters", Mc Kinsey.
19 Source: World Economic Forum, Jobs of Tomorrow of the Forum.

MATERIALITY ANALYSIS

Vision, competitive positioning, sector scenario, role in society: Leonardo's strategy responds dynamically to the topics that are priorities for the Group and its stakeholders. In line with the operating sustainability model implemented by the Group, the materiality analysis (or priority analysis) is a process aimed at identifying and assessing the strategic priorities reported by Leonardo and its stakeholders. It identifies the key topics that can influence the organisation's ability to create value and protect it in the short, medium and long term.

The result of the analysis is represented in a matrix that compares and summarises the opinions of Leonardo's top management and stakeholders. The analysis – based on an approach that integrates a data-driven methodology with an extensive consultation of stakeholders and top management – guides the definition of the corporate strategy and the Sustainability Plan, as well as the assessment of risks and opportunities associated with each topic.

MATERIALITY MATRIX



1,877
national and international regulations analysed

21
companies in the sector used in the benchmark analysis

10,829
press articles and more than **450 million** tweets analysed

134
stakeholders from **13** countries have responded to the online survey

The methodology adopted for the 2021 materiality analysis is in line with that of the previous year, thus allowing for comparability between the results that emerged from data-driven analysis and consultation, in accordance with GRI Standards.

The 16 priority topics were identified through an analysis of regulations, best practices and industry and public priorities in the economic and financial, environmental, social and corporate governance areas. The consultation, through an online survey, involved 33 company functions, 41 managers of Leonardo and a significant representation of external stakeholders. The data-driven analysis made it possible to make stakeholder priorities more understandable, leveraging the analysis of large document databases and semantic analysis (natural language processing) to give a score to the issues and prepare a ranking on a relative basis. Among the new features of the 2021 update, an inquiry into medium/long-term sustainability trends was also included in the survey on material topics to direct dialogue with stakeholders in the near future. The results of the materiality analysis will guide and support the Group's strategy, driving actions towards those issues that emerged as relevant to our stakeholders (i.e. Climate Change), with the objective of increasing the Group's value creation[20].

20 For more details on the materiality analysis, please see the "Methodology note of the NFS".

"BE TOMORROW - LEONARDO 2030" STRATEGIC PLAN

In 2020 Leonardo set out a renewed strategic vision projected over the next 10 years, in order to be a company that is **solid, global** and **a driver of innovation** in 2030, adapting periodically and with the necessary flexibility to the changing relevant context and leveraging its technology skills, as well as its human and intellectual capital.

This vision is described in the "Be Tomorrow - Leonardo 2030" Strategic Plan, which identifies the Group's strategy that is founded on three pillars:

Strengthen Our Core - Further strengthen our core business and operations, including through a more focused and homogeneous portfolio of activities:

- increasing the critical mass in strategic areas, in particular Helicopters, Electronics, Cyber security and Unmanned systems, to strengthen its organisation and gain leadership positions at international level;
- strengthening its footprint in global markets.

Transform to Grow - Make the organisation more modern and flexible to seize the challenges of the new decade and adopt innovative and more effective business models to meet the needs of our customers:

- diversifying the business portfolio, enhancing cross-sector and distinctive competencies – Digitisation, Command and Control, Connectivity, Cyber Security;
- spreading innovative service-based offer models (X-as-a-Service), measuring customer satisfaction on an ongoing basis and excellence in Simulation & Training solutions and systems.

Master the New - Innovate and create new technologies and new high-tech markets:

- through Leonardo Labs, technology incubators for the development of innovative competencies across the Company's business areas.

With the commitments and actions outlined in the Strategic Plan, Leonardo intends to give its contribution to **global safety and progress**:

- by contributing to **digital independence** and **autonomy** in a **pan-European view**;
- by supporting **technological sovereignty** as a vital condition for the growth of the Company and of the countries in which it operates;
- by promoting a new approach to **sustainability**, outlined in the Sustainability Plan, in terms of **technological and process innovation**, inspired by the SDGs of the United Nations 2030 Agenda and the guidelines of the European Green Deal;
- by developing new capabilities, both in civil and military sectors, in order to respond to the challenges posed by the complexity of the **digital era**: interdependence, interrelationship and speed of evolution.

The crisis triggered by the COVID-19 pandemic has been an opportunity for the Company to seize the challenges imposed by the "New Normal" and gain additional resilience, agility and efficiency, in line with the Strategic Plan and the expectations expressed by the Group's stakeholders.

BE TOMORROW - LEONARDO 2030

Objectives to 2030

1. SOLID

- Investment grade
- Profitable
- Solid cash conversion capacity

2. GLOBAL

- World leading company in Helicopters and in Simulation & Training solutions
- European leading company in Defence Electronics
- Leading player in international cooperation programmes in Aeronautics
- European key player in Unmanned systems and solutions in all domains
- Partner to Security Institutions
- Key partner of Big Primes and US DoD for strengthening its footprint in the country

3. DRIVER OF INNOVATION

- Completely digitalised in processes, production and offering
- Engine of an innovative eco-system on transversal technology
- Leading benchmark in green innovation in the AD&S sector

Work in progress 2021

1. SOLID

- Operational continuity and employment levels guaranteed during the health emergency
- Excellent industrial and business performance
- Capital and financial strength preserved
- Performance excellence projects started
- The first two Eurofighter Typhoon aircraft delivered to Kuwait

2. GLOBAL

- Integration of Kopter
- Acquisition of 25.1% of Hensoldt AG (January 2022)
- Training Academy operations
- The contract was signed for the participation in the EuroMale Programme (February 2022)
- Partner of Team Tempest
- Joining Gaia-X
- Proposal for a public/private partnership for the creation of the National Strategic Hub
- Initiatives were promoted for the use of drones in urban air mobility and logistics
- Launch of the X-2030 platform, an innovative model of “command, control and intelligence” in the field of Safety and Security

3. DRIVER OF INNOVATION

- Definition of the 2030 Master Plan for innovation and digital transformation
- Operations were started at Leonardo Labs and on the roll-out of davinci-1 supercomputer
- Strategic investments in cloud computing, Artificial Intelligence, innovative materials, autonomous intelligent systems

Leonardo for the National Recovery and Resilience Plan (NRRP)

During 2021 Leonardo confirmed its role as **Italy's partner in the digital, environmental and industrial transition**, in line with the requirements of the "Be Tomorrow - Leonardo 2030" Strategic Plan. The Group, through each of its divisions and companies, has the competencies required to tackle all six missions of the NRRP, involving private and public stakeholders, such as the Ministries of Infrastructure and Sustainable Mobility, Digital Transition, Health, University and Research, Education, Culture, Ecological Transition, and that for Southern Italy. In particular, Leonardo has set out and is pursuing six clusters of interest: **Global Monitoring, Logistics, Space, Digital PA, Smart City and Health systems**, leveraging its core assets and distinctive competencies as enabling factors (cloud computing, High Performance Computing (HPC), Artificial Intelligence (AI) algorithms, predictive simulation capacity, tool for decision support, command and control tools, cyber security paradigms, space assets).

Leonardo has developed **more than 30 projects**, from which about **20 potential opportunities** have originated, within these six clusters. Cross-divisional IPTs (Integrated Project Teams) have been created to strengthen the various projects in order to ensure the development and advancement of the related plans that are currently in the portfolio. In addition to the six vertical clusters, Leonardo intends to play a key role in supporting the country with respect to the objectives set out in **Mission 4**, **Component 2**, of the NRRP (€bil. 11.44), which is aimed at supporting **investments in research and development, promoting innovation and the spread of technologies,** as well as **strengthening the competencies**, thus fostering **transition to a knowledge-based economy**. Within this component, Leonardo has selected the following four system investments outlined in the guidelines that were published by the Ministry of University and Research in October 2021, which envisage total investments of approximately €bil. 6:

- Investment 1.3) Large partnerships extended to universities, research centres, enterprises and financing of basic research projects;
- Investment 1.4) Upgrading research infrastructures and creating "national R&D champions" on certain Key Enabling Technologies;
- Investment 1.5) Creating and strengthening innovation ecosystems, building "local R&D leaders";
- Investment 3.1) Fund for the construction of an integrated system of research and innovation infrastructures.

NRRP - LEONARDO PROJECTS

LEONARDO ASSETS & COMPETENCES - ENABLING FACTORS

- Private cloud/ hybrid
- High Performance Computing
- Artificial Intelligence algorithms
- Predictive simulation capacity
- Tools for decision support
- Command & control
- Space assets

CYBER SECURITY

1. GLOBAL MONITORING

Continuously monitoring and securing country's critical infrastructure.

2. LOGISTICS

Contributing to a connected, automated and safe multimodal logistics for people, vehicles and goods.

3. SPACE

Contributing to the growth of the Space Economy as a strategic activity for the country's economic development.

4. DIGITAL PA

Promoting the provision of easily accessible, efficient and secure digital public services.

5. SMART CITY

Increasing safety and resilience of cities by promoting sustainable mobility and direct communication with citizens.

6. HEALTH SYSTEMS

Contributing to the development of an efficient and interconnected health system.

SUPPORT TO INSTITUTIONS

- Ministry of Infrastructure and Sustainable Mobility
- Ministry of Digital Transition
- Ministry of Health
- Ministry of Universities and Research
- Ministry of Education
- Ministry of Culture
- Ministry of Ecological Transition
- Ministry for Southern Italy and Territorial Cohesion

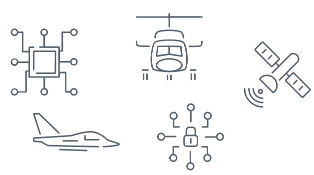
KEY FIGURES

30+ Projects structured

~20 Potential opportunities

MAP TO

6/6 NRRP Missions



All divisions + Telespazio

GLOBAL MONITORING

Projects to monitor and secure the country's critical infrastructures on an ongoing basis. Leonardo has structured projects that focus on the areas of monitoring road infrastructure (roads, bridges, viaducts, tunnels) and environmental monitoring. In particular, as regards the first area, Leonardo has entered as a prime entity in "1000 infrastructures", a network with domain and academic excellences.

LOGISTICS

Projects to contribute to the development of connected, automated, safe and sustainable multimodal logistics for efficient movement of people, vehicles and goods.

SPACE

Projects to contribute to the growth of the Space Economy as an activity that is key to the development of the country. Leonardo's target for the investments allocated to this cluster, specifically with regard to the In-Orbit Economy, is a Space Situational Awareness programme, with the objective of making the country aware of the orbital situation, in terms of discovery and tracking of space debris and the trajectories of operational satellites and space platforms. The project includes the development of sensors, radars and satellite required for this purpose, as well as a centre for the processing of data necessary to create and maintain databases and the dissemination of the information necessary for the actions required for asset safety management.

DIGITAL PA

Projects to foster the delivery of easily usable, efficient and secure digital public services. Leonardo has structured programmes that involve areas such as school (focusing on school 4.0 and ITS) for a digital transition of the model of public education, exploitation, enhancement and monitoring of cultural heritage assets and digitisation of Public Administration (including the National Strategic Hub).

SMART CITY

Projects to increase the level of security and resilience of cities by fostering sustainable mobility and direct communication with citizens. Leonardo has developed projects relating to smart and sustainable mobility applied to local public transport. The Group has competencies in the Cyber Security Division that are useful for enterprises and citizens who make use of the service, which contribute to a new concept of smart local mobility. Furthermore, Leonardo can contribute to creating, through its subsidiary Industria Italia Autobus, an electric bus production chain that is 100% Italian.

HEALTH SYSTEMS

Projects to contribute to developing an efficient and interconnected health service. Leonardo has set out, through technology and domain partnerships (including by making use of Subject Matter Experts), specific areas of action for the development of the sector in terms of quality of services, security, governance:

- *Electronic Health Records*, for which Leonardo's objective is to harmonise, disseminate and improve data.
- *Management of complexities arising from health emergencies*, with the objective of enabling the implementation of a governance that provides a real-time overview of all available information, decision support and coordination of interventions.
- *Cybernetic virtual research labs* (in partnership with Dompè) to enhance the ability to analyse and simulate microbiological phenomena, by means of AI and HPC tools.

NATIONAL STRATEGIC HUB (NSH)

Among the projects Leonardo currently has in the pipeline, particular attention should be paid to the National Strategic Hub (NSH), for which Leonardo aims to support the country's "Cloud First" strategy, which forms part of the overall plan for the digital transformation of the Public Administration to ensure a greater level of efficiency, security and reliability of data. The Group is in fact bidding to participate with CDP Equity, Tim and Sogei in the creation of a player that would operate for the implementation of the NSH Project with the aim of providing the administrations with a new cloud infrastructure at the forefront of performance and security and optional application services. According to the project, Leonardo participates in the NSH, together with the other three entities and each for its own share of work, through the incorporation of a Special Purpose Vehicle (SPV), which would provide services to Public Administrations.

SUSTAINABILITY PLAN

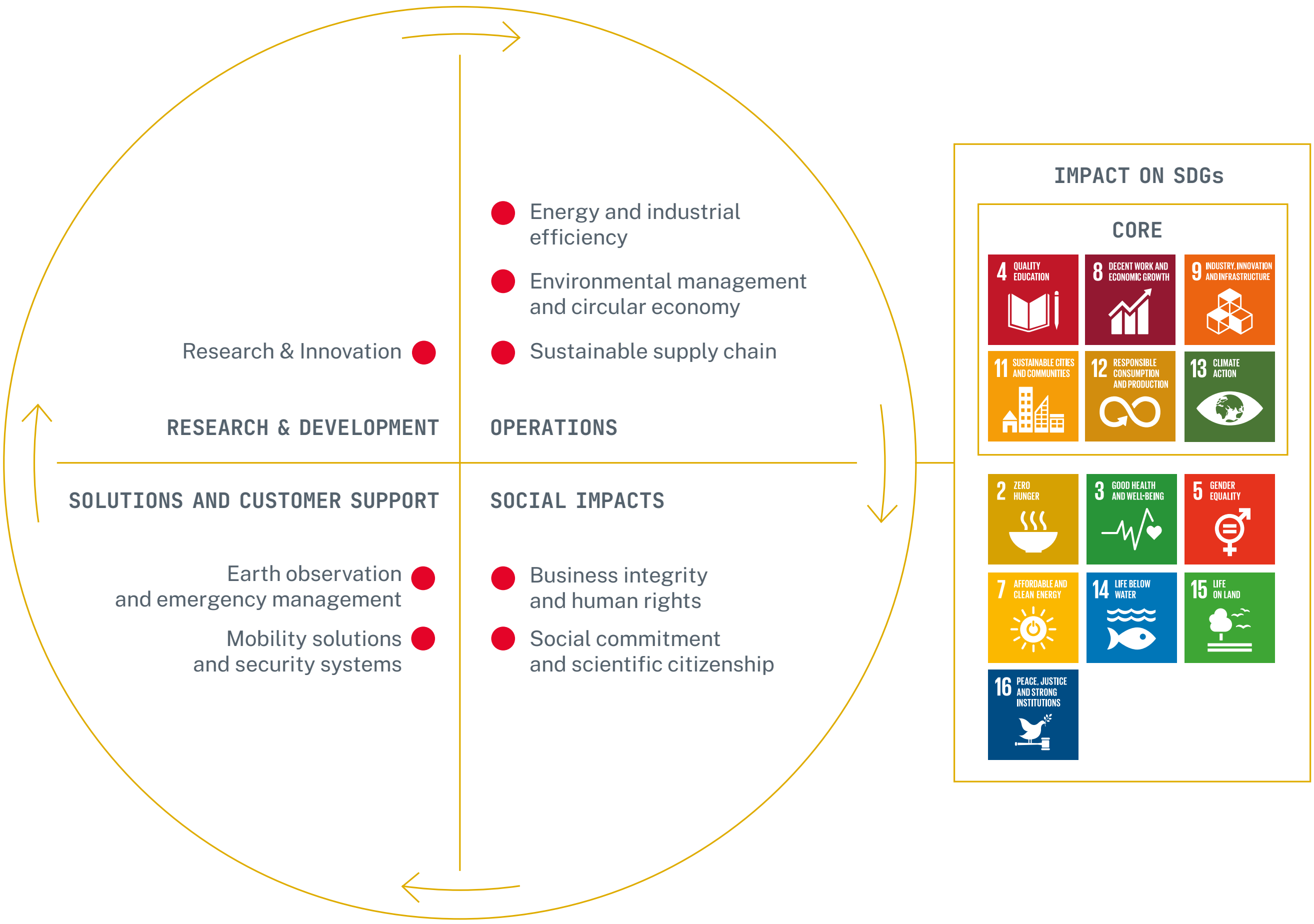
The necessary prerequisite for lasting progress to the benefit of people, the Planet and prosperity is for Leonardo to take a long-term vision, while considering the impact of its activities across the entire **value chain**, in accordance with the Sustainable Development Goals (SDGs) of the United Nations 2030 Agenda and the guidelines of the European Green Deal.

Leonardo's Sustainability Plan, in line with the guidelines of the "Be Tomorrow - Leonardo 2030" Strategic Plan, translates this vision into **actions, projects and practices, measurable in the short and long term, oriented towards the achievement of the SDGs** in order to generate shared value for all the Company's stakeholders. Technology innovation and digitisation are the cross-sector drivers of the Plan, which are key to facing sustainability challenges at global level, to accelerate a **sustainable and inclusive transition**: from decarbonisation to circular economy, passing through responsible business conduct, the development of a sustainable supply chain, solutions for emergency management, mobility and safety of people and the Planet, up to the promotion of scientific citizenship and social commitment to enhancing diversity and inclusion.

The Sustainability Plan sets out eight thematic areas of action, i.e. clusters, which cover the entire value chain: from research and innovation to operations and the development of new solutions, new business models and social impact, involving, on a cross-sector basis, divisions, Group companies and corporate central functions. In accordance with the provisions of the operating sustainability model and related procedures and policies, the Plan is subject to a process of periodic review and updating and is monitored through specific Key Performance Indicators (KPIs), according to a structured data-driven approach that uses data management to analyse performance and effectively guide the decision-making process at all company levels. Other elements of evaluation of the initiatives are the perimeter of impact (e.g. divisional initiatives and cross-divisional initiatives), and the connection with the activities and challenges of the reference territories, with the main objective of strengthening the business and the ability to create shared value. Within the Plan there are both projects that look at short/medium-term benefits, in line with public sustainability objectives, and "transformative" initiatives that look at future trends and needs and that will have a medium/long-term impact through important innovative and technological challenges.

Under the Sustainability Plan, Leonardo intends to take action and focus its efforts on generating a significant impact 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 (SDG 3), the promotion of a culture that fosters gender equality (SDG 5), energy efficiency and the higher use of renewable sources (SDG 7), 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) to the benefit of the Company and the supply chain.

SUSTAINABILITY PLAN - INTEGRATION INTO LEONARDO VALUE CHAIN



The environmental, social, prosperity and governance Key Performance Indicators (KPIs) set out by Leonardo are the essential prerequisite to assessing the results that are achieved and to address the subsequent strategic planning. To this end, the Sustainability Plan is accompanied by a process of periodic updating of the initiatives, conducted in collaboration with the Sustainability Coordinators, who are specifically appointed at the level of divisions, Group companies and central functions of the Company.

The Plan reinforces the achievement of the **public sustainability targets** that the Group has committed to reach and that are key to strengthening the strategy, increasing the competitiveness of Leonardo and of the industrial ecosystem of which the Company is the driving force, with the direct involvement of the supply chain.

Furthermore, the Remuneration Policy is linked to achieving sustainability objectives, confirming that strategic vision, company performance and top management commitment are in line with each other. In particular, the long-term remuneration of the Chief Executive Officer and management is linked to attaining targets for the reduction of Scope 1 and Scope 2 location-based CO_2e emissions, calculated as intensity on revenues, and increasing the recruitment of women with STEM degrees.

SUSTAINABILITY PLAN - FOCUS ON CLUSTERS

RESEARCH & DEVELOPMENT

The **Research & Innovation (R&I)** cluster includes most of the transformative initiatives linked to long-term objectives, being the Sustainability Plan's driving force towards the challenges of the present and the future. In particular, many projects in the R&I cluster are aimed at testing the use of new materials with lower environmental impact and developing technologies to reduce the carbon footprint of the Company's products and services, including, for example, virtual training technologies, the use of Sustainable Aviation Fuels (SAFs) and the implementation of circular economy initiatives. These solutions, along with other projects, will also contribute to reducing Scope 3 emissions.

FIND OUT MORE

- Towards energy transition
- Circular economy
- Technological innovation
- Solutions for security and progress

SOLUTIONS AND CUSTOMER SUPPORT

The cluster dedicated to **Earth observation and emergency management** covers projects that allow the development of services and solutions for customers based on data and geoinformation that contribute to improving the condition of the Planet and the lives of citizens: from monitoring climate change, infrastructures, environmental heritage, to developing precision agriculture, as well as platforms that allow intervention in emergencies and disasters.

The cluster dedicated to **Mobility solutions and security systems** includes solutions at the forefront of technology to enable a sustainable and safe mobility. Among these are the smart mobility solutions that, through the use of 5G, Multi-Access Edge Computing, real-time video streaming, Artificial Intelligence and machine learning, allow the improvement of efficiency of public transport, road safety, services offered to citizens, while reducing CO_2 emissions.

FIND OUT MORE

- Towards energy transition
- Customer intimacy, quality and safety
- Solutions for security and progress

OPERATIONS

The **Energy and industrial efficiency** and **Environmental management and circular economy** clusters mainly involve operations to improve company performance in order to decarbonise business operations and minimise environmental impact, thus fostering the transition to a circular economy model. In order to achieve these objectives, Leonardo has planned numerous projects and initiatives aimed at decarbonisation, self-production from renewable sources, energy efficiency, reduction of water withdrawals and waste, dematerialisation and recovery of water resources.

With the cluster dedicated to **Sustainable supply chain**, Leonardo engages suppliers – mainly SMEs – in projects focused on digital transformation, cyber security and social and environmental responsibility, creating a collaborative digital ecosystem to accelerate the development of new products, improve the synchronisation of operations along the value chain and the provision of services.

FIND OUT MORE

- Towards energy transition
- Natural resources management in industrial processes
- Circular economy
- Supply chain value

SOCIAL IMPACTS

Business integrity and respect for human rights are the principles that inspire Leonardo's relations with all stakeholders and are at the basis of the responsible business model, which has been strengthened over time in order to pursue effective risk management, while also promoting synergies between companies, institutions and civil society in the countries in which it operates and at a global level. The new trade compliance guidelines also provide for the use of a Human Rights Impact Assessment tool with the aim of assessing the risks of human rights violations in countries and along the value chain.

The dissemination of an inclusive scientific culture in the relevant communities is key to Leonardo's strategy, at the centre of the **Social commitment and scientific citizenship** cluster. The Group promotes STEM education starting from schools through training, guidance and support to the educational, university and research system – with particular attention to the inclusion of girls. Furthermore, diversity in the Company is promoted through dedicated monitoring, as well as mentorship, training and development projects to disseminate inclusive leadership models.

FIND OUT MORE

- Responsible business conduct
- Respect for human rights
- Well-being, inclusion and employment protection
- Education and scientific citizenship

SUSTAINABILITY TARGETS

PILLAR	SCOPE	OBJECTIVES	PROGRESS	TARGET YEAR	SDG *Material topics*
GOVERNANCE	Promote a responsible business model	Issuance of a Trade Compliance Guideline including Human Rights Impact Assessment (HRIA) and development of country risk assessment tools for Leonardo SpA	Objective achieved	2021	16 Peace, justice and strong institutions Targets 16.5, 16.6 *Responsible business conduct*
		Extending Trade Compliance Directive to the Group	Objective achieved	2022	
		Renewal/maintenance of the international ISO 37001:2016 “Anti-Bribery Management System” certification	On track	2023	
		Expanding the business compliance training to other types of third parties (distributors/resellers), making it a mandatory prerequisite for the completion of the engagement	On track	2022	
PEOPLE	Attract and promote talent	More than 100 training hours per employee in the 2018-2022 period	On track	2022	4 Quality education 5 Gender equality 8 Decent work and economic growth Targets 4.3, 4.4, 5.1, 5.5, 5.b, 8.5 *Skills and talent management* *Well-being, inclusion and equal opportunities*
		Under 30 equal to at least 40% of total new hires	On track	2022	
	Promote an inclusive environment	Women equal to at least 32% of total new hires[1]	Restated	2022-2025	
		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	New objective	2025	
		27% of women in succession plans	New objective	2025	
PLANET	Reduce energy consumption and CO_2 emissions	10% reduction in consumption of electricity withdrawn from external grid[2]	On track	2025	8 Decent work and economic growth 9 Industry, innovation and infrastructure 12 Responsible consumption and production 13 Climate action Targets 8.4, 9.4, 12.2, 12.5, 13.1, 13.3 *Climate change, adaptation and mitigation* *Management of natural resources*
		4% reduction in Scope 1 + Scope 2 (location-based) emissions[2]	On track	2025	
		40% reduction in Scope 1 + Scope 2 (market-based) emissions[3]	On track	2030	
	Reduce environmental impacts	10% reduction in water withdrawals[2]	On track	2025	
		10% reduction in the amount of waste produced[2]	On track	2025	
PROSPERITY	Develop the supply chain	Implementing supply chain development programmes and medium/long-term partnerships, focused on SMEs, to improve business sustainability	On track	2023	4 Quality education 8 Decent work and economic growth 9 Industry, innovation and infrastructure 12 Responsible consumption and production 13 Climate action Targets 4.4, 8.2, 8.3, 9.4, 9.5, 12.2, 12.5, 13.1 *Sustainable supply chain* *R&D, innovation and advanced technology* *Digital transformation*
		Managing more than 75% of the value of orders placed by Leonardo divisions with digital collaboration platforms[4]	On track	2022	
		Raising awareness of/delivering training on SDGs and supporting tools for reporting to more than 80% of key suppliers (over 500 suppliers)	On track	2023	
		100% of LEAP partners with set targets and plans on green energy, CO_2 emission reduction, waste recycling, water consumption	On track On track	2023	
	Strengthen digitisation and processing capability	Increasing computing power by 40% *per capita*[5]		2025	
		Increasing storage capacity by 40% *per capita*[5]	On track	2025	

(1) Compared to the target published in 2020, the target year has been updated for the objective relating to 32% of women out of total hires in response to the characteristics of the AD&S sector. In particular, an intermediate objective to 2022 has been set out on new hires, excluding blue collar workers, and the target on total new hires has been postponed to 2025.
(2) Calculated in relation to revenues. 2019 year baseline.
(3) Reduction in absolute value. 2019 year baseline.
(4) Includes recurring suppliers. Leonardo DRS is not included in the scope.
(5) Calculated as the number of flops and bytes in relation to employees in Italy. 2020 year baseline.

OBJECTIVE ACHIEVED
ON TRACK
NEW OBJECTIVE
RESTATED (new perimeter/year)

2022 GUIDANCE

The expected 2022 performance reaffirms the resumption of the sustainable growth path accompanied by increasing profitability. The civil business will continue to be heavily affected by the effects of the pandemic, despite the gradual recovery.

Based on the current assessment of the effects deriving from the geopolitical and global health situation on the supply chain and the global economy and assuming no additional major deterioration, in 2022 Leonardo expects to deliver:

- **new orders (approx. €bil. 15.0)**, confirming a strong positioning of the Group's products and solutions and the ability to effectively be present and penetrate in key markets;
- **revenues of €bil. 14.5-15.0**, up compared to 2021 thanks to the contribution of new orders and the delivery of portfolio activities on defence/governmental programmes;
- **increasing profitability, with EBITA (*) of €mil. 1,180-1,220**, driven by the growth in volumes and continued solid industrial profitability of the main business areas, despite the mix effect of programmes still under development and growing shares of prime contractor revenues; the estimate reflects also continued pressure in the civil sector, mainly Aerostructures and GIE-ATR;
- **FOCF of approx. €mil. 500**, with the defence/governmental business that guarantees solid cash generation while the cash absorption by the Aerostructures continues, despite being slightly lower than 2021;
- **Group net debt of approx. €bil. 3.1** includes the acquisition of a 25.1% stake in Hensoldt, the assumptions of some business disposals and the expected payment of dividends.

The estimates for the year 2022 are summarised below.

	FY 2021	FY 2022 guidance (**)
New orders (€bil.)	14.3	approx. 15.0
Revenues (€bil.)	14.1	14.5-15.0
EBITA (€mil.)	1,123	1,180-1,220 (*)
FOCF (€mil.)	209	approx. 500
Group net debt (€bil.)	3.1	approx. 3.1

(*) Including COVID-19 related costs previously included among non-recurring costs below EBITA.
(**) Assuming €/USD exchange rate at 1.18 and €/GBP exchange rate at 0.90.

GROUP'S RESULTS AND FINANCIAL POSITION

2021 PERFORMANCE AND FINANCIAL RESULTS

During the 2021 financial year Leonardo continued and strengthened the path to growing its business and increasing profitability as envisaged in the financial statements at 31 December 2020, showing a gradual and continuous improvement in the Group's industrial performance.

Despite the continuation of the effects of the pandemic and of the consequent government rules restricting movements in 2021 too, Leonardo confirmed resilience with a growing commercial, industrial and financial performance, even compared to the pre-pandemic period, thanks to the strength and diversification of its portfolio of products and solutions and its widespread presence all over the world, excluding the civil aviation component of the Aeronautics sector, which was still affected by the continuation of the abovementioned effects.

The volume of new orders continued to stand at excellent levels, thus confirming the good competitive positioning of the Group's products and solutions, with revenues rising in all the main business areas and profitability increasing in all the sectors, with the exception of the civil aviation component, which continued to be affected by low volumes of demand from the main market operators.

Cash flow recorded a significant improvement, reaching double the amount forecast at the beginning of the year, with a consequent benefit in terms of lower Group net debt compared to expectations.

Key Performance Indicators (KPIs)

The KPIs for the period and the main changes in the Group's performance are shown below. Insights into the business sectors performance are dealt with in the specific section dedicated to the trend in each of them.

€ millions	2020	2021	Change
New orders	13,754	14,307	4.0%
Order backlog	35,516	35,534	0.1%
Revenues	13,410	14,135	5.4%
EBITDA	1,458	1,626	11.5%
EBITA	938	1,123	19.7%
ROS	*7.0%*	*7.9%*	*0.9 p.p.*
EBIT	517	911	76.2%
EBIT margin	*3.9%*	*6.4%*	*2.5 p.p.*
Net result before extraordinary transactions	241	587	143.6%
Net result	243	587	141.6%
Group net debt	3,318	3,122	(5.9%)
FOCF	40	209	422.5%
ROI	*11.3%*	*12.4%*	*1.1 p.p.*

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

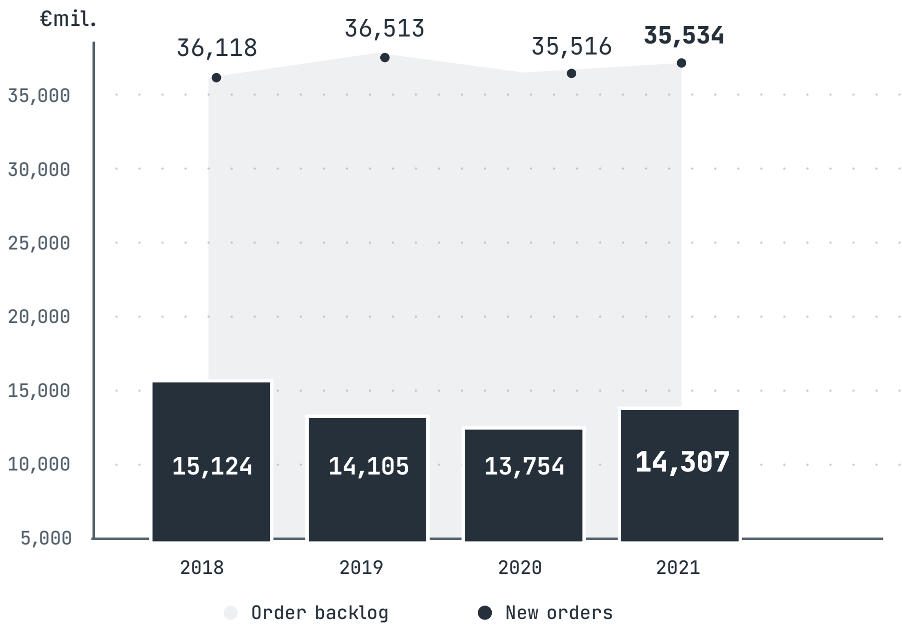
The Group data do not include the contribution given by the joint ventures (JVs) invested in by the Group (which mainly include GIE-ATR in the Aeronautics sector, MBDA in the Defence Electronics & Security sector and the JVs in the Space sector). The Group's business conducted through the JVs and their strategic and financial importance remain unchanged, while for reporting purposes the JVs' contribution is only recognised 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 2021 the main Group's JVs recorded total revenues of €bil. 2.5 (€bil. 2.1 in 2020) as concerns Leonardo's share: as a result, the Group's aggregate pro-forma revenues came to about €bil. 16.6 (€bil. 15.5 in 2020).

Commercial and business performance

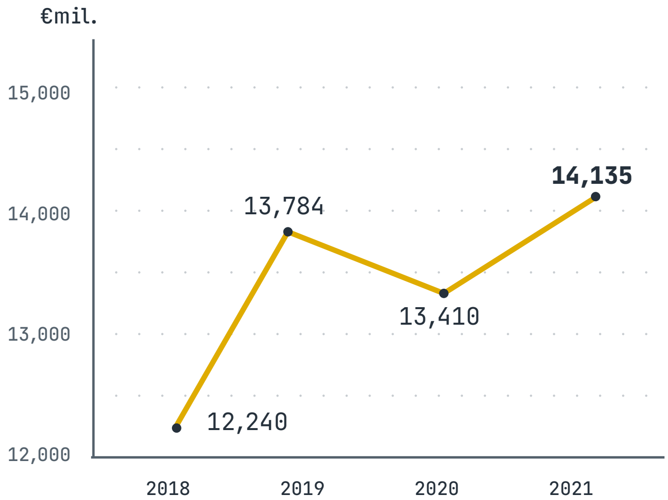
The following graphs show the performance of the Group's ratios in the last 4 years; they highlight the continued growth achieved by the Group, with results above pre-pandemic levels, net of the COVID-19 impact on the civil aviation segment. It should be noted that the figure of new orders in 2018 was particularly high thanks to the acquisition by the Helicopters Division in that same year of the NH90 Qatar contract worth €bil. 3.

In light of the aforementioned considerations, below is also provided the pro-forma EBITA figure, excluding the Aerostructures component:

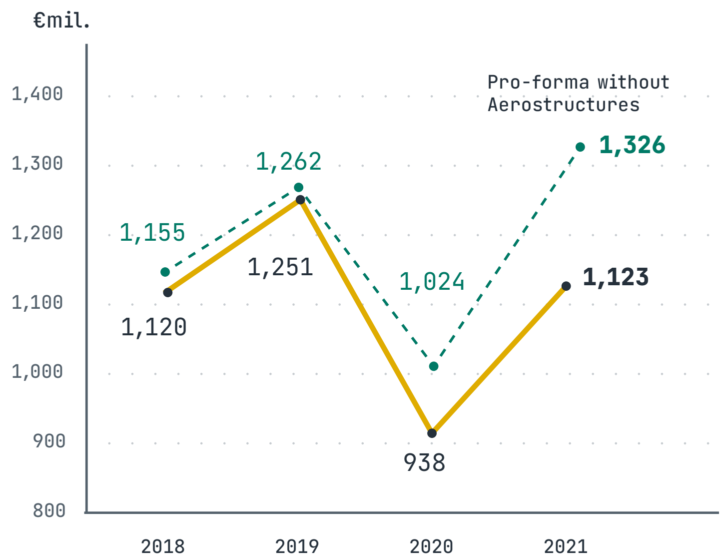
ORDERS AND BACKLOG 2018-2021



REVENUES 2018-2021



EBITA 2018-2021



New orders came to €bil. 14.3, confirming the growth trend recorded throughout 2021.

The commercial performance of the Aeronautics sector was excellent (+15%), with the Aircraft component that more than offset the expected downturn in the civil aviation business component. There was also growth in the Defence Electronics & Security sector, which benefitted from a significant positive performance by the European component of the sector, as will be seen below. Helicopters recorded new orders that remained substantially in line with the previous year, due to having gained the IMOS (Integrated Merlin Operational Support) order during the comparative period.

The order backlog ensures a coverage in terms of equivalent production equal to about 2.5 years. The book-to-bill ratio (the ratio of new orders for the period to revenues) was equal to 1.

The value of new orders showed an increase of 4% compared with 2020 and of 1.4% compared with 2019.

As regards **revenues** (€bil. 14.1), the growth trend observed since the beginning of 2021 continued throughout the year, driven by the performance of the European component of Defence Electronics & Security, the Aircraft component of Aeronautics and – to a lesser extent – Helicopters. The aforesaid growth trend was only partly mitigated by the expected reduction in Aerostructures, which continued to be affected by the fall in production rates on the B787 and ATR programmes.

Revenues showed an increase of 5.4% compared with 2020 and of 2.5% compared with 2019.

EBITA, equal to €mil. 1,123 (ROS of 7.9%), recorded a significant growth as a whole (20%), with a substantial increase in all business sectors, as a result of higher revenues and improved profitability, to which must also be added a higher contribution on the part of all the strategic joint ventures, with particular regard to the Space Alliance manufacturing sector and to the GIE-ATR, due to a gradual resumption of deliveries.

The pro-forma EBITA value of the Aerostructures component showed a sharp increase over 2020 (29.5%) and compared with 2019 (5.1%).

EBIT, equal to €mil. 911, showed a very sharp increase of more than 76% compared to 2020 (€mil. 517), although the Group continued to incur costs, for amounts substantially in line with the previous year, in complying with the government's guidelines on health protection and the prevention of the spread of COVID-19. Furthermore, EBIT was affected by the impact of restructuring costs sustained under the agreements governing the early retirement of the Aerostructures Division's workforce on a voluntary basis (approximately €mil. 70), as part of the broader reorganisation plan involving the division, as well as of non-recurring costs associated with the settlement of the Indian case, following which Leonardo may gain a new commercial positioning in the area.

Net result before extraordinary transactions (equal to €mil. 587), equal to the **net result**, recorded an increase of more than 140%, benefitting from the EBIT performance, as well as from a lower impact of financial costs; during the comparative period, the latter were heavily affected by the component linked to hedging the exposure to exchange risk and by the costs associated with the outstanding bond issues, which decreased during the period under consideration following a reduction in the bond exposure itself. The net result was also affected by the tax benefits arising from joining the tax concession schemes provided for in Article 110 of Legislative Decree 104/2020 governing the realignment of tax values of goodwill.

Below are reported the Key Performance Indicators for the sectors:

December 2020 € millions	New orders	Order backlog	Revenues	EBITA	ROS %
Helicopters	4,494	12,377	3,972	383	9.6%
Defence Electronics & Security	7,374	13,449	6,525	537	8.2%
Aeronautics	2,552	10,696	3,393	200	5.9%
of which Aircraft (*)	*2,031*		*2,634*	*355*	*13.5%*
of which Aerostructures (*)	*581*		*819*	*(86)*	*(10.5%)*
of which GIE-ATR	*n.a.*		*n.a.*	*(69)*	*n.a.*
Space	-	-	-	23	n.a.
Other Activities	103	87	407	(205)	(50.4%)
Eliminations	*(769)*	*(1,093)*	*(887)*	-	*n.a.*
Total	**13,754**	**35,516**	**13,410**	**938**	**7.0%**

December 2021 € millions	New orders	Order backlog	Revenues	EBITA	ROS %
Helicopters	4,370	12,377	4,157	406	9.8%
Defence Electronics & Security	7,579	14,237	6,944	703	10.1%
Aeronautics	2,945	10,033	3,622	205	5.7%
of which Aircraft (*)	*2,668*		*3,268*	*432*	*13.2%*
of which Aerostructures (*)	*365*		*442*	*(203)*	*(45.9%)*
of which GIE-ATR	*n.a.*		*n.a.*	*(24)*	*n.a.*
Space	-	-	-	62	n.a.
Other Activities	102	48	377	(253)	(67.1%)
Eliminations	*(689)*	*(1,161)*	*(965)*	-	*n.a.*
Total	**14,307**	**35,534**	**14,135**	**1,123**	**7.9%**

Change %	New orders	Order backlog	Revenues	EBITA	ROS %
Helicopters	(2.8%)	-	4.7%	6.0%	0.2 p.p.
Defence Electronics & Security	2.8%	5.9%	6.4%	30.9%	1.9 p.p.
Aeronautics	15.4%	(6.2%)	6.7%	2.5%	(0.2) p.p.
of which Aircraft (*)	*31.4%*		*24.1%*	*21.7%*	*(0.3) p.p.*
of which Aerostructures (*)	*(37.2%)*		*(46.0%)*	*(136.0%)*	*(35.4) p.p.*
of which GIE-ATR	*n.a.*		*n.a.*	*65.2%*	*n.a.*
Space	n.a.	n.a.	n.a.	169.6%	n.a.
Other Activities	(1.0%)	(44.8%)	(7.4%)	(23.4%)	(16.7) p.p.
Eliminations	*10.4%*	*(6.2%)*	*(8.8%)*	*n.a.*	*n.a.*
Total	**4.0%**	**0.1%**	**5.4%**	**19.7%**	**0.9 p.p.**

(*) Amounts before infra-segment eliminations.

RECLASSIFIED INCOME STATEMENT

€ millions	Notes	2020	2021	Change	Change %
Revenues		13,410	14,135	725	5.4%
Purchase and personnel expenses	(*)	(11,973)	(12,575)		
Other net operating income/(expenses)	(**)	(2)	(58)		
Equity-accounted strategic JVs	(***)	23	124		
Amortisation, depreciation and write-offs	(****)	(520)	(503)		
EBITA		**938**	**1,123**	**185**	**19.7%**
ROS		*7.0%*	*7.9%*	*0.9 p.p.*	
Non-recurring income/(expenses)		(333)	(101)		
Restructuring costs		(61)	(89)		
Amortisation of intangible assets acquired as part of business combinations		(27)	(22)		
EBIT		**517**	**911**	**394**	**76.2%**
EBIT margin		*3.9%*	*6.4%*	*2.5 p.p.*	
Net financial income/(expenses)	(*****)	(264)	(158)		
Income taxes		(12)	(166)		
Net result before extraordinary transactions		**241**	**587**	**346**	**143.6%**
Net result related to discontinued operations and extraordinary transactions	(******)	2	-		
Net result		**243**	**587**	**344**	**141.6%**

Notes to the reconciliation between the reclassified and the statutory income statements (for more details, reference should be made to the paragraph "'Non-GAAP' alternative performance indicators").

(*) Includes "Purchase and personnel expenses" (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/(expenses) and accruals/(reversals) for onerous contracts (losses at completion).
(***) 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 financial assets value adjustments", 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 joint ventures).
(******) Includes "Profit/(Loss) from discontinued operations" and gains and losses relating to extraordinary transactions (key acquisitions and disposals).

RECLASSIFIED CASH FLOW STATEMENT

€ millions	Notes	2020	2021	Change	Change %
Cash flows generated from operating activities	(*)	275	742	467	169.8%
Dividends received		58	63		
Cash flows from ordinary investing activities	(**)	(293)	(596)		
Free Operating Cash Flow (FOCF)		**40**	**209**	**169**	**422.5%**
Strategic transactions	(***)	(200)	(19)		
Change in other investing activities	(****)	(3)	11		
Net change in borrowings		541	30		
Dividends paid		(81)	-		
Net increase/(decrease) in cash and cash equivalents		**297**	**231**		
Cash and cash equivalents at 1 January		1,962	2,213		
Exchange-rate differences and other changes		(46)	35		
Cash and cash equivalents at 31 December		**2,213**	**2,479**		

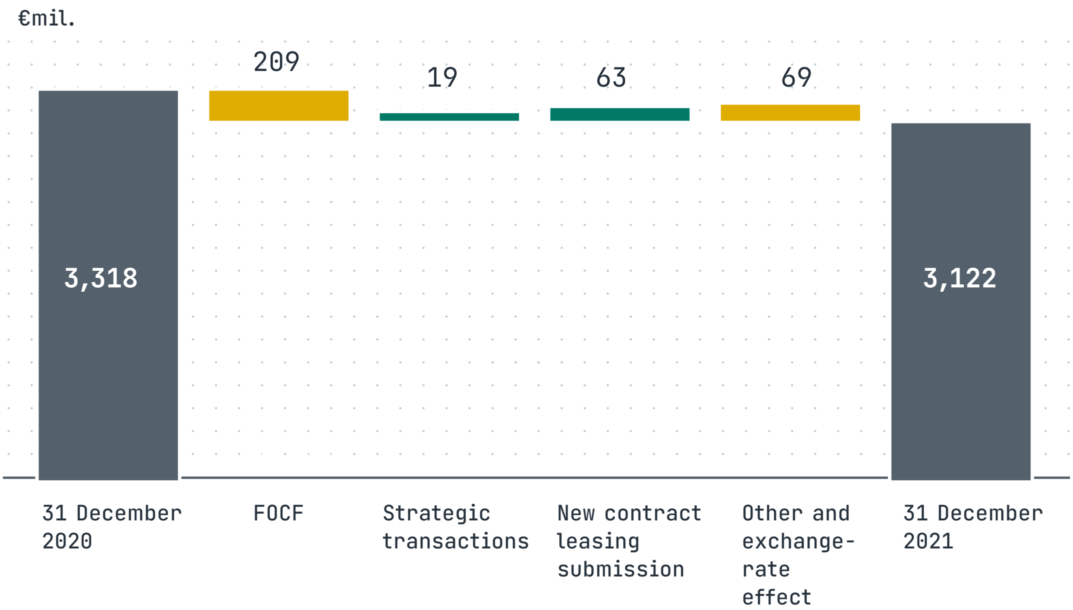
Notes to the reconciliation between the reclassified and the statutory cash flow statements.

(*) 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 debt payments pursuant to Law 808/1985 and net of dividends collected.
(***) Includes "Other investing or disinvesting activities" classified as "Strategic transactions".
(****) Includes "Other investing or disinvesting activities", excluding dividends collected and the effect of operations classified as "Strategic transactions".

FOCF of €mil. 209 showed a significant improvement compared to 2020 (€mil. 40), confirming the positive trend that had already been observed during the first three quarters of the year.

The **Group net nebt**, equal to €mil. 3,122, showed an improvement compared to 31 December 2020 (€mil. 3,318), mainly as a result of the positive FOCF result, which also included the effects of strategic investments made during the period (€mil. 19) and of the recognition of liabilities for new lease agreements entered into in the year for €mil. 63.

CHANGES IN GROUP NET DEBT



RECLASSIFIED STATEMENT OF FINANCIAL POSITION

€ millions	Notes	31 December 2020	31 December 2021
Non-current assets		11,883	12,810
Non-current liabilities		(1,996)	(2,216)
Capital assets	**(*)**	**9,887**	**10,594**
Inventories	(**)	1,164	1,292
Trade receivables		3,033	3,203
Trade payables		(3,619)	(3,372)
Working capital		**578**	**1,123**
Provisions for short-term risks and charges		(1,318)	(1,111)
Other net current assets/(liabilities)	(***)	(598)	(1,046)
Net working capital		**(1,338)**	**(1,034)**
Net invested capital		**8,549**	**9,560**
Equity attributable to owners of the parent		5,267	6,428
Equity attributable to non-controlling interests		11	27
Equity		**5,278**	**6,455**
Group net debt		**3,318**	**3,122**
Net (assets)/liabilities held for sale	**(****)**	**(47)**	**(17)**

Notes to the reconciliation between the reclassified and the statutory statements of financial position (for more details, reference should be made to the paragraph "'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".

GROUP NET DEBT

€ millions	31 December 2020	*Of which current*	31 December 2021	*Of which current*
Bonds	3,220	*835*	2,481	*626*
Bank debt	896	*48*	1,648	*49*
Cash and cash equivalents	(2,213)	*(2,213)*	(2,479)	*(2,479)*
Net bank debt and bonds	**1,903**		**1,650**	
Current loans and receivables from related parties	(149)	*(149)*	(45)	*(45)*
Other current loans and receivables	(18)	*(18)*	(16)	*(16)*
Current loans and receivables and securities	**(167)**		**(61)**	
Hedging derivatives in respect of debt items	(6)	*(6)*	(8)	*(8)*
Related party lease liabilities	30	*3*	30	*4*
Other related party borrowings	881	*781*	856	*756*
Lease liabilities	525	*72*	538	*78*
Other borrowings	152	*85*	117	*45*
Group net debt	**3,318**		**3,122**	

The reconciliation with the net financial position required by CONSOB Communication DEM/6064293 of 28 July 2006, updated by the provisions of ESMA guidelines 32-382-1138 of 4 March 2021 as implemented by CONSOB warning notice 5/2021 of 29 April 2021, is provided in Note 21 of the consolidated financial statements.

As detailed in the chapter “Industrial and financial transactions”, to which reference should be made, “Bonds” showed a reduction as a result of the subsequent repayment of the remaining amount of €mil. 739 of a bond issue, which had been launched in 2013 for an initial amount of €mil. 950 and which reached its natural expiry in January 2021; the increase in “Bank debt” was due to the use of the loan of €mil. 200 taken out with the European Investment Bank (EIB) in December 2020 and the use of a new Term Loan of €mil. 600 signed in December 2021.

As at 31 December 2021 Leonardo had credit facilities available for a total of about €mil. 3,210 to meet the financing needs of the Group’s recurring operations, broken down as follows: an ESG-linked Revolving Credit Facility totalling €mil. 2,400, divided into two tranches, and additional unconfirmed short-term lines of credit of about €mil. 810, both of which were entirely unused as at the reporting date. Furthermore, the subsidiary Leonardo US Holding has revocable lines of credit available for its short-term requirements, which are guaranteed by Leonardo SpA, for a total counter-value of about €mil. 221, and which were entirely unused at 31 December 2021. Finally, Leonardo has unconfirmed lines of credit for guarantees for a total of €mil. 10,324, an amount of €mil. 3,750 of which was available at 31 December 2021.

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.

	2020	2021	Change
Social			
Workforce (no.)	49,882	50,413	1.1%
Employees under 30 on total employees (%)	10.3	10.4	0.1 p.p.
Women in managerial positions on total executives and middle managers (%)	17.3	18.0	0.7 p.p.
Hires under 30 on total hires (%)	40.9	42.2	1.3 p.p.
Women hires on total hires (%)	23.1	23.7	0.6 p.p.
Women hires with STEM degrees on total hires with STEM degrees	15.9	19.4	3.5 p.p.
Average hours of training per employee (no.)	16.2	31.8	96.5%
Injury rate (injuries per 1,000,000 worked hours)	2.60	2.91	11.7%
Employees at ISO 45001-certified sites on total employees (%)	75	78	3 p.p.
Innovation			
Total R&D expenses (€ millions)	1,646	1,803	9.5%
of which self-funded (IRAD)	*559*	*584*	*4.5%*
Computing power *per capita* (gigaflops on no. of Italian employees)	198	194	(2.0%)
Data storage capacity *per capita* (gigabytes on no. of Italian employees)	874	857	(1.9%)
Environmental			
Energy consumption intensity (MJ/euro) on revenues	0.41	0.40	(3.1%)
Water withdrawals intensity on revenues (l/€)	0.39	0.42	6.0%
Waste produced intensity on revenues (g/€)	2.57	2.11	(17.8%)
Scope 1 and Scope 2 CO_2 emissions intensity on revenues (g/€) - market based	31.52	22.99	(27.1%)
Scope 1 and Scope 2 CO_2 emissions intensity on revenues (g/€) - location based	45.39	33.88	(25.4%)
Employees at ISO 14001-certified sites on total employees (%)	76	77	1 p.p.

The reported indicators are part of the Consolidated Non-Financial Statement.

In 2021, the workforce showed a slight increase compared to 2020, mainly due to workers employed on permanent contracts in Italy.

Recruitment of employees under 30 years of age further increased compared to 2020 and continued to stand at around 40% of total hires, contributing to the steady increase in employees under 30 on total employees, from 8.2% in 2017 to 10.4% in 2021.

The enhancement of the gender diversity strategy had a positive impact on both the presence of female managers, which achieved 18% of the total number of executives and middle managers, and the new female hires with STEM degrees on total hires of workers with STEM degrees, increasing by more than 3 percentage points compared to 2020.

The injury rate showed a deterioration compared to 2020, a year significantly impacted by the pandemic, when the rate was improved compared to the previous years on account also of the lower presence of employees in the offices because of the smart working. The rate did definitely improve, however, compared to 2019 when it stood at 4.41. The Company's commitment continues to extend the sites that are ISO 45001 certified with a health and safety management system where 78% of employees work (56% in 2017). The marked increase in the volume of training hours was attributable to the conversion of work vacancies into training activities for employees of the Aerostructures Division[21].

Total R&D costs accounted for 12.8% 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.

The considerable reduction in CO_2 emissions (Scope 1 and Scope 2), in absolute and relative terms, is mainly related to the partial replacement of SF_6 gas used as an inert substance within the helicopter production in a specific manufacturing process.

The intensity of water withdrawals showed a decrease compared to the pre-pandemic levels (-2% over 2019). The increase compared to the previous year was due to higher production volumes and increased physical presence of employees at sites.

The other environmental and energy efficiency indicators continued to show an improvement trend, confirming the Company's commitment to reducing impacts and associated costs, a commitment that is also reflected in the goals set out in the Group's Sustainability Plan.

In 2021, on a voluntary basis, Leonardo 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[22].

21 There was a more than 10-fold increase in training hours delivered in the Aerostructures Division during 2021.
22 For more details, see the "Methodology note of the NFS".

Financial planning and investment management

Leonardo's investments have a **direct and indirect impact on various industrial sectors and areas of society**, anticipate and satisfy the needs of customers, citizens and territories and contribute to achieving the Sustainable Development Goals (SDGs).

Financial planning and investment choices are aimed at supporting the Group's Industrial Plan and the vision expressed in the "Be Tomorrow - Leonardo 2030" Strategic 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 Taskforce of the United Nations 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.

Leonardo supports the **Principles on Integrated SDG Investments and Finance** of the UN Global Compact

Above 50% of **investments** in 2021 contributed to achieving SDGs (**SDG-aligned)**

50% of total sources of financing linked to **ESG** parameters, for a total of **€bil. 3**

At the end of 2021, **50% of the total sources of financing** available to the Group are linked to **ESG parameters**. This result was achieved following the execution of the first ESG-linked Revolving Credit Facility, amounting to €bil. 2.4, and the first ESG Term Loan, amounting to €mil. 600, both linked to specific KPIs, including the reduction of CO_2 emissions through eco-efficiency of industrial processes and the promotion of female employment with degrees in STEM education[23].

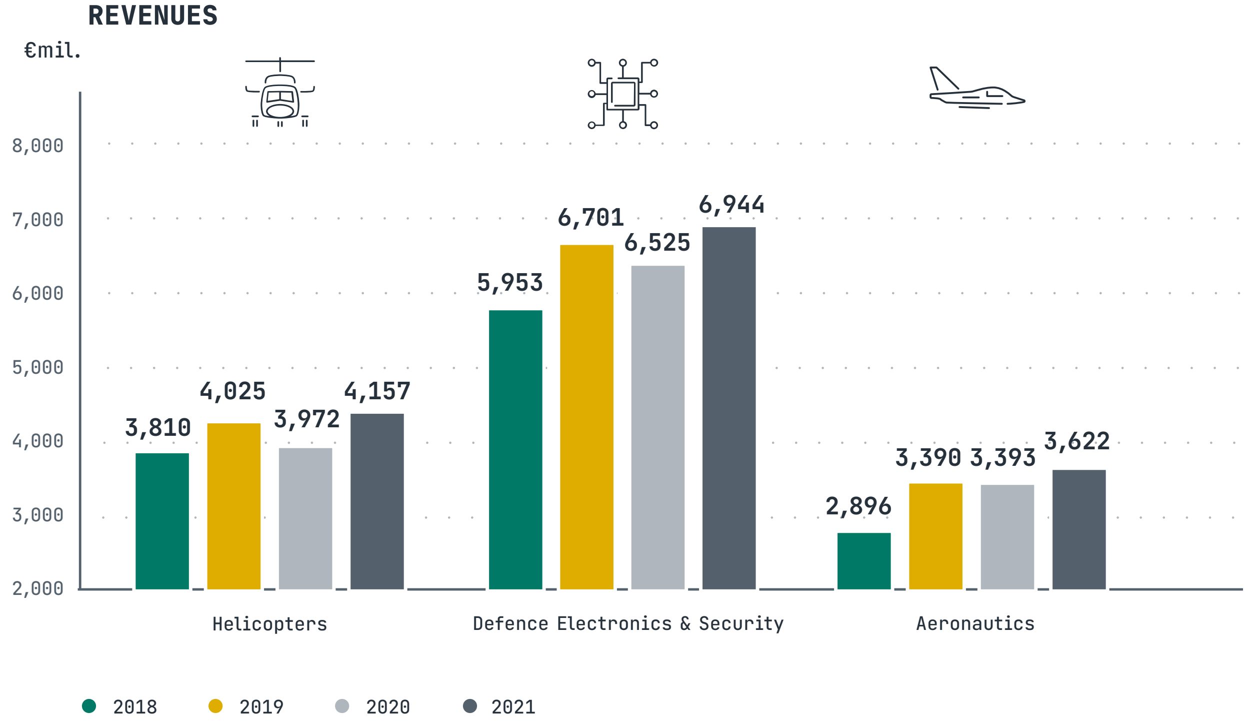
As regards capital allocation, Leonardo set the objective of having at least 50% of investments in support of the SDGs in 2021-2023 out of a total investment value of approximately €mil. 600-700, including capitalised R&D expenses, capital expenditures (capex), tooling and other investments in intangibles. In 2021, investments in support of the SDGs were 51% (50% in 2020). In particular, the main impacts reported for the investments are linked to SDG 9 "Industry, Innovation & Infrastructure", SDG 8 "Decent work and economic growth" and SDG 11 "Sustainable Cities & Communities", 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.

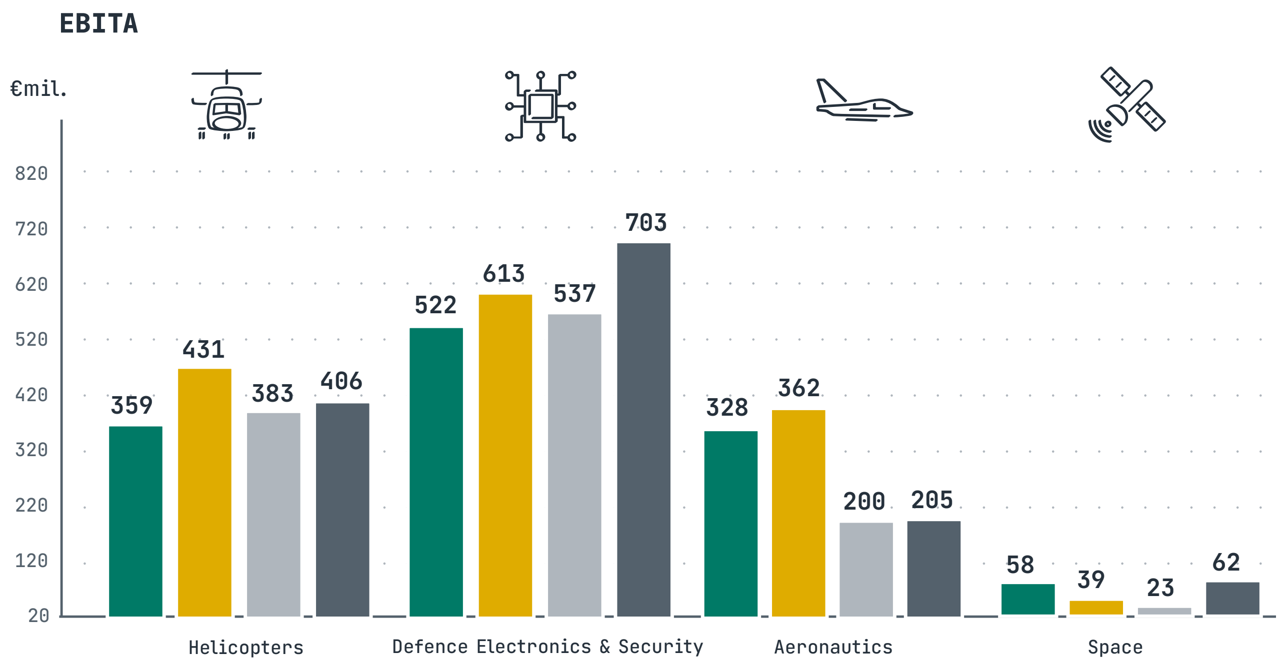
23 For more information, reference should be made to the chapter "Industrial and financial transactions".

SEGMENT RESULTS AND OUTLOOK

KEY PERFORMANCE INDICATORS BY SEGMENT

As noted above, Leonardo continued the path to growth in all sectors of its core business, returning to competitive levels when compared to the pre-pandemic scenario. The performance of revenues and EBITA by sector showed the following trend during the period from 2018 to 2021:





The business sectors are commented on below in terms of competitive position, financial performance, total market[24] and Research & Development. It should be noted that Leonardo has the objective of strengthening its positioning in the more attractive markets in which the portfolio of its products can benefit from its specific competitive advantage: the considerations reported below relate to the analysis of the competitive position, based on these two dimensions.

€ millions	December 2020	December 2021	Change	Change %
1. HELICOPTERS				
New orders	4,494	4,370	(124)	(2.8%)
Order backlog	12,377	12,377	-	-
Revenues	3,972	4,157	185	4.7%
EBITA	383	406	23	6.0%
ROS %	9.6%	9.8%		0.2 p.p.
2. DEFENCE ELECTRONICS & SECURITY				
New orders	7,374	7,579	205	2.8%
Order backlog	13,449	14,237	788	5.9%
Revenues	6,525	6,944	419	6.4%
EBITA	537	703	166	30.9%
ROS %	8.2%	10.1%		1.9 p.p.
3. AERONAUTICS				
New orders	2,552	2,945	393	15.4%
Order backlog	10,696	10,033	(663)	(6.2%)
Revenues	3,393	3,622	229	6.7%
EBITA	200	205	5	2.5%
ROS %	5.9%	5.7%		(0.2) p.p.
4. SPACE				
EBITA	23	62	39	169.6%

24 Information processed by Leonardo on the basis of Jane's data.

MIAMI-DADE
FIRE RESCUE
AIR RESCUE

1

HELICOPTERS

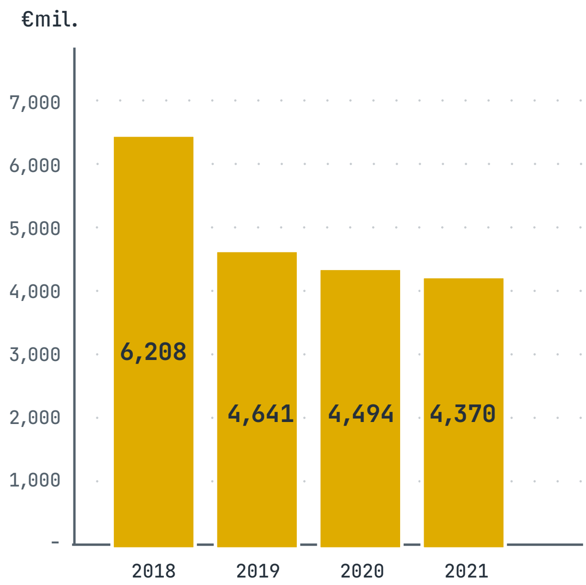
HELICOPTERS

Leonardo is a leading group in the Helicopters sector at global level, delivering excellence in products worldwide. In the defence sector, Leonardo has recognised expertise in combat, naval, Search and Rescue (SAR) and Law Enforcement applications, while its leadership remains on a sound footing in various applications such as utility (aerial work, etc.), transport and Emergency Medical Service (EMS) missions 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, AW139 and AW169. Leonardo's EMS helicopters have also contributed to coping with the pandemic by transporting medical materials, equipment and patients.

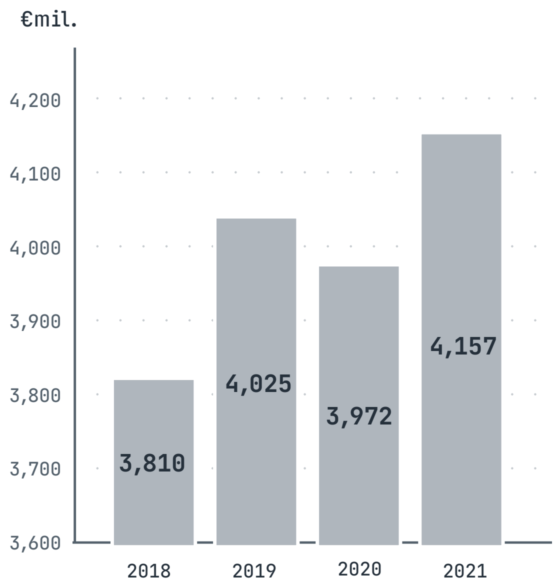
The performance in 2021 confirmed the growth trend in revenues and EBITA, although on a scene that was still marked by the pandemic in the civil and commercial aviation business segments, which showed signs of recovery in terms of acquisitions. 128 new helicopters were delivered in 2021 (111 in 2020).

Below is the performance of the sector during the last 4 years:

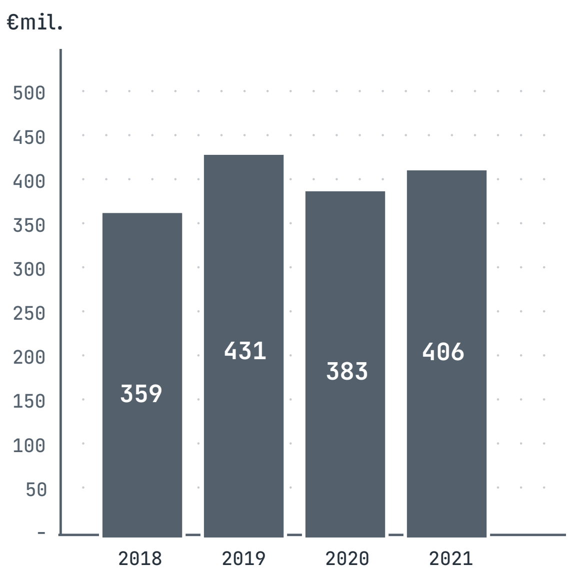
NEW ORDERS Helicopters 2018-2021



REVENUES Helicopters 2018-2021



EBITA Helicopters 2018-2021



As previously pointed out, the figure of new orders in 2018 was particularly high thanks to the acquisition by the Helicopters Division of the NH90 Qatar contract for €bil. 3.

New orders. They remained substantially in line, with the increase in new orders gained in the civil and commercial aviation sector offsetting a lower contribution given by those gained from government authorities, which was particularly significant during the comparative period. Among the main acquisitions for the period we must note:

- the second and third orders under the TH-73A (AW119) programme for the US Navy for a total of 72 helicopters;
- the second additional agreement for the completion of development activities and the supply of 4 series helicopters under the NEES (New Exploration and Escort Helicopter -Nuovo Elicottero da Esplorazione e Scorta) programme for the Italian Army;
- the contracts concerning the supply of 9 AW139 helicopters for the Saudi Royal Court in Saudi Arabia and of 16 AW139 helicopters for The Helicopter Company, a company established by the Public Investment Fund (PIF) as the first and only operator authorised for commercial flights in the Kingdom;
- contracts relating to the supply of 8 AW139 helicopters to the Finance Police in Italy;
- the contract signed within the scope of the Government-to-Government (G2G) agreement between Italy and Austria, for the supply of 18 AW169M LUHs (Light Utility Helicopters) intended for the Austrian Ministry of Defence;
- additional orders relating to the AW169 LUH programme for the Italian Carabinieri Corps and Army for a total of 17 helicopters;
- the contract relating to the 5-year extension of the WIST (Wildcat Integrated Support and Training) programme for the provision of logistic support and training services for the fleet of AW159 Wildcat helicopters to the UK Ministry of Defence.

Revenues. They were on the rise due to increased work on orders gained from government authorities, in particular under the NH90 and TH-73A programmes for Qatar and the US Navy, respectively, as well as on the AW189/AW149 lines, which offset a slight decline in revenues expected in the civil and commercial aviation business segment, and specifically on the AW139 line.

EBITA. The increase was commensurate with higher revenue volumes, while profitability remained substantially in line with 2020.

Total market of the sector and 2022 outlook

Market (*) 2021-2030	CAGR 2021-2030	Impact on the businesses in which Leonardo operates
€bil. 26	+6.1%	**Civil sector**. Growth in the EMS (Emergency Medical Services), SAR (Search and Rescue) and Law Enforcement applications, including due to the COVID-19 emergency. There was a significant decline in the Oil & Gas segment, which was only partially offset by platforms supporting alternative energy sources. The effects of the pandemic have also hardly hit the passenger transport segment, with negative forecasts in particular for the first five years, whilst a recovery can be expected due to the recovery in passenger transport and the renewal of the related fleets for the second five year-period.
€bil. 116	-3.0%	**Defence sector**. The market is estimated to grow in the short term, due to the ageing of many fleets, with a replacement process that is already underway in the main countries (e.g. United States, United Kingdom, France), but which will slow down at the end of the period under consideration, with a tendency to carry out only the necessary upgrades of the platforms in operation, while waiting for the availability of the new generation of medium multi-role machines, based on new technologies.

(*) Deliveries of new helicopters only.

In 2022, revenue volumes are expected to grow, driven by the development of backlog activities on military/governmental programmes and a good flow of new orders. Profitability remained at good levels, also thanks to the initiatives to optimise industrial processes and improve the competitiveness of the main products, even though it was affected by a production mix characterised by growing activities on contracts acquired as prime contractor.

Research, development and product engineering

Research into the field of helicopters 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 programmes such as Clean Sky 2 and SESAR 2020, and in the near future Clean Aviation and SESAR 3, Leonardo has developed and will develop technologies and solutions to drastically reduce emissions into the atmosphere. Aircraft electrification and digitalisation are the other areas in research in this sector that will have favourable impacts in terms of security, sustainability, growth and profitability.

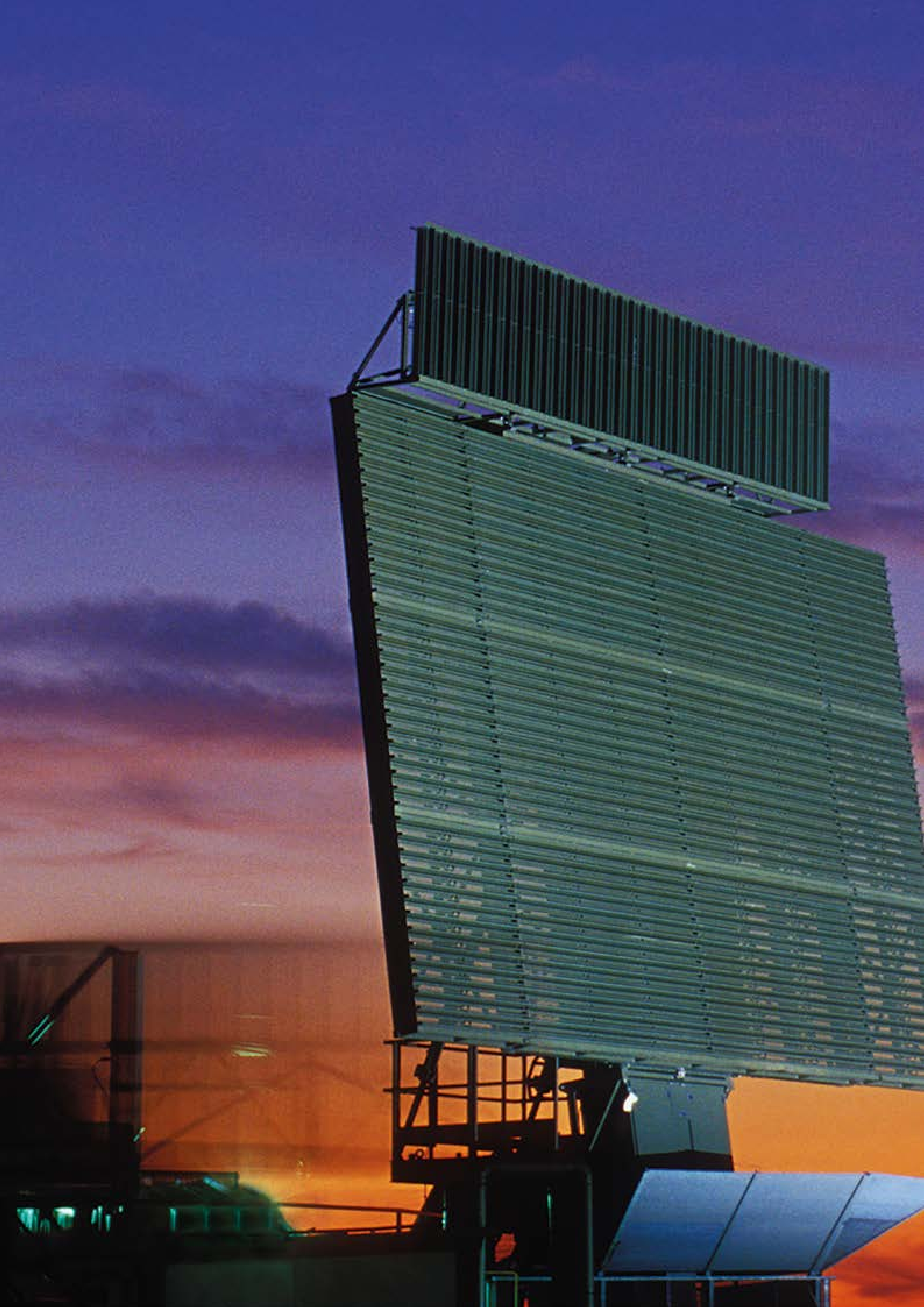
The race to digitalisation is a further key aspect in all the product's life cycle: from design, with the introduction of digital certification criteria (Certification-by-Simulation), to advanced manufacturing systems (Digital Factory), autonomous flight operations and customer support, with the application 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 the advanced simulation capabilities of the davinci-1 supercomputer.

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 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.

DEVELOPMENTS IN 2021 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 Division. Based on these activities, Leonardo will implement, in the future, an approach in line with the ISO 14040 and 14044 standards, delivering training to the main partners in order to gather the data required for LCA assessments.

Aircraft electrification - Research projects, in collaboration with the Leonardo 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.



2

DEFENCE ELECTRONICS & SECURITY

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, ranging from "Tier 1" (provider of complete systems) to "Tier 4" (provider of apparatuses).

It participates in the main national strategic programmes and in major international programmes, and is a technology partner of governments, defence authorities, institutions and enterprises.

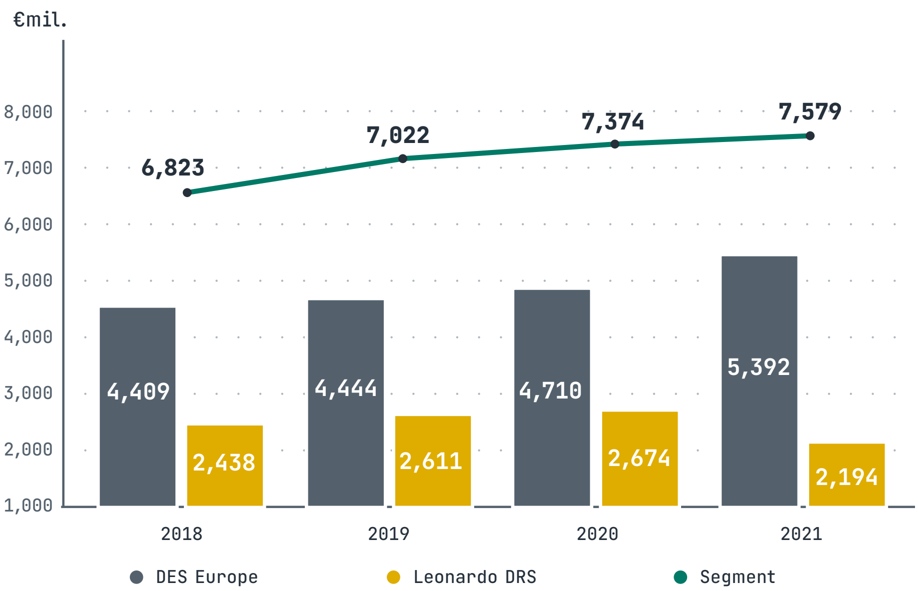
In particular, among the applications in the land domain, Leonardo's portfolio includes battlefield command and control systems, air and border defence and air traffic management and control systems, advanced weapon and ammunitions systems.

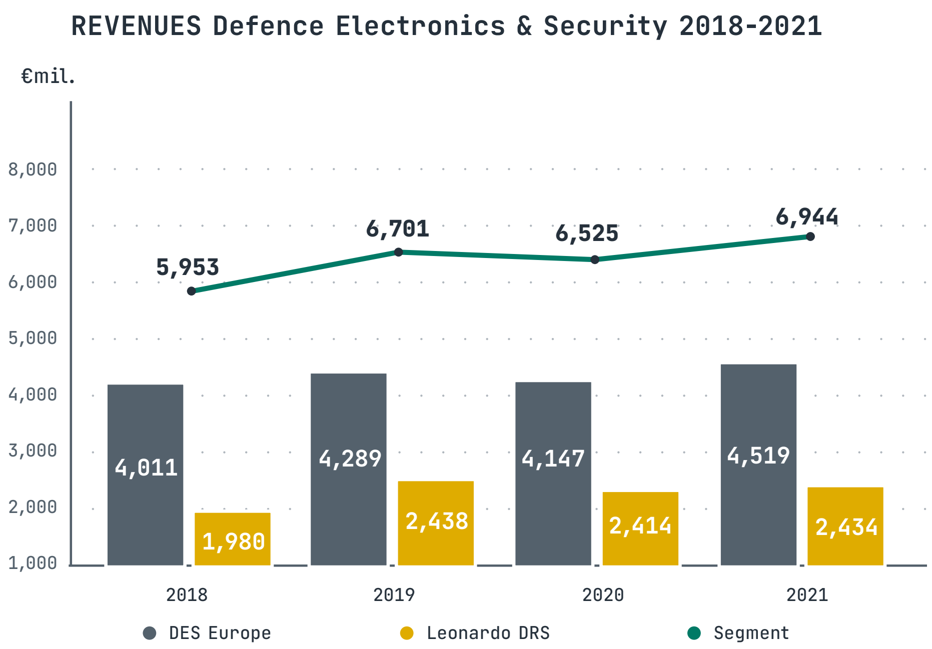
In the naval domain integrated systems are particularly important for combat and maritime surveillance, installed both on board naval ships and in the command and control centres, and weapon and protection systems for naval ships, completed by simulation and training solutions.

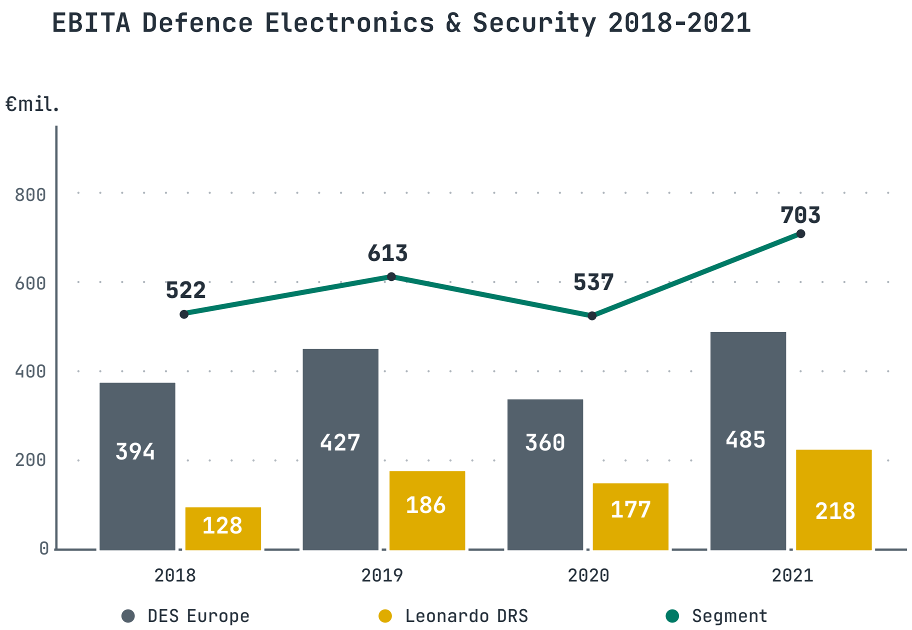
Leonardo creates advanced avionic solutions in the aircraft and space areas for surveillance and combat, the latest generation of manned and unmanned aircraft, including the platforms made by the Company, and components for satellites or interplanetary probes. As far as security is concerned, areas of greatest interest are focused on solutions for the protection of cities, territories, borders, major events and critical infrastructure, based on advanced information analysis systems and secure communications. Cyber security and cyber resilience solutions are also increasingly important as a result of the increase in digitalisation.

Below is the performance of the sector during the last 4 years:

NEW ORDERS Defence Electronics & Security 2018-2021







The 2021 results were marked by an excellent commercial performance, confirming the good positioning of the sector's products and solutions, with revenues and profitability growing in all business areas, both for the European component and at Leonardo DRS.

KEY PERFORMANCE INDICATORS FOR THE SECTOR

December 2020 € millions	New orders	Revenues	EBITA	ROS %
DES Europe	4,710	4,147	360	8.7%
Leonardo DRS	2,674	2,414	177	7.3%
Eliminations	*(10)*	*(36)*	-	*n.a.*
Total	**7,374**	**6,525**	**537**	**8.2%**

December 2021 € millions	New orders	Revenues	EBITA	ROS %
DES Europe	5,392	4,519	485	10.7%
Leonardo DRS	2,194	2,434	218	9.0%
Eliminations	*(7)*	*(9)*	-	*n.a.*
Total	**7,579**	**6,944**	**703**	**10.1%**

Change %	New orders	Revenues	EBITA	ROS %
DES Europe	14.5%	9.0%	34.7%	2.0 p.p.
Leonardo DRS	(18.0%)	0.8%	23.2%	1.7 p.p.
Eliminations	*30.0%*	*75.0%*	*n.a.*	*n.a.*
Total	**2.8%**	**6.4%**	**30.9%**	**1.9 p.p.**

LEONARDO DRS DATA IN USD

	New orders	Revenues	EBITA	ROS %
DRS (USDmil.) 2020	3,054	2,757	202	7.3%
DRS (USDmil.) 2021	2,595	2,879	258	9.0%

New orders. They showed an increase compared to 2020, which had benefitted from substantial acquisitions during the last quarter, with particular regard to Electronics in Europe. Among the major orders that characterised the excellent commercial performance were the supply of equipment for two U212 Near Future Submarines (NFSs), which will join the Italian Navy's fleet as from 2027 and, within the scope of the broader Quadriga programme, the order for the supply of radars and air protection systems to equip the 38 Typhoon aircraft intended to replace the Tranche 1 planes that are currently provided to the German Ministry of Defence.

As part of the broader VBM plus programme, the Group gained an order to upgrade the firing system and supply a new digital intercom and a completely updated CIS system, as well as the new Command and Control C2D/N EVO system.

In the **Cyber** field, there was an order for Phase 4 of the SICOTE (Sistema di Controllo del Territorio, Territory Control System) programme, which focuses on innovative solutions to support the institutional operations of the Carabinieri Corps and the Defence General Staff.

In the field of **Automation**, we must note the order to strengthen the logistics management of baggage handling systems, which will be equipped with security technology approved by the European Civil Aviation Conference (ECAC) for 10 Spanish airports.

Finally, as regards **Leonardo DRS**, additional orders were gained for the production of modular hardware systems known as Mounted Family of Computer Systems (MFoCS) to be installed on ground combat vehicles intended to support manoeuvrability and logistics for the US Army, as were the M-SHORAD (Maneuver-Short Range Air Defence) order for the initial supply of a Mission Equipment Package, which will be integrated into heavy Stryker-type vehicles and which will enable the neutralisation of low-altitude aerial threats, including remotely-controlled drones.

Revenues. They showed an increase both in the European component, which had been affected by the application of measures to contain COVID-19 infection during the previous year, and at Leonardo DRS, excluding the unfavourable effect of the USD/€ exchange rate.

EBITA. There was an increase due to higher volumes and improved profitability compared to the values posted in 2020, which had been affected, particularly with regard to the European component, by the effects of the application of measures to contain COVID-19 infection. Leonardo DRS recorded results that showed marked growth, thus confirming the upward trend in profitability due to the entry into production of certain development programmes.

Total market of the sector and 2022 outlook

Market 2021-2030	CAGR 2021-2030	Impact on the businesses in which Leonardo operates
€bil. 3,185	6.0%	**Civil sector**. Demand driven by trends in sustainability (mobility and energy), digitisation (public sector), security (borders and cities), cyber protection and resilience (institutions and critical infrastructure). **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 combat and ISR (Intelligence, Surveillance and Reconnaissance) aircraft. In the Land domain, we must note the growth in C4 systems, radar and communication systems in the face of increasing geopolitical tensions and threats; there was also a growing demand for Counter-UAS (Unmanned Air Systems) systems to counter the emerging threat of unmanned aircraft. In the Naval domain, we must note the growth in demand for command and control systems and integrated solutions (AESA radars, communications and electronic warfare), as well as for torpedoes, in particular heavy torpedoes, in the underwater segment.

In 2022, a further recovery is expected compared to the first period of pandemic, with revenue volumes growing and an improvement in profitability as a result of the continued focus on programme execution and cost containment, although with a mix of activities that are still characterised by programmes under development.

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. To this effect, Artificial Intelligence, quantum sensing and security, big data analytics, 5G and 6G communications, new materials, robotics, blockchain will be the technologies that are most important to integrate in operations, platforms and the present Defence systems, together with the development of technologies that enable product sizes, weights and power (SWaP) to be reduced.

In response to requirements for system transformation, digitalisation and cyber resilience will be 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 insert these technologies in its products in an increasingly efficient manner, to meet a growing need for security and resilience, in synergy with the Group's Sustainability Plan.

In developing new products, great importance is attached to national and international defence programmes, including the Eurofighter Typhoon, Forza NEC (Network Enabled Capabilities) for the modernisation of the Italian Armed Forces, the "Naval Law" for the Italian Navy's Multipurpose Offshore Patrol Vessels (PPA, Pattugliatori Polivalenti d'Altura) and the sixth-generation Tempest fighter aircraft. The development of Software Defined Radio systems, sensors, terminals and networks (narrowband and broadband on LTE/5G networks), network computing, as well as the evolution of receiver products within the scope of the Galileo programme of PRS (Public Regulated Service) geo-localisation 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 the Electronics Division participates in the European military research and development EDIDP (European Defence Industrial Development Programme) programmes for 2019 and 2020. Specifically, the Electronics Division is taking part in the EDF (European Defence Fund) 2021-2027 programmes, the objective of which is to increase the competitiveness, efficiency and innovation of European Defence at both technological and industrial level and thus make it autonomous towards countries outside the European Union[25].

Investments in research and improvements in technology are also directed at other types of products and services: avionic, ground and naval radar systems, unmanned 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 and electro-optical laser systems, logistics 4.0 for the Air Force and other Armed Forces, integrated physical security solutions for critical infrastructure with command and control platform, and products for baggage and parcel handling.

In the field of cyber security and intelligence services, Leonardo is continuing to invest to expand its professional consulting solutions such as the 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).

25 For more information, reference should be made to the paragraph "Funding programmes for research and innovation".

DEVELOPMENTS IN 2021 ELECTRONICS

Falco Xplorer - This is the latest generation of the Falco family, the new largest remotely piloted system manufactured by Leonardo. With the ability to fly for more than 24 hours and with a load of up to 350 kg, the aircraft meets the needs and mission requirements of customers in the military and civil sectors. The Mission Management system and the suite of sensors and communications are made by Leonardo. The suite includes surveillance radars, electronic intelligence systems, automatic identification device for maritime missions, broadband data link communications, electro-optical turret, hyperspectral sensor for maritime and environmental monitoring, in addition to an open architecture to integrate third-party sensors. It can also be used as a service managed and operated by Leonardo.

Team Tempest - 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. In the United Kingdom Leonardo is developing the vital technologies that will provide the next generation of sensors and communication systems, in addition to open system architectures that will enable these technologies to be inserted in a digital platform.

DEVELOPMENTS IN 2021 CYBER SECURITY

Cyber resilience of products - The significant increase in attacks against public and private targets, above all through Ramsonware tools used for extortion activities and to threaten the business continuity of the organisations under attack, has significantly boosted the development of solutions for the cyber resilience of products in the Cyber Security Division and of the entire Group, both through the development of an advanced Cyber Threat Intelligence platform ("Cyber Information superiority") and through the integration, into the products, of a proprietary EDR (Endpoint Detection and Response) that is capable of ensuring ongoing monitoring and analysis of the most advanced threats.

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 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.


35

3

AERONAUTICS

AERONAUTICS

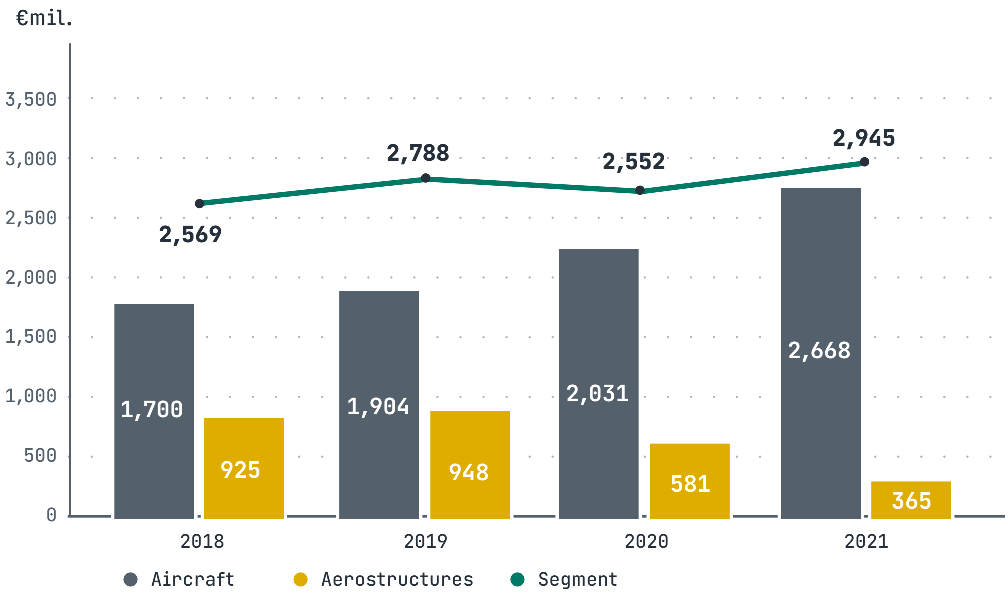
The aeronautics market is divided into two segments, civil and military, characterised by different dynamics. On the one hand, as regards the military aeronautics segment, there is an increase in demand, in particular for combat aircraft, driven by international tensions and the technological evolution of platforms. On the other hand, among the effects of the pandemic was a sharp fall in the civil aviation segment, especially for airliners; this area was already experiencing a phase of profound change, driven by the search for solutions increasingly based on eco-sustainability in a Green Deal perspective.

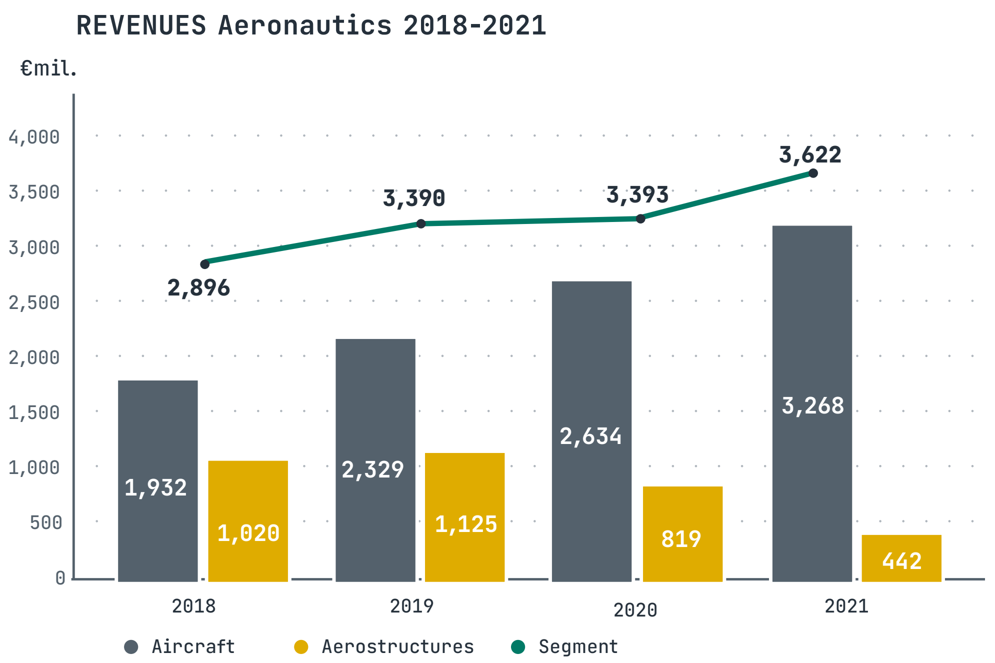
In the field of **military aircraft**, Leonardo confirms itself as a major player, active in all generations of air platforms, from the Typhoon, which remains, with 500 units produced, one of the most appreciated fourth+ generation multi-role fighters, to the fifth-generation F-35A and F-35B multi-role fighters for Italy and Holland, and to the new sixth-generation fighter, which is better defined as a "system of systems", the Tempest, on which it is working together with other partners in the United Kingdom and Sweden.

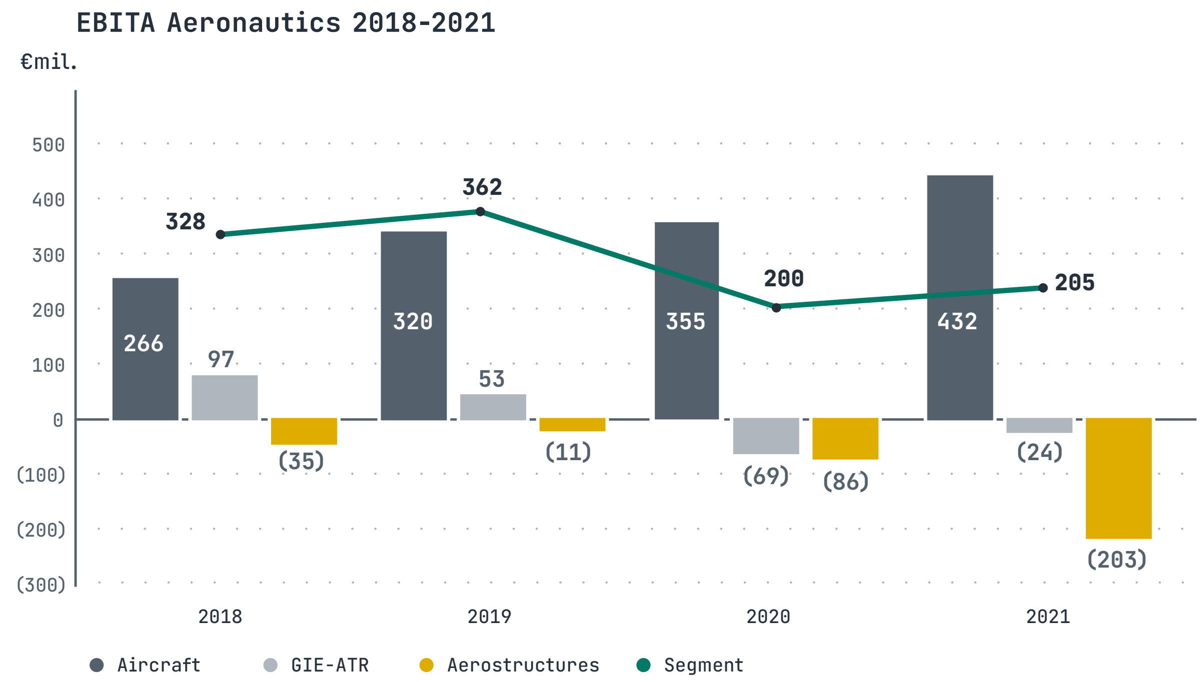
In the field of **civil aircraft**, Leonardo strengthens its market leadership in the regional transport segment with ATR, while in the segment of aerostructures it plays a significant role in the supply of large structural components both in traditional materials (aluminium alloys) and in advanced materials (composites and hybrids), for the commercial aviation programmes of the main OEMs (Boeing and Airbus), for aircraft such as 787, 767, A321 and A220.

Below is the performance of the sector during the last 4 years:

NEW ORDERS Aeronautics 2018-2021







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

From a production point of view:

› for the military programmes of the **Aircraft Division** 43 wings and 12 final assemblies were delivered to Lockheed Martin under the F-35 programme (37 wings and 7 final assemblies delivered in 2020). Furthermore, we must note the first 2 deliveries of Typhoon aircraft to Kuwait;

› for the **Aerostructures Division** 28 fuselage sections and 16 stabilisers were delivered under the B787 programme (105 fuselages and 72 stabilisers were delivered in 2020) and 15 fuselages were delivered under the ATR programme (26 in 2020).

KEY PERFORMANCE INDICATORS FOR THE SECTOR

December 2020 € millions	New orders	Order backlog	EBITA	ROS %
Aircraft	2,031	2,634	355	13.5%
Aerostructures	581	819	(86)	(10.5%)
GIE-ATR	n.a.	n.a.	(69)	n.a.
Eliminations	*(60)*	*(60)*	-	*n.a.*
Total	**2,552**	**3,393**	**200**	**5.9%**

December 2021 € millions	New orders	Order backlog	EBITA	ROS %
Aircraft	2,668	3,268	432	13.2%
Aerostructures	365	442	(203)	(45.9%)
GIE-ATR	n.a.	n.a.	(24)	n.a.
Eliminations	*(88)*	*(88)*	-	*n.a.*
Total	**2,945**	**3,622**	**205**	**5.7%**

Change %	New orders	Order backlog	EBITA	ROS %
Aircraft	31.4%	24.1%	21.7%	(0.3) p.p.
Aerostructures	(37.2%)	(46.0%)	(136.0%)	(35.4) p.p.
GIE-ATR	n.a.	n.a.	65.2%	n.a.
Eliminations	*(46.7%)*	*(46.7%)*	*n.a.*	*n.a.*
Total	**15.4%**	**6.7%**	**2.5%**	**(0.2) p.p.**

New orders. They showed an increase due to major orders gained in the Aircraft Division, which more than offset the expected downturn in the civil aviation business segment. In particular:

- the Aircraft Division acquired substantial export orders for 16 M-346 aircraft, in addition to further orders on the JSF and logistic support programmes for Typhoon aircraft;
- the Aerostructures Division was affected by the lack of new orders from customers Boeing (B787 programme) and the GIE consortium, receiving orders only from customer Airbus on the A220 and A321 programmes, which confirmed the growth trend, while demand for B767 remained stable.

Revenues. They were on the rise as a result of higher volumes in the Aircraft Division, which more than offset the downturn in the Aerostructures Division. In particular, we must note:

- higher production volumes in the Aircraft Division, specifically on the line of M-346 trainers and the Kuwait programme;
- a decline in the Aerostructures Division, which was affected by a reduction in the production rates of the B787 and ATR programmes.

EBITA. It showed growth as a result of a higher contribution on the part of the Aircraft Division and a partial recovery in the business of the GIE-ATR consortium, which more than offset the downturn in the Aerostructures Division. Specifically:

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

- the GIE-ATR consortium recorded improved results due to cost reduction measures and an increase in deliveries (31 deliveries in 2021 compared to 10 in 2020);
- the expected reduction in business volumes and the consequence of the production sites working at lower capacity led to the Aerostructures Division recording a sharply lower result compared to 2020.

Total market of the sector and 2022 outlook

Market (*) 2021-2030	CAGR 2021-2030	Impact on the businesses in which Leonardo operates
CIVIL €bil. 1,312	7.8%	**Civil sector**. Demand for new civil aircraft, both for the supply of aerostructures or structural parts and for regional aircraft. All the aviation programmes, primarily the Airbus and Boeing programmes, and to a lesser extent those of ATR, were affected by a sharp drop in demand due to COVID-19, slowing down the upgrade of platforms over a medium-term period, even if the second half of 2021 it recorded signs of increased output, driven by a market showing an initial recovery, at least for short-haul flights.
DEFENCE €bil. 700	6.3%	**Defence sector**. More than half of the world's demand for military aircraft – manned and unmanned – will be concentrated in the United States and Europe, with demand for combat systems dominating the market, driven by next-generation platforms such as F-35, Tempest and FCAS (Future Combat Air System). Together with the growth in demand for combat aircraft, demand for trainer aircraft and new training platforms will also grow, driven by the significant progress towards the sixth generation and the introduction of multi-aircraft systems, which will result in a substantial evolution in flight operations and therefore in pilot training.

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

- For the Civil sector, the trend in 2022 will still be heavily conditioned by the effects of the pandemic, with repercussions on production activities associated with the drop in customer demand. In particular, in the Aerostructures Division, a slight increase is expected in the volumes for Airbus only. A recovery trend is confirmed for the GIE consortium in relation to the ATR programme.
- For the Aircraft Division, revenue volumes are expected to increase further thanks to the growth of the activities on the proprietary platforms (M-345, M-346 and C-27J), while strong contributions are confirmed from the F-35 and EFA Kuwait programmes (9 additional deliveries are expected in addition to the first 2 in 2021).

Research, development and product engineering

In the aeronautics sector, Leonardo aircraft 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, customer responsiveness and sustainability across the life cycle.

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 with actions aimed at reducing environmental impact in line with the objectives of the Sustainability Plan. The areas that are most investigated are digitalisation, which involves all company processes and the entire product life cycle, electrification for sustainable mobility, autonomy, simulation and innovative materials and production processes. Technological developments and growth in the areas mentioned above are supported through enabling technologies such as AI and HPC.

The Aircraft Division is committed to actively supporting technological transformation and growth with research investments financed in the civil sector at national (Innovation for Nacelles-I4N) and European (Clean Sky, SESAR) 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[26].

R&D investments create value for Leonardo by providing the expertise and footprint in the technological frontier in order to ensure the competitiveness of current and future products and services. As for helicopters, work has been commenced for the development of the Digital Twin (as a research area of Leonardo Labs) for the aircraft that exploits the advanced simulation capabilities of the davinci-1 supercomputer.

During the last year the Aerostructures Division, within its R&D plan, paid great attention to the research and innovation project 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 design and construction of structures suitable for urban mobility and drones.

26 For more information, reference should also be made to the paragraph “Funding programmes for research and innovation”.

DEVELOPMENTS IN 2021 AIRCRAFT

Eurofighter Kuwait - Work commenced on the deliveries of the first series aircraft to the customer as part of the order of over €bil. 8 to supply 28 Eurofighter Typhoon aircraft to the Kuwait Air Force, with the Aircraft Division acting as prime contractor. The configuration of the EFA Kuwait aircraft is the most advanced ever produced and incorporates a series of additional capabilities and innovations compared to the baseline version, including the new ESCAN electronic scanning radar manufactured by the Euroradar consortium led by Leonardo UK.

M-346 Light Fighter Family of Aircraft - The first six M-346 aircraft in Light Fighter configuration were delivered to the international launch customer, which, based on the trainer, integrate mission capabilities such as radar, self-protection suite and a range of operational loads.
At the same time, two **C-27J Next Generation** aircraft were delivered to the same customer, which are the latest version of the C-27J Spartan with improved performance thanks to the inclusion of winglets at the wingtips and state-of-the-art avionics.

Nacelles - Innovation for Nacelles (I4N) is a co-funded project that started in October 2019, which is currently at its midpoint, and operates on four main lines of research aimed at the application of new acoustic solutions for noise reduction, the qualification and production of components with innovative and fire-proof materials, the implementation of innovative solutions for thrust reversers and highly automated production processes.

M-345 Dual Role - Work commenced on the development of the M-345 Light Fighter aircraft, while enhancing the training functions with the inclusion of an advanced tactical simulation system on board. This development completes the Family of aircraft offered by Leonardo for basic and advanced training, together with the M-346 LFFA versions.

International Flight Training School - Work commenced on delivering the first courses to pilots of foreign customers at the Air Force bases in Galatina within the scope of the partnership between the Air Force and Leonardo to create an International Flight Training School.

Team Tempest - The first manufacturing phase was completed for the preparation for conceptual definition and technological development of the Future Combat Air System to be carried out in international and national environments. In particular, the PC2Lab-T laboratory was set up in Turin to conduct simulations of the sixth-generation "system of systems", the first test scenarios, including core platforms and unmanned "adjunct" aircraft, were developed and work commenced on strategic technological developments in Digital Twin mode.

DEVELOPMENTS IN 2021 AEROSTRUCTURES

Engineered materials and advanced manufacturing processes - Work commenced on studies for the development of materials and composites for multi-function processes with a high production rate, for extreme conditions and high performance, as well as on the development of materials within the Space sector. Furthermore, studies were started in the field of manufacturing processes that enable efficiency improvement and a lower environmental impact through the use of robotics and Industry 4.0 solutions.

Thermoplastic materials - The Aerostructures Division has developed processes for the production of technopolymer and standard thermoplastic matrix composite parts using both highly automated and single-step (press-forming) processes under European and Italian funding programmes. It has also started studies of Continuous compression molding processes in order to improve the mechanical performance of the component and launched the R&D campaign of a new thermoplastic material (covered by its own patent), which is capable of being used for in-situ consolidation, a technology that may allow in the future the construction of large and complex structures without the use of autoclaves.

Injection molding - Polymer and metal injection molding techniques are used to manufacture structural components with greater flexibility and lower energy consumption.

Recyclable materials - Projects related to recycling and repairability of materials, including, for example, the activities carried out for the reuse and recycling of carboresins.

Artificial Intelligence - Study and application of AI algorithms for surface defect detection, map analysis related to non-destructive testing and defect prevention on laminates.

Out-of-Autoclave processes and innovative tools - Work commenced on studies for the construction of monolithic structures, using Out-of-Autoclave technologies, such as Same Qualified Resin Transfer Molding (SQ-RTM), and shape memory tools (smart-tools) that enable increased accuracy and speed of the manufacturing process for the implementation of complex geometries.

4

SPACE

SPACE

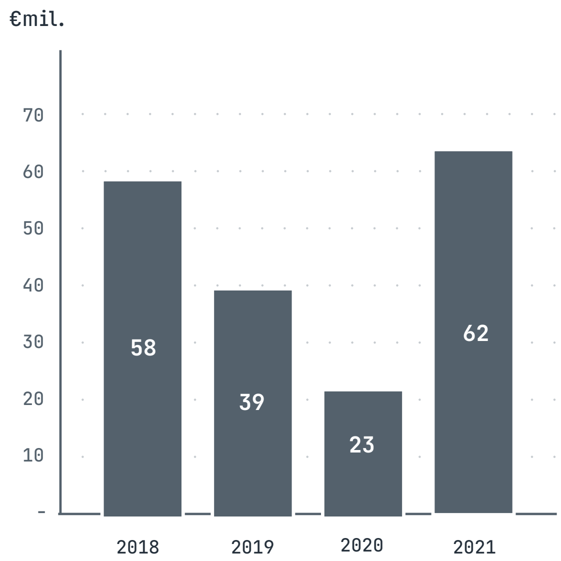
The Space sector is of supreme importance, both in the civil and in the military segment, because it makes it possible to carry out ongoing monitoring of the Planet's resources, both natural and artificial, as well as to offer communication and localisation solutions in remote areas, thus ensuring access to basic services for communities and connecting activities and citizens. The market in this sector is divided between upstream (manufacturing of space systems), midstream (manufacturing of launch systems and services, as well as manufacturing of ground systems) and downstream (end-user services, including communication, geoinformation, navigation) activities.

Leonardo is present in this market in the framework of the **Space Alliance**, through Thales Alenia Space (TAS) and Telespazio. Specifically, Telespazio offers a complete series of services in the main operational domains – from communications to navigation, from Earth observation to space exploration. These services cover the widest range of purposes 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, which are at the centre of Leonardo's Sustainability Plan, have a key role in everyday life, in the protection of the environment and in managing emergencies, 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, within 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).

Below is the performance on the sector during the last 4 years:

EBITA Space 2018-2021



In 2021, the sector recorded values, in terms of key indicators, which were well above those of 2020, the year in which the effects of the pandemic had heavily affected its commercial performance, production volumes and profitability, specifically in the manufacturing segment.

The results of operations showed a sharp increase, in the manufacturing segment, thanks to revenues going back to pre-pandemic levels, a marked increase in profitability that was also due to a greater reduction of extra costs on telecommunications programmes, and the excellent performance of the Observation, Exploration and Navigation domain and in particular of TAS Italia.

There was also progress with the satellite services business segment, which recorded a solid performance this year too and extraordinary volumes of orders that were such as to guarantee a substantial order backlog to support volumes in the years to come.

To the aforesaid industrial performance must be added the significant economic benefit recorded on the Italian component of the manufacturing business arising from the effects of the realignment of the tax value of goodwill, in accordance with the concession schemes provided under the Decree on “Urgent measures to support and relaunch economy”, as converted with amendments into Law 126 of 13 October 2020 and the subsequent 2021 Budget Law.

From an operational point of view, 2021 was characterised by the following events in the manufacturing segment:

- the launch of Syracuse 4a and SES 17 satellites in October;
- the start of the launch campaign for the second Cosmo satellite at the end of December, which was successfully completed on 1 February 2022;
- the completion of Sentinel 3C’s payload equipment, thanks to the successful integration of the SLSTR (Sea and Land Surface Temperature Radiometer) radiometric sensor supplied by Leonardo;
- the completion of KVHTS satellite ready for testing in the thermal vacuum chamber.

On the other hand, the services segment saw the continuation of the provision of services of:

- operations/logistics/networking on the Galileo programme;
- operations and logistics on the EGNOS programme;
- maintenance of Italian institutional programmes, both civil and military, in operational condition;
- engineering and operational support services at sites of international and supranational customers (ESA, CNES, Eumetsat) and through foreign subsidiaries;
- provision of imagery and applications in the field of Earth observation and connectivity services on different bandwidths, for institutional and commercial customers.

Total market of the sector and 2022 outlook

Market 2021-2030	CAGR 2021-2030	Impact on the businesses in which Leonardo operates
€bil. 1,391	4.7%	**Manufacturing**. Demand growth driven by increasing demand for constellations made up of smaller, more efficient and less complex satellites. **Services**. Space is and will continue to be an area of increasing development with steady growth for players providing communication and observation and increasingly, innovative services to support space exploration.

2022 is expected to be characterised by growing business volumes supported by a robust backlog and improving operating profitability, especially on the manufacturing segment, which has been steadily recovering, albeit in a fiercely competitive context in terms of prices, timing of execution and innovation, particularly in the telecommunications domain. Solid fundamentals are confirmed for the satellite services segment in Europe and Latin America at commercial and operating level.

Research, development and product engineering

The close link between space and the environment has also often been referred to by the United Nations, which has emphasised that 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, while governments and space agencies increasingly focus their attention on exploration and the possible exploitation of extraplanetary resources.

Solutions that add satellite navigation to hybrid satellite communications and geoinformation and HPC, which in the near future will also enable 5G technology and related protocols to be included transparently, were, in 2021, and will continue to be in the near future, the main elements of projects related to the understanding of climate change and definition of decision support tools, including and especially in emergency conditions, for space exploration, for agro-food policies, etc.

DEVELOPMENTS IN 2021 SPACE

Digital Twin Earth Precursor (DTEP) - This is an ESA project coordinated by Telespazio UK for the development of a technological prototype of an ultra-high precision digital Earth model that is capable of increasing understanding of the local impact of climate change on a global scale. In using a high-resolution digital reconstruction of the Earth, it is possible to expand decision-making capabilities, make increasingly advanced predictions and simulations, and address current environmental and societal challenges. The "Climate Impact Explorer" prototype is focused on providing advanced metrics of drought frequency and water stress parameters in climate change scenarios, in areas of the African continent and the United Kingdom.

Moonlight - This is the ESA's initiative for the creation of Lunar Communications and Navigation Services (LCNS) and the related infrastructure to support commercial and institutional missions for the exploration of the Earth's satellite, while fostering the development of a true Lunar Economy. The project, which is coordinated by Telespazio and started in 2021, aims, through a system of lunar and terrestrial stations and a network of satellites that are all coordinated by the Fucino's Space Centre, to reduce the complexity of missions by making available navigation signals to guide orbiters and landers/rovers and to support the navigation and communications of human and robotic exploration missions.

davinci-1 for satellite images - Leonardo may exploit the great computing power of the supercomputer to process satellite images thanks to the porting of e-GEOS applications on davinci-1.

"NON-GAAP" ALTERNATIVE PERFORMANCE INDICATORS

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

As required by CESR/05 - 178b Recommendation, 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 Investments (ROI).

A reconciliation of income before tax and financial expenses, EBIT and EBITA is shown below (the reconciliation by segment is reported in Note 8 of the consolidated financial statements):

€ millions	2020	2021
Income before tax and financial expenses	494	787
Equity-accounted strategic JVs	23	124
EBIT	**517**	**911**
Amortisation of intangible assets acquired as part of business combinations	27	22
Restructuring costs	61	89
Non-recurring income/(expenses)	333	101
EBITA	**938**	**1,123**

Non-recurring expenses include: (i) costs incurred to be in line with the instructions given by the government on COVID-19 to support the governmental functions in managing the emergency; (ii) costs incurred following the settlement of the Indian case; and (iii) other charges.

Restructuring costs for the year mainly relate to agreements governing the early retirement of the Aerostructures Division's workforce on a voluntary basis.

- ***Return On Sales (ROS)***: this is calculated as the ratio of EBITA to revenues.
- ***EBIT***: this is obtained by adding to income before tax and financial expenses (defined as earnings before "Financial income and expenses", "Share of profits/(losses) of equity-accounted investees", "Income taxes" and "Profit/(Loss) from discontinued operations") the Group's share of profit in the results of its strategic joint ventures (ATR, MBDA, Thales Alenia Space and Telespazio), reported in the "Share of profits/(losses) of equity-accounted investees".
- ***Net result before extraordinary transactions***: this is the net result before the result from discontinued operations and the effects of the extraordinary transactions (key acquisitions and disposals). Below is the reconciliation:

€ millions	2020	2021
Net result	**243**	**587**
Net result of discontinued operations	(2)	-
Net result before extraordinary transactions	**241**	**587**

- ***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, as well as the main non-current receivables. The reconciliation with the net financial position required by 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 5/2021 of 29 April 2021 is reported in Note 21 of the consolidated financial statements.
- ***Free Operating Cash Flow (FOCF)***: this is the sum of the cash flows generated from/(used in) operating activities (excluding the changes in the Group net debt), the cash flows generated from/(used in) ordinary investing activities (investment and divestment of intangible assets, property, plant and equipment, and equity investments, net of cash flows from the purchase or sale of equity investments that, due to their nature

or significance, are considered “strategic investments”) and dividends received. The calculation of FOCF is presented in the reclassified statement of cash flows shown in the chapter “Group’s 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 flows generated from/(used in) operating activities net of changes in working capital and the repayment of debts under Law 808/1985, included within “Cash flows from ordinary investing activities” in the reclassified statement of cash flows. The FFO also includes dividends received.
- ***Return On Equity (ROE)***: this is calculated as the ratio of the net result before extraordinary transactions for the financial period to the average value of equity in the two comparative periods.
- ***Net interest***: this is calculated as the sum of the items “Interest”, “Premiums (paid)/ received on IRSs” and “Commissions on borrowings” (see the Note “Financial income and expenses” 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 of consolidated financial statements:

€ millions	Scheme	PPA amortisation	Restructuring and non-recurring costs	Strategic JVs	Onerous contracts (losses at completion)	Reclassified scheme
Revenues	14,135	-	-	-	-	14,135
Purchase and personnel expenses	(12,770)	-	142	-	53	(12,575)
Other net operating income/ (expenses)	(53)	-	48	-	(53)	(58)
Equity-accounted strategic JVs	-	-	-	124	-	124
Amortisation, depreciation and write-offs	(525)	22	-	-	-	(503)
EBITA	**-**	**-**	**-**	**-**	**-**	**1,123**
Non-recurring income/ (expenses)	-	-	(101)	-	-	(101)
Restructuring costs	-	-	(89)	-	-	(89)
Amortisation of intangible assets acquired as part of business combinations	-	(22)	-	-	-	(22)
EBIT	**-**	**-**	**-**	**-**	**-**	**911**
Net financial income/ (expenses)	(34)	-	-	(124)	-	(158)
Income taxes	(166)	-	-	-	-	(166)
Net result before extraordinary transactions	**-**	**-**	**-**	**-**	**-**	**587**
Net result related to discontinued operations and extraordinary transactions	-	-	-	-	-	-
Net result	**587**	**-**	**-**	**-**	**-**	**587**

€ millions	Scheme	Financial receivables and cash	Financial payables	Hedging derivatives on debt items	Reclassified scheme
Non-current assets	12,810	-	-	-	12,810
Non-current liabilities	(6,328)	-	4,112	-	(2,216)
Capital assets	**-**	**-**	**-**	**-**	**10,594**
Current assets	15,552	(2,540)	-	(10)	13,002
Current liabilities	(15,596)	-	1,558	2	(14,036)
Net working capital	**-**	**-**	**-**	**-**	**(1,034)**
Total equity	**6,455**	**-**	**-**	**-**	**6,455**
Group net debt	**-**	**(2,540)**	**5,670**	**(8)**	**3,122**
Net (assets)/liabilities held for sale	**(17)**	**-**	**-**	**-**	**(17)**

€ millions	Scheme	Dividends received	Cash out from Law 808/1985 payables	Strategic transactions	Reclassified scheme
Cash flows generated from/(used in) operating activities	**742**	**-**	**-**	**-**	**742**
Dividends received	-	63	-	-	63
Investments in property, plant and equipment and intangible assets	(615)	-	-	-	-
Sales of property, plant and equipment and intangible assets	19	-	-	-	-
Cash flows from ordinary investing activities	(596)	-	-	-	(596)
Free Operating Cash Flow (FOCF)	**-**	**-**	**-**	**-**	**209**
Strategic transactions	-	-	-	(19)	(19)
Other investing activities	55	(63)	-	19	11
Cash flows generated from/(used in) investing activities	**(541)**	**-**	**-**	**-**	**-**
EIB loan and Term Loan subscription	800	-	-	-	-
Bond redemption	(739)				
Net change in other borrowings	(31)	-	-	-	-
Net change in borrowings	30	-	-	-	30
Dividends paid	-	-	-	-	-
Cash flows generated from/(used in) financing activities	**30**	**-**	**-**	**-**	**-**
Net increase/(decrease) in cash and cash equivalents	231	-	-	-	231
Exchange-rate differences and other changes	35	-	-	-	35
Cash and cash equivalents at 1 January	2,213	-	-	-	2,213
Cash and cash equivalents at 31 December	**2,479**	**-**	**-**	**-**	**2,479**

INDUSTRIAL AND FINANCIAL TRANSACTIONS

Industrial transactions. The major transactions that took place in 2021 are described below.

- ***Acquisition of GEM Elettronica***. On 27 January Leonardo signed a contract with GEM Investment Srl and two minority quotaholders in order to acquire 30% of GEM Elettronica Srl (GEM) for a consideration of €mil. 5. The company operates in the field of short-and medium-range sensors, navigation radar and coastal surveillance, which are a business that is highly complementary to the Group's products. Under a call/put option scheme, Leonardo will also be entitled to become the majority shareholder (from 65% to 100%) within 3 to 6 years. The closing of the transaction took place on 14 April 2021.
- ***Acquisition of Dispositivi Protezione Individuale (DPI)***. In February, Leonardo acquired a quota of 63% in DPI, a company specialising in the design, production and sale of personal and environmental protective equipment, through its subsidiary Larimart. As a result of this transaction, Leonardo's operations have been strengthened in the sector of technologies for personal protection and key infrastructure, thus reinforcing its footprint in the development of products and solutions for the security, emergency and defence markets. In April 2021, Larimart acquired an additional quota of 15% and paid a total amount of €mil. 6.
- ***Cooperation agreement with CAE***. On 29 March 2021 Leonardo and CAE Aviation Training BV (CAE) established a company named "Leonardo CAE Advanced Jet Training", in order to provide support services to the operations of the International Flight Training School (IFTS), ranging from technical and logistics support to M-346 aircraft and Ground-Based Training Systems to the operation of IFTS infrastructures.
- ***Acquisition of Hensoldt AG***. On 24 April 2021 Leonardo entered into an agreement with Square Lux Holding II Sàrl, a company controlled by funds advised by Kohlberg Kravis & Roberts & Co. LP, to purchase a 25.1% stake in Hensoldt AG. The company is the leading German player in the field of sensor solutions for defence and security applications, as confirmed by the recent important contracts acquired (e.g. EFA, Pegasus), and it already had a consolidated collaboration relationship with Leonardo in significant programmes such as EFA, MALE, IFF. The completion of the transaction, which entailed an outlay of about €mil. 606 (net of transaction costs) – € 23 per share –, took place on 3 January 2022.
- ***Acquisition of Alea***. On 8 June 2021 Leonardo signed a preliminary agreement for the acquisition of 70% of the share capital of Alea, a company specialising in mission critical communication software for multimedia solutions compliant with international standards on LTE/5G broadband networks. Leonardo, thanks to this transaction, strengthens its offering portfolio in professional communications, in order to guarantee new features and advanced performances in support of emergency management, public safety, companies, critical infrastructures and transports. The closing of the transaction took place on 3 August 2021, with a total outlay of about €mil. 3.
- ***Acquisition of Ascendant Engineering Solutions***. On 23 July 2021 Leonardo DRS announced that it had acquired Ascendant Engineering Solutions (AES), a leading

company in the design, development and manufacturing of high-performance multi-sensor gimbal systems for the growing market of Group 1, 2 and 3 UAS (unmanned aerial systems) across US military services. This acquisition will enable Leonardo DRS to integrate its own state-of-the-art electro-optical and infrared components and systems with the AES advanced gimbals to offer solutions that can address the fast-growing market for lightweight military platforms, including small UAS.

- ***Merger by incorporation of Vitrociset***. On 30 September 2021 the Board of Directors of Leonardo approved the merger of Vitrociset SpA by incorporation into the Company. The transaction became effective from 1 January 2022 – including for accounting and tax purposes – and entailed the completion of the integration process between the two companies that had been started in 2019 with the acquisition of the entire capital of Vitrociset.

On 24 March 2021 Leonardo US Holding Inc. postponed the initial public offering (IPO) of a minority shareholding of Leonardo DRS, since, notwithstanding investor interest within the price range during the course of the roadshow, adverse market conditions did not allow an adequate valuation of the company. Leonardo DRS remains a core part of Leonardo's business portfolio and the IPO will potentially be revisited when market conditions are more favourable and a successful IPO at an appropriate valuation for this strategic business can be achieved.

In addition to these industrial transactions, there are numerous joint venture and partnership agreements, in line with the principles of the "Be Tomorrow-Leonardo 2030" Strategic Plan.

Financial transactions. During the 2021 financial year Leonardo completed major capital market transactions. In particular:

- in January it used an amount of €mil. 200 of the loan taken out with the European Investment Bank (EIB) in December 2020, aimed at supporting some investment projects envisaged in the Group's Industrial Plan;
- again in January it proceeded with the early cancellation, which had been requested at the end of December 2020, of the remaining amount of about €mil. 250 of the Term Loan taken out with a pool of international banks during the COVID-19 emergency period in May 2020, but never used for this purpose;
- finally, again in January, it repaid the remaining portion (€mil. 739) of the bond issue for an initial amount of €mil. 950, which had been launched under the EMTN Programme in 2013 and which had reached its natural expiry;
- in October it entered, with a pool of international and national banks, into an ESG-linked Revolving Credit Facility agreement for an amount of €bil. 2.4, structured into a 5-year term tranche of €bil. 1.8 and a 3-year term tranche of €mil. 600. The new credit facility replaces the two existing Revolving Credit Facilities – amounting to €mil. 1,800 and €mil. 1,250 –, which have been cancelled at the same time, thus reducing the overall cost of the borrowing available to meet the Group's financial requirements and extending its term until 2026. The ESG-linked Revolving Credit Facility is subject to the same financial covenants as are already provided for in the other agreements signed by Leonardo.
  In line with the sustainability strategy of Leonardo, the new credit facility is linked for the first time to specific ESG indicators, including the reduction of CO_2 emissions through eco-efficiency of industrial processes and the promotion of female employment with degrees in STEM education. The aforesaid ESG indicators also contribute to the achievement of the Sustainable Development Goals (SDGs), which are behind about 50% of the Group's investments. The achievement of ESG-linked targets will trigger an adjustment to the margin applied to the credit facility;

- finally, in December it entered, with a pool of national and international banks, into a Term Loan ESG-linked credit facility for an amount of €mil. 600, with a term of 5 years and expiring at the beginning of 2027, aimed at repaying a bond maturing in January 2022. The credit facility is linked to specific ESG indicators, which are already included in the aforesaid ESG-linked Revolving Credit Facility signed in October; in this case too, the achievement of the ESG-linked targets will trigger an adjustment to the margin applied to the credit facility.

Moreover, in June 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 is used for a total of €bil. 2.2.

After the end of the 2021 financial year, and more precisely in January 2022, the bond issued for €mil. 556 in December 2009 was repaid, having reached its natural expiry. It should also be noted that in January 2022 Leonardo took steps to pay an amount of €mil. 606 (net of transaction costs) for the acquisition of a quota in Hensoldt AG, as detailed in the section on industrial transactions.

In addition to being the issuer of all the bonds in euros placed on the market under the EMTN Programme, Leonardo acts as a guarantor for the bond issues launched by Leonardo US Holding Inc. on the US market. The Group'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, Group issuers, Leonardo and their "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, 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 Group issuers and/or Leonardo and/or any "material subsidiary" that results in a failure to make payment beyond pre-set limits.

On the other hand, it should be noted that financial covenants are included in the abovementioned ESG-linked Revolving Credit Facility and the ESG-linked Term Loan entered into in 2021, and 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 of no more than 3.75 and the ratio of EBITDA including amortisation of the right of use/net interest of no less than 3.25) which are tested on an annual basis on year-end consolidated data and which had been complied with in full at 31 December 2021. These covenants are also included in the loan agreement with CDP for €mil. 100 and in the Term Loan of €mil. 500 (entered into in 2018); furthermore, in accordance with contractual provisions providing for this option, these covenants have also been extended to all the EIB loans in place (used for a total amount of €mil. 546 at 31 December 2021), as well as to certain loans granted in past years to Leonardo DRS by US banks.

In relation to this Integrated Annual Report, there was full compliance with the covenants (the two ratios are 1.2 and 11.1, respectively).

Outstanding bond issues are given a medium/long-term financial credit rating by the international rating agencies: Moody's Investors Service (Moody's), Standard & Poor's and Fitch. In view of the possibility that Leonardo's cash generation may improve in the following 12-24 months, in January 2022 Fitch improved Leonardo's outlook from negative to stable. On the reporting date, Leonardo's credit ratings, compared to those preceding the last change, were as follows:

Agency	Last update	Previous		Updated	
		Credit rating	Outlook	Credit rating	Outlook
Moody's	October 2018	Ba1	positive	Ba1	stable
Standard & Poor's	April 2020	BB+	positive	BB+	stable
Fitch	January 2022	BBB-	negative	BBB-	stable

With regard to the impact of positive or negative changes in Leonardo's credit ratings, there are no default clauses linked to the credit ratings. The only possible effects deriving from further changes, if any, to the credit ratings refer to higher or lower finance costs on certain payables of the Group, especially with reference to the ESG-linked Revolving Credit Facility, the ESG-linked Term Loan and to the Term Loan (entered into in 2018) as provided for in the related agreements. Finally, for the sake of completeness, it should be noted that the Funding Agreement between MBDA and its shareholders provides, *inter alia*, that any downgrade of the rating assigned to the shareholders will result in a gradual increase in interest rates. Additionally, under a pre-set rating limit (for at least two out of three rating agencies: BB- from Standard & Poor's, BB- from Fitch and Ba3 from Moody's) MBDA is entitled to determine the applicable margin each time. Finally, the agreement provides for rating limits the achievement of which allows MBDA to request the issue of a bank guarantee from its shareholders.

OTHER INFORMATION

OTHER PERFORMANCE INDICATORS

€ millions	2020	2021	Change
FFO	989	1,448	46.4%
ROE	4.5%	10.0%	5.5 p.p.
Net interest	(168)	(138)	17.9%

For the definition of indices, reference should be made to the paragraph "'Non-GAAP' alternative performance indicators".

RELATED PARTY TRANSACTIONS

In 2010 Leonardo adopted a specific "Procedure for Related Party Transactions" (hereinafter referred to as the "Procedure"), which was mostly recently updated on 17 December 2021, with effect from 1 July 2021, pursuant to CONSOB Regulation 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 2021 neither transactions 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) nor other transactions with related parties were carried out which significantly affected the consolidated financial position or the results of the Leonardo Group for the period under consideration. Finally, it should be noted that no changes or developments took place in relation to the related party transactions described in the 2020 Report on Operations.

CONSOB - MARKET REGULATION 20249/2017, ARTICLE 15

In accordance with CONSOB provisions contained in the Market Regulation adopted by CONSOB Resolution 20249 of 28 December 2017 and subsequently updated by the amendments made by Resolution 21028 of 3 September 2019, Leonardo SpA 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 11971 of 14 May 1999, as amended by CONSOB Resolution 21016 of 24 July 2019. As regards the non-EU foreign subsidiaries (Leonardo DRS Inc., Leonardo US Holding Inc., 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 THE 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 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.

GOVERNANCE

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

- Sound corporate governance
- Responsible business conduct
- Cyber security and data protection
- Business continuity
- Citizens' security

SDGs

IMPACT INDICATORS

42%
of women sitting on the Board of Directors

40%
of women on the Board of Statutory Auditors

"Best Corporate Governance"
at European level for the Aerospace sector according to Ethical Boardroom

SDG 16: THE BUSINESS FRAMEWORK FOR INTEGRITY, ETHICS AND BUSINESS PERFORMANCE

Since 2019 Leonardo has been participating in the SDG 16 Action Platform, an initiative of the United Nations Global Compact focused on peace, justice and strong institutions-related issues. The Company has contributed to developing the SDG 16 Business Framework: a tool to promote structural change in companies starting with governance with the objective of strengthening the culture of integrity, ethics and business performance, supporting institutions. Leonardo has shared its experience in strengthening the model of responsible business conduct and transparency towards external stakeholders, which has led to including the Company in the highest level (Band A) of Transparency International's Defence Companies Index on Anti-Corruption and Corporate Transparency (DCI), thus pointing out the importance of the involvement of the entire Group in this project. The index assesses the public information of 134 companies in the industry from 38 countries around the world with reference to 10 key risk areas. Leonardo was the only company to be ranked in Band A in the area relating to "Agents, Intermediaries and Joint Ventures".

CORPORATE GOVERNANCE

Leonardo's corporate governance model, based on a traditional organisational structure, complies with the Corporate Governance Code for Listed Companies (approved by the Corporate Governance Committee and promoted by, among others, the Italian Stock Exchange) 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 20 May 2020 for the three-year period from 2020 to 2022, 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 2020-2022 three-year period)

LUCIANO CARTA
Chairman

ALESSANDRO PROFUMO
Chief Executive Officer

CARMINE AMERICA
Director (C,D)

PIERFRANCESCO BARLETTA
Director (A,C)

ELENA COMPARATO
Director (B,C)

DARIO FRIGERIO
Chairman (A)
Director (A,C)
Lead Independent Director

PAOLA GIANNETAKIS
Director (A,D)

FEDERICA GUIDI
Director (B,C)

PATRIZIA MICHELA GIANGUALANO
Chairman (B)
Director (B,D)

MAURIZIO PINNARÒ
Chairman (C)
Director (A,C)

FERRUCCIO RESTA
Chairman (D)
Director (B,D)

MARINA RUBINI
Director (A,B)

BOARD OF STATUTORY AUDITORS**

(for the 2021-2023 three-year period)

Regular Statutory Auditors

LUCA ROSSI
Chairman

SARA FORNASIERO
AMEDEO SACRESTANO
LEONARDO QUAGLIATA
ANNA RITA DE MAURO

Alternate Statutory Auditors

EUGENIO PINTO
GIUSEPPE CERATI

INDEPENDENT LEGAL AUDITORS

(for the 2021-2029 period)

EY SpA

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 2020-2022 three-year period)

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

A) Control and Risks Committee
B) Remuneration Committee
C) Nomination and Governance Committee
D) Sustainability and Innovation Committee

* LUCIANO ACCIARI Secretary of the Board of Directors.
** GIANCARLO BIANCO Secretary of the Board of Statutory Auditors.
*** 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.

FEATURES OF THE BOD[27]

	Leonardo	Average FTSE-MIB
Number of directors	12	12
Number of directors appointed by minority shareholders	4	2
Number of independent directors	9	8
Number of women directors	5	5
Average age	55	58
Average tenure (years)	3	5
Meetings held in 2021	12	15
Attendance rate (%)	98	97
Meetings held by independent directors	1	1

BOARD COMMITTEES

Control and Risks
- Directors: 5
- % independent: 100%
- Meetings held in 2021: 13
- Attendance rate: 95%

Remuneration
- Directors: 5
- % independent: 80%
- Meetings held in 2021: 7
- Attendance rate: 97%

Nomination and Governance
- Directors: 6
- % independent: 83%
- Meetings held in 2021: 8
- Attendance rate: 98%

Sustainability and Innovation
- Directors: 4
- % independent: 100%
- Meetings held in 2021: 7
- Attendance rate: 93%

SKILLS OF DIRECTORS

Strategic planning	100%
Geopolitics and governmental and institutional relations	100%
Experience with innovation and advanced technologies	100%
Digital IT and cyber security	100%
CSR and ESG	100%
Knowledge of Leonardo’s business, industry scenarios and strategies	100%
Interpretation of management data and balance sheet of complex industrial realities	100%
Authority and standing-up	100%
Experience in business and international multinational companies	92%
Finance, business management and extraordinary operations	92%
Risk oversight/management	92%
HR and organisational transformation	92%
Business judgement and analytical and decision-making skills	92%
Legal and international contracts	83%
Top management positions in comparable listed companies	50%

27 The indicators are related to the BoD appointed on 20 May 2020. The attendance rate is calculated as the number of events attended/number of meetings convened. The source of the FTSE-MIB data is the “2021 Notes and Studies” publication of Assonime on the application of the Corporate Governance Code in Italy.

In 2021 Leonardo adopted an engagement policy aimed at promoting and regulating opportunities to meet and discuss with financial stakeholders ("Engagement Policy for managing the dialogue with the general public of shareholders and 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 control and risk management system, and the Company's policies on ethics, transparency and anti-corruption.

Remuneration policy

The objective of the remuneration and incentive policy in 2021 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 this end, 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[28].

20%
of long-term variable remuneration **linked to ESG objectives**[29]

99.66%
favourable votes cast by the 2021 Shareholders' Meeting on remuneration policy

40x
ratio of total CEO remuneration to employees' median remuneration

10%
of short-term variable remuneration **linked to ESG objectives**[29]

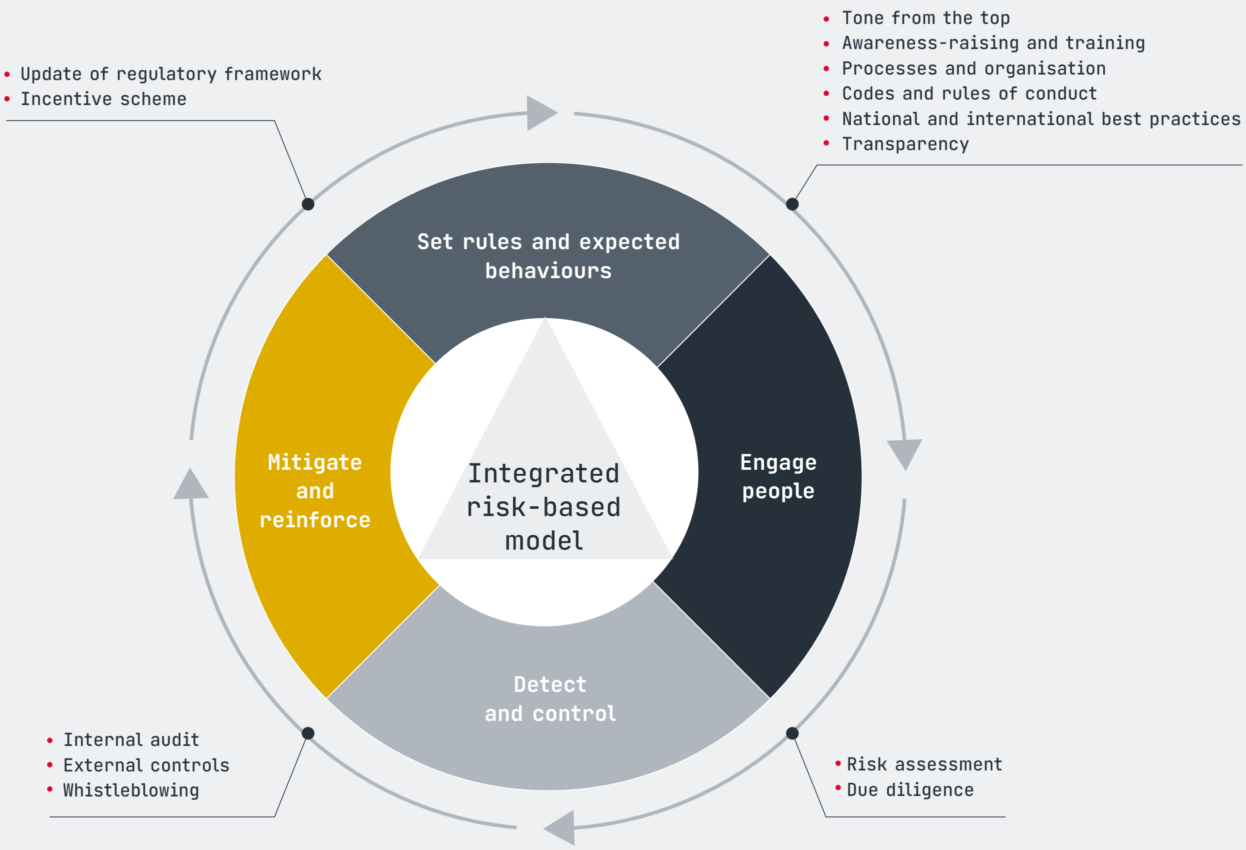
28 For more details, reference should be made to the Remuneration Report 2021.

29 In addition to the CEO, population involved in the Short-Term Incentive Plan (MBO) of Leonardo Group is equal to about 1,050 managers, including managers with strategic responsibilities and top managers of Leonardo. Population involved in the Long-Term Incentive Plan is equal to about 215 managers of the Group, 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.

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[30]. 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



30 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 231/2001).

SET RULES AND EXPECTED BEHAVIOURS

Guidelines and procedures - main updates

- Activities have been launched for updating the 231/2001 Model.
- Company rules have been updated on the matter of commercial advisors, sales promoters, distributors and resellers (Procedure for the perimeter of Leonardo SpA and Directive for the perimeter of subsidiaries).
- The new company rules on trade compliance have been updated, which implements the new international norms and standards governing smuggling and respect for human rights (Guidelines for the perimeter of Leonardo SpA and Directive for the perimeter of subsidiaries).
- The procedure on the matter of personnel selection and recruitment has been updated.
- The Guidelines on Physical Security have been drawn up.
- The Operating Instructions on Supply Chain Security Resilience Risk Management have been drawn up.

ENGAGE PEOPLE

Continuous training

- More than 24,800 hours of business compliance training delivered to about 12,600 people.
- More than 22,400 hours of training on national and international trade compliance regulations delivered to more than 14,270 people from various departments and external suppliers and providers.
- Approximately 4,000 hours of training on Project and Enterprise Risk Management delivered to over 560 people, including through intensive operational sessions (e.g. learning-by-doing).
- More than 20,800 people trained in anti-corruption.
- About 12,500 hours of training in cyber security.

Listening to employees

- A survey has been launched on quality of training/information on anti-corruption and whistleblowing.

DETECT AND CONTROL

Risk assessment

- Around 2,000 people involved in risk analysis activities related to business processes, investment projects and projects in the bidding and execution phase.
- Risk assessment and monitoring activities have been carried out for anti-corruption purposes involving about 200 people and using an updated 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 operations.

Third-party due diligence

- 142 due diligence audits on sales promoters, commercial advisors, distributors, resellers and lobbyists. The necessary remedial action has been taken to mitigate the issues marked with a red flag and only four have led to the impossibility of awarding the assignment. 465 due diligence audits carried out before payments to sales promoters, commercial advisors and lobbyists.

>>

MITIGATE AND REINFORCE

Certifications

- The certification of Leonardo SpA's ISO 37001 anti-bribery management system has been obtained for the second time.
- ISO 27001 certification of the information security management system has been maintained at Group level and for the perimeter of National Security (Physical Security & TULPS - Consolidated Act on Public Security Laws). ISO 27701 certification (Privacy Information Management System) has also been obtained for the Cyber & Information Security perimeter.
- FIRST and Trusted Introducer certification of Leonardo's CERT (Cyber Emergency Readiness Team), as well as recognition from Carnegie Mellon University on the matter of Cyber & Information Security.
- ISO 22301 certification has been renewed for both the Business Continuity Management System in some perimeters involving the Corporate of Leonardo SpA and the Genoa, Pomigliano and Chieti Data Centres.
- The Cyber Essentials certification has been renewed for the Airborne Systems perimeter of the Electronics Division, a prerequisite for bidding and contracting with UK government agencies.

>>

>>

- 340 due diligence audits on potential customers, service centres and business partners.
- 270 reputational risk analyses for sponsorships, supply and commercial contracts – 23 suppliers and final beneficiaries have highlighted crimes or adverse media event.
- 259 anti-fraud checks carried out on natural and legal persons of interest to Leonardo SpA.

Whistleblowing

- 53 reports were received in 2021, concerning the perimeter of Leonardo SpA and the Legal Entities of the Group. Net of 23 reports archived by the various Surveillance Bodies and the Whistleblowing Committee, 40% of the reports examined provided evidence, some of which partial, concerning the following areas:
  - personnel selection, management and development;
  - relations with suppliers;
  - HSE;
  - company security and protection;
  - sexual harassment.
- The Whistleblowing Committee examined the results of the investigations carried out by the competent company functions, with respect of which it did not deem necessary to inform the Anti-Corruption unit of Leonardo. As a result of investigation carried out on a qualified report of discrimination and harassment on the part of a top senior manager, the employment relationship with this manager was terminated.

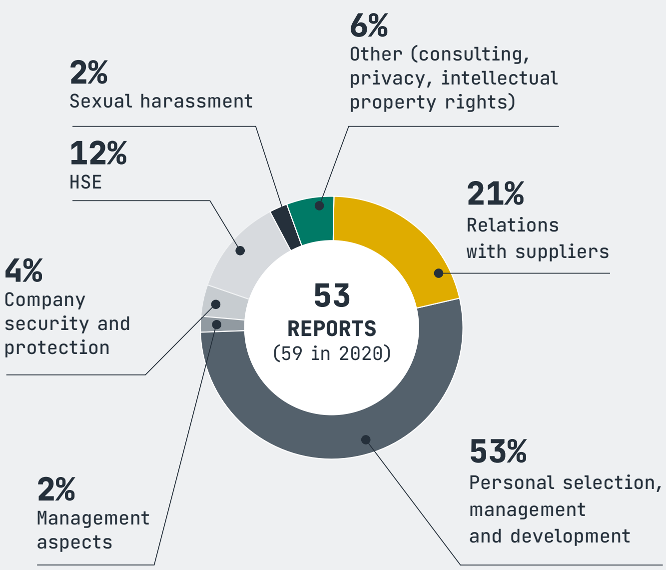
>>

- Quality certification has been renewed for Internal Audit activities. 10 quality reviews have been conducted, all of which have obtained General Compliance with International standards IIA.
- The Authorised Economic Operator (AEO) certification has been maintained.

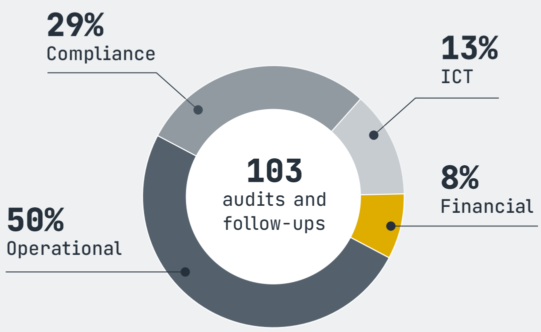
Security

- In 2021 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 provided by Leonardo in 2021, no notices were received on data breaches involving personal data of customers, which are relevant under the regulations in force.
- Developing security risk analysis management tools with suppliers and providers.
- Implementing an incident response/prevention automation system through malicious IP blocking.

SCOPE OF REPORTS RECEIVED



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.

In 2021, at the same time as the issue of the related company rules, Leonardo strengthened the system to identify the level of risk associated with the positions of sales promotion, commercial advisory, lobbying, distribution and reseller, with a thorough review of the definitions of the relevant red flags due to the need to adapt the Company's analyses and audits to changes in the applicable regulations, as well as the experience gained in the previous three years.

180 counterparties
including sales promoters, commercial advisors, distributors, resellers and lobbyists, with contracts in place, 3 of which for offset support[31]

1,476 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 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 its company rules, Leonardo has decided to no longer allow the Italian Group companies to sign lobbying contracts. However, this option has been maintained for foreign subsidiaries, although only in those countries where the regulations permit the execution of said contracts. The decision has been taken on the basis of the current wording of Article 346-*bis* of the Italian Criminal Code and in consideration of the lack of organic regulations governing lobbying in Italy.

In 2021, the expenses for lobbying activities carried out exclusively by the Group's foreign subsidiaries amounted to approximately USDmil. 1.8 (a figure that remained unchanged compared to 2020, USDmil. 1.5 in both 2019 and 2018), referring mainly to North America (the United States, primarily) and Poland. In particular, among the main areas for which the Group's foreign subsidiaries made use of the support from lobbyists during the year are those involving the development of technologies for infrastructure and transport, the purchase and/or upgrade of aircraft on the part of government agencies, including aircraft for firefighting, search and rescue missions, research and development programmes for submarine programmes, naval systems, ground-based and satellite communication systems.

31 The increase (145 in 2020) reflects the extension of the scope of application of the new Business Compliance Procedure and of the review of the Directive, which also includes distributors and resellers, in addition to sales promoters and commercial advisors (as well as lobbyists for foreign subsidiaries).

Trade compliance

Leonardo has set out a Group Trade Compliance Programme to ensure full compliance with applicable laws and the provisions issued by the competent authorities in the field of trade compliance. Furthermore, the programme allows for the prompt identification and implementation of compliance with applicable national, 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.

The Trade Compliance Programme 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[32].

Cyber security and data protection

Leonardo guarantees the security of data, sensitive information and intellectual property by managing the entire cycle from detection of threats to 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 and in the United Kingdom, 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 from employees.

CYBER AND PHYSICAL SECURITY

Protection of classified information - Leonardo collaborates with key institutional stakeholders to ensure the protection of information. With about 900 classified contracts, Leonardo has handled more than 9,000 provisional personal security and facility security clearances, prepared the related security plans and 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 32 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.

Response to cyber threats - Leonardo has increased H24 staff in service and doubled the number of Security Operation Centre (SOC) sites to cope with growing cyber threats. 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).

32 For more details, reference should be made to the paragraph “Respect for human rights”.

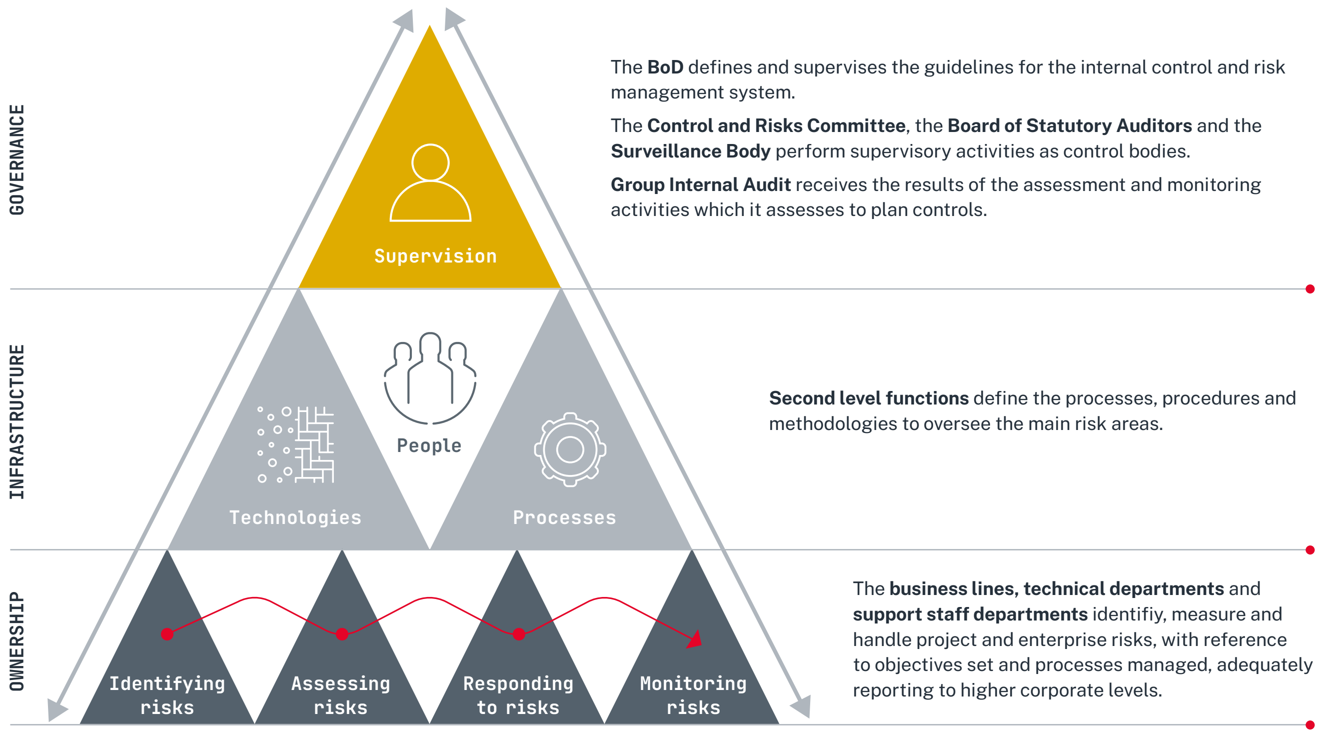
Business continuity

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 of the Corporate of Leonardo SpA and for the Genoa, Pomigliano and Chieti Data Centres, 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 2021 Leonardo started the BCMS cycle on the perimeters specified by the management. 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.

RISK MANAGEMENT

The risk governance model is in line with national and international standards and best practices[33] 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



33 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.

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 Strategic, Industrial and Sustainability Plans.

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.

MAIN RISKS		ACTIONS
Variability of effects related to pandemic events	The occurrence of a pandemic can undermine personal health to such a point as to endanger the endurance of the health and socio-economic systems of the countries involved. The duration and magnitude of a pandemic depends, among other things, on the promptness and efficacy of measures to protect health taken at global level, even in consideration of any possible mutation of the circulating virus and the coverage and termination of immunisation campaigns. In relation to COVID-19, Leonardo Group's performance may be affected by the impact arising from the downturn in the civil aviation sector, as well as by volatility of some risk factors, including: the economic recovery trend and market performance, asymmetries between supply and demand for certain goods and services, inflationary effects, shortages of certain professional skills; the customers' and suppliers' capacity to fulfil the contractual obligations they have entered into and assume others; customers' revision of procurement strategies; restrictions deriving from measures taken to protect personal health, with repercussions on the Group's commercial and industrial operations.	In addition to making all possible efforts to preserve its people's health and safety in full compliance with the relevant rules, the Leonardo Group has put special plans of action in place to limit the possible repercussions of risk factors associated with the COVID-19 pandemic. The plans of action concern, among other things: constructive management of relations with customers, whether institutional or not, thanks to a widespread presence all over the world, balanced with the application of tools that virtualise promotion and marketing; the adoption of satisfactory financial solutions and an even more selective approach to expenditure in order to maintain financial flexibility in support of both current operations and development actions; the prompt reorganisation of production lines together with carrying out certain technical functions on a remote basis and ongoing oversight of the Company's supply chain and procurement strategy.

MAIN RISKS		ACTIONS
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 affected by economic and geopolitical factors at global and regional level, 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.	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.

MAIN RISKS		ACTIONS
The Group operates in civil sectors that are highly exposed to growing levels of competition	In the civil sectors, customers' diminished spending capacity not only gives rise to delays in obtaining new orders or falls in the numbers of orders themselves, but also affects 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.	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 start-ups and SMEs.

MAIN RISKS		ACTIONS
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 and the obsolescence of certain competencies and professional skills 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.	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.

MAIN RISKS		ACTIONS
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.

MAIN RISKS		ACTIONS
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. 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 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.	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 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 advisors and lobbyists.

MAIN RISKS		ACTIONS
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.

MAIN RISKS		ACTIONS
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 authorisation, based on specific national and foreign regulations (such as, for example, Italian Law 185/1990 and the US International Traffic in Arms Regulations - ITAR and the Export Administration Regulations-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.

MAIN RISKS		ACTIONS
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.

MAIN RISKS		ACTIONS
Climate change, the protection of the environment and consequent new developments in the scenario concerned may require action to be taken on certain types of processes and products	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, the progress of the relevant technology or the changing confidence of investors and lenders. Company processes, particularly production processes, as well as products and services offered to the market may be affected. Furthermore, the impact of climate change exposes the Company to an increased frequency of acute weather events (e.g. drought, floods, and storms) and the progressive modification of climate and the environmental context.	The Group pursues an industrial strategy aimed at improving the efficiency of its production systems and processes on an ongoing basis for the reduction of energy consumption and atmospheric emissions and, thanks also to the participation, as a partner of excellence, in the main European programmes 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.

MAIN RISKS		ACTIONS
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 information security, deriving from ceaseless evolutions in cyber threats in its numerous forms (from advanced persistent threat to the phishing campaign), the sophistication of attack strategies and a greater 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 remote 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, 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.

MAIN RISKS		ACTIONS
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 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 structural effects of market phases characterised by inflation, over-demand, lack or discontinuity of supply of goods (including commodities) and services necessary for production and delivery to the customer, with consequent greater execution times and costs for the Company. These dynamics may also be determined, accelerated or exacerbated by the deterioration of institutional and commercial relations between sovereign states or by the onset of war conflicts.	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 their 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.

MAIN RISKS		ACTIONS
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 can deteriorate 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.	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 (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.

MAIN RISKS		ACTIONS
Critical raw materials available on the market	Critical raw materials are of great importance for industrial applications, especially for high-tech applications and, in particular, for components (sensors, actuators, highly miniaturised microprocessors). In some cases, critical raw materials are a decisive enabler for both the initiatives underpinning the European Green Deal and the technologies of certain production sectors. 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.

MAIN RISKS		ACTIONS
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.	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.

MAIN RISKS		ACTIONS
The Group's debt could have an impact on its strategies	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. Potential future liquidity crises could also restrict the Group's ability to repay its debts.	In assuring a solid and balanced structure between sources of funds and investments, Leonardo pursues an ongoing strategy of limiting its debt by paying steady attention to cash generation, which is used, market conditions permitting, to partially reduce the existing debt.

MAIN RISKS		ACTIONS
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 Moody's Investors Service, Standard & Poor's and Fitch Ratings. A possible downgrade in the Group's credit rating could severely limit its access to funding sources, as well as increase its borrowing costs for existing and future loans, which would have a negative impact on the business prospects, performance and financial results. Prospectively, eligibility and sustainability performance will also become increasingly important in determining creditworthiness.	The Group is actively engaged in reducing its debt as confirmed by the Industrial Plan. The Group's financial policies and selection of investments and contracts involve being constantly alert to maintaining a balanced financial structure. In seeking out strategies to pursue, the Group always takes into account the potential impact on the indicators used by the credit rating agencies. At the same time, the Group is committed to the ongoing optimisation of its sustainability profile, as well as contributing to the relevant initiatives of the European Aerospace and Defence Industry.

MAIN RISKS		ACTIONS
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 US 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 the United Kingdom, in Poland and in the United States: 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.

MAIN RISKS		ACTIONS
The Group is a sponsor of defined-benefit pension plans in the United Kingdom and the United States 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, 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. 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 dialogue with companies, political and economic institutions, the scientific world, the younger generations, local communities and other relevant stakeholders is at the heart of Leonardo's approach, aimed at strengthening the ability to create shared value. In this manner, the Group nurtures stable and long-lasting relationships over time, based on integrity, transparency and compliance with rules. In order to maintain effective dialogue with all stakeholders, starting with its employees, Leonardo regularly involves them through its organisational units and the most effective methods, in order to understand their interests and points of view. All opportunities for stakeholder engagement – from Shareholders' Meetings to trade association meetings, from collaborations within the scope of technology R&D programmes to support projects at local level and digital events – contribute to strengthening its bond with the industrial, economic and social context and to improving its business management practices.

MAIN DIALOGUE ACTIVITIES WITH STAKEHOLDERS

TRADE ASSOCIATION

Participation in round table meetings on technological, sustainability, social and environmental topics and governance/policy.

Sharing of best practices and case studies in events, workshops and publications.

BUSINESS PARTNERS AND OTHER COMPANIES

Implementation of projects to improve efficiency of industrial practices.

Participation in national and international research projects and multi-sector working and consultation groups.

Launching of circularity and industrial symbiosis projects.

CUSTOMERS

User groups and ad-hoc conferences.

Customer satisfaction surveys.

Exhibition and digital events.

FINANCIAL COMMUNITY

Events and conference calls for the presentation of interim results.

Regular communications with analysts and current and potential investors, on financial and ESG topics, also through events and roadshows.

Attendance at conferences.

MEDIA

Communications through traditional and digital media.

Collaborations in events and publishing initiatives.

LOCAL COMMUNITIES

Support and organisation of local initiatives and digital events in support of communities and areas in which Leonardo operates.

Company sites and museums open to communities.

Promotion of employees' volunteering initiatives.

EMPLOYEES

Support, coaching and networking programmes.

Welfare and work-life balance support.

Offering cultural services and events for employees and families.

Annual performance appraisal.

Training/engagement activities on sustainability issues.

Periodical surveys on the corporate climate, mobility, smart working and sustainability.

Surveys on women with STEM backgrounds in Leonardo.

SUPPLIERS

Promoting the sustainability of the supply chain through initiatives focused on digital transformation, cyber security and social and environmental responsibility.

Training on sustainability issues.

Assessment of ESG (Environmental, Social, Governance) performance.

Supplier Awards.

TRADE UNIONS

Continuous dialogue with workers' organisations.

Participation in and creation of observatories and committees on specific topics, including equal opportunities and diversity.

GOVERNMENTS AND INSTITUTIONS

Dialogue with supranational, national and regional institutions.

Organisation of round-table conferences with representatives from government, institutions and industry.

Participation in public-private working groups for the development of initiatives, plans and policies.

Supporting initiatives to strengthen security and foster ecological and digital transition (for example the National Recovery and Resilience Plan, NRRP, in Italy).

FUTURE GENERATIONS

Initiatives to support schools and academies, to disseminate STEM disciplines, fostering related career paths and skills development.

Promoting diversity and inclusion as factors of competitiveness.

Dissemination of scientific citizenship – sharing knowledge, technological skills and innovation – for the benefit of communities and territories.

UNIVERSITIES AND RESEARCH CENTRES

Development of innovative and sustainable solutions through research projects and collaborations with the divisions and the Leonardo Labs.

Collaboration in research and innovation to combat climate change, make efficient use of resources and promote circularity initiatives.

Orientation and scholarship initiatives to strengthen STEM skills, promoting dialogue between industry and university.

Reputational risk analysis

The analysis of more than 15,000 articles in the general and specialist press of 40 countries in 2021[34] (about +12% compared to 2020, with a greater presence of German, Austrian, Indian and Japanese press) confirms **a favourable image of Leonardo in both Italian and international media**, respectively equal to 67.2% and 71.8%, in continuity compared to the previous year. The favourable perception is determined, specifically, by the recognition of the Company's role as a key sustainable, technology player in the AD&S sector, with particular attention to innovation and digitisation. This favourable perception has not been affected by the effects of the pandemic on civil aviation in the business segment of Aerostructures. Neutral sentiment rose to 25.8% in Italian media (23.4% in 2020) and 27.9% in international media (25.8% in 2020).

In 2021, in the four domestic countries (Italy, the United Kingdom, the United States and Poland), more than 1,200 articles were published, which focused on the operations of company plants and related benefits for local areas and the enhancement of allied industries' resources at local level (+12% compared to 2020). Worthy of mention is the significant increase (+150%) in media coverage of the United Arab Emirates compared to 2020, including thanks to Leonardo's participation in Expo 2020 Dubai.

With regard to **social media** activities, Leonardo strengthened its presence on Twitter, LinkedIn and Instagram accounts in 2021, recording an increase in followers to 850 thousand (+22% compared to 2020), against 22 million total impressions and a 20.5% growth in the engagement rate, which stood at 4.5%. In 2021, the Company also profoundly revised and reorganised its website, under the banner of a renewed multimedia and multichannel approach, in order to make communication with stakeholders more effective and engaging.

34 Articles dedicated to the Company or in which it is mentioned have been considered.

BUSINESS REVIEW - FEATURED NEWS

HELICOPTERS

› Inauguration of the Training Academy in Philadelphia
› Delivery of the first TH-73A to the US Navy
› Promotion of AW609 at Expo 2020 Dubai

DEFENCE ELECTRONICS & SECURITY

› Progress of the Tempest project
› Second demonstration of OCEAN2020 at sea
› Supply of surveillance and defence systems to the Italian submarines
› Tendering for the implementation of the "national cloud of the Italian Public Administration", together with other operators

AERONAUTICS

› Delivery of the first two Eurofighter Typhoon aircraft to Kuwait
› International training at the International Flight Training School (IFTS) in Galatina (Lecce)

SPACE

› ESA contract for the supply of hydrogen atomic clocks intended for Galileo Second Generation satellites
› Participation in the Mars Sample Return programme
› ESA contract for the development of the new Cyber Security Operations Centre (C-SOC)

PEOPLE

It is fundamental for Leonardo to invest in people and their development, training and well-being in order to sustain business growth in the long term, to compete successfully in global markets and, at the same time, to create value in the regions in which it operates.

The company culture is based on listening and dialogue, merit and respect for the principles laid down in the Code of Ethics, the Charter of Values and the Group's Leadership Framework to give everyone opportunities for growth and promote an inclusive work environment, based on the multidimensionality of human capital, innovation and a sense of belonging.

PRIORITY TOPICS

- Digital transformation
- Skills and talent management
- Well-being, inclusion and equal opportunities
- Business continuity
- Working conditions and health and safety
- Responsible business conduct

SDGs

4 QUALITY EDUCATION

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

IMPACT INDICATORS

Over
5,300
people hired under 30

Over
2,700
women hired

Over
2,482
training opportunities activated with the educational system[35]

Cumulative values 2019-2021

FOR THE SECOND YEAR IN THE GENDER-EQUALITY INDEX OF BLOOMBERG

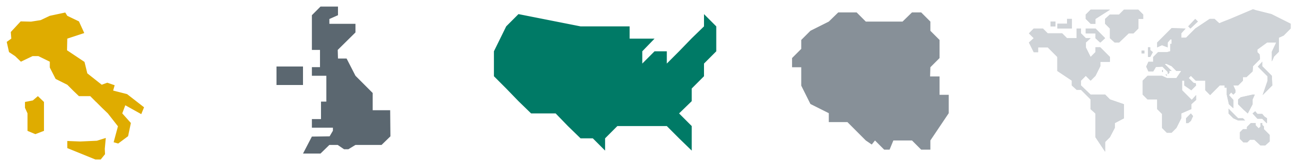
Leonardo was included, for the second year running, in the Bloomberg Gender-Equality Index (GEI) 2022, which includes 418 companies worldwide, in 45 countries and in various business sectors. Leonardo is one of 20 companies in the industrials sector and the only company operating in the AD&S sector included in the index. GEI is a market cap-weighted index linked to the performance of listed companies committed to transparent gender reporting. The benchmark index measures commitment to gender equity through five specific metrics: female leadership and talent development, gender equity and equal pay, inclusive culture, anti-sexual harassment policies and corporate brand recognition as a pro-women brand. Leonardo scored highest for transparency in disclosing required information and ranked above the industry and global averages for fairness and equal pay, policies against sexual harassment, and corporate brand recognition as a pro-women brand.

35 Internships, apprenticeship programmes, school-to-work alternation.

WELL-BEING, INCLUSION AND EMPLOYMENT PROTECTION

Leonardo employs 50,413 people, 97% of whom are located in Italy, the United Kingdom, the United States and Poland. This human capital is mainly composed of staff with a STEM qualification, characterised by a generational diversity that fosters the exchange of experiences and skills.

EMPLOYEES WORLWIDE



Italy	United Kingdom	United States	Poland	Rest of the world
63%	15%	14%	5%	3%
31,661	7,375	7,274	2,548	1,555

Diversity is for Leonardo a distinctive factor of competitiveness, talent attraction, human capital enhancement and innovation, which is key to the Group's sustainable growth. The context and working environment, which is more and more interconnected and collaborative, have in fact a strong influence on individual behaviour, generating trust and increasing the involvement of employees, with a direct impact on customers, profits and productivity. In order to support people in reaching their potential, Leonardo manages diversity and inclusion (D&I) as part of the Company's change management processes, with a data-driven approach to reduce the risk of subjective assessments and unconscious biases. In particular, in line with sustainability objectives, which have been strengthened on the matter of gender equality, and the actions envisaged in the Sustainability Plan, four main types of projects have been launched and are currently in progress, aimed at different targets and involving all levels of the organisation:

- Mentorship and Coaching - programmes aimed at supporting women and their professional growth;
- Inclusive Culture - training aimed at countering prejudice and cognitive distortions, in addition to a selection of courses offered to employees on the Coursera platform dedicated to gender inclusion;
- Strong Leadership (Springboard) - international programme aimed at strengthening female leadership;
- Role Model STEM - inspirational talks held by Leonardo's female employees who work or have a STEM background, aimed at new generations.

Leonardo promotes the D&I culture, including through internal and external initiatives that take place during the year and new models of work organisation that promote work-life balance.

EMPLOYEES BY PROFESSIONAL CATEGORY, GENDER AND AGE GROUP

19% Women

81% Men

10.4% < 30 years

52.3% 30-50 years

37.3% > 50 years

	women %	men %	< 30 years	30-50 years	> 50 years
Total workforce	**19%**	**81%**	**10.4%**	**52.3%**	**37.3%**
Managers	13%	87%	0%	34.0%	66.0%
Middle managers	19%	81%	0.4%	41.9%	57.7%
White collars	23%	77%	11.4%	53.8%	34.8%
Blue collars	9%	91%	13.8%	55.6%	30.6%

HUMAN CAPITAL EVOLUTION INDICATORS

Growth of workforce

+8.5%

(+3,951 employees)

Employees under 30

from 8.4% to 10.4%

of workforce
(+1,350 employees under 30)

Women managers

from 15.9% to 18.0%

of total managers and middle managers (+247 women managers employees)

Baseline 2018

INDUSTRIAL RELATIONS

In 2021 Leonardo continued its work on the initiatives and solutions that had been started in 2020 regarding the management of the pandemic. In particular, it ensured operations of its production lines, including thanks to the gradual improvement of the pandemic situation, and the protocols and crisis units were confirmed to safeguard the health and safety of employees.
Moreover, the company supplementary agreement (for middle managers, white collars and blue collars) and the second-level agreement for managers were renewed in 2021.

Early retirement - Leonardo and the national Italian trade unions signed an early retirement agreement under Article 4 of Law 92/2012 (the Fornero Act), which affects the four plants of the Aerostructures Division. The agreement will involve a number of up to a maximum of 500 employees for whom rights will accrue for retirement in a maximum timeframe of seven years following the planned exits in the three-year period from 2021 to 2023 or workers for whom rights will accrue for early retirement under the “Quota 100” scheme in 2021.

WORK-LIFE BALANCE

Welfare and flexible benefits-Leonardo provides employees and their families with grants for the purchase of textbooks, passes for public services, furniture and accessories for working from home, in addition to full or partial reimbursement services for various types of educational, social security and welfare and transport costs. Leonardo’s company recreational clubs also provide employees and their families with leisure, recreational and cultural activities. In the United Kingdom, Leonardo has also implemented a programme (Go Green Car Scheme), which provides tax and insurance benefits to employees who purchase an electric or low-emission car, in line with its commitment to energy transition. Flexible benefits worth over €mil. 10 were paid out in Italy and the United Kingdom in 2021.

Parenting - Leonardo pays out grants for nurseries, scholarships and (in some territories) summer camps for employees’ children. Furthermore, leave from work and more protective forms of childcare flexibility are granted for both parents.

Flexible working - Under the Custom Working programme, Leonardo has changed, in the United Kingdom, the way work is carried out, giving employees, together with their managers, team and customers, the opportunity to decide where and when to work. This flexibility allows the focus to be maintained on customer needs, while better reconciling employee work requirements with personal and family life. Leave policies also allow employees to volunteer in addition to annual vacations.

PROTECTION OF THE MOST AFFECTED BUSINESSES

Upskilling of blue collar workers - As from December 2021, about 25 workers with STEM degrees (most of them coming from the Grottaglie site) were selected and trained to be placed in the Engineering area of the Aerostructures Division through an appropriate two-month training course.

Local schemes for mandatory placement - Since the early stages after lockdown, various employee protection schemes were put in place in order to cope with reduced workloads. From July 2020 to early 2022, about 170 staff members were transferred from the most affected businesses to the Aircraft, Electronics and Helicopters Divisions.

Vacation and permits Solidarity Fund - This fund has been created to support employees who have used up all of their vacation days and permits to cover health emergency-related absences: it was set up by the Company in 2020 and renewed in 2021, including thanks to donations of untaken holidays on the part of the Group's employees, on a voluntary basis. The Fund has been also used to support "fragile" categories and parents with school-age children.

New Skills Fund - In response to the technological and competitive development needs of the sites of Leonardo Aerostructures Division, which have been made even more urgent by the changed conditions of the aeronautics market, Leonardo has implemented and completed a major upskilling plan financed by the New Skills Fund, with the aim of spreading and strengthening expertise on processes necessary to support and relaunch the division's products and, in particular: increasing adaptability, responsiveness to change and technological and organisational innovation, spreading the culture of innovation of both product and process, improving performance, cost competitiveness, sustainability and the ability to innovate.
23 training courses have been launched, which are calibrated to meet manufacturing needs and all of which have been delivered via distance learning.
The course has involved 3,169 participants for a total of over 418,000 hours of training. Factory operators have been provided with dedicated electronic devices and the methods to plan, use and strengthen technical and specialist courses have been profoundly changed, involving about 500 expert teachers.

LISTENING TO AND INVOLVING EMPLOYEES

Smart working survey 2021 - In 2021 Leonardo launched a People Survey to engage employees working in Italy in a reflection on the possible organisation of work after the pandemic and to set up working models that are increasingly suited to the different environments of the Group, capable of reconciling the needs of business with those of people. The Survey, which was online and anonymous, involved over 19,000 employees, with an attendance rate of 68%. The results showed that employees went to work on an ongoing basis, despite the emergency: more than 67% said they worked in presence 2 or more days a week. About 50% of Leonardo's employees would like to work remotely 1 or 2 days a week in the future, a working method that has been found to have a positive impact on productivity, people's psychological and emotional well-being and on their propensity to innovate. 89% of employees say in fact that it could be applied effectively within their work teams and 88% that it would enable them to achieve long-term company objectives. In 2022 Leonardo will launch specific training courses targeted at all employees working remotely to make this new method increasingly effective.

Employee engagement - In the United Kingdom Leonardo has conducted various surveys to measure employee engagement, develop people and improve business results. Each manager has received the results from their team and plans have been developed in response to the areas identified for improvement, on a "You said, we did" model. Through focus groups, managers who have achieved the highest scores on the survey have shared their experience with others in order to spread the most successful models.

Sustain-Able - This is a co-innovation project implemented with the start-up Up2you to raise awareness and promote responsible behaviour through the use of gamification. People are involved in low environmental impact challenges and stimulated on sustainability issues through the Sustain-Able platform. The first phase of the project has involved around 3,400 employees.

#ValoreD4STEM survey - This has been the first STEM-related research conducted in Italy on 61 companies. The survey, which was conducted by the Valore D association of which the Company is a member, has allowed Leonardo to draw an identikit of female workers with an education or professional role in the STEM area. 980 employees from Leonardo have taken part in the survey, out of a total sample of over 5,000.

DIVERSITY AND INCLUSION (D&I)

Leonardo directs D&I promotion initiatives by taking account of the geographical characteristics of the countries in which it operates. In 2020 the Joint Committee was set up in Italy, which is composed of company and union representatives, with the aim of analysing, promoting and sharing company initiatives and projects for equal opportunities and diversity, as was a cross-functional working group for setting targets to 2030 and preparing a 2021 Action Plan for the promotion of gender equality. In the United Kingdom, there is a People and Inclusion committee and a new monthly forum was introduced in 2021 where Senior Leaders share proposals to support the inclusion of underrepresented groups at Leonardo and the management of professional growth. In the United States, a Diversity Advisory Group (DAG) and a DAG Team promote D&I culture to support the Company's organisational climate, talent management, recruiting and engagement initiatives.

Inclusive recruitment - In 2021, recruitment managers in the United Kingdom received dedicated training to mitigate any bias in selection processes, achieving during the year the best gender balance on new hires that Leonardo has ever achieved in the country. In order to maintain the trend in 2022 too, Leonardo is committed to promoting open positions to involve more female candidates. Leonardo UK has also been the first company in the industry to join the Association for Black and Minority Ethnic Engineers UK to attract, develop and retain engineers representing ethnic minorities. In Italy too, as part of the most prestigious recruiting appointments, events and Career Days of the best Italian universities Leonardo has promoted a distinctive identity that is increasingly based on the values of D&I and promoted the inclusion of women in the Company, particularly with specific technical and scientific skills. 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).

Springboard Programme - 50 women have been involved in the first edition of the international programme to strengthen female leadership, with another 100 to be involved in 2022.

STEM Returners - In the United Kingdom Leonardo has launched the first edition of the programme to attract individuals with STEM background, in particular engineers, who have left the labour market for reasons related to personal or family life and provide them with career opportunities.

Network Group - Five 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 on 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**, to support ethnic inclusion in association with AFBE-UK. **Wellbeing**, to promote the fundamentals of personal and organisational well-being, will also be introduced in 2022.

Imposter Syndrome - Training has been delivered on Imposter Syndrome, which is associated with low levels of self-esteem and feelings of low personal worth and inadequacy, which has involved over 300 employees at cross-border level.

Disability - In the United Kingdom Leonardo has developed a programme to support people with disabilities from the selection and onboarding phase through to hiring and growth in the company. Training courses are delivered for recruiters and partnerships with third-party organisations that specialise in attracting and managing candidates with disabilities and autism. Leonardo is also working to remove architectural barriers by improving access to the sites in the United Kingdom.

Gender reassignment and transition - In 2021, Leonardo included gender reassignment in the United Kingdom as one of the reasons an employee is entitled to request special leave. Furthermore, Leonardo collaborates with the GIRES organisation to provide its employees with advice on gender reassignment and transition.

Investors in People (IiP) at Gold Level, **Investors in Young People** (IiYP) and **We Invest in WellBeing** of IiP in the United Kingdom

Military Friendly Employer and **Best for Vets Award** in the United States

Among the companies included in the Bloomberg **Gender-Equality Index**

ENHANCEMENT OF PEOPLE AND SKILLS

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.

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.

62%
of employees hold a **STEM** qualification

54%
of new hires hold a **STEM** qualification

About
1.6 million
hours of training delivered

776
training courses activated with the educational system[36]

Data 2021

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, which was launched in 2020 and involves about 30 European partners (industrial, academic, etc.); the project aims to create a system of observation and management of critical skills for Defence and a mechanism through which universities can bridge the gap of misalignment on identified skills through new pedagogical approaches and training courses. 172 skills were identified and analysed in three domains (Artificial Intelligence, cyber security, C4ISTAR - Command, Control, Communications, Computers, Information/Intelligence, Surveillance, Targeting Acquisition and Reconnaissance), classified into three categories: technical expertise; skills related to methodologies and procedures needed to develop certain Defence application areas; cross-sector skills, which are soft skills needed in all business sectors.

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 mobilise 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, accelerate post-COVID recovery 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[37].

36 Internships, apprenticeship programmes, school-to-work alternation.

37 For more details on Leonardo's commitment to developing skills for the future, please also see the paragraph "Education and scientific citizenship".

PERFORMANCE MEASUREMENT

Performance appraisal - In 2021, around 30,000 people were involved in the performance assessment, 22% of whom were women. The first phase of the "Performance & Development Management for IPT" pilot project was also implemented with the assignment of IPT (Integrated Project Team) performance objectives to resources working in project teams.

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. 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.

Succession plans - About 1,400 people, up to the third organisational level, have been involved in the people review process between succession candidates and Future Leaders. These resources constitute Leonardo's Leadership Pipeline, for which the Company aims to ensure, in an increasingly effective manner, full professional fulfilment in line with development expectations and skills they possess, enabling generational change and gender diversity. Women account for 23% of the total group.

ATTRACTION, TRAINING AND DEVELOPMENT

Virtual recruitment - In 2021 Leonardo participated in 9 digital appointments in which over 9,000 young people explored the virtual stands and interacted with company representatives through webinars, one-to-one chats and video interviews, while collecting approximately 3,000 CVs. Leonardo also experimented with Virtual Assessments, involving new graduates in various virtual tests, including the innovative Digital Escape Room, and implemented the Tutored platform, a new employer branding and recruiting channel capable of reaching over 500,000 students and graduates coming from over 100 Italian universities and Business Schools.

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 4,500 courses, 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. The effectiveness of the programme is confirmed by the growing number of those enrolled, over 8,900, with 28,800 courses started and 156,200 hours of training used. In particular, 24% of the courses taken were in Data Science and 19% in Computer Science. 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.

Upgrading YOU - This is a high-level managerial training course that has involved 119 new executives in four editions, with over 6,700 hours of training, to support the exercise of leadership, promote team building, networking and customer experience, and the testing of innovative solutions.

Behaviour simulator - Leonardo has implemented for the first time a Digital Role Play platform based on Artificial Intelligence, which offers the possibility of practicing critical managerial conversations in a simulated environment and reflecting on the impact of one's own behaviours. It is an innovative tool to deliver training in the management of critical conversations and develop cross-sector skills, such as managing feedback, delegating a task in an effective manner, leading towards change, resolving conflicts and enhancing diversity in one's team. Approximately 250 employees have been involved across Italy and the United Kingdom, generating over 2,500 Digital Role Play sessions and 800 hours of training on the platform.

Internal mobility - 32% of positions filled with internal candidates, including through the use of job posting.

Sustainability Training - Leonardo has prepared for the first time a mandatory course dedicated to sustainability, targeted at employees in Italy. It is planned to extend the course to the Group's other locations.

Change management models in the business

Leonardo Production System

Leonardo Production System (LPS) 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 programmes, which is capable of ensuring more and more quality and safety. People are stimulated to make the best use of their experience in order to adopt good practices that are already in place and, above all, to take improvement actions in the work areas, with reference to ten technical pillars. The driving force behind the programme is the continuous learning on the part of Pillar Leaders, aimed at strengthening the skills to be passed on to the various teams in the field, on the one hand, and, on the other, training courses dedicated to plant managers so that they can facilitate the adoption of the methodology, through a system-wide knowledge of the WCM. In particular, Pillar Leaders focused on the **people development** pillar have the key task of mapping the skills possessed by teams of engineers and operators and selecting those to be acquired or strengthened. In order to accelerate and support continuous improvement processes, LPS also leverages **digital transformation** (LPS Digital), through the adoption of tools that facilitate the collection of data and its use in process management, the implementation of new digital platforms and ongoing monitoring of Industry 4.0 technologies on the market.

LPS is managed by a **governance and control system** set up by the WCM Association at international level, based on standardised evaluation criteria for each technical pillar. Each facility operated under the LPS model is audited every six months by a team of WCM-certified company or third-party auditors. The main objective of the audits is to ensure that the application of the different pillars contributes to risk reduction (safety), process improvement (quality), energy efficiency and better plant management.

From the launch of the programme from the beginning of 2019 to the end of 2021, LPS involved 16 manufacturing plants in Italy and made it possible injuries to be reduced in the areas of intervention by about 95%, as well as to increase productivity on average by about 30% and reduce the cost of "non-quality". Among the actions taken, LPS also made it possible to intervene on ergonomic improvements of the workstation, with benefits in terms of productivity, effectiveness, quality and well-being of operators.

Over
2,000
people involved in **16** manufacturing plants

More than
1,900
projects for continuous improvement (kaizen)

-95%
injuries in the areas of intervention of the LPS

+30%
of productivity in the model areas of the plants that have implemented the LPS

MOVE - Mindset, Objectives, Vision for the Enhancement

The MOVE (Mindset, Objectives, Vision for the Enhancement) programme, which is dedicated to the professional family of Customer Support, Services & Training (CSS&T), consists of virtual learning oriented to the development of a digital mindset and vertical skills aimed at supporting the servitisation process at Leonardo, focusing on customer satisfaction. The programme, which is now in its second edition, is structured into modules and aims to develop personal and professional growth, encouraging critical thinking and greater awareness to achieve successful results in customer service. About 400 people have been involved since 2020, while also extending the course from 2021 to other areas that contribute directly to the development of customer satisfaction.

Future Factory

Future Factory is a change programme that Leonardo is implementing in the United Kingdom to drive the evolution of the business towards state-of-the-art operating systems and ways of working, enabling people to contribute more effectively to the achievement of strategic objectives. The programme is built around four main projects for gradual performance improvement: Integrated planning, Digital engineering, Supply chain transformation and Digital factory.

HEALTH AND SAFETY

Among the objectives of Leonardo's Health, Safety and Environment Policy[38] 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.

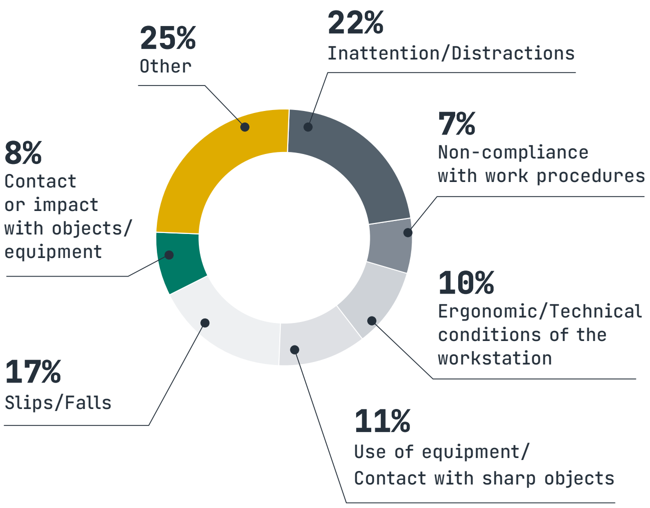
Welfare is a key lever to build a system that protects and facilitates people's lives and the ecosystem around them, respecting environment, diversity, lifestyle and interests of each of them. Leonardo is committed to ensuring well-being in the workplace, including through digital platforms, agreements, apps and webinars to promote mental and physical well-being, mindfulness and work-life balance, stress management and reduction, including employee and manager training programmes, stress monitoring surveys, in-house analyses and specific support tools.

78%
of employees work at sites with ISO 45001-certified Health and Safety Management System (63% in 2018)

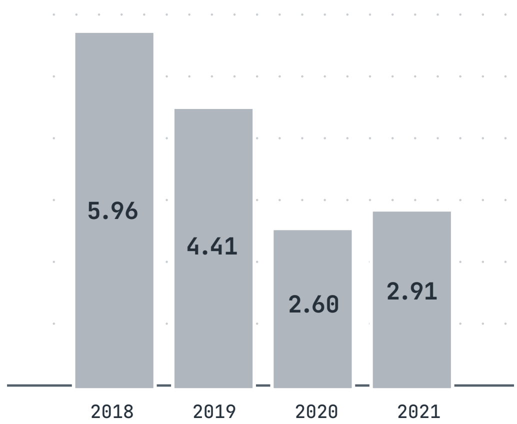
2.91
injuries per million of hours worked (-51% compared to 2018)

1,731
audits conducted on health and safety, of which 1,604 internal and 127 external

MAIN CAUSES OF INJURY IN 2021



INJURY RATE 2018-2021[39]



The injury rate worsened compared to 2020, a year in which it had significantly improved compared to previous years, partly due to the massive use of remote working attributable to the pandemic, but there was a marked improvement over 2019, in which the rate was 4.41.

38 For more details on environmental safety, please also see the paragraph "Natural resources management in industrial processes".
39 Injury rate is calculated as the ratio of total injuries to total hours worked multiplied by 1,000,000.

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.

Health insurance against infection - This is an extraordinary insurance policy for cases of COVID-19 infection for all employees worldwide; furthermore, training courses were launched and agreements were reserved for employees and their family members to take swabs and carry out serological tests. Influenza vaccines were provided during the pandemic in some countries to protect the most vulnerable employees.

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.

Ergonomics - The Group has put in place measures to improve ergonomics in the workplace at 47 sites.

Supplementary agreement - In 2021, a second-level supplementary agreement was signed, which further strengthened the focus on employee protection, health and well-being, thus allowing the performance bonus to be converted into programmes for the first time.

Travel security - Leonardo is committed to ensuring the security of all workers abroad, protecting their safety in the event of business travel, transfers and secondments for professional reasons. Among the preventive measures put in place to ensure adequate information and preparation, Leonardo offers training courses to its employees in travel security in Italian, English and Polish and has made a mobile app available to travellers with geolocation features in case of emergency. Furthermore, travel security processes are ISO 27001 certified.

RESPECT FOR HUMAN RIGHTS

Leonardo undertakes to carry out its activities in full respect of human rights, which are integrated into the Group's **Code of Ethics** and **Charter of Values**, based on the principles of the United Nations' Universal Declaration of Human Rights, the International Labour Organisation Conventions, the OECD guidelines, the Charter of Fundamental Rights of the European Union and additional relevant regulations.

In the three areas of human rights that have been identified as relevant to the Group – people management, supplier relations and the sale and distribution of products – Leonardo adopts appropriate processes to avoid any violation, promoting a culture of integrity inside and outside the Company and improving its business and trade compliance systems on an ongoing basis. These three areas, which are presented in the **Group's Policy on Human Rights**, were identified by means of a specific analysis performed between 2017 and 2018 based on the ISO 26000 guidelines: it identified the Group's business areas that are potentially exposed to the risk of violations of human rights and the measures put in place to manage and mitigate risks. In order to identify and promptly manage potential risks and negative impacts on human rights, Leonardo has mechanisms in place for the management of reports, either signed or anonymous, and has set up a dedicated communication channel[40].

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. For example, Leonardo, as LEAD Company of the United Nations Global Compact, has been participating since 2019 in the Action Platform on SDG 16 "Peace, Justice and Strong Institutions"[41].

40 The Guidelines on the management of reports are available on the website. The dedicated channel is humanrights@leonardo.com.
41 For more details, reference should be made to the web page Participation in associations.

PEOPLE MANAGEMENT

- Prohibition on all discrimination against race, skin colour, gender, 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 sensitive data of natural persons, 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 through constitution of Working Groups formed by company and labour unions representatives.

99% of employees in OECD countries.

72% of employees under collective agreements.

32% of employees are members of trade unions.

78% of employees operating in ISO 45001-certified sites.

SUPPLY CHAIN

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

- protection of the right to work and equal opportunities, promoting dignity, health, freedom, equality of workers, rejecting all the forms of discrimination, whether directly or indirectly, also with reference to political or trade union related aspects;
- non-involvement in any way whatsoever 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 compensation fair and complying with the laws and the standards applicable in the countries where the supplier operates;
- safety and protection of workers' health in the workplace in compliance with current regulations regarding health and safety[42].

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.

97% of purchases from OECD countries.

100% of suppliers accept the Supplier Code of Conduct.

96% of key suppliers state that they have no suppliers in countries considered at risk[43].

More than **6,400** suppliers evaluated on social and ethical-legal issues.

SALE AND DISTRIBUTION OF 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, mines, chemical weapons).
- Non-involvement in nuclear weapons production or maintenance activities.
- Application of the Trade Compliance Programme to ensure full compliance of applicable laws and provisions of competent authorities for trade compliance aspects, including obligations for embargoes, sanctions and other trade restrictions.
- Due diligence processes for potential customers and end-users, using screening activities to check whether they are on blacklists and other checks in case of transactions with Sensitive Countries.
- Development of the Human Rights Impact Assessment tool which introduces specific red flags while carrying out business activities aimed at verifying compliance with internationally recognised human rights.

222 transactions monitored in Sensitive Countries.

42 For more details, see Leonardo's Supplier Code of Conduct.

43 The data relates to the LEADS assessment conducted on 500 key suppliers.

HUMAN RIGHTS IMPACT ASSESSMENT

In the application of the Group's Policy on respect for human rights and in line with the objectives of the Sustainability Plan, an analysis tool (Human Rights Risk Assessment - HRIA) has been adopted with the aim of setting out the main risk indices with reference to human rights and the potential impact of the activities carried out by the Company. In particular, this analysis is carried out "by country" and "by transaction".

- **Analysis "by country"** - While setting out five red flags, the analysis tool aims to identify countries 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 particular reference 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). On the basis of these assessments, the countries to be included in the list of Sensitive Countries for reasons linked to the respect for human rights are identified, establishing the obligation to notify any transaction involving them, either directly or indirectly.
- **Analysis "by transaction"** - The risk analysis tool relating to transactions with Sensitive Countries has been completed with the addition of two drivers relating to the respect for human rights that are linked to the HRIA "by country".

This new analysis tool went into effect with the issuance of the new Trade Compliance Guideline and Directive issued in December 2021. The new Directive was issued one year in advance of the specific sustainability target.

The increasingly substantial investments by Leonardo in research and development of digital technologies, in particular on Artificial Intelligence (AI), and their application to products and solutions, require a defined ethical and legal reference context and an analysis of potential economic and social risks and impacts. Aware of this new context, Leonardo is committed to aligning development and progress opportunities with ethical considerations. Among the activities conducted, the participation in the discussion for drafting the proposal for a Regulation of the European Parliament and of the Council to establish harmonised rules on AI, which was presented by the European Commission in April 2021[44] and for the Italian National Regulation on AI.

DEVELOPMENT AND ETHICAL USE OF ARTIFICIAL INTELLIGENCE

- Commitment to respecting the fundamental principles of the International Humanitarian Law (IHL), including: the distinction between civilians and combatants and limiting collateral damage, as far as possible; the principle of proportionality with regard to the need for defence and security.
- Adherence to the Human-On-The-Loop (HOTL) and Human-In-The-Loop (HITL) standards to ensure that the use of autonomous weapons in situations critical to the security of people is subject to human supervision and control.
- Technological research to meet compliance with various ethical and regulatory guidelines in view of future European marking for IA applications.

44 Regulation of the European Parliament and of the Council laying down harmonised rules on Artificial Intelligence (Artificial Intelligence Act) and amending certain Legislative Acts of the Union (April 2021).

PLANET

Leonardo has defined a sustainable business strategy based on responsible economic and social models and takes account of short-, medium-and long-term risks and opportunities in order to counter and mitigate the effects of human and industrial activities on the Planet's climate and ecosystem.

Leonardo is in fact committed, through the Sustainability Plan, to reducing climate altering emissions, mitigating the risks associated with climate change and promoting the transition to a low-carbon economy, above all through research and the implementation of innovative solutions: these include advanced materials, the development of hybrid-electric propulsion technologies and traffic control systems for more sustainable air mobility, solutions for satellite observation and monitoring of the Earth, and the virtualisation of products and services. At the same time, Leonardo has implemented programmes to reduce emissions arising from industrial processes and related costs, including the use of electricity from renewable sources, a programme to increase energy self-production from renewable sources (photovoltaic plants), the replacement of SF_6 greenhouse gas, the extension of LED lighting and the redevelopment of buildings to increase their eco-efficiency.

PRIORITY TOPICS

- Management of natural resources
- Climate change, adaptation and mitigation
- Digital transformation
- Working conditions and health and safety
- R&D, innovation and advanced technologies

SDGs

IMPACT INDICATORS

Over
100,000
tons of CO_2e
avoided in 2021 thanks to the partial replacement of SF_6 gas

About
117,200
tons of CO_2
avoided through the use of virtual training systems as from 2019

About
52,500
tons of waste recovered from 2019

LEONARDO CONFIRMED IN THE CLIMATE A LIST 2021 FOR THE SECOND YEAR RUNNING

In 2021 Leonardo, which is the only company in the Aerospace and Defence sector and together with other 5 Italian companies, was confirmed for the second year running on the Climate A List of the international non-profit organisation CDP (formerly Climate Disclosure Project), which includes the world's leading companies – out of more than 13,000 analysed – in the fight against climate change. The A List is compiled on the basis of information on impacts, risks and opportunities related to the environment, requested by more than 590 investors, accounting for USD 110 trillion of assets under management. The confirmation on the highest level of the CDP evaluation rewards Leonardo's ongoing commitment and actions taken to reduce emissions, mitigate climate change risks and implement transition towards low-carbon economy.

NATURAL RESOURCES MANAGEMENT IN INDUSTRIAL PROCESSES

Among the principles behind the Group's environmental management model[45] are the responsible and sustainable development of its activities, the application of health, safety and environmental management standards, the attention to the needs and expectations of its stakeholders, excellence in services and continuous improvement in its performance. In line with these principles, Leonardo is committed to the efficient use of energy and natural resources, as well as to an effective risk management to protect the health and safety of people and a reduction in emissions and pollution, operating in compliance with applicable laws, voluntary standards and stakeholder expectations.

Leonardo has extended the voluntary adoption of certified management systems and dedicates resources to training and raising awareness of people, in addition to engagement programmes and internal and external communication tools that promote behaviours based on sustainability, health and safety among employees, partners and suppliers. Audit programmes, risk identification and management processes in the areas of environment, health and safety and any related 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.

As part of Leonardo's Sustainability Plan, energy and industrial efficiency improvement measures have been planned to reduce GHG emissions, increasing the use of electricity from renewable sources (almost 100% in Italy, the United Kingdom and Germany[46]), water withdrawals, waste production, the use of hazardous substances, and protect the soil and subsoil and biodiversity.

EFFICIENCY INDICATORS[47]

-2%
Intensity of water withdrawals

-6%
Intensity of energy consumption

-24%
Intensity of waste produced

Baseline 2019

ENVIRONMENTAL MANAGEMENT

77%
of employees at sites with **ISO 14001**-certified environmental management systems (72% in 2019)

80%
of **electricity** acquired from **renewable sources**

1,554
environmental audits, of which 1,480 conducted in-house and 74 by third parties

More than **190,000**
hours of training in environmental, health and safety (HSE) issues

45 The Health, Safety and Environment policy, procedures and operational instructions applied by the Group's divisions and companies define Leonardo's model for identifying, assessing, managing and minimising environmental risks.

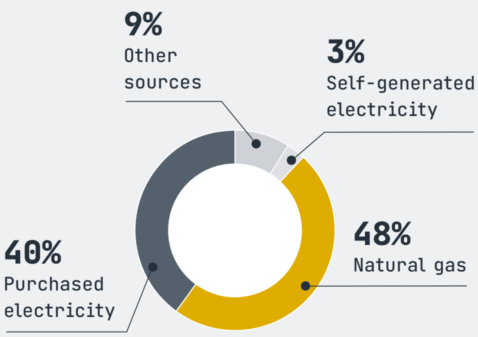
46 Covered by Guarantee of Origin.

47 Indicators calculated as a ratio to revenues. Emissions intensity refers to the sum of Scope 1 and Scope 2 (location-based). Efficiency indicators are in line with sustainability objectives.

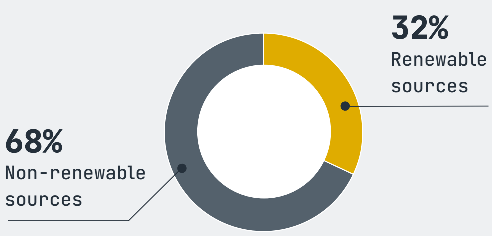
5,614 TJ

Energy consumption

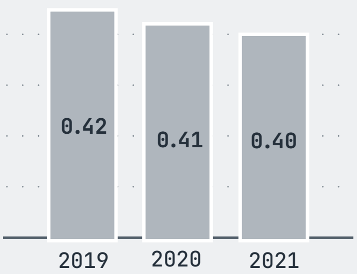
ENERGY CONSUMPTION BY SOURCE



ENERGY CONSUMPTION FROM RENEWABLE SOURCES



INTENSITY OF ENERGY CONSUMPTION (MJ/€)

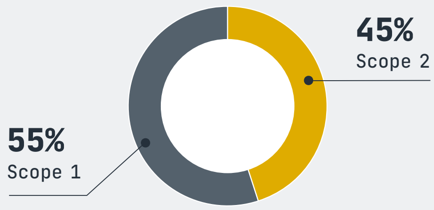


- Intensity of energy consumption on revenues: 0.40 (-3% compared to 2020 and -6% compared to 2019).
- Energy consumption: 5,614 TJ (+2% compared to 2020 and -4% compared to 2019), down compared to pre-pandemic levels.
- Consumption of electricity acquired: 2,265 TJ, equal to 630 GW/h (-4% compared to 2020 and -8% compared to 2019), of which 80% from renewable sources.
- Natural gas consumption: 2,699 TJ, equal to 76.5 million m³ (+3% compared to 2020 and -5% compared to 2019), mainly used for heating.

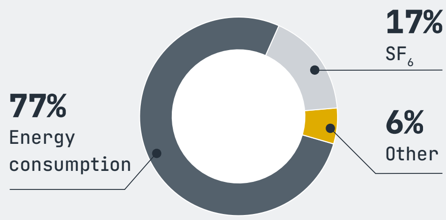
478,891 t

CO_2e emissions

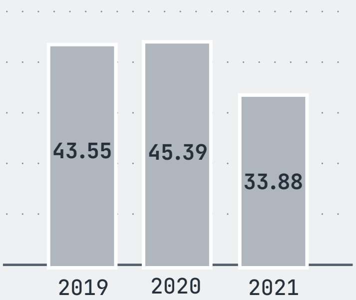
SCOPE 1 AND SCOPE 2 LOCATION-BASED CO_2e EMISSIONS



SCOPE 1 AND SCOPE 2 CO_2e EMISSIONS BY SOURCE



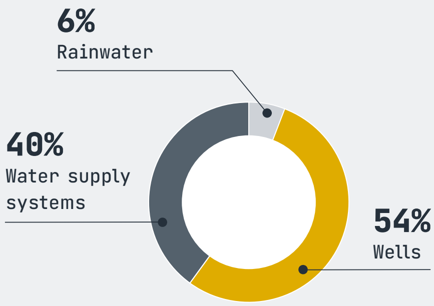
INTENSITY OF SCOPE 1 AND SCOPE 2 CO_2e EMISSIONS (G/€)



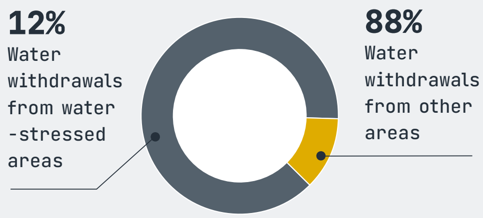
- Intensity of Scope 1 and Scope 2 CO_2e emissions on revenues: 33.88 (-25% compared to 2020 and -22% compared to 2019).
- Scope 1 and Scope 2 CO_2e emissions: 478,891 t (-21% compared to 2020 and -20% compared to 2019), of which 79,524 t connected with the use of SF_6 gas (-59% compared to 2020).
- Scope 1 emissions: 262,984 t (-27% compared to 2020 and -21% compared to 2019).
- Scope 2 location-based emissions: 215,907 t (-13% compared to 2020 and -19% compared to 2019)[48].

48 The location-based method considers the average intensity of GHG emissions of the networks on which there is energy consumption, mainly using the data relating to the average emission factor of the network.

WATER WITHDRAWALS BY SOURCE

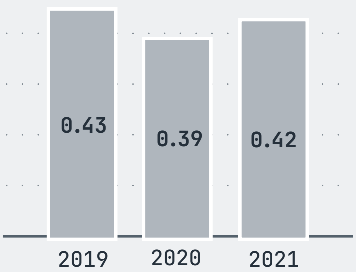


WATER WITHDRAWALS BY AREA



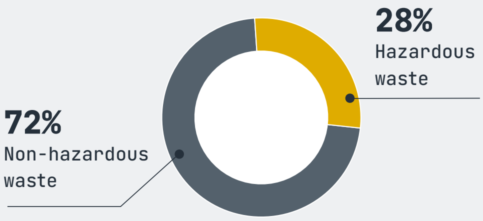
5,888 megalitres
Water withdrawals

INTENSITY OF WATER WITHDRAWALS (L/€)

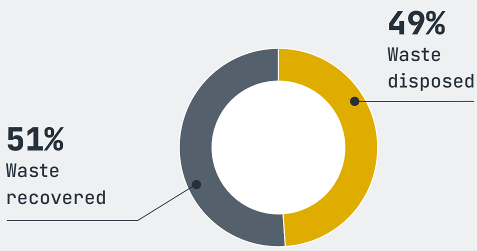


- Intensity of water withdrawals on revenues: 0.42 (+6% compared to 2020 and -2% compared to 2019).
- Water withdrawals: 5,888 megalitres (+11% compared to 2020 and in line with 2019), determined by higher production volumes and greater physical presence of employees at the sites, reaching pre-pandemic levels.
- Reused and recycled water: 250 megalitres (4% of total water withdrawals).
- Withdrawals from water stressed areas: 679 megalitres (-10% compared to 2020 and -12% compared to 2019).

WASTE PRODUCED

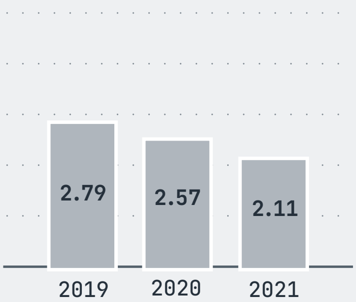


WASTE BY DISPOSAL METHOD



29,884 t
Waste produced

INTENSITY OF WASTE PRODUCED (G/€)



- Intensity of waste produced on revenues: 2.11 (-18% compared to 2020 and -24% compared to 2019).
- Waste produced: 29,884 t (-13% compared to 2020 and -22% compared to 2019).
- Non-hazardous waste: 72% of total.
- Recovered and/or recycled waste: 51% of total (of which 29% recovered and 22% recycled out of total waste).

WATER MANAGEMENT

Water Project - The project envisages an analysis of the conditions of water networks, water treatment plants and factory water balance at most Italian sites in order to design a long-term programme of actions for improvement (both for systems and operations) to solve critical issues and implement innovative solutions, identified on the basis of inspections and in-depth analyses of documentation.

Water recovery project - At the Grottaglie site, one of the Group's most water intensive plants, a project has been launched to maximise the recovery of rain and condensate water from Air Treatment Units (UTAs) through an accumulation basin. The water recovered through a reverse osmosis process will be used in the evaporative towers, achieving a reduction in drinking water withdrawals of 20% in 2022 and 35% in 2025 compared to 2020 values.

ENERGY RESILIENCE

Energy Infrastructure Programme - The Programme has been launched to increase the reliability of power supply at Leonardo sites, in support of their business continuity. The optimisation projects relating to the Italian sites of Nola, Turin and La Spezia, carried out in 2021, are in fact aimed at improving the redundancy of the external power supply networks serving these sites.

Demand Response Programme - Leonardo makes 4.6 MWe of power available to the National Electricity Grid through the Cameri and Fucino sites. The Programme, promoted by the European Commission, encourages the active participation of final consumers in the electricity system for the resolution of technical problems on the grid, avoiding the construction of new power plants.

SOIL AND AIR PROTECTION

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[49]. The management of contaminated sites and ongoing remediation procedures in the Group, 20 in 2021, is based on an approach of responsibility and sustainability to implement the best technical and operational solutions.

BIODIVERSITY PROTECTION

As part of responsible consumption of natural resources and environmental protection, Leonardo is committed to protecting biodiversity, putting in place the necessary measures to protect natural habitats and the variety of species present in the areas in which Leonardo operates and, in particular, in sites located within or near protected natural areas and with high biodiversity[50]. In 2021 these sites amounted to 40 (22 in Italy, 4 in the United Kingdom, 7 in the United States and 7 in the rest of the world). In addition, 10 sites owned in Italy are affected, within a radius of 2 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 600 hectares, equal to 50% of the surface area occupied by Leonardo Group sites. Among the recovery/protection actions implemented by the sites were reforestation, the phyto-purification of wastewater with native plants and the installation of an oil/water separator to avoid soil or water contamination.

49 Sites subject to Integrated Pollution Prevention & Control (IPPC) Directive: 12 sites, of which 9 Italian and 3 foreign; sites subject to Major Accident Hazards (MAH) regulations: 4 sites, of which 3 Italian and 1 foreign; sites subject to Single Environmental Authorisation (SEA): 34 Italian sites. Sites subject to other authorisations (discharge, emissions into the atmosphere): 21 sites, of which 12 Italian and 9 foreign. The same site may be subject to more than one classification and related applicable regulations.

50 For the definition of protected areas or areas with high biodiversity, reference should be made to the main applicable standards including Rete Natura 2000, IBA - Important Bird Area; Law 394/1991; Ramsar Areas.

TOWARDS ENERGY TRANSITION

Leonardo's business objectives and strategy for combating climate change, as set out by taking account of short-, medium- and long-term risks and opportunities, regulatory requirements, global scenarios and customer needs, integrate two main perspectives, combining technological innovation and sustainability: the first one is linked to the continuous efficiency of production activities and processes, by reducing energy consumption and emissions into the atmosphere, while the second is linked to the development of products and services with lower environmental impact, even in the context of European programmes for research and innovation, and of technologies functional to monitoring and mitigating the effects linked to climate change, such as the development and use of satellite systems for Earth observation, high-performance IT systems, such as the davinci-1 supercomputer, and solutions that enable intervention in the event of natural disasters.

In the management of **production activities and processes** (operations) Leonardo monitors and increases the eco-efficiency of its sites through specific projects, including in collaboration with third-party partners in the energy sector, the adoption and gradual extension of the ISO 14001 and ISO 50001 environmental management systems. The multi-year investment programme for energy efficiency, in line with the Group's energy policy and efficiency improvement targets, ensures the allocation of resources to projects with the best returns in technical, financial and sustainability terms.

MAJOR PROJECTS TO REDUCE CO_2 EMISSIONS IN 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 SF_6 inert gas by replacing it with a gas with lower Global Warming Potential (GWP), according to the methods envisaged in the relevant project of the Sustainability Plan. The objective is in fact to replace SF_6 gas (GWP: 23,500) with R134a (GWP: 1,300) as the inert gas used during the casting of magnesium alloys. 2021 saw a reduction in direct emissions by more than 100,000 tons of CO_2e thanks to the partial replacement of SF_6 with R134a.

District heating

The project was completed to replace the internal heating system at the Turin site in the Aircraft Division with a modern and more environmentally sustainable district heating system. The project, which must be added to the district heating system that is already in use at the Brescia, Genoa and Świdnik sites, makes it possible to avoid a direct consumption of natural gas, thus contributing to reduce emissions by around 500 tons of CO_2e per year.

Energy self-production programme

The analysis has been completed for the first pilot plants of Nola, Vergiate, Decimomannu and Cisterna di Latina, for which the work on authorisation and construction of self-production plants exclusively based on PV technology (100% green) will be started during 2022. A further 10 candidate sites in Italy have also been analysed with the aim of maximising direct consumption of energy from renewable sources and increasing the share of renewable energy produced, exploiting the space available in industrial areas and limiting the exploitation of land. In fact, it is estimated that the energy self-consumed by these plants can contribute to a reduction, by 2025, in electricity consumption from the external grid amounting to over 16 GWh/a year, equal to about 5,000 tons of CO_2e avoided per year. 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.

>>

>>

Full Potential lighting programme

The first phase of Leonardo's LED lighting programme, which was launched in 2014, has enabled the replacement of more than 12,000 lamps, for estimated annual savings in electricity consumption of 16.8 GWh when fully operational and total avoided emissions of more than 6,000 tons of CO_2e, in addition to improving the quality of workplace lighting. During 2021, analyses of the new "Full Potential" lighting programme were completed to accelerate the replacement of lamps that are not yet LED at the other sites in Italy. These analyses made it possible to allocate around €mil. 30 of investment in the 2022-2026 plan budget, with the first projects starting operations in 2022. Under the programme, it is expected that the plants' electricity consumption will be reduced, by 2025, by more than 23.7 GWh per year, equal to about 7,400 tons of CO_2e per year avoided compared to 2019.

Digital energy monitoring

New smart meters were installed to monitor energy at Leonardo sites in 2021. The new systems, which are operational in 24 of the Group's sites, enable even more structured and digitised management of energy consumption and facilitate the identification of new projects to improve consumption efficiency. It is possible to monitor over 70% of the consumption at the Italian plants through the platform that connects around 1,100 smart meters.

Electric and hybrid cars

37% of Leonardo's (long-term) leased corporate fleet consists of hybrid/electric drive vehicles, with the goal of achieving 80% by 2023. Regarding the carpool, currently 55% is made up of "green" vehicles. In support of this objective, additional charging towers will be installed at all Leonardo sites, in addition to the 67 that are currently in use at 21 facilities. A car sharing pilot 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.

PROJECTS TO REDUCE CO_2 EMISSIONS IN THE SUPPLY CHAIN (SCOPE 3)

Logistics

Implementation of the Transportation Control Tower to make the Group's shipping management more efficient while reducing emissions under Scope 3.

Sustainable employee mobility

Home to work travel plans have been prepared for 38 company sites in Italy, 10 of which on a voluntary basis. Approximately 29,000 staff members of Leonardo work at such sites, equal to about 94% of the Company's population in Italy. The plans include more than 230 projects to be implemented; in 2021, expenses of about €mil. 3 were incurred for sustainable mobility projects in favour of the Company's people, including, for example, maintaining the shuttle service at numerous company sites, installing covered parking spaces for bicycles and kick scooters, and providing grants for the purchase of public transport season tickets.

In developing **products and solutions**, Leonardo uses cutting-edge materials, processes and technologies that limit energy consumption and help reduce greenhouse gas emissions, thus contributing to combating climate change and reducing the use of hazardous substances. Leonardo produces in fact aircraft that consume less fossil fuels through the use of lighter materials and have lower energy requirements, virtual training systems that drastically reduce real flight hours and systems to optimise air, urban and maritime traffic, which make the aeronautics and transport sectors more environmentally sustainable. Leonardo's approach in the aeronautics sector supports the objectives of Destination 2050[51], 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

Leonardo also participates in the **research and development** of advanced solutions with low environmental impact promoted by major national and European projects, benefiting from both risk sharing and reduced research costs and time to market, including: Clean Sky 2 and SESAR 2020, within the Horizon 2020 programme, and their successors SESAR 3 and Clean Aviation[52]. As regards the advocacy on issues relating to energy transition and environmental protection, Leonardo is a member 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, and GHG emissions reporting and management. In order to provide further support within the sector, a working group has been formed, which is dedicated to expertise in the AeroSpace and Defence Industries Association of Europe (ASD). Leonardo also participates in the **Energy Transition and Climate Change** group of the European Round Table (ERT), and in the related thematic task forces, mainly focusing on issues of mitigation and adaptation to climate change and the impact of new technologies to accelerate the digital and green transitions underway.

51 For more details, please see the website of Destination 2050.

52 For more information, please see the chapter "Prosperity", paragraph "European research programmes" and the paragraphs "Research, development and product engineering" of the sectors in the chapter "Segment results and outlook".

MAJOR PROJECTS TO REDUCE CO_2 EMISSIONS IN THE AERONAUTICS AND HELICOPTER BUSINESS

Virtualisation

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 energy consumption and production of climate altering emissions. The virtualisation of product testing (Certification-by-Simulation) will also drastically reduce, if not completely eliminate, the flight activities required to obtain certifications for platforms and/or their subsystems. The current real tests (on the ground or in flight) may in fact take place in digital form by using advanced simulation systems and accurate models.

1/10

CO_2e emissions produced with one hour of simulator compared to one hour of real flight

Electric or hybrid platforms

The development of electric or hybrid platforms will allow the reduction of CO_2e emissions, up to potentially being zeroed, thanks to new propulsion systems that operate much more efficiently than current ones and without the use of fossil fuels.

Composite materials

The use of carbon fiber for aerostructures manufactured by Leonardo reduces fuel consumption by 10-15% and emissions by 20% compared to those made of metallic materials, as well as increases operational efficiency and the useful life of aircraft. In the Joint Lab with Solvay, Leonardo is collaborating in the development of thermoplastic matrix materials, which make it possible to reduce aircraft weight and therefore fuel consumption. The new material does not require the use of an autoclave for the manufacturing of large, complex structures and the consolidation of parts, thus further reducing energy consumption in the production line.

-20%

of CO_2e emissions with the use of carbon fiber for aerostructures

Sustainable Aviation Fuels (SAFs)

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 SAFs[53].

up to -80%

of CO_2 emissions over the entire life cycle thanks to the use of SAFs with respect to traditional fuels[54]

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.

No site of Leonardo falls within the scope of application of the Aviation ETS regulations.

>>

53 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.

54 Depending on the mixture of SAFs used. More information can be found on the website.

>>

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, based on paradigms of sustainability, digitisation and green transformation to create a single European air traffic control system, which at present is still fragmented. In this context, LEANS (Leonardo Evolution Air Navigation System) has been set up, which is aimed at evolving the current Leonardo ATM system to adapt it to the needs of its customers, creating together a shared vision and a roadmap towards automation, digitisation, scalability, optimisation and green transformation (reducing for example gate-to-gate times and fuel consumption).

~100,000
tons of CO_2e avoided in one year with Leonardo's Free Route ATM system in the sky in Italy

"NET ZERO" OBJECTIVE IN THE UNITED KINGDOM

In the United Kingdom Leonardo has committed to achieving climate neutrality 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). In September 2021, Leonardo published the Carbon Reduction Plan[55], including information on Scopes 1 and 2 and five categories of Scope 3, which will be updated on an annual basis, and a description of the most significant measures that will be adopted to reduce the environmental impact of operations in the United Kingdom. These 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.
- **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, 100% of electric executive cars by 2030, and corporate electric fleet by 2025.
- **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.
- **Water efficiency and reduced waste generation** - Target of 5% waste reduction, recycling of at least 90% of non-hazardous waste by 2024, and 5% reduction in water consumption and discharge by 2024.

At the United Nations Climate Change Conference (COP26), which was held in Glasgow in November 2021, Leonardo also experimented with the use of Sustainable Aviation Fuels (SAFs) for the AW149 helicopter, the next generation military helicopter that Leonardo is proposing to the UK Ministry of Defence to meet the New Medium Helicopter requirements. Leonardo has conducted the demonstration flight of the AW149 with the use of SAFs from Bristol to Yeovil.

55 For more details, reference should be made to the Carbon Reduction Plan 2021 of Leonardo UK Ltd.

CIRCULAR ECONOMY

The **transition to a circular economy model**, enabled by technology and the adoption of conscious behaviour, forms an integral part of Leonardo's Sustainability Plan strategy and projects with a transformative approach across the entire value chain. Leonardo's circular economy strategy is based on four main, interconnected areas: **optimising** the use and choice of materials since the design stage (e.g. through eco-design), using digital platforms to **dematerialise and virtualise** activities and solutions offered to the customer, **extending the useful life of products** by optimising maintenance cycles, including through predictive models, and **promoting the recycling and reuse** of materials, with the objective of reducing waste produced by 10% by 2025.

CIRCULAR ECONOMY MODEL

OPTIMISE

- Reducing materials through advanced design systems.
- Applying the Product Life Cycle Management and Ecodesign approach.
- Using composite materials to reduce weight, consumption and impacts.
- Studying new materials to promote their reuse and limit their disposal.

- **Reduction in fuel consumption** by **10-15%** and in **emissions** by **20%** with the use of carbon fiber for aerostructures of aircraft and helicopters.
- About **60% less of scraps** by using Additive Manufacturing for the construction of primary composite parts of the Tiltrotor.
- **Training course on Life Cycle Assessment** and reference standards, ISO 14040 and ISO 14044, for employees working in R&D, design and manufacturing of new products.

SHARE AND DEMATERIALISE

- "Product as a service": selling flight hours instead of products.
- Virtual product testing.
- Virtual training systems.
- Eliminating paper documentation in production processes.

- **About 41,450 tons of CO_2e avoided** through the use of virtual training systems in 2021.
- Consolidation **from 50 data centres to two** next-generation computing **hubs**, virtualising in the cloud the services offered and increasing computing power, reliability and security, with energy savings of about 20% compared to the previous set-up.
- Divisional projects to manage paperless and digitised manufacturing/production document flow **to reduce paper usage by up to 90% on each process**.

RECYCLE/REUSE

- Using recyclable metal materials.
- Regeneration of used components.
- Recycling and reuse of auxiliary materials, packaging, assembly platforms and metal equipment.
- Recycling of composite materials (e.g. carbon fiber resins).

- **Centralisation and computerisation of the archives** at the Aprilia site which has allowed the elimination of obsolete documentation. Further centralisations are planned for 2022.
- Restoration of helicopter flight equipment that has reached the end of life in order to fit new avionics and wiring, with **recovery of about 600 kg** of discarded material and **cost reduction**.
- **51% of waste** produced **was recovered** in 2021.
- More than **1.3 tons of WEEE material recovered** (10.2 tons from 2019) as a result of the decommissioning of Leonardo data centre servers with a social re-education project[56].
- Research activities to create a **circular supply chain of composite materials** (Carbon Fiber Reinforced Polymer-CFRP), encouraging the reuse-recycling of carbon fibers.
- **Reuse of plastic packaging** of manufacturing materials in some production areas and study of a pilot to introduce new standard reusable packages, while also involving suppliers.

EXTEND USEFUL LIFE

- Optimising maintenance cycles.
- Implementing predictive maintenance on helicopters.
- Replacing only components that reach end of life.
- Upgrading software to extend the life of hardware components.
- Buy-back of used helicopters.

- More than **70% of aircraft and helicopters** in circulation composed of **recyclable metal parts**.
- Aircraft structures capable of maintaining a level of **useful life greater than 20 years** of operation.

56 For more details, please see the paragraph "Value for territories and communities".

PROSPERITY

Prosperity is the result of economic and social security that is achieved while respecting people's rights, collective needs and in harmony with the Planet's natural resources. Leonardo takes action on the entire value chain to contribute to long-term prosperity.

Technological innovation, especially in its digital dimension, is the key enabler to sustainable development as a result of the effects it brings and the support of the entire research ecosystem. Partnerships, oriented towards customer satisfaction and the suppliers' resilience capability, are the foundation for solid economic growth. Investments in the territory and the promotion of scientific and technological culture, which is essential to face the challenges posed by contemporary society, generate a positive social and economic impact on communities and future generations.

PRIORITY TOPICS

- R&D, innovation and advanced technologies
- Digital transformation
- Customer intimacy
- Solutions' quality, safety and performance
- Sustainable supply chain
- Development of territories and communities
- Citizens' security
- Cyber security and data protection

SDGs

IMPACT INDICATORS

126,000
employed and **€bil. 10.4** of direct, indirect and induced added value generated in **Italy**[57]

More than **50%**
of investments in 2021 contributed to **achieving SDGs (SDG-aligned)**

9,700
jobs supported in the supply chain in the **United Kingdom**[58]

DAVINCI-1 FOR HEALTH EMERGENCY

davinci-1 is one of the most powerful supercomputers in the world, ranking 136th in the TOP500 list, 37th in the HPCG500 list and 7th among companies in the Aerospace and Defence sector[59]. With computing power of more than 5 million billion floating-point operations per second, davinci-1 is a machine conceived to perform multiple tasks at the highest level, from the most demanding needs of complex numerical simulations, such as those used to design helicopters and aircraft, to the processing of data, up to the development of applications based on Artificial Intelligence and cloud computing for the most diverse environments and fields. In 2021 an agreement was signed between Leonardo and Dompé to bring the EXSCALATE platform, used to design drugs against COVID-19, to davinci-1 and enhance it, in order to also make it available through a cloud protocol. Under the agreement and as a result of the development work of Leonardo Labs it was possible to contribute with simulations carried out on davinci-1 to the search for new drugs as early as during the year. In early 2022 the cloud-based version of EXSCALATE is expected to be completed, which will allow even non-supercomputing experts to use a web app for drug design.

57 Data processed by the Company on figures 2021 within the perimeter of Italy with 2019 multipliers of the study "*Sistema industriale della difesa per il Paese - AIAD*", Prometeia.
58 Data processed by the Company.
59 November 2021.

TECHNOLOGICAL 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 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.

NUMBERS OF INNOVATION

€bil. 1.8
spent on **R&D** and product engineering[60]

3rd place in Italy and 4th place among the **European companies** in the **A&D** sector for R&D investments[61]

Collaborations with more than **90 universities and research centres** in Italy and in the world

9,600
people dedicated to R&D work

6.2 petaflops of computing power and

27.1 petabytes of storage capacity

Leonardo Labs

Leonardo 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 (AI), Digital Twin and Advanced Simulation, Big Data, High Performance Computing (HPC) and Cloud, Quantum Technologies, Autonomous and Robotic Systems, Electrification and New Materials.

10
laboratories in 6 Italian regions and 1 in the United States

90
researchers and PhD students in the Labs research group

4
joint laboratories in collaboration **with third-party entities**

25
terabytes of data that can be used in the data lake

These new 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 and maximising the benefits to the relevant territories, strengthening collaboration with local institutions. The Labs will thus be fertilisers for local areas while allowing Leonardo to centralise the development of frontier technologies.

60 R&D by sector: Helicopters €mil. 540, Defence Electronics & Security €mil. 1,045, Aeronautics €mil. 214.
61 The 2021 EU Industrial R&D Investment Scoreboard | IRI (europa.eu).

The Labs also make it possible to feed a continuous flow of talent and to ensure flexibility and renewal, both in terms of skills and professional competencies: Leonardo's researchers coming from all over the world, who are part of the Labs network, in fact work together with experts and researchers within the Group divisions. From June 2020 Leonardo has been selecting young researchers and PhD students through an international call for recruitment, and industrial PhD fellowships with 15 universities, funded by the Company, thus establishing a network of collaborating with universities to coordinate research and prepare new researchers.

Leonardo Labs are based on an integrated innovation approach in which all technology research areas are interconnected and interact synergistically to address the multi-disciplinary nature typical of the Group's application areas. 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 the research areas of the higher levels. The third tier consists of application technologies that are independent research areas and use all the underlying technology and infrastructure layers. For example, the AI, Big Data, HPC technology domains converge in the implementation of the Digital Twin platform.

TECHNOLOGY RESEARCH AREAS

DIGITAL TWIN/ ADVANCED SIMULATION	UNMANNED ROBOTICS	QUANTUM	ELECTRIFICATION	MATERIALS
BIG DATA		ARTIFICIAL INTELLIGENCE (AI)		
HPC		CLOUD		
DAVINCI-1				

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). In 2021 there was the completion of testing and setup of davinci-1, which is now available to Leonardo Labs and to Leonardo researchers and engineers 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. In 2021, networks were developed for human action recognition, the classification of multi-spectral data, cyber threat recognition, topic classification, and information extraction from documents and decision support systems.

Big Data

In a fast-paced world where a huge amount of data is generated every day from each device, from the simplest to the most complex one, dealing with data to analyse it and extract real information is key to each business. The Bid Data research area will work in synergy with the HPC/Cloud research area to study and investigate into new methods for information extraction and visualisation. 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 in predictive maintenance applications such as logistics, aftermarket, and complex systems. In 2021 data lake infrastructures were implemented for the divisions, starting with that of the Helicopters Division, which allow the management and analysis of the big data of Leonardo products. As early as the end of 2021, the Helicopters Division put the first digital services on the market based on the exploitation of the data lake infrastructure built within the davinci-1 cloud infrastructure.

HPC/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 third-party or proprietary 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. During 2021 the porting of several proprietary codes was carried out, achieving significant increased performance both in execution times (200x/300x) and memory allocations.

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 and public administration. During the year, in particular, projects were started for the implementation of the simulation component for the Digital Twin of helicopters and aircraft.

Materials

Materials research programmes concern new technologies for application to new products, especially in the avionics field. In particular, this research area is dedicated to graphene applications in the aerospace and defence fields (e.g. low radar observability, ballistic protection, thermal management), high performance materials for special applications (including high temperature, high erosion), meta-materials and meta-surfaces used to engineer the electromagnetic response of the material itself.

Details of the Labs and the three research areas of Intelligent Autonomous Systems, Electrification, and Quantum are provided below.

LEONARDO LABS IN DETAIL

Future Rotorcraft Technologies	It develops technologies and solutions for next-generation rotary-wing platforms with the aim of improving safety and operational flexibility of aircraft and electrifying propulsion systems. Specifically, the Lab is developing advanced modelling solutions, solutions for the application of AI to flight control/management systems for the optimisation of pilot-aircraft interaction and research on the electrification of propulsion systems for urban air mobility applications. As regards electrification, new hydrogen rotary-wing platform architectures, configuration analyses and technologies for platform hybridisation, and direct hydrogen combustion system studies are being studied in the Lab.
Future Aircraft Technologies	It develops technologies and solutions for next-generation fixed-wing platforms, as well as analyses new processes and methods to improve the production and monitoring of platforms throughout their life cycle and searches for new architectures and components to make hybrid or electric aircraft. For example, the electrified model of the ATR42 aircraft has been implemented. Furthermore, studies are carried out in the Lab on AI-based solutions for advanced pilot assistance in complex operational scenarios, with the presence of autonomous agents and mission management systems for manned and unmanned aircraft. A data lake has also been designed, developed and commissioned to hold fleet flight data and optimise services and maintenance.
Materials Technologies	It develops new materials, especially composites, and related production processes, with the aim of improving mechanical properties in aeronautical applications, extending life cycle and the possibility of reuse and reducing production costs. Specifically, the Lab will develop research on multifunctional materials and structures capable of combining mechanical features, system functionality and specific physical/chemical/mechanical properties. As far as recycling of materials is concerned, for example, waste has been analysed in order to identify the most suitable recycling process in terms of energy cost and technological maturity, carrying out initial tests on materials with ENEA. In the space sector, the state of the art of materials has been analysed for space applications, as has the behaviour of composite materials under the action of ionising radiation and the most suitable configuration for the lunar module.
Space Technologies	It develops advanced monitoring technologies capable of combining satellite data with other data, with the aim of building a global system for monitoring of land and environment, critical infrastructure, management of natural events, EMS operations, health emergencies, smart cities, border controls. Specifically, methods and algorithms will be developed for monitoring based on machine learning and deep learning. A research unit focuses on studying and implementing algorithms for multi-UAV (Unmanned Aerial Vehicle) mission planning in support of applications aimed at providing surveillance, remote sensing, and support services for post-event response operations.
Future Security & Safety Technologies	It studies new AI-based techniques for analysing, understanding, and classifying audio, image, and video content, to enable autonomous navigation, and to make neural networks more secure. These include techniques for detection, facial and action recognition, classification, re-identification, segmentation, enhancement, manipulation, and anomaly detection (e.g. in fights). The Lab also focuses on applying AI to improve cyber security, from early warning of cyber-attacks to detecting, monitoring and analysing intrusions and vulnerabilities.

>>

>>	
Future Electronics & Sensing	It develops technologies and solutions for command and control systems in order to transform current decision support systems into a truly cognitive process that leverages AI and state-of-the-art solutions. Research also covers the development of new technologies and algorithms for autonomous vehicles, the development of a big data framework for predictive maintenance of electronic systems and equipment, and the development of AI-based solutions to be installed on small drones or autonomous agents for supporting both civil and military operations.
Quantum Technologies	It develops secure quantum communication technologies, computing technologies and quantum sensing, with particular attention to sensors for inertial navigation. In particular, a specific area of research will be devoted to investigate quantum computing with particular attention to quantum algorithms and its application to machine learning.
Applied Artificial Intelligence	It develops AI technologies and applications of strategic interest to Leonardo and capable of exploiting, in an effective manner, the data available to the Company and the numerous GPUs (Graphics Processing Unit – processors that allow complex mathematical resolutions to be accelerated, including thanks to parallel computing capabilities) present on the davinci-1. Specifically, advanced AI solutions are being developed, which leverage complex models, the ability to explain the functioning of AI and to search for cutting-edge solutions in certain domains, including: analysing audio and video streams for physical security and investigation support, identifying malware for cyber applications, decision support systems for command and control and operations rooms, and automatically identifying material defects.
HPC\Cloud\ Big Data Technologies	It focuses on the development of the ability to modernise Leonardo applications and leverage advanced parallel computing and HPC architectures. Specifically, the Lab will develop solutions that are best suited to new applications in synergy with Big Data, HPC and Advanced Simulation concepts to support products and solutions of the Group's divisions and companies. The Lab manages the davinci-1 supercomputer, which is significantly strengthening the capabilities in supercomputing, big data and advanced simulation-based application development both across the Company and in Italy.
Intelligent Autonomous Systems	It develops autonomous systems based on intelligent and collaborative robots and advanced man-machine interaction technologies, for specific missions, production activities, operations in extreme environments, maintenance and, in the future, in aerospace environments too. Particular attention is paid to research into new solutions for navigation, mobility and locomotion, motion planning and interaction, manipulation control and AI solutions for robots.

LEONARDO-SOLVAY JOINT LAB

The Joint Lab with Solvay is headquartered at Leonardo Lab of Materials in Grottaglie and supported by Solvay MSAC - Application development centre in Brussels. The Leonardo-Solvay Joint Lab operates in the sector of engineered materials with a thermoplastic matrix and, in particular, in the field of welding and automatic lamination of complex and large aerospace structures, in order to improve properties of products and extend their life cycle. Thermoplastic composites offer in fact unique advantages, including weight reduction, for more fuel-efficient aircraft. In addition, the new material does not require the use of an autoclave during the manufacturing phase to consolidate parts, thus enhancing the efficiency on the production line. Collaboration is a key factor of competitiveness in research on advanced materials as it allows performance and safety of products to be improved, with a direct impact on environmental impact and consumption of resources, giving impetus to a circular and efficient production system. In particular, activities have been started for the creation of a "circular supply chain of composite materials" (Carbon Fiber Reinforced Polymers - CFRPs) with the aim of fostering the reuse and recycling of the material, while avoiding the production of waste. The quality of recovered fibers will be assessed in order to define possible future applications in many application domains (aeronautics, automotive, green energy, etc.).

LEONARDO-IIT JOINT LAB

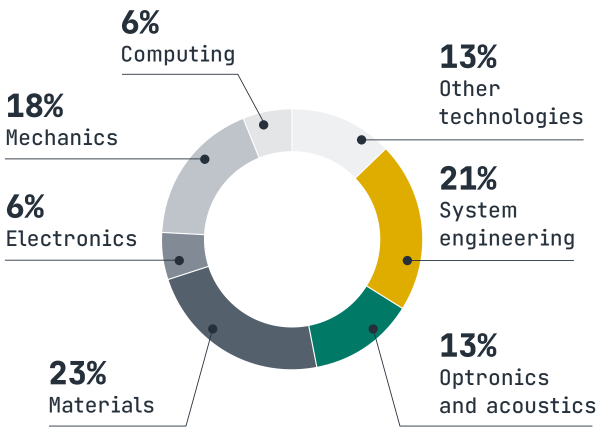
The collaboration with the Istituto Italiano di Tecnologia (IIT) takes place at the Leonardo Lab in Genoa and concerns research and development in three areas of interest: robotics for manufacturing, space robotics and computational sciences. The Leonardo-IIT Joint Lab has been designed to develop and combine robotics and automation technologies with machine vision, machine learning, AI, augmented reality, remote-controlled systems and IoT, and will enable multi-purpose applications – from defence to civil markets, from disaster recovery to space applications – thanks to the ability to deal with real-world scenarios: recognising objects, people's behaviour and dynamic events, classifying activities, predicting events, reconstructing the 3D environment, while exploiting all available sources of data. Such smart capabilities spread across many application domains, including surveillance, drone control, robotics, machine-to-machine and man-machine interactions. In the field of computational sciences Leonardo and IIT are working together on new algorithms for green computing, the assessment of cloud federation technologies (which allow the exchange of the workloads of Franklin and davinci-1 supercomputers to better manage peaks) and the study of computational applications that can demonstrate the advantage of using quantum computers.

Intellectual Property governance

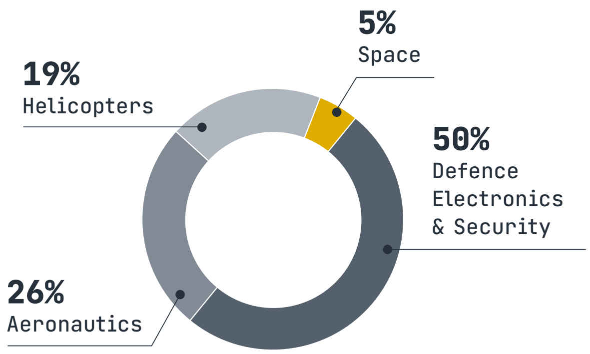
In 2021, centralised policies and procedures were implemented for the management of Intellectual Property (IP), with the management of portfolios of patents, trademarks and publications in the divisions, in order to support Leonardo's and Leonardo Labs researchers in the analysis of protection opportunities and the exploitation of the results of our corporate R&D. Among the main operational tools for the promotion of patents and company technologies are the launch of the new integrated management system of the company IP, the ongoing updating of proprietary online showcases[62] with partnership agreements with technology advisors, international brokers and hubs. The patent offering is mostly oriented to the dual use of technologies in sectors surrounding Aerospace, Defence and Security, as well as to supporting small- and medium-sized enterprises (SMEs) in the evolution of their products and helping start-ups. A showcase of patents dedicated to Mechatronics is managed in collaboration with the technological hub of MESAP[63]. During the year work also commenced on training activities, through webinars and in-person classes, with the aim of spreading the company culture and strategies on intellectual property.

62 For more details, please see the Leonardo Technology Transfer website.
63 For more details, please see the MESAP website.

PATENTS BY KEY TECHNOLOGY



PATENTS BY SECTOR

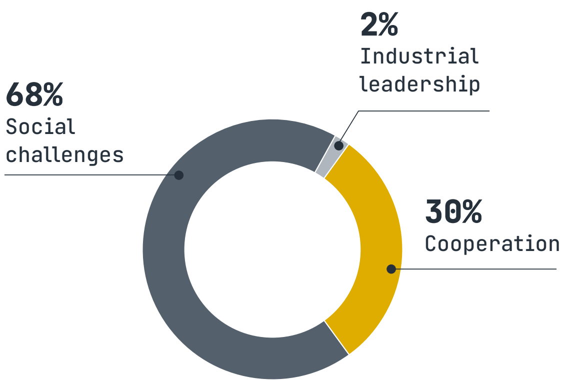


Funding programmes for research and innovation

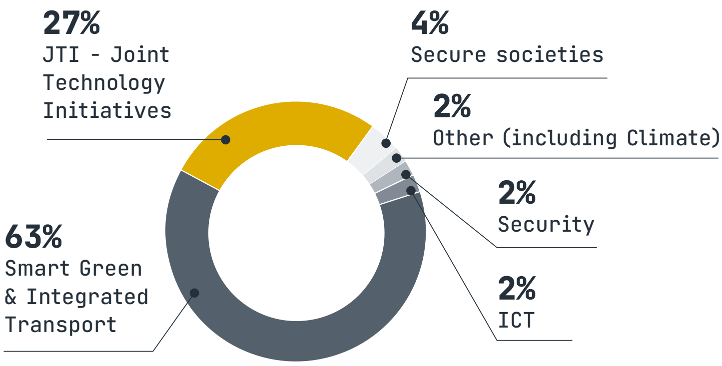
Leonardo participates in regional, national and supranational research and innovation funding projects and programmes, including major European programmes such as Horizon 2020 and Horizon Europe from 2021, the Italian Technology Clusters, in particular with the chairmanship of the National Cluster for Aerospace Technology, the Competence Centres and the Regional Technology Hubs.

Within the European Horizon 2020 programme for funding of research and innovation, Leonardo is a partner in a number of projects, in fields that range from maritime surveillance to space technologies, from the reduction of environmental impact to combat climate change to protecting critical infrastructures and the territory, up to the development of technologies for a new generation of more efficient and environmentally friendly regional helicopters and aircraft (Clean Sky 2) and next-generation air traffic management (ATM) infrastructures (SESAR 2020). Leonardo has received, at European level, funding for €mil. 172 at 2021, and, in Horizon 2020, is the first company in Italy for financing received, with 93 grants for a total amount of more than €mil. 127[64], 97% of which was devoted to social challenges, one of the three pillars of the programme, relating to climate, environment, energy and transport.

HORIZON 2020
FINANCING RECEIVED BY THEME PILLARS



HORIZON 2020
PROJECTS FINANCED BY SCOPE



64 The figure refers to financing granted to Leonardo SpA, Leonardo Germany GmbH, Leonardo MW Ltd and Leonardo UK Ltd. Data available on the platform of the European Union.

During 2021, work commenced on the NIGHTINGALE and PROMENADE projects on the topics of pre-hospitalisation management in medical emergencies and AI applications for maritime border surveillance and protection; the projects launched in 2020, such as PhotonHubEurope, ORCHESTRA, InSecTT, WE TRANSFORM, and EuroCC in the EuroHPC field, are currently under development, which will contribute to the European Green Deal, especially in aspects related to digitisation of SMEs and public administration, reduction of CO_2 produced by air transport, and innovations in photonics and mass transit. The grant agreement is being negotiated for the Exascale Pilot 2 project, which concerns the use of edge computing for predictive maintenance of aircraft and helicopters.

In addition, Horizon Europe, the new Framework Programme for the funding of research and innovation, was launched during the year. Its activities are organised in clusters, for "collaborative research", in which collaborations are promoted between institutions and industry. Among the most important European participations for Leonardo are those in Clean Aviation, to support the aircraft of the future, SESAR 3 for the next-generation integrated air traffic management system, EUROHPC to support applications based on High Performance Computing and ECS (Electronics Components and Systems), part of the Key Digital Technologies.

In this purely civil sector, Leonardo participated actively in the drafting of the Strategic Research and Innovation Agenda (SRIA) of 2021 and 2022.

At European level in 2021, the Digital European Programme (DEP) was also launched, which will support various digitisation projects, in synergy with the emerging European Digital Innovation Hubs (EDIHs) for which Leonardo has already been selected at the national level.

EUROPEAN RESEARCH PROGRAMMES

Sustainable mobility in Horizon Europe - Leonardo is involved in the preparation of **Clean Aviation**, the new institutional partnership, which, within the new European framework programme Horizon Europe for the period from 2021 to 2027, will continue work of Clean Sky, pursuing particularly disruptive technological objectives such as electric and hydrogen propulsion. Leonardo participates in the programme with a particular focus on fixed-wing aircraft in the regional aircraft segment. Furthermore, in **SESAR 3 Integrated ATM**, which will follow SESAR 2020, Leonardo will focus its R&D activities on low-altitude operations in urban environments, for which technology enablers and flight rules in airspace will have to be developed, as well as on the containment of emissions and noise through specific flight procedures and trajectories.

NIGHTINGALE for health emergency management - The NIGHTINGALE project (Novel InteGrated toolkit for enhanced pre-Hospital life support and Triage IN challenGing And Large Emergencies) will develop, test, demonstrate and validate a novel integrated toolkit for emergency medical response. The toolkit shall enhance triage and pre-hospitalisation procedures by increasing efficiency and effectiveness of handling victims whilst boosting awareness, collaboration and coordination of the responders.

PROMENADE for maritime control - The PROMENADE (imPROved Maritime awarENess by means of AI and BD mEthods) project will apply AI and big data-based techniques to improve vessel monitoring, the analysis of their behaviour, and automatic anomaly detection solutions, promoting collaborative exchange of

>>

>>

information between national and European surveillance authorities. The project will raise the situation awareness at sea, through the development of advanced solutions and open services based on HPC.

PhotonHubEurope - Leonardo is part of the European Digital Hub on ICT Photonics, which was started in 2021 and includes 53 partners in 18 European regions. For Italy the cluster is located in the Tuscany region and Leonardo will be a key partner to offer services to the national and European SME supply chain.

European Digital Innovation Hub (EDIH) - Digital Innovation Hubs, in synergy with national Competence Centres, aim to foster the adoption of well-established enabling digital technologies, such as cloud technologies and applications of data analytics and AI, HPC and cyber security, on the part of the industry and organisations in the public sector in Europe. The DAMAS hub led by Leonardo was designated by the Ministry for Economic Development (MED) as a candidate to become one of the EDIHs in Italy. The EDIH led by Leonardo will focus its work on AI, exploiting the HPC processing capabilities, and is designed to meet the innovation needs of automotive and aerospace production chains, supporting them in their digitisation process. Leonardo also participated as a partner in other seven consortiums that submitted applications under the MED's call for EDIHs, and were selected, along with DAMAS, for the European bidding phase that was launched at the end of 2021.

European processors and supercomputers in EuroHPC - Leonardo is a member of the ETP4HPC association (of which it was one of the founding members) and of the EuroHPC Joint Undertaking (EuroHPC-JU), which will have a budget of about €bil. 8, under the next framework programme, many of which will support the introduction of HPC techniques in European companies. Leonardo's objective is to co-finance 50% of correlated research work with davinci-1. Within the scope of EuroHPC, Leonardo participated, in 2021, as a partner in the consortium that had been awarded the call for the European Processor Initiative (EPI) project for the development of the family of future high-performance, energy-efficient European processors, while ensuring long-term economic sustainability through solid and realistic industrialisation paths in market sectors where high-performance computing offers the greatest opportunities. Leonardo participates in EPI phase 2 by carrying out architecture co-design activities, identifying requirements and functional constraints for EPI technology applied to real use cases made available by Leonardo, such as video surveillance for smart cities and infrastructures. From 2021 Leonardo is also participating in the pilot project for the construction of a prototype of a fully European supercomputer (European Pilot), which, using independent, local and open technologies, intends to contribute to European technological autonomy in the short term. Leonardo is also one of the main industrial partners in the national HPC Competence Centre funded by EuroHPC-JU, where it carries out tutoring, training and project development activities with companies operating in the fields of simulation and AI in order to enable them to exploit HPC infrastructures and increase the adoption of HPC and cloud computing in industrial supply chains, and in particular in SMEs.

National and European coordination for the development of digital and technology skills - The European project EuroCC, which is funded under the Horizon 2020 programme, aims to establish a single National Competence Centre (NCC) for industries on HPC, High Performance Data Analysis (HPDA) and AI technologies within each member state. EuroCC comprises 33 NCCs, coordinated by the European project CASTIEL, to have an overview of collaborations and competences. The centre was born from the need of enterprises to learn how to use these enabling technologies to embark on paths to digital transformation and innovation. In particular, the Italian centre, supported by CINECA, in collaboration with institutional partners, Big Data and Bi-Rex Association, and companies, including Leonardo, channels the knowledge of the research world into training, technology transfer and collaboration actions to respond to the concrete needs of the production environment, including thanks to coordination with trade associations.

Key Digital Technologies (KDT) -The new KDT JU for the development of electronic components and systems, including big data, cloud, software and AI applications for embedded systems, Industry 4.0 and safety & security, started at the end of 2021 and will last throughout the next Horizon Europe framework. Leonardo is a founding member of INSIDE, one of the three associations that make up the JU.

Research programmes and funding for European Defence

Within the European Defence Industrial Development Programme (EDIDP), in 2021 Leonardo was awarded 11 projects (in 2 of which it has the role of coordinator and 9 of which it participates as a partner) with a success rate of 70%. For these projects, Leonardo will receive a total funded amount of approximately €mil. 13. Leonardo has also submitted 21 proposals under the European Defence Fund - EDF Programme for the 2021 cycle. EDF is a strategic programme for Leonardo as it will allow the development of technologies and prototypes that may reach a high level of technological maturity (Technology Readiness Level - TRL) in line with the Company's technological plan. EDF will also ensure support for research activities with a low TRL, which is of particular interest to Leonardo Labs.

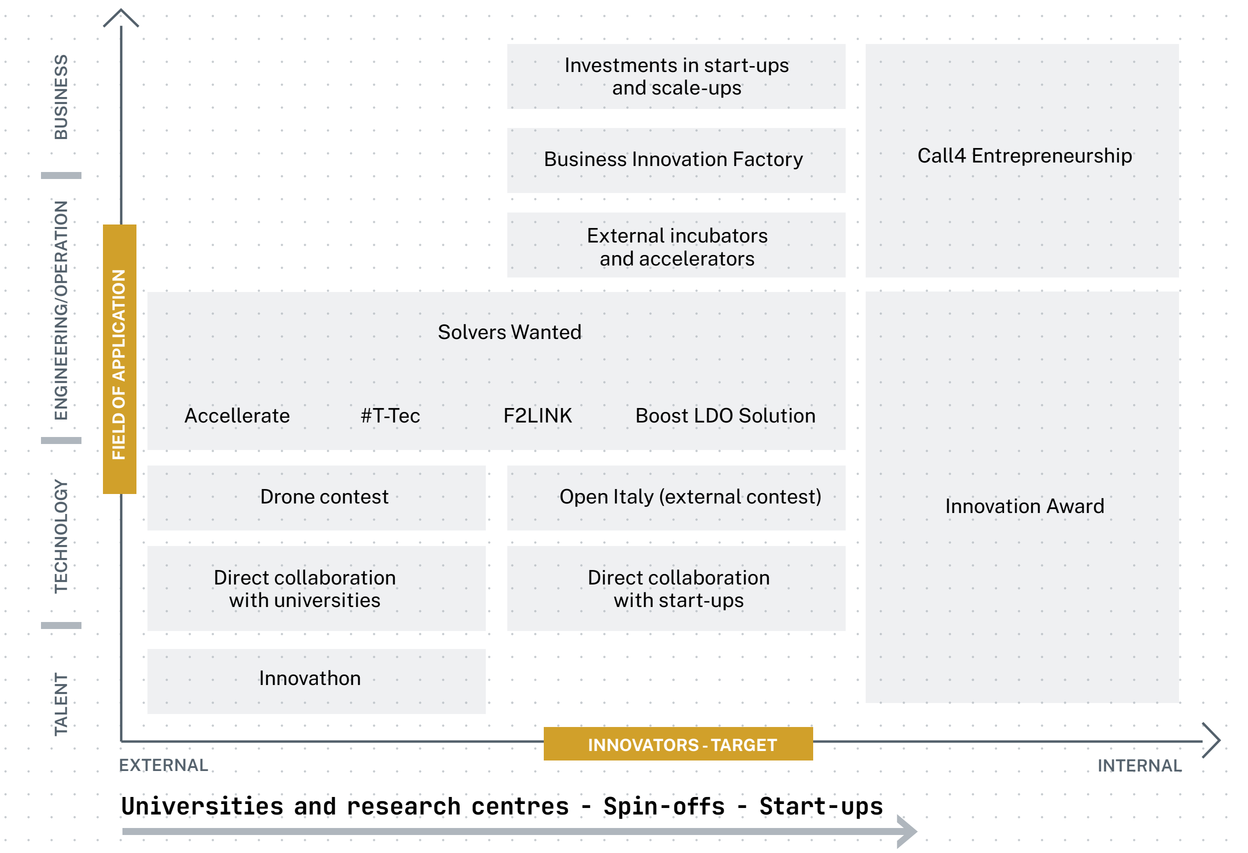
During 2021, Leonardo continued to work with the 5th Department of Segredifesa (Italian Defence Secretariat General) on technological innovation for Defence both at national (under the National Military Research Plan - NMRP) and European level (with the CapTech - Capability Technology groups of the European Defence Agency - EDA). 5 Leonardo projects were launched and/or contracted in 2021.

Open innovation & multi-contest

Leonardo's approach to open innovation, in which interaction and collaboration become a driver to competitiveness, aims to respond to the next technological, environmental and social challenges and to identify new talents in the field of STEM, enhancing their know-how. In 2021 several projects were launched to collect and share contributions capable of projecting Leonardo towards long-term technological scenarios and trends, strengthening the network of collaborations with customers, universities, research centres, spin-offs and start-ups.

These include the review of existing and proven formats such as the Innovation Award, and direct collaboration with start-ups and spin-offs, the launch of new projects such as the first in-house Solvers Wanted scouting platform of innovative technology solutions and the participation in the "Open Italy" programme for the launch of co-innovation projects with start-ups. In addition, Leonardo collaborates with third-party innovation ecosystems that carry out scouting and showcase operations for the most promising start-ups, including PoliHUB Observatories such as Start-up Intelligence and BdR-Borsa della Ricerca, and participates in national and international third-party accelerators and incubators, including those promoted by CDP (Cassa Depositi e Prestiti) and ESA.

LEONARDO'S OPEN INNOVATION MODEL



Network with universities and research centres

Leonardo has carried out a mapping of the Italian universities and research centres, including through indicators from third-party sources[65] 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 Labs and divisions. In particular, in 2021 framework agreements were entered into or renewed with the Polytechnic Universities of Milan and Turin, the Rome Sapienza University, the University of Genoa and the CINI, which will be added to the pre-existing framework agreements with Alma Mater Studiorum University of Bologna, CINECA and CNIT; other two agreements are being concluded with two major universities in Southern Italy.

65 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.

MAJOR CONTESTS AND COLLABORATIONS WITH UNIVERSITIES, COMPANIES AND START-UPS

Drone contest - This open innovation project, which was launched in 2019, is aimed at fostering the development of Artificial Intelligence applied to the field of remotely piloted systems in Italy. Leonardo is coordinating the project, which involves a path to technological development and experimentation in phases with a total duration of three years to mature algorithms and solutions for cooperative autonomy of drones in any operational scenario. The first two challenges held in 2020 and 2021 involved six universities: Politecnico di Torino, Politecnico di Milano and the Universities Alma Mater Studiorum in Bologna, Sant'Anna in Pisa, Tor Vergata in Rome and Federico II in Naples.

Innovation Award - The 16th edition has been launched, which will award tangible innovation results achieved in 2020-2021 in the following areas: Technology results, Product results, People, Promotion of Leonardo culture and values, Digitisation and Sustainability.

World #T-TeC - This was the third edition of Telespazio and Leonardo's contest aimed at students, PhDs and researchers all over the world, on technological issues in space domains. The project has been managed within Expo 2020.

Partnerships with CDP Venture Capital SGR and universities - In 2021 Leonardo joined, as partner, the following programmes and projects:

- **RoboIT** - This is the first National Hub for the Technology Transfer of Robotics in Italy, which has been established by CDP Venture Capital SGR in collaboration with the Italian Institute of Technology (IIT) of Genoa, and which also involves the University of Naples Federico II, University of Verona, Scuola Superiore Sant'Anna of Pisa.
- **CyberXcelerator** - This is an acceleration programme in cyber security and AI of the National Network of Accelerators CDP - National Innovation Fund with the participation of Startup Wise Guys, one of the leading B2B accelerators at global level, and which sees Italgas, NTT Data, University of Calabria as partners in addition to Leonardo.
- **Business Incubator Centre** - Leonardo and Telespazio are partners of ESA BIC (European Space Agency Business Incubator Centre), the new centre based in Turin to support new Italian start-ups in the aerospace sector. The Politecnico, Incubator I3P and Fondazione LINKS won the selection by the European Space Agency for the implementation and operation of the incubator. Other affiliated partners include the Piedmont Aerospace District, Thales Alenia Space Italy, Avio, and numerous innovative industrial companies.

Solvers Wanted - Through the new scouting platform, Leonardo offers challenges, technological contests and new ways of collaboration to the sector of start-ups, universities, spin-offs and research entities to find ideas and innovators, together with whom to face current and future challenges. In 2021, the first three challenges were completed and a technology network was established for the aircraft of the future, F2Link-Future Flight Leonardo Innovation Network, which involves more than 20 universities, start-ups, SMEs and large companies.

Proof of Concept (PoC) in collaboration with start-ups – Some examples:

- **Object tracking** - In collaboration with the start-up Eyecan.ai, to minimise human intervention in the configuration of vision systems for tracking objects on the conveyor belt.
- **Supercapacitors in aircraft electrification** - In collaboration with the start-up Captop to analyse the use of supercapacitors in aircraft electrification.
- **More eco-efficient HPC** - In collaboration with Atos, the start-ups Modelway and RedHat, to model davinci-1 power consumption as a function of computational load and increase efficiency, for example by putting little-used processors on standby or reducing cooling power during periods of low use.
- **Sustain-Able** - In collaboration with the start-up Up2you to implement a platform that involved the company population on sustainability issues through gamification.
- **Behavioural simulator** - In collaboration with the start-up Skillgym to set up an AI-based digital role play system to support the development of conversational soft skills of Group people.
- **Crime scene recognition** - In collaboration with the start-up Hidonix to implement a software solution useful for crime scene recognition in order to perform forensic activities.
- **Facial recognition with face masks** - In collaboration with the start-up SmallPixels to implement facial recognition of people wearing a face mask.
- **User experience and user interface** - In collaboration with the start-up South Engineering to add innovative features at the interface level (UI/UX) to the development of the Cyber LENS product.

Technology Communities

Leonardo's Technology Communities, which are made up of teams of Leonardo employees and which are also open, where necessary, to the participation of third-party partners such as universities, research centres and companies, constitute the "collaboration framework" dedicated to issues linked to technological innovation and related processes and methodologies. Two Technology Communities, the "5G Community" and the "Graphene Community", are currently operational, which are committed to the development of technological skills, research on possible applications and use cases, including in collaboration with Leonardo Labs, and to the dissemination of the advances achieved through events, conferences and publication of studies.

SUPPLY CHAIN VALUE

Leonardo's supply chain is made up of 11,000 companies around the world, which 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** Aerospace, Defence and Security **players**, 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 **four domestic markets** (Italy, the United Kingdom, the United States and Poland) 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.

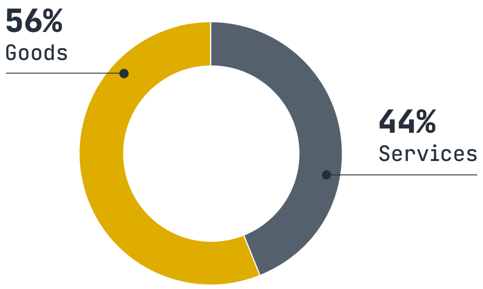
THE SUPPLY CHAIN IN 2021

€bil. 9.2
of purchases of goods and services

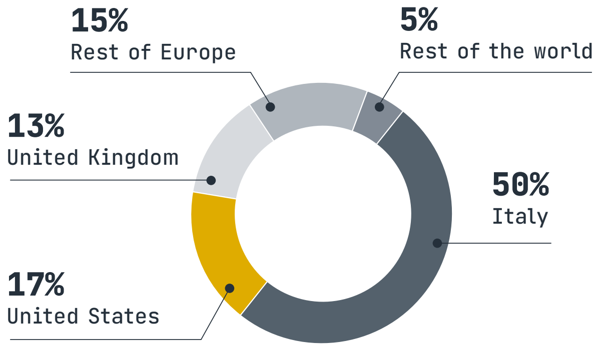
65%
incidence of purchases on revenues

81%
of purchases related to domestic markets, with a supply chain of over **6,700 SMEs**

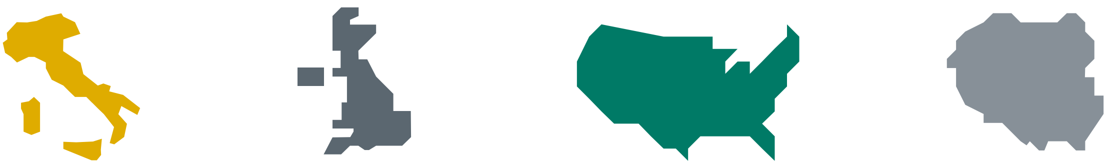
PURCHASES BY TYPE



PURCHASES BY COUNTRY



LOCAL SUPPLY CHAINS - INCIDENCE OF NATIONAL SMES IN DOMESTIC COUNTRIES[66]



87% Italy

72% United Kingdom

60% United States

82% Poland

66 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, who are engaged to create a quality, innovative, integrated, resilient and sustainable supply chain. 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

Through specific instruments, which are also applied in partnerships with external stakeholders, and a continuous improvement approach, Leonardo aims to ensure greater punctuality and quality of supplies, as well as a qualitative and quantitative growth of the partners, with a focus on the development of the suppliers' expertise, the ability to innovate and a greater financial stability. These are the factors necessary to increase business resilience and sustainability and become more competitive in international markets.

The Leonardo Empowering Advanced Partnerships (LEAP) programme is the supplier management model, now in its fourth year of implementation, which is aimed at creating the best conditions to enhance capabilities and technological excellence of its partners. The process starts from the analysis of the strengths and weaknesses of key suppliers, on some high-impact categories, overcoming the traditional dimensions of price and performance, in order to identify the suppliers eligible for advanced collaboration initiatives and medium/long-term partnerships. About 200 suppliers were preliminary identified for a partnership path. In particular, for over 120 suppliers, improvement and development projects have already been launched, including targeted managerial and technical-specialist training programmes, long-term commercial partnership agreements, agreements for financial support, support for technology transfer, digital transformation and cyber security. Preliminary results of the study conducted by a group of researchers from Italian universities show that since 2018 companies involved in LEAP have recorded substantially higher growth in turnover (+20% in 2020 compared to 2017), in intangible assets, which double, and in EBITDA (+50%), compared to suppliers of similar characteristics not involved in LEAP.

More than
150
suppliers involved in improvement and development projects in Italy and the United Kingdom, of which more than 120 with LEAP

ELITE
Leonardo Lounge
67
key suppliers participating in the 2-year programme, for a turnover of €bil. 1.3 and a total of 7,500 employees

LEADS
500
Italian and foreign key suppliers involved in the new sustainability assessment

10,800
training hours into managerial, technical and specialist skills delivered to suppliers

In 2020 **LEADS (Leonardo Assessment and Development for Sustainability)** was introduced, which was the new model for the assessment of sustainability issues and risks and the development of key suppliers, with the objective of an all-round growth of Leonardo's partners on several components and with parameters that can be measured over time:

operational performance (punctuality, quality), technical skills and industrial capabilities (technical capabilities, operational excellence, capacity, cost attention), ESG sustainability (compliance, business health, social-environmental responsibility, innovation, managerial capabilities). With reference to the last axis (ESG sustainability), through a questionnaire consisting of about 200 questions, Leonardo analysed over **500 key suppliers**[67], in 2021, assessing their maturity on the five areas indicated and identifying strengths and areas for improvement in the supply chain. Each participant received the assessment form with a preliminary development roadmap. The assessment thus represents the starting point for building the path to a new concept of excellence for an integrated and sustainable ecosystem. Among the 500 key suppliers analysed on the ESG sustainability component, 38 also completed LEADS on the other two assessment axes (operational performance and technical skills and industrial capabilities) and were included in continuous improvement paths whose progress is monitored by a multifunctional and multidivisional team on a quarterly basis.

LEADS - MAIN RESULTS OF THE SURVEY ON THE SUPPLY CHAIN'S SUSTAINABILITY

Digital transformation

Strategy 4.0
60% of companies include the development of enabling technologies for Industry 4.0 in their strategic business plans

Digital
75% of companies collaborate with Leonardo digitally, 70% have begun Industry 4.0 programmes

Simulation
40% of companies regularly use digital models for concept simulations

Big data
30% of companies are implementing sensor systems for the collection and analysis of data from production machines if they make regular use of digital models for concept-based simulations

Open Innovation
50% of companies collaborate with research entities for R&D

Cyber Security

Communications security
More than 97% of companies protect their communications at least with firewall systems (>50% have also IDS and IPS)

People & Planet

Job stability
74% of companies have annual staff turnover <5%

Business Ethics
75% of companies have adopted their own code of ethics

Safety
65% of companies regularly perform safety audits and structured activities of accident prevention

Planet
18% of companies have already defined/planned measurable projects to reduce environmental impact

STEM
45% of companies have more than half of their employees with a STEM high-school certification/degree

Skill mapping
60% of companies have an up-to-date mapping of their employees' skills

Community
40% of companies systematically cooperate with schools and technical high-schools (ITS) to train young people or finance, at least occasionally, community projects

Modern slavery
96% of companies say they have no suppliers in countries considered at risk

Cross-company dimensions

Quality
96% of companies have a quality management certification (AS/EN 9100, ISO 9001)

Risk management
80% of companies have structured risk management procedures

Innovation
2 out of 3 companies have implemented structured technology innovation plans

Resilience
90% of companies have overcome the pandemic crisis

67 Covering more than 25% of the value of orders placed with suppliers.

LEONARDO SUSTAINABLE SUPPLY CHAIN MANIFESTO

In 2021 Leonardo published the **Sustainable Supply Chain Manifesto**, as drawn up on the basis of the results of the LEADS assessment on supplier sustainability, 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.

Digital transformation

01001

Increase digital collaboration along the supply chain, leveraging on the new technologies in order to speed up the development of new products, improve the synchronisation of operations and the offer of services to customers.

- **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

Cyber Security

Ensure adequate security standards along the supply chain to spot the future requirements of the Defence programmes.

- **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** - Firewalls, Intrusion Prevention and Intrusion Detection System (IPS, IDS), robust VPN
- **Cyber security rating** with platforms which identify and analyse the external perimeter vulnerabilities

People & Planet

Social and environmental responsibility to reduce risks, mobilise resources and create value.

- **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 managerialisation
- **Industrial efficiency**, also through lean transformation programmes
- **Action for Planet** - Mobilise 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

Leonardo Supplier Award - This was the first edition of Leonardo Supplier Awards, which are conferred by Leonardo to recognise key suppliers who have distinguished themselves for their commitment to excellence, spirit of collaboration and results achieved. In particular, awards were conferred to 58 suppliers at global level, more than half of which are Italian small and medium-sized companies, including 40 classified for Performance Excellence Awards (in recognition of punctuality, quality, spirit of collaboration and commitment to excellence) and 18 for Sustainability Awards (in recognition of the results achieved and commitment to sustainable development among the 500 suppliers analysed in the LEADS-ESG programme).

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. In 2021, 3 workshops were also organised, which were dedicated to the implementation of the lines of action of Leonardo Sustainable Supply Chain Manifesto.

LEAP partnership - Specific long-term commercial agreements were signed with 60 suppliers, focusing on continuous improvement and sustainable development objectives.

>>

>>

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 Technical Training, to include suppliers, delivering a training course in line with the new LEADS assessment model and customised through the participation of Group managers. Among the courses offered 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. The programme, which was launched in 2020 and is funded by Fondimpresa, involved 440 employees of 17 suppliers in 2021 to whom a total of 10,800 hours of training were provided.

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, while also focusing on the risks of smart working, outlining a development roadmap and giving support to supplier networking in the Industry 4.0 ecosystem, from smart factories to Competence Centres. The last two editions involved a total of 49 suppliers, for an aggregate turnover of €mil. 900 and a total of more than 4,400 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 programme that aims to improve industry performance, competitiveness and productivity by creating greater customer/supplier collaboration based on continuous improvement.

Supplier Relationship Management (SRM) - The objective of the SRM project in the United Kingdom is to collaborate with 18 key suppliers in indirect procurement, in a partnership and continuous improvement approach, on five key areas: resilience, cost efficiency and value generation, innovation, sustainability and methods of collaboration. Thematic workshops have been organised with the 18 partners: during the last conference held in 2021, focused on sustainability, experts from each supplier and of Leonardo UK presented initiatives and opportunities to comply with Leonardo's commitments to reducing CO_2.

Supplier 360 Capability Assessment - More than 20 key suppliers of the Electronics Division in the United Kingdom are involved in the Leonardo programme for evaluation and development of technical capabilities and performance, while also paying attention to ESG issues.

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 and 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, health and safety, cyber security and intellectual property protection. According to the product sector, an additional verification, the 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 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 audit plans, with serious or repeated non-compliance with requirements resulting in temporary or definitive exclusion from the Register[68].

In the United Kingdom, Leonardo has been actively involved for years 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 2021, the Group increased its participation in the programme to over 700 suppliers involved. The initiative continues to evolve as more companies join the community of buyers and the evaluation criteria used are updated to reflect the latest industry developments in the field of ESG[69].

68 For further details see the paragraph "Other indicators".
69 Additional details available on the website of the initiative.

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[70].

MAIN PHASES OF SUPPLIER SELECTION AND MANAGEMENT[71]

PORTAL REGISTRATION	Code of Ethics	Anti-Corruption Code	Supplier Code of Conduct	Organisational, Management and Control Model	
PRE-QUALIFICATION	Economic-financial requirements	Pension and social security contributions	No criminal sanctions	Non-inclusion in international black lists	Compliance with modern slavery regulations (*)
	Check of environmental crimes	No use of child forced or illegal labour	Compliance with anti-corruption regulations	Compliance with trade compliance requirements (**)	Compliance with anti-money laundering regulations
QUALIFICATION	Technical and professional requirements	Environmental information (***)	Health and safety certifications (ISO 45001)		
	Quality certifications	Cyber security	Protection of intellectual property		
SELECTION/ CALL FOR BIDS	Check of specific tender requirements	Supply terms and conditions	Compliance with conflict minerals regulation	Check of existence and maintenance of reputational requirements	
MANAGEMENT AND MONITORING	Monitoring activities (documents, inspections, on-site audits)	Improvement plans	Pre-qualification revocation	Black list	Supplier Awards

2021 KPIs

Pre-qualification

>6,400 pre-qualifications of suppliers

48 denied pre-qualifications of new suppliers

133 revoked pre-qualifications of suppliers in the renewal phase

Qualification

>4,800 qualifications completed

Selection/call for bids

197 reputational due diligence

1,019 suppliers selected based on environmental criteria

Management and monitoring

>5,000 environmental, health and safety audits on service providers (indirect suppliers) conducted by Leonardo or third parties

>900 audits on direct suppliers

>4,000 performance improvement reviews on direct suppliers

500 key suppliers assessed on sustainability with LEADS

16 black list suppliers

(*) Modern Slavery Act 2015 in the United Kingdom and Code Title 22, chapter 78 in the United States.
(**) Check carried out only for suppliers in at-risk countries.
(***) Of which in possession of environmental authorisations and certified management systems; compliance with REACH, RoHS, CLP (Classification, Labelling and Packaging) and RAEE and waste regulations.

70 For further details on the fight against climate change and the circular economy model within Leonardo, reference is made to the chapter “Planet”.
71 The figures refer to a Leonardo SpA, Leonardo Global Solutions, Leonardo Logistics, Vitrociset.

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.

INVOLVEMENT OF SUPPLIERS

Crisis teams (COVID-19, raw materials and electronic components) - 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 in 2021, with a focus on assessing and mitigating procurement issues concerning raw materials and microchips through ongoing monitoring of suppliers of greatest interest, with synergistic activities between divisions and Corporate.

Electronic component analysis - In the United States Leonardo DRS has created a tool to identify Circuit Card Assembly (CCA)-related risks and improve supplier performance. The tool allows in fact 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. It has also set up four Commodity teams to manage these risks in a coordinated manner during the pandemic. In particular, automated tools have been developed to improve CCA component obsolescence management and decision-making processes, which are linked to internal and external sources, which reduce analysis time by more than 50%. In this 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 in 2020 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 organised several workshops for Leonardo DRS procurement and supply chain professional family to support large and small suppliers in achieving or exceeding compliance with the new regulations. Regulatory compliance tracking systems have also been strengthened, making it easier to support the supplier and take action to mitigate risks.

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 2024, taking account of the specific features of each business in which it operates. 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 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 regulation through contractual clauses and training courses on the subject. Leonardo participates and leads the working group of the AeroSpace and Defence Industries Association of Europe (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

>>

>>

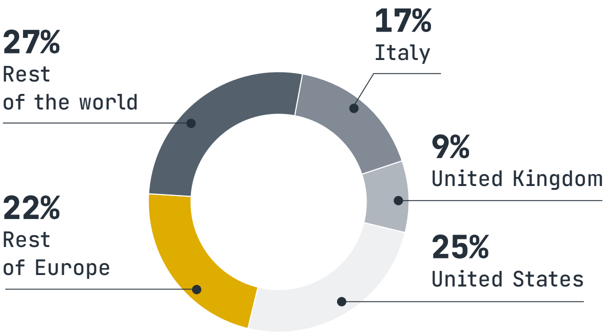
Directive); the Working Group set up within the Chemical Strategy for Sustainability REACH and Classification, Labelling and Packaging (CLP) to inform the European Union of the needs of the sector in view of the update of the REACH and CLP regulations; participation in the CEFIC (European Chemical Industry 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.

Climate Change and Sustainability Working Group - Leonardo collaborates in the cross-sector working group formed by the UK Ministry of Defence in 2021 to align the priorities of its key suppliers in combating climate change. In this regard, the Working Group has jointly drafted a Code of Practice to steer the sector toward greater openness and collaboration.

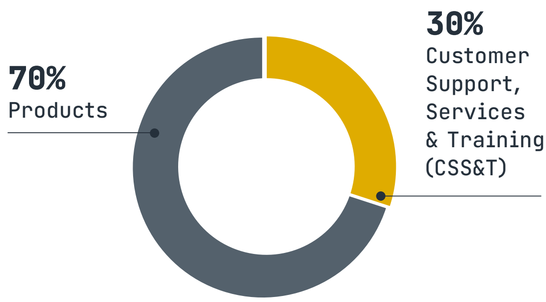
CUSTOMER INTIMACY, QUALITY AND SAFETY

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.

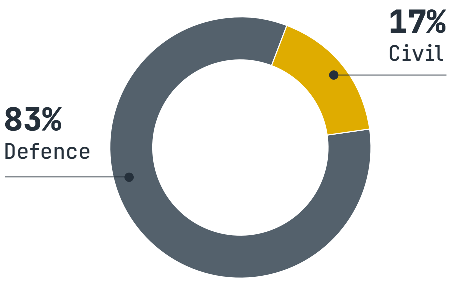
REVENUES BY GEOGRAPHICAL AREA



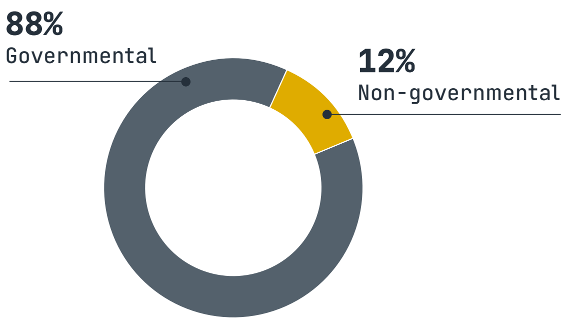
CSS&T REVENUES



DEFENCE/CIVIL SALES



GOVERNMENTAL/NON-GOVERNMENTAL SALES



DEFENCE/CIVIL BY SECTOR

66%	83%	86%
34%	17%	14%

GOVERNMENTAL/NON-GOVERNMENTAL BY SECTOR

73%	86%	92%
27%	14%	8%

Customer support and training

Leonardo offers customised solutions and innovative, value-added after-sales support services: from the offer of integrated services to continuous hardware and software upgrade that ensures customers extended performance over time, as well as to training programmes, which are required to maintain direct contact with end users and nurture 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 the organisation, processes, procedures, the way of doing business and, above all, people. This is a paradigm shift, from "product support" to "customer support", which leverages some key concepts for greater resilience: customer centricity, servitisation, continuous improvement, development of hard and soft skills, data management, through the application of smart technology and increasingly digitised processes and products. The organic management of customer satisfaction and customer support management tools ensures a high level of information integrity and full transparency in customer communication, while improving the relationship with the Company and facilitating the digitalisation of services with a view to sustainable innovation.

Training, which is a strategic area for Leonardo, is based on advanced technologies for the virtual reproduction of systems and their operational use. In addition to raising the level of skills transferred and scenarios on which to train, the use of flight simulators allows cuts on real flight hours, with a positive impact on costs and environmental and noise pollution. Virtual and augmented reality technologies, distinguished by their high quality, are also used for maintenance and predictive maintenance, thus helping to prevent and identify failures and inefficiencies and reduce the environmental impact of logistics management, enabling remote operations and thereby reducing physical travel to support operations.

Over
33,700
training hours delivered through flight simulators

About
11,100
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 third year running

First place in Product Support Survey of AIN (Aviation International News) ranking

Data 2021

PILOT TRAINING

International Flight Training School (IFTS) - The programme was born from the strategic collaboration between the Italian Air Force and Leonardo for the creation of an advanced flight training centre at international level in the training of military pilots, as from the advanced phase of training (Phase IV), intended for next-generation aircraft. Currently the IFTS is operational at the 61st Wing in Galatina (Puglia) with the M-346 Integrated Training System. During 2022, the IFTS will move to Decimomannu base in Sardinia, its final location where it has also been selected for NATO Flight Training Europe (NFTE) fighter pilot training as from 2023. The use of the M-346, which is now the most advanced training aircraft available on the market, and the related Ground Based Training System (GBTS), a state-of-the-art system that incorporates

CUSTOMER INTIMACY

Customer satisfaction - With the use of the Net Promoter System (NPS) methodology during 2021, more than 200 customers have been involved from the civil, military and government markets in more than 50 countries all over the world in measuring customer satisfaction. The objectives have been achieved to obtain a deeper and more complete knowledge of the perception of Leonardo on the part of its customers and take corrective measures to be implemented, with a view to continuous service improvement for the customer. There was an increase in the number of replies received and, in particular, of the reference index for customer satisfaction, compared to the previous 12 months.

Customer Service Digitisation - Leonardo has launched new Customer Relationship Management and e-commerce

>>

>>

flight and mission simulation, will allow a significant and gradual reduction in actual flight hours, which are generally performed on fighter aircraft, much more costly in terms of fuel consumption, and consequently lower emissions and costs.

New Training Academy in Philadelphia - The new Leonardo Academy has been recently inaugurated in the United States for the ground, flight and virtual environment training of pilots and maintainers for the AW109, AW119, AW139, AW169 helicopters and the AW609 tiltrotor. Digital courses, flight activities, simulator and mission training are available to meet any operational need of Leonardo's customers and operators. The new Academy replicates the services that are already available at the facility that already exists in Italy.

platforms that enable customer management with the best digital tools, offering a single point of access (Leonardo Customer Portal) for all after-sales services to customers in the civil and military sectors. This is a single architecture that adapts to the peculiar features of different businesses and that allows customer intimacy to be improved.

Innovation with the Italian Army - For the second year Leonardo and the Training Command and Application School of the Army in Turin have launched a project concerning the "Innovative use of unmanned systems and application of Artificial Intelligence in the operational environment", in which 120 Officers have participated to identify innovative solutions to meet the operational needs of the Armed Forces through the use of unmanned systems, autonomously guided, operating in three domains: land, air and sea and application of Artificial Intelligence. As part of the Contest, Officers have developed projects in the fields of communications, mine clearance, through surveillance to drone search, and logistics and transportation. The numerous projects have been evaluated by a Commission, composed of military and company members, while also assessing the industrial interest of the proposals.

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.

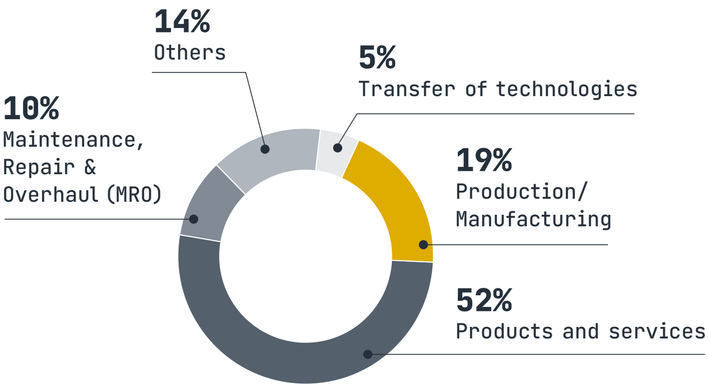
THE SOCIAL VALUE MODEL IN THE UNITED KINGDOM

As part of its competitive bidding process, the UK Ministry of Defence awards 10% of the overall score based on Social Value, a model that measures the impact of organisations on the well-being, resilience and sustainability of communities. Bids, programmes and contracts are evaluated not only in relation to technological capabilities and product performance but also with reference to the impact on the economy, environment and society. In particular, the UK Ministry of Defence has set out five key themes: equal opportunities, reducing economic inequality, combating climate change, post-pandemic recovery and well-being. In the United Kingdom, Leonardo contributes to creating benefits in these areas through its business activities and through continuous involvement of employees, suppliers and local communities. Below are some examples of Leonardo's contribution in the United Kingdom:

- it supports 9,700 jobs indirectly along the supply chain;
- it has a supply chain made up of approximately two-thirds of SMEs;
- it has extended flexible working arrangements (Custom Working) to 75% of the workforce;
- it has set a "Net-zero target" for Scope 1 and Scope 2 emissions by 2030.

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 2021, Leonardo had 62 indirect offset contracts in place around the world[72].

INDIRECT OFFSET PROJECTS BY TYPE



Quality and safety

Company engineering and manufacturing processes are based on recognised procedures and standards, providing training and information to people on an ongoing basis, and the integration of risk management and product life cycle management methodologies, with the aim of ensuring maximum safety of products and services and making deliveries to customers within the expected timeline and without defects, using materials and resources in the most efficient way. Leonardo adopts quality management standards and systems ISO 9001 and AS/EN9100, as well as NATO AQAP 2110/2210, to ensure the quality of design, manufacture, testing and delivery of products to the customer, periodically verified by third-party certifying bodies. 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 Company's Quality function, in compliance with contract requirements and/or other Safety regulations. For the type of products and services produced, Leonardo is also subject to audits on the part of the competent safety authorities. Each division or specific programme within the Group is also supported by safety-oriented R&D work, is provided with a safety governance system at the central division level and Safety System Management constituents at the local function level, control and risk assessment procedures and manuals, recall systems and procedures of unsafe products in applicable businesses, customer alert, product tracking and crisis management, as well as continuous improvement plans.

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.

92%
of employees operate at sites certified according to the **ISO 9001 quality standard**

96%
of key suppliers with **quality certification** of processes[73]

72 For more details, please see the paragraph "Responsible business conduct" and the document on offset management on Leonardo website.
73 The analysis involved 500 key suppliers.

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), CBMC (Certification Body Management Committee), 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 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 SMEs with regard to mandatory regulations and customer-specific quality and safety requirements.

IN-FLIGHT SAFETY MANAGEMENT

Flight Control Computer (FCC) - It is Leonardo's technological solution to manage the flight control system, one of the critical functions of an aircraft. Leonardo's new multi-platform flight control architecture can be integrated on all types of military and civil aircraft and helicopters, as well as on unmanned systems, such as the Falco Xplorer; it is based on a proprietary system and ensures compliance with the most stringent flight safety requirements. It is also able to minimise integration costs on different platforms thanks to the high level of modularity and a pre-validated infrastructure.

PROCESS QUALITY

QA Matrix - Quality management has been standardised across all divisions through QA Matrix, a tool that allows the collection of all "non-quality" events, the assessment of "root causes" and the prioritisation of the best solutions, achieving a significant improvement in the quality management of processes and products.

VALUE FOR TERRITORIES AND COMMUNITIES

Leonardo contributes to the social and economic development of the communities around the world that host the Group's production sites through the promotion of scientific culture and business capabilities, promoting inclusion and combating social inequalities and through the enhancement of the Group's historical, industrial and technological heritage, made available to the community. Leonardo has a key role in accelerating technology evolution and strengthening scientific expertise while creating shared value. Leonardo's commitment is also expressed through the Group's Foundations, as well as with the voluntary support of employees and former employees, contributing in particular to the achievement of SDGs 4, 8, 9 and 16.

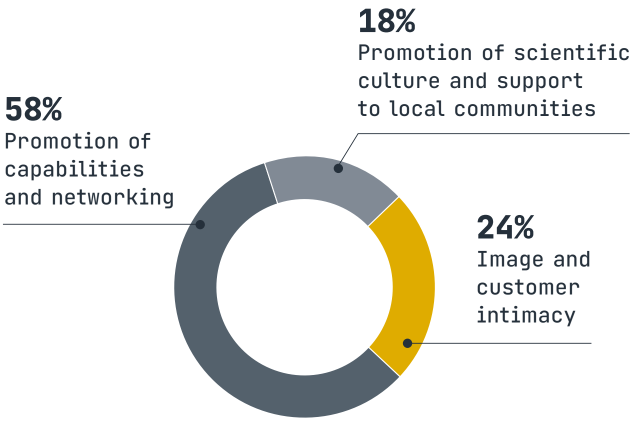
- **Leonardo Civiltà delle Macchine Foundation** is committed to promoting human rights in the digital society, combining scientific knowledge and research with culture and the arts, and fostering a constructive debate on the impacts of digital transformation. It promotes STEM and ICT competencies and 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 Ligurian 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.

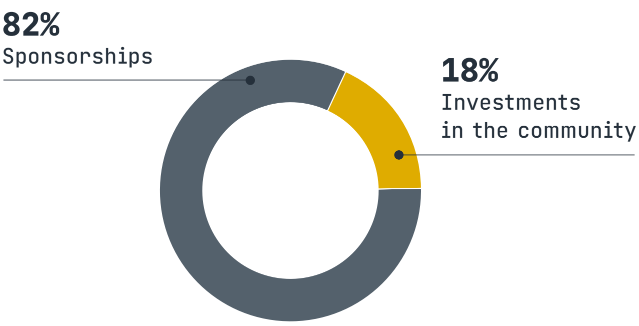
Social commitment

Leonardo has invested an amount of about €mil. 4.8 in sponsorship and investment programmes in the community. The selection of activities, which has taken place in compliance with the selection processes required by company regulations, aims to focus its efforts on issues relevant to the Company's strategy and the promotion of scientific culture or on the link with the territory in order to maximise impact, while avoiding the dispersion of small contributions. In particular, both digital and in-person programmes have been selected for building capabilities, which are linked to specific business areas, geographical areas or institutional environments.

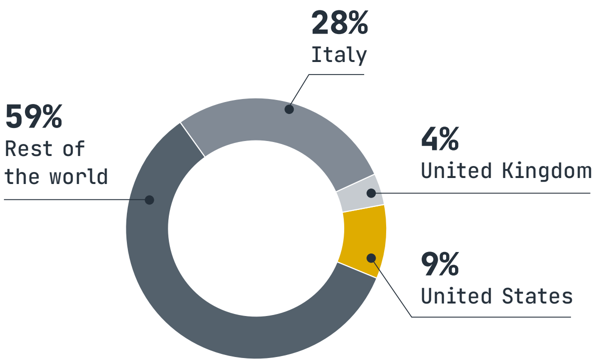
SCOPE OF ACTION



TYPE OF PROGRAMME



GEOGRAPHICAL AREA



SOLIDARITY AND SUPPORT TO TERRITORIES

WEEE in prison - Leonardo collaborates in the project for the recovery of materials – ferrous and non-ferrous metals (copper, brass, bronze, tin), plastic polymers, rubber and computer components such as electronic boards, processors and power supply units – which involves Bollate prison (Milan). More than 1.3 tons of WEEE materials were put back into circulation in 2021 (10.2 tons from 2019) thanks to the divestment of the servers of Leonardo's data centres through a social re-education project in prison. The recycling system, located inside the prison, has been built and operates thanks to the collaboration of institutional and private players.

Telethon Foundation - Leonardo has funded a scholarship in the framework of the International Doctorate Programme in Molecular Medicine at the San Raffaele University of Milan. The course aims at training young researchers in the field of development of advanced therapies for rare genetic diseases.

Support to war veterans in the United States - More than 90% of Leonardo DRS's investments for communities support solidarity programmes and associations reserved for war veterans and their families, as well as disabled athletes such as Armed Services YMCA, Fisher House and Army Ten Miler. It is in fact recognised as "national guard" with the highest honours for the support given.

Volunteer bulletin board - Leonardo supports, with its own in-house platform, employees' offers and requests to volunteer in favour of non-profit and community organisations. Among the projects promoted in 2021, 3 plastic collection days were organised in collaboration with the non-profit Plastic Free organisation, involving three sites and collecting about 1 ton of waste.

Responsible Canteens Programme - This programme, in partnership with Fondazione Banco Alimentare Onlus and canteen service providers, has been designed for the recovery of surplus food from the canteens of the main Italian factories in favour of non-profit organisations. In 2021, about 114,000 portions of food were distributed, for a total economic value of about € 230,000 (about €mil. 3 since the start of the programme). Furthermore, in 2021 the agreement with Fondazione Banco Alimentare Onlus was extended, for the first time, to all the 37 Group canteens in Italy. Leonardo has also sustained its commitment with the Foundation by also promoting the "National Food Collection" programme among employees, which was dematerialised in 2021, allowing purchases online or at supermarkets that have joined the programme.

CULTURE PROMOTION

Leonardo promotes Culture - This is an educational and pedagogical programme for employees and children of employees, aimed at promoting interdisciplinary culture and stimulating the learning of new languages. During 2021, an online pathway to music was launched with the Accademia di Santa Cecilia, together with live webinars on astronomy, with the Medio Cielo Cultural Association, with a total of 398 children and young people enrolled.

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 (Varese), the Breda Meccanica Bresciana Museum, the Officine Galileo Museum in Campi Bisenzio (Florence), the Radar Museum in Bacoli (Naples), the headquarters of the Associazione della Melara in La Spezia, where the OTO Melara historical archive is located, and the Aeronautical Industry Museum in Turin, which also includes a historical documentation centre. In 2021 the Corporate Heritage programmes involved almost 3,000 visitors, accompanied by the Company's Seniores (over 200 active in the museums and archives) and volunteers. Among these are the European Heritage Days *"Tutti in volo!"*, the FAI (Italian Environmental Fund) Autumn Days, Archivissima - Festival of Archives and the Business Culture Week.

Employee guided tours - A programme was launched for free guided tours for employees and family members at the Accademia Nazionale dei Lincei in Rome, in collaboration with Leonardo Civiltà delle Macchine (CdM) Foundation. In 2021, the first guided tours were dedicated to the "Dante's Library" exhibition.

I mille del ponte - The Ansaldo Foundation has financed and collaborated in the organisation of the theatrical show "*I mille del ponte*" (The thousand of the bridge), with free admission, to pay homage to the male and female workers who worked for the demolition and reconstruction of the bridge over the river Polcevera.

Outdoor Cinema - On the occasion of the events organised by the Municipality of Genoa at the Radura della Memoria, the Ansaldo Foundation held the projection of historical films, coming from its Film Library, dedicated to the history of the industrial development in Val Polcevera, its industries and its workers.

Shapes of Genoa between past, present and future - As part of the 2021 Science Festival, the Ansaldo Foundation announced the competition that gave rise to the exhibition of the same name, which recounts the urban transformation of Genoa over the last century. Participants had to use historical photographs of the city as clues, find the places immortalised at the beginning of the 1900s and choose whether to photograph them as they appear today or imagine them, through drawing or graphic/digital processing, as they would like to see them in the future.

Education and scientific citizenship

The promotion of scientific citizenship forms an integral part of Leonardo's strategy to strengthen skills and the innovation chain. Leonardo aims to be a point of reference for scientific culture in the countries in which it operates, from projects to enhance STEM disciplines and access to the professions of the future to relations with the educational system – in all cycles of compulsory schooling, with training activities for teachers and special attention to the involvement of girls and young women – and strategic partnerships with universities, colleges, research centres and institutions.

Over
400,000
people reached with scientific and digital citizenship programmes[74]

9,000
students visited Leonardo's virtual stands and interacted with company representatives during the Career Days

Over
600 **schools,**
700 **teachers**
and **2,800** **students** participate in the STEMLab

More than
1,400
hours of teaching by Leonardo employees in **4** Italian **Technical High Schools** (ITS)

Leonardo's STEM ambassadors, present in the various geographical areas, encourage young people to undertake STEM studies, spreading passion for science and technology and improving the Company's ability to recruit from a prospective point of view. In Italy, through their collaboration with Technical High Schools (Istituti Tecnici Superiori), Leonardo ambassadors transfer to students not only knowledge and skills but also a passion for technical professions, enhancing the industrial vocation of local areas and contributing to their growth and development. 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 testimonials of 25 Role Model female employees with STEM backgrounds, who delivered 21 hours of training to orient students towards their future aspirations, through inspirational talks. In this context, there is also the Young Women Empowerment Programme-YEP, dedicated to female students in Southern Italy and promoted by the Ortygia Business School Foundation, which aims to promote 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 focus on female STEM subjects in the United Kingdom, with career fairs, summer schools and dedicated competitions, has also seen an increase in the presence of girls in recruitment for internship, apprenticeship and industrial placement roles, with a share of almost 20%. Almost 20,000 spontaneous applications were received through the Group's website application system.

SCIENCE POPULARISATION, TRAINING SUPPORT, AND DIGITISATION

Med-Or Foundation Scholarships - Three Scholarships were awarded to a female student and two male students from Morocco under an agreement between the Foundation, the Mohammed VI Polytechnic University of Rabat and the LUISS Guido Carli University of Rome. The students will attend master's degree courses at the Roman university.

Siamo tutti Leonardo - This competition is promoted by the Leonardo Civiltà delle Macchine (CdM) Foundation, aimed at students of all levels and degrees, to stimulate the creativity of young talents and offer the opportunity to approach the world of research. The projects dealt with environment, medicine, security, finance and justice. In the first edition of 2021, awards were conferred to 4 national winners and three special mentions were given for originality and creativity.

Apprenticeships in the Foundation - The Ansaldo Foundation, in collaboration with the University of Genoa, allows students to carry out on-the-job training on topics related to documentary archives and the photo library.

>>

74 The figure includes activities promoted by Leonardo, Leonardo CdM Foundation and Ansaldo Foundation.

>>

Civiltà delle Macchine - Four issues of the Leonardo Civiltà delle Macchine (CdM) Foundation Magazine were published in 2021. Among the topics covered were the issues relating to the management of the pandemic and the crisis of leadership in Western democracies, passing through the writings of the main contemporary Italian poets; the Foundation's proposal to equate technical institutes into technological high schools, as part of an evolution of the school system towards a new digital humanism; a reflection on legislative developments in the field of space law and on the economic and political potential of the industry and of space-related activities, also at the centre of the conference "G20 - Italy for Space" organised by the Foundation in the context of the Italian Presidency of the G20; a focus on the Digital Twin, considering both the gradual industrial advantages and the philosophical and methodological issues that will arise with the migration towards a virtual space[75].

Digital Transition Laboratory - In collaboration with Bocconi, Trento and Florence Universities and the Privacy Guarantor, the CdM Foundation Laboratory is a space for study on the themes of AI and digitisation on the national, European and global scene, through position papers, research and conferences. Two activities are currently underway: the technical design of the AI database – a platform for the collection and cataloguing of academic, scientific and case law materials – and the collaboration with the TIM and Intesa Sanpaolo AI Observatory.

Progetto Paese - This project consists of a cycle of meetings organised by the Leonardo Civiltà delle Macchine (CdM) Foundation to put the expertise of the major Italian state-owned companies at the service of the country and contribute to forming a new ruling class. The training courses involved Officers of the Carabinieri Corps, Finance Police School and Police High School.

16th edition of the Festival of Sciences - For the fourth year Leonardo was educational partner of the Festival that involved 32,000 participants in attendance and streaming at the 200 events promoted and reached over 2 million people through social media. With an installation dedicated to the davinci-1, Leonardo has shown the potential of supercomputers.

Science Festival - Leonardo, as historical partner of the event, sponsored the 19th edition of the Genoa Science Festival which, between physical and online participation, involved more than 120 thousand people. In addition to the online laboratories, Leonardo has created a path for teachers and students to discover AI in everyday life.

Firenze dei Bambini - The eighth edition of the festival, sponsored by Leonardo, put the city at the disposal of children for three days. Leonardo's experts led children and young people on a "space journey", together with the astrophysicists of the INAF Observatory of Arcetri.

STEMLab - It is the project for the diffusion of scientific citizenship, launched with the start of the school year 2021-2022, to support teachers of 2nd-degree and secondary schools in Italy, more than 600, in raising awareness among girls and boys of the importance and key role of STEM education. 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 innovation, including content that is developed directly by Leonardo experts. Among the first topics covered are Artificial Intelligence, Big Data and Additive Manufacturing/3D Printing. At the end of January 2022, there were over 700 teachers enrolled and about 2,800 students participating in STEM Olympics[76].

Leonardo for the School - In 2021 work was completed on the first crowdfunding project of Leonardo in support of digitisation of Italian schools, affected by the COVID-19 emergency. The fundraising, which was targeted at all employees in Italy and included the 2019 bonus of the CEO, allowed the provision of new IT devices to 46 Institutes, selected in agreement with the Ministry of Education: 30 primary, secondary and high schools, 18 of which were also committed to providing teaching to children hospitalised for long periods, and 16 Juvenile Penitentiary Institutes, for a total of 18 regions concerned. With the financial contributions provided to support distance learning and connectivity, more than 900 computer devices were purchased, including tablets, PCs, multimedia interactive whiteboards, video projectors, monitors, graphics tablets, DVD players, Microsoft Office licenses, webcams, and portable wifi devices for mobile connections.

Future Camp - This is the digital summer school for young people aged between 14 and 24 promoted by Treccani Futura in collaboration with the Leonardo Civiltà delle Macchine (CdM) Foundation. A week of training, which involved 64 children of employees free of charge, dedicated to innovation and sustainability issues. Leonardo staff members contributed to the education with lessons on geo-observation technologies and space robotics.

Treccani Scuola - Leonardo managers and engineers have contributed to the creation of online lessons and STEM multimedia materials for the distance learning platform Treccani Scuola, in collaboration with Istituto Treccani. Among the areas covered are cyber security, aeronautical materials, intellectual property protection, lithium-ion batteries, drones and unmanned systems. More than 300,000 teachers and students from Italian secondary schools are registered on the platform.

Become a Digital Citizen - Born from the agreement between Leonardo, Leonardo Civiltà delle Macchine (CdM) Foundation and the General Command of the Carabinieri Corps, the project aims to reduce the digital divide in Italy, encouraging access to new technologies by the

>>

75 For further details, reference is made to the website of Leonardo Civiltà delle Macchine Foundation.
76 STEMLab is available for free in the EducazioneDigitale.it platform.

>>

older social groups. With 33 offices in small and medium-sized municipalities made available by the Carabinieri, 175 citizens participated in the first two editions of the project, trained by Leonardo employees on the use of computers, smartphones and tablets, the use of the Internet and e-mail, access to web services of banks and other digital services, as well as on the dangers of the network, from personal data protection to phishing. The project adheres to the Digital Republic Manifesto, an initiative promoted by the Ministry for Technological Innovation and Digital Transition, and participates in the activities of the National Coalition for Digital Skills, composed of public and private entities that support inclusion and education in new technologies.

Digital Civilisation -Leonardo Civiltà delle Macchine (CdM) Foundation project reserved for young generations on the theme of innovation, democracy and AI. The launch event, with 15 hours of live broadcast and 24 TEDx, involved 13,000 users and reached 80,000 views.

SOLUTIONS FOR SECURITY AND PROGRESS

The Aerospace, Defence and Security industry is a key player in global sustainability as internal and external security is a prerequisite for economic and social development in the long term. In this context, Leonardo aims to contribute to the progress and security of the world with innovative technological solutions that support and protect citizens and infrastructures and are applied in the most diverse economic sectors.

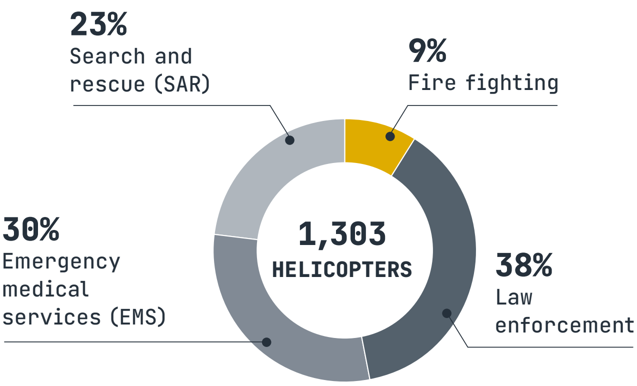
243
operators in **72 countries** use Leonardo helicopters for **public order, search, rescue and fire-fighting** missions

5,000
networks protected by cyber security services in **130 countries**

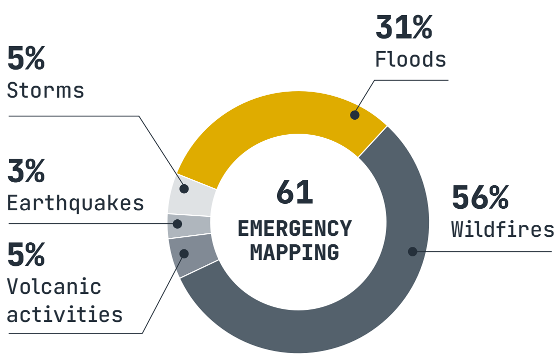
61
emergency mapping for earthquakes, floods, fires, humanitarian crises in **30 countries**

Secure communications for Police, with **35,400 fixed and mobile radios** provided and **200 control rooms**

LEONARDO HELICOPTERS BY TYPE OF MISSION



SATELLITE SERVICES BY TYPE OF EVENT



TECHNOLOGIES FOR CITIES AND ADVANCED AIR MOBILITY

Advanced Air Delivery by drones

Leonardo continued its **experiments in the biomedical field** in partnership with Telespazio, Bambino Gesù Children's Hospital, D-Flight and with the involvement of ENAC (Italian Civil Aviation Authority) and the Italian Air Force. This is one of the first demonstrations in Italy for the delivery of biomedical products, on routes not easily accessible for ordinary roads, with the help of vertical take-off drones equipped with electric propulsion and therefore with very low ecological and acoustic impact. The electric drone followed a route of more than 30 kilometers during experiments.

As part of the "Sumeri Moderni" project, which aims to develop increasingly efficient and sustainable **logistics services** to support citizens, even in view of the steady growth of e-commerce, Leonardo has completed tests for the delivery of goods on urban routes between 15 and 50 km (middle mile delivery) through the use of an electrically powered cargo drone capable of carrying up to 170 kg. This activity, which is unique in Europe, was authorised by ENAC and conducted by Leonardo with Poste Italiane and in collaboration with D-Flight and FlyingBasket, an Italian start-up with which Leonardo is collaborating under a commercial and technological agreement in terms of open innovation. Cargo capacity, a high level of aircraft automation and advanced services for air traffic management are among the factors capable of enabling sustainable logistics in cities too, with benefits in terms of delivery speed and reduced congestion. These experiments are part of Leonardo's path to innovation in Advanced Air Delivery to speed up the introduction of drones in the sky and contribute, starting from Italy, to the development of sustainable innovative services.

Advanced Air Mobility for passenger transport

This is a sustainable vertical mobility solution based on short/medium-distance point-to-point **vertical take-off and landing flights** through hybrid/electric powered VTOL (eVTOL) aircraft based on non-conventional architectures (e.g. multi-rotor, lift-and-cruise, tilt-x). Its applications are mainly in the "purely civil" domain, ranging from urban/inter-urban transport to private/leisure use, with opportunities also in the governmental/quasi-governmental domain (e.g. light EMS). It takes advantage of low-altitude airspace and does not require a runway, relying on a simpler infrastructure, known as Vertiporto, similar to current heliports. It is hoped that in the next 10-15 years new jobs and new services can be developed around this new market, with positive effects for the society. Leonardo, through funded research projects, which in 2020 brought very encouraging results both on hybrid propulsion and on the architecture of the aircraft, and with internal developments, has set up a development roadmap. Leonardo Lab Future Rotorcraft Technologies will play a crucial role in this field by exploring the frontiers of electrification of flight on non-conventional architectures.

Public transport

Leonardo supports **urban mobility** with solutions that allow a better service to be offered to citizens and a more effective management to local public transport companies. The Central Unit function, for example, provides users with information on bus passage forecasts and departure times at bus stops, as well as alerts and reports of anomalies, through smart signage, websites and apps. The collection and accounting system collects daily all service-related data processed by the Central Unit and on-board systems – including location, route, speed, incidents, anomalies, users transported, interventions and other diagnostic data. These data are processed and stored in the Central Unit, providing several indexes related to the quality of the service performed compared to the planned one, representing a useful tool to define improvement actions. Leonardo is also developing smart mobility solutions that are capable of enabling the creation of a **"cooperative" mobility** ecosystem, in which technologies such as 5G, Multi-Access Edge Computing and real-time video streaming, together with Artificial Intelligence and Machine Learning, allow efficiency and road safety to be improved through priority management at critical and dangerous urban intersections in favour of public transport vehicles. This also allows bus travel times to be improved, with positive implications in terms of lower CO_2 emissions and better service offered to the citizen.

EARTH OBSERVATION TECHNOLOGIES

Environmental monitoring

PRISMA is the national hyperspectral mission to monitor and map the Earth's surface for environmental risk management. Since the beginning of its operations in 2019, the hyperspectral payload, operating in more than 200 bands in the visible and shortwave infrared spectrum, is acquiring data over the entire world, revealing all its capabilities for monitoring the Earth's delicate ecosystem, in particular for monitoring water transparency, crop health, drought, risk of biodiversity loss, fire risk, air pollution, as well as natural disasters such as volcanic eruptions, landslides, floods. PRISMA is therefore able to shed light on the health of our Planet and contribute to the achievement of the United Nations Sustainable Development Goals.

State of health of vegetation

Floris is the high-resolution spectrometer that detects the fluorescence intensity of chlorophyll photosynthesis from about 800 km to map the state of health of the world's vegetation. It will be used under the FLuorescence Explorer (FLEX) satellite programme, scheduled in 2024, and will be capable of communicating with Sentinel-3.

Biomass is ESA's mission with launch scheduled for 2023 to monitor from Space the structure of forests, including their overall biomass and height, and to gain a better understanding of the carbon cycle, in which forests play a crucial role, storing CO_2, for the global climate system. Biomass will use a specific type of P-band synthetic aperture radar (SAR), for which Leonardo is providing the Power Amplifier Subsystem (PAS).

Ozone hole

GOME-2 (Global Ozone Monitoring Experiment-2), on board MetOp satellites, is an imaging spectrometer that collects data to measure the concentration of ozone and other gases in the atmosphere, which protect Earth from the harmful effects of ultraviolet radiation.

Meteorology and climate models

The Sea and Land Surface Temperature Radiometer - **SLSTR**, onboard the Sentinel-3 satellite, enables measurement of ocean and earth temperatures through optical and thermal sensors, providing valuable support to meteorology and climatology.

Aeolus, thanks to the ultraviolet laser ALADIN (Atmospheric LAser Doppler INstrument), is the first satellite capable of measuring wind speed and direction on a planetary scale, even where meteorological measurements are not available, such as ocean areas, allowing reliable weather forecasts to be made up to seven days and more accurate climate models to be built.

Lightning Imager, onboard the MTG-Imager satellites, the first launch of which is scheduled by the end of 2022, will provide a new capability to Europe's meteorological satellites. The instrument, from 36,000 km away, will perform ongoing monitoring, day and night, of more than 80% of the Earth's disk by detecting atmospheric lightning phenomena between clouds and the ground or between the clouds themselves. The acquired data will be used for very short-term atmospheric forecasting (nowcasting) of particularly severe weather conditions, to validate satellite weather forecasting algorithms, for the safety of air traffic, to monitor the characteristics of long-term atmospheric lightning and to study chemical processes in the atmosphere, including the production of nitrogen oxides.

Satellites in agriculture

AGEA (the Italian agricultural payments agency) and e-GEOS have developed an automated and continuous process that uses data from ESA's Sentinel satellite constellation, along with other sources, to verify the correctness of the commitments of individual farmers in relation to the subsidies provided by the CAP (Common Agricultural Policy), which are also linked to the type of crops for which there are both market and environmental sustainability requirements. In 2021 the control was carried out on almost a third of the national surface. e-GEOS, again on behalf of AGEA, is therefore proceeding with the continuous extraction of information to monitor agricultural activities on more than six million cultivated plots. The spatial screening is making more and more available new data and indicators, essential to implement agri-environmental, forestry and management policies, in line with the mitigation of the impact of climate change.

SURVEILLANCE AND EMERGENCY RESPONSE TECHNOLOGIES

Maritime surveillance

Leonardo's Falco EVO UAVs enable highly persistent monitoring and surveillance activities. Thanks to the ability to remain in flight continuously for almost 20 hours and the possibility to embark a wide variety of high performance sensors, the Falco EVO allows search and rescue activities to be carried out both near and far from the coast. In fact, the combined use of the Gabbiano radar and the electro-optical turret, together with an advanced mission system, guarantees the discovery and identification of small boats even at long distances. The satellite communication system allows the collection and sharing of data in the area of operations and the dissemination of information to command and control centres. The Falco EVO systems have been used for almost ten years for monitoring and surveillance of sensitive areas in the Democratic Republic of Congo, carrying out operations in support of humanitarian missions up to 600 km away from the main base. The system has also proved effective in support of emergency management operations and for the collection and distribution of information during the eruption of the Nyiragongo volcano. Leonardo is committed, together with the airworthiness and air traffic control authorities, to the development of procedures that ensure a full integration of UAVs in civil airspace.

Emergency Medical Services (EMS)

Leonardo's EMS helicopters are true "flying hospitals". The personnel on board have the tools to start the medical treatment of patients, stabilise them during the flight and send, through a data link and in real time, the clinical parameters to the hospital of destination. In this manner, the medical team on the ground will have all the information to intervene immediately after landing, thus saving time and ensuring patients a better chance of survival or avoiding permanent damage. The cabins can be configured with the latest generation of medical equipment: from ECMO (ExtraCorporeal Membrane Oxygenation) for blood oxygenation with extracorporeal circulation to intra-aortic balloon pump and neonatal incubators. Leonardo is working to also allow the installation on board of a portable CAT device in the future.

Integrated health emergency platform

Earth COgnitive system for COvid-19 (ECO4CO) is the platform proposed by Telespazio and e-GEOS, a subsidiary company formed by Telespazio (80%) and the Italian Space Agency (20%), which aims to integrate data from Earth observation and positioning satellites with non-satellite information generated by the web and social networks, using AI systems. In this way – while also using predictive analysis systems, autonomous acquisition of satellite data, as well as tracking and data learning capabilities – ECO4CO supports surveillance activities on aggregation areas (parks, markets, stadiums) to isolate new outbreaks of the epidemic, identifying any possible gatherings. In addition, through the Logistic Planning service, the platform is able to process forecasts on the emergency situation at regional level with prediction of future healthcare needs (e.g. drugs, beds) to support local authorities, from the latest trends of new positives, cured patients, deaths, hospitalised patients and intensive care saturation. In 2021, the service platform was set out and developed and the testing phase of the cloud-based operating system was completed.

Security for large events

Leonardo provides security solutions for large events. After Expo 2015, the 2009 L'Aquila G8, 1000Miglia 2020, and major sporting events such as the 2014 and 2018 Commonwealth Games, the 2014 Sochi Winter Olympic Games, the 2013 World Cycling Championships, and the 2006 Turin Winter Olympics, Leonardo was the technology partner of the 2021 World Alpine Ski Championships in Cortina to ensure event security, improving the quality of experience for athletes, the public, and the local community. Leonardo provided a complete advanced video surveillance and video analytics solution for all event sites, with real-time on-site data collection, analysis and classification of information. It also provided secure and reliable radio communications systems for the effective coordination of security activities and emergency response.

CORRELATION TABLE - NON-FINANCIAL STATEMENT

Leonardo's 2021 Consolidated Non-Financial Statement (NFS) is included in the Report on Operations of the 2021 Integrated Annual Report and is prepared in accordance with Legislative Decree 254/2016, which in turn implements the European Directive 2014/95. The topics required by Legislative Decree 254/2016 are dealt with in the document, consistently with their materiality with respect to the characteristics of the Group, giving evidence of the activities, performance, results and impacts.

Furthermore, the NFS is prepared in accordance with the GRI Standards (in accordance "core") and provides other indicators, in addition to the information prepared in accordance to the GRI Standards to comply with Articles 3 and 4 of the Legislative Decree 254/2016, that allow the measurement of the Group's performance in relation to material topics (in this regard, reference should be made to the paragraphs "ESG performance indicators", "SASB content index" and "Other indicators"). A correlation table is reported below, which sets out the references (document, chapter and paragraph) in which the information is published and related disclosures of the GRI Standards for each topic and scope prescribed by Legislative Decree 254/2016.

CORRELATION TABLE WITH LEGISLATIVE DECREE 254/2016

Keys
Note 1: Entire chapter included in the NFS.
RO = Report on Operations.
CGR = 2022 Corporate Governance Report (FY 2021).
MA (GRI Management Approach) = Disclosure 103-1, 103-2, 103-3 on management approach to material topics.

Topics under Legislative Decree 254/2016	Scope	Reference			GRI Standards disclosures
		Document	Chapter	Paragraph	
Reporting **standard** and **materiality** analysis	Environment, Social, Personnel, Human rights, Corruption	RO	Strategy and outlook	Materiality analysis	102-45; 102-46; 102-47; 102-49; 102-54; 102-55; 102-56
			Governance	Stakeholder engagement	
			Methodology note of the NFS	*Note 1*	
Business model for the management and organisation of company activities	Environment, Social, Personnel, Human rights, Corruption	RO	Group profile	*Note 1*	102-2; 102-4; 102-5;102-6; 102-7; 102-9; 102-10; 102-11; 102-12; 102-13; 102-18; 102-20; 102-40; 102-43; 102-44
			Governance	*Note 1*	
		CGR	Organisational Model as per Legislative Decree 231/2001	*Note 1*	
			Additional corporate governance practices	*Note 1*	

>>

>>

Topics under Legislative Decree 254/2016	Scope	Reference			GRI Standards disclosures
		Document	Chapter	Paragraph	
Company policies, including due diligence procedures, outcomes and related **key non-financial performance indicators**	Environment	RO	Strategy and outlook	Sustainability Plan	302-1; 302-3; 303-1; 303-2; 303-3; 303-4; 304-1; 305-1; 305-2; 305-3; 305-4; 305-5; 305-7; 306-1; 306-2; 306-3; 307-1; 308-1; MA series 300
			Group's results and financial position	ESG performance indicators	
			Planet	*Note 1*	
			Prosperity	Supply chain value	
	Social	RO	Strategy and outlook	Sustainability Plan	102-2; 102-4; 102-9; 102-10; 102-40; 102-42; 102-43; 102-44; 204-1; 415-1; 416-1; 418-1; MA series 200; MA series 400
			Prosperity	*Note 1*	
	Personnel	RO	Strategy and outlook	Sustainability Plan	102-4; 102-8; 102-41; 401-1; 401-3; 402-1; 403-1; 403-2; 403-3; 403-4; 403-5; 403-6; 403-7; 403-9; 404-1; 404-2; 405-1; 405-2; MA series 400
			Group's results and financial position	ESG performance indicators	
			People	*Note 1*	
	Human rights	RO	Strategy and outlook	Sustainability Plan	102-4; 102-9; 102-41; 407-1; 414-1; 418-1; MA series 400
			People	Respect for human rights	
		Code of Ethics			
	Corruption	RO	Strategy and outlook	Sustainability Plan	102-16; 102-17; 205-2; 205-3; 206-1; 415-1; MA series 200; MA series 400
			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	Strategy and outlook	Trend and vision to 2030	

>>

>>

Topics under Legislative Decree 254/2016	Scope	Reference			GRI Standards disclosures
		Document	Chapter	Paragraph	
Diversity in management and supervisory bodies		RO	Governance	Corporate governance	102-24; 405-1; MA series 400
			People	Enhancement of people and skills	
		CGR	Diversity criteria and policies	*Note 1*	

CORRELATION TABLE WITH MATERIAL TOPICS, SCOPE OF THE LEGISLATIVE DECREE 254/2016 AND GRI INDICATORS

Scope of Legislative Decree 254/2016	Material topic	Reference to GRI
Environment	Management of natural resources Climate change, adaptation and mitigation Sustainable supply chain R&D, innovation and advanced technologies (non-GRI topic) Citizens' security (non-GRI topic)	GRI 302, GRI 303, GRI 304, GRI 305, GRI 306, GRI 307, GRI 308
Social	Development of territories and communities Solutions' quality, safety and performance Cyber security and data protection Sustainable supply chain Citizens' security (non-GRI topic) Customer intimacy (non-GRI topic) Digital transformation (non-GRI topic) Business continuity (non-GRI topic)	GRI 414, GRI 416, GRI 418, GRI 201, GRI 203, GRI 204
Personnel	Working conditions and health and safety Well-being, inclusion and equal opportunities Skills and talent management	GRI 401, GRI 402, GRI 403, GRI 404, GRI 405
Human rights	Well-being, inclusion and equal opportunities Sustainable supply chain	GRI 405, GRI 407
Corruption	Sound corporate governance Responsible business conduct	GRI 205, GRI 206, GRI 207, GRI 415
Diversity in management and supervisory bodies	Sound corporate governance	GRI 405

EY S.p.A.
Via Lombardia, 31
00187 Roma

Tel: +39 06 324751
Fax: +39 06 324755504
ey.com

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 with article 5 of Consob Regulation adopted with Resolution n. 20267 of January 18, 2018 and on a selection of indicators

(*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 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, 2021 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 10, 2022 (hereinafter "DNF").

Our 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 art.8 of the European Regulation 2020/852.

We have also been appointed to perform a reasonable assurance engagement on a selection of indicators presented in the DNF (hereinafter also "Selection of Indicators"), identified in the paragraph "Methodological Note of the NFS" of the DNF itself and reported in section “B. Reasonable Assurance engagement on the Selection of Indicators" of this report.

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.

EY S.p.A.
Sede Legale: Via Meravigli, 12 – 20123 Milano
Sede Secondaria: Via Lombardia, 31 – 00187 Roma
Capitale Sociale Euro 2.525.000,00 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
Iscritta all’Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

A member firm of Ernst & Young Global Limited

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

A. Limited assurance engagement on the DNF
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 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 evidence;
     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 Wytwornia Sprzetu Komunikacyjnego "PZL-Swidnik" Spolka Akcyjna (Świdnik site – Helicopters division) and Leonardo S.p.A. (La Spezia and Campi Bisenzio sites – Electronics division; Pomigliano site – Aerostructures division; Venegono Superiore site – Aircrafts 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.

B. Reasonable assurance engagement on the Selection of Indicators
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 as described in the paragraph "Methodological Note of the NFS".
We conducted our engagement in accordance with the ISAE 3000 Revised, issued by International Auditing and Assurance Standards Board (IAASB) for reasonable assurance engagements. This standard requires that we plan and perform our engagement to obtain a reasonable assurance about

whether the Selection of Indicators is free from material misstatement. As part of our engagement, we have carried out procedures aimed at obtaining evidence on the data and information subjected to reasonable assurance. 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.

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.

Conclusion on the limited assurance engagement on the DNF

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, 2021 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 conclusions 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 art.8 of the European Regulation 2020/852.

Opinion on the Selection of Indicators

Regarding the procedures described in the section "B. Reasonable Assurance engagement on the Selection of Indicators", in our opinion, the Selection of Indicators presented in the DNF of the Group, identified in the paragraph "Methodological Note of the NFS" of the DNF itself and reported in section "B. Reasonable Assurance engagement on the Selection of Indicators" of this report for the year ended on December 31, 2021 has been prepared, in all material aspects, in accordance with the GRI Standards.

Other aspects

The DNF for the years ended on December 31, 2019 and December 31, 2020, whose data are presented for comparative purpose, have been subject to limited assurance procedures by another auditor, who expressed unqualified conclusion on March 13, 2020 and March 11, 2021, respectively.

Rome, March 15, 2022

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.

PERFORMANCE OF THE PARENT COMPANY

The KPIs for the period and the main changes that characterised the Parent Company's performance compared to 2020 are reported below.

€ millions	2020	2021	Change %
New orders	8,362	9,206	10.1%
Order backlog	27,160	26,480	(2.5%)
Revenues	8,654	9,332	7.8%
EBITDA	811	823	1.5%
EBITA	404	437	8.2%
ROS	*4.7%*	*4.7%*	*0.0 p.p.*
EBIT	50	306	512.0%
EBIT margin	*0.6%*	*3.3%*	*2.7 p.p.*
Net result before extraordinary transactions	(93)	177	290.3%
Net result	(93)	177	290.3%
Net debt	4,114	4,237	3.0%
FOCF	(48)	104	316.7%
ROI	*4.1%*	*4.4%*	*0.3 p.p.*
Workforce	29,227	29,739	1.8%

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 2021 confirmed the forecasts of a recovery in growth reported in the financial statements as at 31 December 2020, showing an improvement in the Company's industrial performance in 2021.

Despite the continuation of the effects of the pandemic and of the consequent government rules restricting movements in 2021 too, the Company confirmed, thanks to the strength and diversification of its portfolio of products, a growing commercial and industrial performance, even compared to the pre-pandemic period, excluding for the civil business segment of the Aeronautics sector, which was still impacted by the continuation of the abovementioned effects.

The volume of new orders stood at excellent levels, thus confirming the good competitive positioning of the Company's products and solutions, with revenues rising in all the main business areas, with the exception of the civil aviation component, which continued to be affected by low volumes of demand from the main market operators.

In particular:

- new orders, equal to €mil. 9,206, showed an improvement of 10.1% compared to 2020 (€mil. 8,362);
- revenues, equal to €mil. 9,332, showed, compared to 2020 (€mil. 8,654), an increase of 7.8%;
- operating profits remained unchanged at 4.7% compared to 2020;
- EBITA recorded an increase of 8.2%, equal to €mil. 33, compared to 2020;
- EBIT, equal to €mil. 306, showed, compared to 2020, an increase of €mil. 256, despite the recognition of costs, for amounts substantially in line with the previous year, generated by alignment with governmental guidelines on health protection and prevention of the spread of COVID-19. EBIT was also affected by the impact of restructuring costs associated with the agreements for early retirement of the Aerostructures Division's workforce on a voluntary basis (about €mil. 70) as part of the wider restructuring plan for the division;
- the net result of €mil. 177 (against a loss of €mil. 93 at 31 December 2020) benefitted from improved EBIT and a reduction in net financial costs, which partially offset the negative change in tax;
- the Company's net debt at 31 December 2021 stood at €mil. 4,237, showing an increase of 3% (€mil. 4,114 at 31 December 2020).

RECLASSIFIED INCOME STATEMENT

€ millions	Notes	2020	2021	Change	Change %
Revenues		8,654	9,332	678	7.8%
Purchase and personnel expenses	(*)	(7,807)	(8,409)		
Other net operating income/(expenses)	(**)	(36)	(100)		
Amortisation, depreciation and write-offs	(***)	(407)	(386)		
EBITA		**404**	**437**	**33**	**8.2%**
ROS		*4.7%*	*4.7%*	*0.0 p.p.*	
Non-recurring income/(expenses)		(318)	(49)		
Restructuring costs		(32)	(80)		
Amortisation of intangible assets acquired as part of business combinations		(4)	(2)		
EBIT		**50**	**306**	**256**	**512.0%**
EBIT margin		*0.6%*	*3.3%*	*2.7 p.p.*	
Net financial income/(expenses)	(****)	(170)	(93)		
Income taxes		27	(36)		
Net result		**(93)**	**177**	**270**	**290.3%**

Notes to the reconciliation between the reclassified and the statutory income statements.
(*) Includes "Purchase and personnel expenses" (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/(expenses) and accruals/(reversals) for onerous contracts (losses at completion).
(***) Includes "Amortisation, depreciation and impairment losses and financial assets value adjustments", 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" and "Financial expenses" (net of the gains and losses relating to extraordinary transactions).

RECLASSIFIED CASH FLOW STATEMENTS

€ millions	Notes	2020	2021	Change	Change %
Cash flows generated from/(used in) operating activities	(*)	(12)	408		
Dividends received		58	63		
Cash flows from ordinary investing activities	(**)	(94)	(367)		
Free Operating Cash Flow (FOCF)		**(48)**	**104**	**152**	**316.7%**
Strategic transactions	(***)	(199)	(3)		
Change in other investing activities	(****)	162	(326)		
Net change in loans and borrowings		421	431		
Dividends paid		(81)	-		
Net increase/(decrease) in cash and cash equivalents		**255**	**206**		
Cash and cash equivalents at 1 January		1,407	1,663		
Exchange-rate differences and other changes		1	6		
Cash and cash equivalents at 31 December		**1,663**	**1,875**		

Notes to the reconciliation between the reclassified and the statutory cash flow statements.
(*) 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 debt payments pursuant to Law 808/1985 and net of dividends collected.
(***) Includes "Other investing activities" classified as "Strategic transactions".
(****) Includes "Other investing activities", excluding dividends collected.

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

€ millions	Notes	31 December 2020	31 December 2021
Non-current assets		12,777	12,967
Non-current liabilities		(1,345)	(1,657)
Capital assets	(*)	**11,432**	**11,310**
Inventories	(**)	44	68
Trade receivables		2,970	2,985
Trade payables		(3,063)	(2,742)
Working capital		**(49)**	**311**
Provisions for short-term risks and charges		(945)	(850)
Other net current assets/(liabilities)	(***)	(407)	(735)
Net working capital		**(1,401)**	**(1,274)**
Net invested capital		**10,031**	**10,036**
Equity		**5,917**	**6,036**
Net debt		**4,114**	**4,237**
Net (assets)/liabilities held for sale	(****)	-	**(237)**

Notes to the reconciliation between the reclassified and the statutory statements of financial position.
(*) 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".

Below is the breakdown of the net debt:

€ millions	31 December 2020	*Of which current*	31 December 2021	*Of which current*
Bonds	2,969	*827*	2,208	*619*
Bank debt	896	*48*	1,648	*49*
Cash and cash equivalents	(1,663)	*(1,663)*	(1,875)	*(1,875)*
Net bank debt and bonds	**2,202**		**1.981**	
Current loans and receivables from related parties	(463)	*(463)*	(63)	*(63)*
Other current loans and receivables	(10)	*(10)*	(14)	*(14)*
Current loans and receivables and securities	**(473)**		**(77)**	
Forex derivatives covering debt items	(6)		(8)	
Non-current financial receivables from Group's consolidated entities	(237)		(430)	
Related party loans and borrowings	1,921	*1,821*	2,148	*1,994*
Lease liabilities from related parties	496	*105*	437	*119*
Lease liabilities	104	*22*	100	*25*
Other financial debts	107	*52*	86	*29*
Net debt	**4,114**		**4,237**	

The reconciliation with the net financial position required by CONSOB Communication DEM/6064293 of 28 July 2006, updated by the provisions of ESMA guidelines 32-382-1138 of 4 March 2021 as implemented by CONSOB warning notice 5/2021 of 29 April 2021, is provided in Note 21.

As detailed in Note 5 to the separate financial statements, to which reference should be made, "Bonds" showed a reduction as a result of the subsequent repayment of the remaining amount of €mil. 739 of a bond issue, which had been launched in 2013 for an initial amount of €mil. 950 and which reached its natural expiry in January 2021; the increase in "Bank debt" was due to the use of the loan of €mil. 200 taken out with the European Investment Bank (EIB) in December 2020 and the use of a new Term Loan of €mil. 600 signed in December 2021.

As at 31 December 2021 Leonardo had credit facilities available for a total of about €mil. 3,210 to meet the financing needs of the Group's recurring operations, broken down as follows: an ESG-linked Revolving Credit Facility totalling €mil. 2,400, divided into two tranches, and additional unconfirmed short-term lines of credit of about €mil. 810. Finally, Leonardo has unconfirmed lines of credit for guarantees for a total of €mil. 10,332, an amount of €mil. 3,578 of which was available at 31 December 2021.

Below are reported the statements of reconciliation between the line items of the reclassified statements with the statutory financial statements for financial year 2021 of Leonardo SpA.

€ millions	Scheme	PPA amortisation	Restructuring and non-recurring costs	Onerous contracts (losses at completion)	Reclassified scheme
Revenues	9,332				9,332
Purchase and personnel expenses	(8,605)		129	67	(8,409)
Other net operating income/(expenses)	(33)			(67)	(100)
Equity-accounted strategic JVs					
Amortisation, depreciation and write-offs	(388)	2			(386)
EBITA					**437**
Non-recurring income/(expenses)			(49)		(49)
Restructuring costs			(80)		(80)
Amortisation of intangible assets acquired as part of business combinations		(2)			(2)
EBIT					**306**
Net financial income/(expenses)	(93)				(93)
Income taxes	(36)				(36)
Net result before extraordinary transactions					**177**
Net result related to discontinued operations and extraordinary transactions					
Net result	**177**				**177**

€ millions	Scheme	Financial receivables and cash	Financial payables	Hedging derivatives on debt items	Reclassified scheme
Non-current assets	13,395	(428)			12,967
Non-current liabilities	(5,450)				(1,657)
Capital assets			**3,793**		**11,310**
Current assets	12,232	(1,953)		(8)	10,271
Current liabilities	(14,378)		2,833		(11,545)
Net working capital					**(1,274)**
Total equity	**6,036**				**6,036**
Net debt		**(2,381)**	**6,626**	**(8)**	**4,237**
Net (assets)/liabilities held for sale	**(237)**				**(237)**

€ millions	Scheme	Dividends received	Cash out from Law 808/1985 payables	Strategic transactions	Reclassified scheme
Cash flows generated from/(used in) operating activities	**408**				**408**
Dividends received		63			63
Investments in property, plant and equipment and intangible assets	371				
Sales of property, plant and equipment and intangible assets	(4)				
Cash flows from ordinary investing activities	(367)				(367)
Free Operating Cash Flow (FOCF)					**104**
Strategic transactions				(3)	(3)
Other (investing)/disinvesting activities	(266)	(63)		3	(326)
Cash flows generated from/(used in) investing activities	**(633)**				
Bond issue					
EIB loan and Term Loan subscription	800				
Bond buy repayments	(739)				
Net change in other loans and borrowings	104				
Net change in loans and borrowings	165				165
Dividends paid					
Cash flows generated from/(used in) financing activities	**165**				
Net increase/(decrease) in cash and cash equivalents	206				206
Exchange-rate differences and other changes	6				6
Cash and cash equivalents at 1 January	1,663				1,663
Cash and cash equivalents at 31 December	**1,875**				**1,875**

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 2021

€ millions	2021	
	Equity	of which: Net profit/ (loss) for the year
Group Parent equity and net profit/(loss)	6,036	177
Excess of shareholders' equities in the annual financial statements compared with the carrying amounts of the equity investments in consolidated companies	(2,811)	411
Consolidation adjustments for:		
-difference between purchase price and corresponding book equity	3,355	(15)
-elimination of intercompany profits	106	139
-deferred tax assets and liabilities	-	-
-dividends from consolidated companies	-	(126)
-translation differences	(258)	-
Group equity and net profit/(loss)	**6,428**	**586**
Non-controlling interests	27	1
Total consolidated equity and net profit/(loss)	**6,455**	**587**

PROPOSAL TO THE SHAREHOLDERS' MEETING

Dear Shareholders,

The 2021 financial statements, which we submit for your approval, close with a net profit of € 177,237,632.93. 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 2021;
› having acknowledged the report of EY SpA;

resolves

› to approve the Directors' Report on Operations and the financial statements at 31 December 2021;
› to approve the proposal posed by the Board of Directors of allocating the profit of € 177,237,632.93 for the 2021 financial year as follows:
  › as to € 8,861,881.65, equal to 5% of the profit, to legal reserve;
  › as to € 0.14, on account of dividend, by paying it, including any withholding prescribed by law, as from 22 June 2022, with "detachment date" of coupon no. 12 falling on 20 June 2022 and "record date" (i.e. date on which the dividend is payable, pursuant to Article 83-*terdecies* of Legislative Decree 58 of 24 February 1998 and Article 2.6.6, paragraph 2, of the Market Regulation organised and managed by Borsa Italiana SpA) falling on 21 June 2022; 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
(Luciano Carta)

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2021

CONSOLIDATED ACCOUNTING STATEMENTS

CONSOLIDATED SEPARATE INCOME STATEMENTS

€ millions	Notes	2020	*Of which with related parties*	2021	*Of which with related parties*
Revenues	*27*	13,410	*1,738*	14,135	*1,818*
Other operating income	*28*	655	*14*	573	*5*
Purchase and personnel expenses	*29*	(11,984)	*(1,169)*	(12,770)	*(1,134)*
Amortisation, depreciation and financial assets value adjustments	*30*	(795)		(525)	
Other operating expenses	*28*	(792)	*(1)*	(626)	-
Income before tax and financial expenses		**494**		**787**	
Financial income	*31*	147	*2*	137	*1*
Financial expenses	*31*	(414)	*(4)*	(309)	*(4)*
Share of profits/(losses) of equity-accounted investees	*12*	26		138	
Operating profit/(loss) before income taxes and discontinued operations		**253**		**753**	
Income taxes	*32*	(12)		(166)	
Profit/(Loss) from discontinued operations	*33*	2		-	
Net profit/(loss) for the period attributable to:		**243**		**587**	
-owners of the parent		*241*		*586*	
-non-controlling interests		*2*		*1*	
Earnings/(Losses) per share	*34*	**0.419**		**1.019**	
Basic and diluted from continuing operations		*0.416*		*1.019*	
Basic and diluted from discontinued operations		*0.003*		*0.000*	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ millions	Notes		2020		2021
Profit/(Loss) for the period			**243**		**587**
Other comprehensive income/(expenses):					
Comprehensive income/(expenses) which will not be subsequently reclassified within the profit/(loss) for the period:					
-measurement of defined-benefit plans:	20		121		305
. revaluation		*117*		*293*	
. exchange-rate gains/(losses)		*4*		*12*	
-tax effect	20		(28)		(91)
-tax rate adjustment			-		-
			93		**214**
Comprehensive income/(expenses) which will or might be subsequently reclassified within the profit/(loss) for the period:					
-changes in cash flow hedges:	20		85		(61)
. change generated in the period		*128*		*(90)*	
. transferred to the profit/(loss) for the period		*(43)*		*28*	
. exchange-rate gains/(losses)		*-*		*1*	
-translation differences:	20		(331)		327
. change generated in the period		*(331)*		*327*	
. transferred to the profit/(loss) for the period		*-*		*-*	
-tax effect and other movements	20		(29)		24
			(275)		**280**
Current portion of "Other comprehensive income/(expenses)", equity-accounted investees			(38)		73
Total other comprehensive income/(expenses), net of tax			**(220)**		**567**
Total comprehensive income/(expenses), attributable to:			**23**		**1,154**
-owners of the parent			*21*		*1,153*
-non-controlling interests			*2*		*1*
Total comprehensive income/(expenses), attributable to owners of the parent:			**21**		**1.153**
-from continuing operations			*19*		*1,153*
-from discontinued operations			*2*		*-*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ millions	Notes	31 December 2020	*Of which with related parties*	31 December 2021	*Of which with related parties*
Intangible assets	*9*	6,647		7,079	
Property, plant and equipment	*10*	2,015		2,122	
Investment property		70		46	
Right of use	*11*	527		530	
Investments accounted for under equity method	*12*	1,066		1,319	
Receivables	*13*	412	*8*	619	*13*
Deferred tax assets	*32*	1,093		1,035	
Other non-current assets	*13*	53		60	
Non-current assets		**11,883**		**12,810**	
Inventories	*15*	5,882		5,486	
Contract assets	*16*	3,059		3,748	
Trade receivables	*17*	3,033	*663*	3,203	*640*
Income tax receivables		116		86	
Loans and receivables	*17*	167	*149*	61	*45*
Other current assets	*18*	648	*75*	489	*6*
Cash and cash equivalents	*19*	2,213		2,479	
Current assets		**15,118**		**15,552**	
Non-current assets held for sale	*33*	72		17	
Total assets		**27,073**		**28,379**	
Share capital	*20*	2,498		2,499	
Other reserves		2,769		3,929	
Equity attributable to owners of the parent		**5,267**		**6,428**	
Equity attributable to non-controlling interests		**11**		**27**	
Total equity		**5,278**		**6,455**	
Borrowings (non-current)	*21*	3,880	*127*	4,112	*126*
Employee benefits	*23*	400		362	
Provisions for risks and charges	*22*	584		583	
Deferred tax liabilities	*32*	233		340	
Other non-current liabilities	*24*	779		931	
Non-current liabilities		**5,876**		**6,328**	
Contract liabilities	*16*	7,777		7,942	
Trade payables	*25*	3,619	*359*	3,372	*347*
Borrowings (current)	*21*	1,824	*784*	1,558	*760*
Income tax payables		37		44	
Provisions for short-term risks and charges	*22*	1,318		1,111	
Other current liabilities	*24*	1,319	*12*	1,569	*12*
Current liabilities		**15,894**		**15,596**	
Liabilities associated with assets held for sale	*33*	25		-	
Total liabilities		**21,795**		**21,924**	
Total liabilities and equity		**27,073**		**28,379**	

CONSOLIDATED STATEMENT OF CASH FLOWS

€ millions	Notes	2020	*Of which with related parties*	2021	*Of which with related parties*
Gross cash flows from operating activities	*35*	1,701		1,623	
Change in trade receivables/payables, contract assets/liabilities and inventories	*35*	(656)	*(117)*	(643)	*1*
Change in other operating assets and liabilities and provisions for risks and charges	*35*	(425)	*(112)*	(2)	*78*
Interest paid		(247)	*(2)*	(183)	*(3)*
Income taxes received/(paid)		(98)		(53)	
Cash flows generated from/(used in) operating activities		**275**		**742**	
Investments in property, plant and equipment and intangible assets		(311)		(615)	
Sales of property, plant and equipment and intangible assets		18		19	
Other (investing)/disinvesting activities	*35*	(145)		55	
Cash flows generated from/(used in) investing activities		**(438)**		**(541)**	
Bond issue	*21*	492		-	
EIB loan and Term Loan subscription	*21*	-		800	
CDP loan	*21*	100	*100*	-	
Bond redemption	*21*	-		(739)	
Net change in other borrowings		(51)	*65*	(31)	*73*
Dividends paid		(81)		-	
Cash flows generated from/(used in) financing activities		**460**		**30**	
Net increase/(decrease) in cash and cash equivalents		**297**		**231**	
Exchange-rate differences and other changes		(46)		35	
Cash and cash equivalents at 1 January		1,962		2,213	
Cash and cash equivalents at 31 December		**2,213**		**2,479**	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ millions	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 2020	**2,496**	**3,427**	**(70)**	**(274)**	**(256)**	**5,323**	**11**	**5,334**
Profit/(Loss) for the period	-	241	-	-	-	241	2	243
Other comprehensive income/(expenses)	-	(8)	75	55	(342)	(220)	-	(220)
Total comprehensive income/(expenses)	**-**	**233**	**75**	**55**	**(342)**	**21**	**2**	**23**
Dividends resolved	-	(80)	-	-	-	(80)	(1)	(81)
Repurchase of treasury shares less shares sold	2	-	-	-	-	2	-	2
Total transactions with owners of the parent, recognised directly in equity	**2**	**(80)**	**-**	**-**	**-**	**(78)**	**(1)**	**(79)**
Other changes	-	(6)	-	7	-	1	(1)	-
31 December 2020 *(Note 20)*	**2,498**	**3,574**	**5**	**(212)**	**(598)**	**5,267**	**11**	**5,278**
1 January 2021	**2,498**	**3,574**	**5**	**(212)**	**(598)**	**5,267**	**11**	**5,278**
Profit/(Loss) for the period	-	586	-	-	-	586	1	587
Other comprehensive income/(expenses)	-	18	(58)	267	340	567	-	567
Total comprehensive income/(expenses)	**-**	**604**	**(58)**	**267**	**340**	**1,153**	**1**	**1,154**
Dividends resolved	-	-	-	-	-	-	-	-
Repurchase of treasury shares less shares sold	1	-	-	-	-	1	-	1
Total transactions with owners of the parent, recognised directly in equity	**1**	**-**	**-**	**-**	**-**	**1**	**-**	**1**
Other changes	-	7	-	-	-	7	15	22
31 December 2021 *(Note 20)*	**2,499**	**4,185**	**(53)**	**55**	**(258)**	**6,428**	**27**	**6,455**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2021

1. General information

Leonardo SpA (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 organisation operating in the *Helicopters*, *Defence Electronics & Security*, *Aeronautics* 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 statement of financial position 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 2020 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 2021 of the Leonardo Group were approved by the Board of Directors on 10 March 2022 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 2021 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 United States, 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 SpA – 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 reorganisations 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. consortiums without shares and controlling interests in equity consortiums 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 its 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 realised 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 & Security*, *Aeronautics*, *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, a situation not applicable to the Group) 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 2020		31 December 2021		Change %	
	average	final	average	final	average	final
US dollar	1.1422	1.2271	1.1827	1.1326	3.5%	(7.7%)
Pound sterling	0.8897	0.8990	0.8596	0.8403	(3.4%)	(6.5%)

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 PATENTS 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 capitalised 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 and 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, modernisation or improvement of owned or leased structural assets are only capitalised 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 an 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 of 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

Revenues from contracts with customers are 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 revenues 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;
- "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, revenues are 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 Helicopters 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:

- financial assets at 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 or through financial techniques and models.

3.11 Derivatives

Derivatives are always stated at fair value through profit or loss unless they are deemed effective hedges 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 statement of financial position 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 HEDGES

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 HEDGES

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 jeopardise 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 statement of financial position 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 co-ordinated 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

Starting from 1 January 2021, amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 became effective within the scope of the Interest Rate Benchmark Reform - Phase 2. The amendments include the temporary lightening of requirements with respect to the effect on the financial statements when the interest rate offered in the interbank market (IBOR) is replaced by an alternative rate that is substantially risk free (Risk Free Rate - RFR). These amendments have no impact on the Group's consolidated financial statements.

Furthermore, on 31 March 2021, the IASB extended the period of application of the practical expedient under IFRS 16 related to "COVID-19 Related Rent Concessions", originally applicable to concessions through 30 June 2021, until 30 June 2022. However, the Group did not receive any COVID-19 related rent concessions.

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 significant 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 management

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 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 finalised, 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 time-frame 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 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 characterised 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. Therefore, climate change considerations are also included.

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

During the period there were no significant changes in the accounting standards applied by the Group.

6. Significant non-recurring events and transactions

With reference to the main transactions carried out during the period, on 24 April 2021 Leonardo entered into an agreement with Square Lux Holding II Sàrl, a company controlled by funds advised by Kohlberg Kravis & Roberts & Co. LP, to purchase a 25.1% stake in Hensoldt AG. The completion of the transaction took place on 3 January 2022.

Taking into account the mid-term impacts of the pandemic on the civil sector and considering the changed prospects for the commercial aviation market, Leonardo has embarked on the announced actions aimed at mitigating the impact on the industrial performance of the Aerostructures Division. In this context, on 21 July 2021 trade union agreements were signed to make operational the instruments identified for the early retirement of employees on a voluntary basis. Such agreements will involve up to a maximum of 390 employees who will meet the criteria for early retirement in the three-year period 2021-2023, with an estimated cost of around €mil. 71.

In November 2021 the Indian Ministry lifted the ban on the Leonardo Group entering the Indian market, which is why it is no longer considered convenient or consistent to bring an action against the Indian government which would, however, have taken a very long time and had uncertain chances of success. As a result of the position taken – considering that it would have been more convenient for the Group to return as an accredited player in the Indiana area – Leonardo incurred costs associated with the write-down of residual exposures amounting to approximately €mil. 33.

7. Significant post-balance sheet events

On 3 January 2022 Leonardo completed the acquisition of 25.1% of Hensoldt AG paying the amount of €mil. 606, net of transaction costs equal to € 23 per share.

Following the offensive launched by the Russian government against Ukraine, profound changes in the context of the world's geopolitical and economic equilibrium are looming up.

On the one hand, the process of integration and creation of a European Defence and Security and, at the same time, the increase in defence spending in EU and neighboring countries could be accelerated, creating opportunities for companies operating in the sector. On the other hand, Ukraine and Russia currently represent high-risk counterparts, partly due – in the case of Russia – to the numerous logistical and economic sanctions imposed by the European Union, other countries and other international bodies.

Leonardo currently has no significant exposure to these two countries. Specifically, the balance sheet exposure at 31 December 2021 to Ukraine is zero and the net balance sheet exposure to operators directly affected by the sanction regime against Russia is approximately €mil. 30. The order backlog with Russia is about €mil. 25, while the backlog with Ukraine is about €mil. 8.

8. Segment information

The divisions and companies through which the Group operates are aggregated, for the purposes of internal and external reporting, into the four business sectors of reference: *Helicopters*, *Defence Electronics & Security*, *Aeronautics* 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 revenues and EBITA (please also see the paragraph "'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 have been included within the EBITA of the sectors to which these JVs belong; conversely, these sectors do not reflect the relevant share of revenues.

The results for the operating sectors at 31 December 2021, as compared to 2020, are as follows:

	Helicopters	Defence Electronics & Security	Aeronautics	Space	Other Activities	Eliminations	Total
31 December 2020							
Revenues	3,972	6,525	3,393	-	407	(887)	13,410
Inter-segment revenues (*)	(9)	(545)	(16)	-	(317)	887	-
Third-party revenues	**3,963**	**5,980**	**3,377**	**-**	**90**	**-**	**13,410**
EBITA	383	537	200	23	(205)	-	938
Investments (**)	176	219	(23)	-	93	-	465
Non-current assets (***)	3,434	3,460	916	-	922	-	8,732

	Helicopters	Defence Electronics & Security	Aeronautics	Space	Other Activities	Eliminations	Total
31 December 2021							
Revenues	4,157	6,944	3,622	-	377	(965)	14,135
Inter-segment revenues (*)	(8)	(636)	(4)	-	(317)	965	-
Third-party revenues	**4,149**	**6,308**	**3,618**	**-**	**60**	**-**	**14,135**
EBITA	406	703	205	62	(253)	-	1,123
Investments (**)	234	261	86	-	95	-	676
Non-current assets (***)	3,694	3,740	924	-	889	-	9,247

(*) Inter-segment revenues include revenues among Group consolidated undertakings belonging to various business sectors.
(**) Investments relate to intangible assets and property, plant and equipment as well as to investment property (net of grants ascertained on these items).
(***) The portion of non-current assets relates to intangible assets and property, plant and equipment as well as to investment property.

The reconciliation of EBITA, EBIT and earnings before income taxes and financial expenses for the periods concerned is shown below:

	Helicopters	Defence Electronics & Security	Aeronautics	Space	Other Activities	Total
2020						
EBITA	383	537	200	23	(205)	938
Amortisation of intangible assets acquired as part of business combinations	(9)	(18)	-	-	-	(27)
Restructuring costs	(10)	(23)	(26)	-	(2)	(61)
Non-recurring income/(expenses)	(17)	(48)	(264)	-	(4)	(333)
EBIT	**347**	**448**	**(90)**	**23**	**(211)**	**517**
Equity-accounted strategic JVs	-	(69)	69	(23)	-	(23)
Income before tax and financial expenses	**347**	**379**	**(21)**	**-**	**(211)**	**494**

	Helicopters	Defence Electronics & Security	Aeronautics	Space	Other Activities	Total
2021						
EBITA	406	703	205	62	(253)	1,123
Amortisation of intangible assets acquired as part of business combinations	(5)	(17)	-	-	-	(22)
Restructuring costs	-	(16)	(71)	-	(2)	(89)
Non-recurring income/(expenses)	(49)	(23)	(26)	-	(3)	(101)
EBIT	**352**	**647**	**108**	**62**	**(258)**	**911**
Equity-accounted strategic JVs	-	(86)	24	(62)	-	(124)
Income before tax and financial expenses	**352**	**561**	**132**	**-**	**(258)**	**787**

Below is the breakdown of revenues by geographical area (based on the customer's home country) and relevant sector:

	Helicopters	Defence Electronics & Security	Aeronautics	Other Activities	Eliminations	Total
31 December 2020						
Italy	705	1,574	260	398	(709)	2,228
United Kingdom	632	826	-	-	(174)	1,284
Rest of Europe	1,248	821	791	5	-	2,865
United States	381	2,531	920	1	(4)	3,829
Rest of the world	1,006	773	1,422	3	-	3,204
Revenues	**3,972**	**6,525**	**3,393**	**407**	**(887)**	**13,410**
Inter-segment revenues (*)	(9)	(545)	(16)	(317)	887	-
Third-party revenues	**3,963**	**5,980**	**3,377**	**90**	**-**	**13,410**

	Helicopters	Defence Electronics & Security	Aeronautics	Other Activities	Eliminations	Total
31 December 2021						
Italy	824	1,734	240	372	(770)	2,400
United Kingdom	511	1,008	-	-	(194)	1,325
Rest of Europe	1,172	989	897	4	(2)	3,060
United States	335	2,653	606	1	(6)	3,589
Rest of the world	1,315	560	1,879	-	7	3,761
Revenues	**4,157**	**6,944**	**3,622**	**377**	**(965)**	**14,135**
Inter-segment revenues (*)	(8)	(636)	(4)	(317)	965	-
Third-party revenues	**4,149**	**6,308**	**3,618**	**60**	**-**	**14,135**

(*) Inter-segment revenues include revenues 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 2020	31 December 2021
Italy	4,723	5,066
United Kingdom	1,722	1,789
Rest of Europe	384	467
United States	1,885	1,906
Rest of the world	18	19
	8,732	**9,247**

9. Intangible assets

	Goodwill	Development costs	Non-recurring costs	Concessions, licences and trademarks	Acquired through business combinations	Other intangible assets	Total
1 January 2020							
Cost	6,117	1,269	2,435	635	1,363	486	**12,305**
Depreciation	-	(628)	(508)	(416)	(1,058)	(353)	**(2,963)**
Impairment losses	(2,292)	(138)	(122)	-	-	(26)	**(2,578)**
Carrying amount	**3,825**	**503**	**1,805**	**219**	**305**	**107**	**6,764**
Investments (net of grants)	-	121	(18)	10	-	47	**160**
Sales	-	(2)	-	-	-	-	**(2)**
Amortisation	-	(26)	(48)	(17)	(27)	(29)	**(147)**
Impairment losses	-	(62)	(8)	-	-	-	**(70)**
Increase for business combinations (*)	-	193	-	-	-	3	**196**
Other changes	(197)	(14)	(21)	(1)	(12)	(9)	**(254)**
31 December 2020	**3,628**	**713**	**1,710**	**211**	**266**	**119**	**6,647**
Broken down as follows:							
Cost	6,085	1,556	2,355	650	1,275	518	**12,439**
Depreciation	-	(707)	(479)	(439)	(1,009)	(372)	**(3,006)**
Impairment losses	(2,457)	(136)	(166)	-	-	(27)	**(2,786)**
Carrying amount	**3,628**	**713**	**1,710**	**211**	**266**	**119**	**6,647**
Investments (net of grants)	-	160	118	13	-	63	**354**
Sales	-	(2)	-	-	-	(1)	**(3)**
Amortisation	-	(33)	(45)	(19)	(22)	(31)	**(150)**
Impairment losses	-	(11)	(30)	-	-	1	**(40)**
Increase for business combinations	13	-	-	-	-	5	**18**
Other changes	195	22	7	23	16	(10)	**253**
31 December 2021	**3,836**	**849**	**1,760**	**228**	**260**	**146**	**7,079**
Broken down as follows:							
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**
31 December 2020							
Gross value			4,707				
Grants			2,997				
31 December 2021							
Gross value			4,794				
Grants			3,034				

(*) Increases from business combinations, net of reclassification to "Assets held for sale".

The investments for the period are stated net of related grants, which determined in 2021 a net debit balance in relation to non-recurring costs, attributable to the Aeronautics sector. Commitments are in place for the purchase of intangible assets for €mil. 33 at 31 December 2021 (€mil. 14 at 31 December 2020). The impairment of non-recurring costs mainly refers to write-downs linked to programmes in the Defence Electronics & Security sector.

As set out in Note 4.1, to which reference is made, development costs and non-recurring costs 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 four business segments.

Below is the breakdown of goodwill by segment at 31 December 2021 and 2020:

	31 December 2020	31 December 2021
Helicopters	1,237	1,266
Defence Electronics & Security	2,331	2,510
DRS	*1,364*	*1,490*
Leonardo divisions	*967*	*1,020*
Aeronautics	60	60
	3,628	**3,836**

The net increase compared to 31 December 2020 was mainly due to the foreign currency translation differences on goodwill denominated in USD and GBP. Goodwill is subject to impairment testing to determine any loss in value. This is done by individual CGUs 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 expenses 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, 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 most 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 2021 and 2020:

	31 December 2020		31 December 2021	
	WACC	**g-rate**	**WACC**	**g-rate**
Helicopters	7.2%	2.0%	7.0%	2.0%
Defence Electronics & Security				
DRS	*7.7%*	*2.0%*	*7.5%*	*2.0%*
Leonardo divisions	*6.2%*	*2.0%*	*6.1%*	*2.0%*
Aeronautics	6.7%	2.0%	6.7%	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 2021 and 2020 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.

	Margin (base case)	Margin post sensitivity		
		WACC	g-rate	ROS TV
31 December 2020				
Helicopters	1,291	868	942	1,066
Defence Electronics & Security				
DRS (USD millions)	*2,100*	*1,731*	*1,818*	*1,881*
Leonardo divisions	*10,374*	*8,933*	*9,145*	*9,985*
Aeronautics	6,932	6,325	6,417	6,683

	Margin (base case)	Margin post sensitivity		
		WACC	g-rate	ROS TV
31 December 2021				
Helicopters	1,652	1,128	1,213	1,429
Defence Electronics & Security				
DRS (USD millions)	*2,938*	*2,499*	*2,588*	*2,700*
Leonardo divisions	*11,950*	*10,289*	*10,528*	*11,517*
Aeronautics	7,667	7,030	7,129	7,423

Development costs and non-recurring costs

Investments in "Development costs" refer to the *Defence Electronics & Security* and *Helicopters* sectors (€mil. 65 and €mil. 95, respectively). The increase in "Non-recurring costs" mainly refers to the *Helicopters* sector for €mil. 76 and the *Defence Electronics & Security* sector for €mil. 31. 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 808/1985 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 *Defence Electronics & Security* 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.

Total research and development costs, comprising also "Development costs" and "Non-recurring costs" just mentioned, are equal to €mil. 1,803.

Other items of intangible assets

“Concessions, licences and trademarks” include in particular the value of licenses acquired in previous years in the *Helicopters* segment. 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).

Intangible assets acquired in the course of business combinations mainly decreased as a result of the amortisation. Below is a breakdown of these assets:

	31 December 2020	31 December 2021
Know-how	85	80
Trademarks	43	42
Backlog and commercial positioning	138	138
	266	**260**

Specifically, “Backlog and commercial positioning” chiefly refers to *Helicopters* and the UK component related to *Defence Electronics & Security* allocated to this item during the purchase price allocation.

The item “Other” 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 2020					
Cost	1,518	1,649	2,281	1,520	**6,968**
Amortisation, depreciation and write-offs	(685)	(1,286)	(1,771)	(1,049)	**(4,791)**
Carrying amount	**833**	**363**	**510**	**471**	**2,177**
Investments	9	17	40	239	**305**
Sales	(4)	(2)	(1)	(1)	**(8)**
Depreciation	(46)	(75)	(103)	(62)	**(286)**
Impairment losses	-	-	(198)	-	**(198)**
Increase for business combinations	10	7	-	1	**18**
Other changes	39	49	39	(120)	**7**
31 December 2020	**841**	**359**	**287**	**528**	**2,015**
Broken down as follows:					
Cost	1,585	1,673	2,330	1,609	**7,197**
Amortisation, depreciation and write-offs	(744)	(1,314)	(2,043)	(1,081)	**(5,182)**
Carrying amount	**841**	**359**	**287**	**528**	**2,015**
Investments	3	21	41	257	**322**
Sales	-	(1)	-	(3)	**(4)**
Depreciation	(46)	(75)	(65)	(61)	**(247)**
Impairment losses	-	-	-	-	**-**
Increase for business combinations	1	1	-	-	**2**
Other changes	56	70	47	(139)	**34**
31 December 2021	**855**	**375**	**310**	**582**	**2,122**
Broken down as follows:					
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**

The 2021 investments were related to the sectors of *Defence Electronics & Security* for €mil. 141, *Aeronautics* for €mil. 65, *Helicopters* for €mil. 50 and *Other Activities* for €mil. 66.

“Other tangible assets” also include the value of tangible assets under construction (€mil. 250 at 31 December 2021 against €mil. 216 at 31 December 2020).

Purchase commitments of property, plant and equipment were recorded in the amount of €mil. 173 at 31 December 2021 (€mil. 86 at 31 December 2020).

The future receipts attributable to operating leases were equal to €mil. 11 (€mil. 12 at 31 December 2020), of which €mil. 2 beyond 5 years.

11. Right of use

	Right of use of land and buildings	Right of use of plant and machinery	Right of use of other tangible assets	Total
1 January 2020				
Cost	448	6	51	**505**
Amortisation, depreciation and write-offs	(55)	(2)	(17)	**(74)**
Carrying amount	**393**	**4**	**34**	**431**
New contract submission	180	6	4	**190**
Closing and contract modifications	1	-	9	**10**
Depreciation	(63)	(2)	(15)	**(80)**
Increase for business combinations	6	-	-	**6**
Other changes	(29)	(1)	-	**(30)**
31 December 2020	**488**	**7**	**32**	**527**
Broken down as follows:				
Cost	601	11	66	**678**
Amortisation, depreciation and write-offs	(113)	(4)	(34)	**(151)**
Carrying amount	**488**	**7**	**32**	**527**
New contract submission	38	4	21	**63**
Closing and contract modifications	(4)	-	4	**-**
Depreciation	(67)	(2)	(19)	**(88)**
Other changes	28	1	(1)	**28**
31 December 2021	**483**	**10**	**37**	**530**
Broken down as follows:				
Cost	666	17	86	**769**
Amortisation, depreciation and write-offs	(183)	(7)	(49)	**(239)**
Carrying amount	**483**	**10**	**37**	**530**

During 2021 this item showed an increase due to the signature of new contracts, net of amortisation allowances, related to the *Defence Electronics & Security* and *Helicopters* sectors.

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 2021 there were lease commitments amounting to €mil. 113, €mil. 109 of which linked to the new site of Leonardo UK and €mil. 4 on short-term lease.

12. Equity investments and share of profits/(losses) of equity-accounted investees

	31 December 2020			31 December 2021		
	Equity investments	Risk provisions	Total	Equity investments	Risk provisions	Total
Material joint ventures	814		**814**	1,050		**1,050**
Joint ventures not individually material:	79	(7)	**72**	85	(8)	**77**
-Rotorsim Srl	*37*		***37***	*39*		***39***
-Advanced Acoustic Concepts LLC	*20*		***20***	*24*		***24***
-Rotorsim USA LLC	*5*		***5***	*5*		***5***
-Closed Joint Stock Company Helivert		*(7)*	***(7)***		*(8)*	***(8)***
-Orizzonte Sistemi Navali	*17*		***17***	*17*		***17***
	893	(7)	**886**	1,135	(8)	**1,127**
Associates	173		**173**	184		**184**
	1,066	**(7)**	**1,059**	**1,319**	**(8)**	**1,311**

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 with 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%

In particular, as regards the companies falling under the so-called Space Alliance – Thales Alenia Space and Telespazio – the Company carried out an in-depth analysis of the existing arrangements, in order to verify whether situations of control (with reference to Telespazio) or of significant influence (with reference to Thales Alenia Space) existed, concluding that both entities should be considered by Leonardo as joint ventures. Specifically, the Space Alliance univocally regulates the governance of both companies, making reference to shareholders' agreements prepared alike. With particular reference to Telespazio, in which the Group holds more than 50% of the stakes, the analyses performed led to deem that the company's governance is such that Telespazio can be regarded as a jointly controlled entity by virtue of the composition

rules for the decision-making bodies – these rules being such that cannot be defined as merely "protective", as referred to in IFRS 10 – and due to the expected unanimous consent of the shareholders on particularly significant matters for the company's management. Moreover, the substantive analysis, carried out taking into account the peculiarity of the businesses, highlighted that the methods to resolve deadlocks (i.e. when a stalemate in the decision-making process occurs and the shareholders have no possibility to jointly decide on matters about which they are required to make decisions through the unanimous consent mechanism) do not allow the majority venturer to impose its will. This is because, in case no decision can be reached, despite the complex escalation mechanism under the shareholders' agreements, the minority venturer has the right to dissolve the joint venture, recovering the assets originally assigned, through a call option or, solely if this option is not exercisable, to leave the joint venture through a put option. Finally, in the event of a decision-making deadlock, the joint venture might be eventually wound up or the minority venturer might sell its interest: in both of these cases, the venturers might be required to share or transfer part of the assets – with particular reference to technological expertise or know-how – originally assigned.
On the contrary, the analysis performed by the other venturer led to different conclusions with reference to Thales Alenia Space, which is fully consolidated by Thales in spite of the previously described governance structure. The application of such different conclusions on Leonardo, with the full consolidation of Telespazio, would have changed the Group's main indicators as follows:

	2020	**2021**
Revenues	+535	+595
EBITA	+30	+33
EBIT	+29	+32
Net result (non-controlling interests)	+15	+14
FOCF	+64	+47
Group net debt	-18	-4

We provide below a summary of the financial data of the aforementioned material joint ventures (the fair value of which is not available since they are not traded in any active market), as well as a reconciliation with the data included in these consolidated financial statements.

	31 December 2020					
	Telespazio	Thales Alenia Space	MBDA (through AMSH BV)	GIE-ATR	Other JV not individually material	Total
Non-current assets	320	1,890	2,687	279		
Current assets	326	1,680	7,841	837		
-of which cash and cash equivalents	*10*	*13*	*199*	*4*		
Non-current liabilities	69	353	1,026	303		
-of which non-current financial liabilities	*24*	*-*	*3*	*206*		
Current liabilities	286	1,534	8,901	781		
-of which current financial liabilities	*15*	*309*	*27*	*92*		
NCI net equity (100%)	17	-	3	-		
Group net equity (100%)	274	1,683	598	32		
Revenues (100%)	540	1,861	3,592	390		
Amortisation, depreciation and impairment losses (100%)	19	59	144	28		
Financial income/(expenses) (100%)	(1)	(4)	(9)	(10)		
Income taxes (100%)	(12)	(18)	(119)	1		
Profit/(Loss) from continuing operations (100%)	33	(2)	276	(138)		
Profit/(Loss) from discontinued operations, net of taxes (100%)	-	-	-	-		
Other comprehensive income/(expenses) (100%)	(6)	(9)	(160)	18		
Total comprehensive income/(expenses) (100%)	**27**	**(11)**	**116**	**(120)**		
% Group's interest in equity at 1 January	**181**	**581**	**123**	**111**	**78**	**1,074**
% Group's interest in profit/(loss) from continuing operations	22	(1)	69	(69)	2	**23**
% Group's interest in other comprehensive income/(expenses)	(4)	(3)	(40)	9	-	**(38)**
% Group's interest in total comprehensive income/(expenses)	**18**	**(4)**	**29**	**(60)**	**2**	**(15)**
Dividends received	(15)	-	-	(33)	(1)	**(49)**
Exchange differences and other movements	-	(22)	-	(2)	(1)	**(25)**
% Group's interest in equity at 31 December	**184**	**555**	**152**	**16**	**78**	**985**
Consolidation adjustments	2	(210)	115	-	1	(92)
Equity investments at 31 December	**186**	**345**	**267**	**16**	**79**	**893**
% Group's interest in profit/(loss)	22	(1)	69	(69)	-	**21**
Consolidation adjustments	-	2	-	-	-	**2**
Share of profits/(losses) of equity-accounted investees	**22**	**1**	**69**	**(69)**	**-**	**23**
		23				

	31 December 2021					
	Telespazio	Thales Alenia Space	MBDA (through AMSH BV)	GIE-ATR	Other JV not individually material	Total
Non-current assets	363	1,949	2,732	265		
Current assets	400	2,027	7,849	749		
-of which cash and cash equivalent	*19*	*11*	*163*	*8*		
Non-current liabilities	79	280	680	279		
-of which non-current financial liabilities	*27*	-	*6*	*161*		
Current liabilities	363	1,851	8,842	613		
-of which current financial liabilities	*18*	*453*	*21*	*99*		
NCI net equity (100%)	17	-	1	-		
Group net equity (100%)	304	1,845	1,058	122		
Revenues (100%)	605	2,155	4,234	703		
Amortisation, depreciation and impairment losses (100%)	21	66	165	25		
Financial income/(expenses) (100%)	2	(6)	(5)	2		
Income taxes (100%)	(20)	14	(112)	-		
Profit/(Loss) from continuing operations (100%)	37	112	344	(48)		
Profit/(Loss) from discontinued operations, net of taxes (100%)	-	-	-	-		
Other comprehensive income/(expenses) (100%)	1	49	248	(19)		
Total comprehensive income/(expenses) (100%)	**38**	**161**	**592**	**(67)**		
% Group's interest in equity at 1 January	**184**	**555**	**152**	**16**	**78**	**985**
% Group's interest in profit/(loss) from continuing operations	25	37	86	(24)	2	**126**
% Group's interest in profit/(loss) from discontinued operations, net of taxes	-	-	-	-	-	**-**
% Group's interest in other comprehensive income/(expenses)	1	16	62	(10)	3	**72**
% Group's interest in total comprehensive income/(expenses)	**26**	**53**	**148**	**(34)**	**5**	**198**
Dividends received	(21)	-	(33)	-	-	**(54)**
Subscriptions and capital increases/(decreases)	15	-	-	76	-	**91**
Acquisitions						**-**
Disposals						**-**
Exchange differences and other movements	1	-	(2)	3	2	**4**
% Group's interest in equity at 31 December	**205**	**608**	**265**	**61**	**85**	**1,224**
Consolidation adjustments	1	(207)	117	-	-	**(89)**
Equity investments at 31 December	**206**	**401**	**382**	**61**	**85**	**1,135**
% Group's interest in profit/(loss)	25	37	86	(24)	2	**126**
Consolidation adjustments	-	-	-	-	-	**-**
Share of profits/(losses) of equity-accounted investees	**25**	**37**	**86**	**(24)**	**2**	**126**
		124				

The recoverability of the carrying amount of investments is verified, when conditions obtain, also through impairment tests, from which no critical issues have emerged.

Below is provided a summary of the aggregate financial data of the associates, inasmuch as there are no associates which are individually material for the Group.

	Associates not individually material	
	31 December 2020	31 December 2021
% Group's interest in equity at 1 January	**173**	**173**
% Group's interest in profit/(loss) from continuing operations	5	11
% Group's interest in other comprehensive income/(expenses)	(6)	1
% Group's interest in total comprehensive income/(expenses)	**(1)**	**12**
Dividends received	(9)	(8)
Subscriptions and capital increases/(decreases)	-	6
Acquisitions	12	4
Disposals	-	-
Exchange differences and other movements	(2)	(3)
% Group's interest in equity at 31 December	**173**	**184**
Consolidation adjustments	-	-
Equity investments at 31 December	**173**	**184**
% Group's interest in profit/(loss)	5	11
Consolidation adjustments	-	-
Share of profits/(losses) of equity-accounted investees	**5**	**11**

13. Receivables and other non-current assets

	31 December 2020	31 December 2021
Financing to third parties	8	1
Deferred grants under Law 808/1985	31	10
Defined-benefit plan assets, net (Note 23)	298	585
Related party receivables (Note 36)	8	13
Other non-current receivables	67	10
Non-current receivables	**412**	**619**
Prepayments - non-current portion	17	19
Equity investments at cost	21	26
Non-recurring costs pending under Law 808/1985	15	15
Non-current assets	**53**	**60**

The net increase in non-current assets is attributable to the actuarial valuation of net assets related to defined-benefit plans.

14. Business combinations

On 23 July 2021 the Leonardo Group acquired, through Leonardo DRS, Ascendant Engineering Solutions (AES), a leading company in the design, development and production of high-performance multi-sensor gimbal systems for the growing market of the UAS groups 1, 2 and 3 of the US military services. The outlay for the acquisition amounted to USDmil. 11.5, net of cash acquired, to which a further earn-out of about USDmil. 5 will be added. The transaction generated a goodwill of USDmil. 13.8.

The overall effect on the balance sheet was as follows:

USD millions	
Net assets acquired	**2.7**
Cash-out	11.5
FV of earn out	5
	16.5
Intangible assets from business combinations	-
Goodwill	**13.8**

Furthermore, during 2021 the Group completed the acquisition of a quota of about 78% of Dispositivi Protezione Individuale Srl, through its subsidiary Larimart, a company 60% owned by the Group, and the acquisition of about 70% of the quota capital of Alea Srl.

The acquisition of Dispositivi Protezione Individuale Srl, a company specialising in the design, production and sale of personal and environmental protective equipment, entailed a total outlay for Larimart of about €mil. 6 and generated goodwill for the Group of approximately €mil. 1.

The acquisition of Alea Srl, a company specialising in mission critical communication software for multimedia solutions compliant with international standards on LTE/5G broadband networks, entailed a total outlay of about €mil. 4. The values involved in the acquisition are not significant for the Group and did not generate any goodwill arising from the acquisition.

In the prior financial year, in particular on 8 April 2020, the closing took place for the transaction whereby Leonardo SpA acquired 100% of the Swiss helicopter company Kopter Group AG (Kopter) from Lynwood (Schweiz) AG. The purchase price included a fixed amount of USDmil. 185 on a cash free/debt free basis, as well as an earn-out mechanism linked to specific milestones in the life of the programme, as from 2022, the fair value of which was estimated as equal to €mil. 17. The agreements also provided for Leonardo to take over the additional line of credit granted by Lynwood to Kopter during 2020, amounting to €mil. 23. As at the closing date, the total outlay for Leonardo amounted to €mil. 185, of which €mil. 123 to Lynwood and €mil. 62 to the Russian bank National Bank Trust on account of assumption of a loan that had been previously granted to Kopter. At the time of the closing, the agreements provided for Leonardo to take over all Lynwood's accounts receivable from Kopter (amounting to €mil. 122). As at the closing date, Kopter's debts towards Leonardo amounted to €mil. 184.

Therefore, the cash out of the transaction consisted almost entirely of Leonardo's takeover of the debt positions of the acquired company Kopter.

With reference to the values involved in the acquisition, the purchase price allocation process – subsequently completed in 2020 – led to the following results:

USD millions	
Net assets acquired	**201**
Cash-out	185
FV of earn out	16
	201
Intangible assets from business combinations	-
Goodwill	**-**

In May 2020 the Group also completed the acquisition of 100% of the share capital of the South African company Precision Aviation Services (Pty) Ltd, which operates in the helicopter business, for a consideration of approximately €mil. 1.6. The values being acquired did not generate any goodwill arising from the acquisition.

15. Inventories

	31 December 2020	31 December 2021
Raw materials, supplies and consumables	2,311	2,238
Work in progress and semi-finished goods	1,436	1,494
Assets from point in time contracts	484	267
Advances to suppliers	1,651	1,487
	5,882	**5,486**

Inventories are shown net of impairment charges of €mil. 817 (€mil. 850 at 31 December 2020).

"Assets from point in time contracts" include 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 2020	31 December 2021
Contract assets (gross)	6,387	7,125
Contract liabilities	(3,328)	(3,377)
Contract assets (net)	**3,059**	**3,748**
Contract liabilities (gross)	7,973	7,942
Contract assets	(196)	-
Contract liabilities (net)	**7,777**	**7,942**

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 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.

The net balance of contract assets is broken down as follows:

	31 December 2020	31 December 2021
Cost incurred and margins recognised	6,583	7,125
Advances received	(11,301)	(11,319)
Net value	**(4,718)**	**(4,194)**

17. Trade and financial receivables

	31 December 2020		31 December 2021	
	Trade	**Financial**	**Trade**	**Financial**
Receivables	3,042	33	3,127	39
Cumulative impairments	(672)	(15)	(564)	(23)
Related party current receivables (Note 36)	663	149	640	45
	3,033	**167**	**3,203**	**61**

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 2020	31 December 2021
Derivatives	222	108
Prepaid expenses-current portion	97	104
Receivables for grants	56	57
Receivables from employees and social security institutions	41	49
Indirect tax receivables	28	40
Deferred receivables under Law 808/1985	14	4
Other related party receivables (Note 36)	75	6
Other assets	115	121
	648	**489**

The fair value performance of portfolio derivatives is broken down below:

	Fair value at					
	31 December 2020			31 December 2021		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Interest-rate swaps						
Tradingz	-	(2)	**(2)**	-	(1)	**(1)**
Fair value hedges	-	-	**-**	-	-	**-**
Cash flow hedges	-	(24)	**(24)**	-	(13)	**(13)**
Currency forwards/swaps/options						
Trading	-	-	**-**	-	-	**-**
Fair value hedges	7	(1)	**6**	10	(2)	**8**
Cash flow hedges	215	(145)	**70**	98	(145)	**(47)**

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 2021 included €mil. 2 of term deposits (€mil. 1 at 31 December 2020).

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	(2,976,680)	-	(27)	-	**(27)**
31 December 2020	**575,173,715**	**2,544**	**(27)**	**(19)**	**2,498**
Repurchase of treasury shares less shares sold	133,560	-	1	-	**1**
31 December 2021	**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 2021 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 the fair value 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:

	2020	2021
US dollar	(186)	176
Pound sterling	(115)	156
Other currencies	(30)	(5)
	(331)	**327**

Overall, the reserve is negative for €mil. 258, mainly for the translation differences on the components denominated in pound sterling.

Tax effects on the gain and loss items recognised in equity

	Group - consolidated entities			Group - equity-accounted investments		
	Amount before taxes	Tax effect	Net amount	Amount before taxes	Tax effect	Net amount
2020						
Revaluation of defined-benefit plans	121	(28)	**93**	(52)	14	**(38)**
Changes in cash flow hedges	85	(21)	**64**	12	(1)	**11**
Foreign currency translation difference	(331)	-	**(331)**	(11)	-	**(11)**
Total	**(125)**	**(49)**	**(174)**	**(51)**	**13**	**(38)**
2021						
Revaluation of defined-benefit plans	305	(91)	**214**	64	(11)	**53**
Changes in cash flow hedges	(61)	14	**(47)**	(12)	1	**(11)**
Foreign currency translation difference	327	-	**327**	13	-	**13**
Total	**571**	**(77)**	**494**	**65**	**(10)**	**55**

There are no tax effects on the gain and loss items recognised in equity of non-controlling interests.

21. Borrowings

	31 December 2020			31 December 2021		
	Non-current	Current	Total	Non-current	Current	Total
Bonds	2,385	835	**3,220**	1,855	626	**2,481**
Borrowings	848	48	**896**	1,599	49	**1,648**
Lease liabilities	453	72	**525**	460	78	**538**
Related party lease liabilities	27	3	**30**	26	4	**30**
Other related party borrowings (Note 36)	100	781	**881**	100	756	**856**
Other borrowings	67	85	**152**	72	45	**117**
	3,880	**1,824**	**5,704**	**4,112**	**1,558**	**5,670**

Changes in loans and borrowings are as follows:

	1 January 2020	New borrowings	Repayments/ Payments of coupons	Other net increase/ (decrease)	Exchange differences	31 December 2020
Bonds	2,741	492	(114)	125	(24)	**3,220**
Borrowings	983	-	(84)	(2)	(1)	**896**
Lease liabilities	415	190	(68)	16	(28)	**525**
Related party lease liabilities	36	-	(3)	-	(3)	**30**
Other related party borrowings	727	100	-	54	-	**881**
Other borrowings	104	-	-	48	-	**152**
	5,006	**782**	**(269)**	**241**	**(56)**	**5,704**

	1 January 2021	New borrowings	Repayments/ Payments of coupons	Other net increase/ (decrease)	Exchange differences	31 December 2021
Bonds	3,220	-	(858)	98	21	**2,481**
Borrowings	896	801	(49)	-	-	**1,648**
Lease liabilities	525	63	(77)	(1)	28	**538**
Related party lease liabilities	30	-	(3)	1	2	**30**
Other related party borrowings	881	-	(24)	(1)	-	**856**
Other borrowings	152	10	(47)	-	2	**117**
	5,704	**874**	**(1,058)**	**97**	**53**	**5,670**

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.

The decrease in bonds compared to 31 December 2020 is attributable to the repayment of the remaining nominal amount of €mil. 739 of the bond issued (original nominal amount of €mil. 950), which reached its natural expiry in January 2021.

The Group'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, Group issuers, Leonardo and their "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, 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 Group issuers and/or Leonardo and/or any "material subsidiary" that results in a failure to make payment beyond pre-set limits.

The increase in bank payables was due to the drawdown, in January 2021, of the €mil. 200 loan raised with the European Investment Bank (EIB) in December 2020, aimed at supporting certain investment projects envisaged in the Group's Industrial Plan, as well as the ESG-linked Term Loan of €mil. 600 entered into and used during December 2021.

It should be noted that financial covenants are included both in the Revolving Credit Facility of €mil. 2,400 and in the ESG-linked Term Loan of €mil. 600, 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 annual consolidated data. The same covenants are included in the loan agreement with CDP, and in the Term Loan of €mil. 500; furthermore, in accordance with contractual provisions providing for this option, these covenants have also been extended to all EIB loans in place (they had been used for a total amount of €mil. 546 at 31 December 2021), as well as to certain loans granted in past years to Leonardo DRS by US banks.

In relation to this Integrated Annual Report, there was full compliance with the covenants (the two ratios are 1.2 and 11.1, respectively).

Below is the reconciliation of the changes in loans and borrowings with the cash flows from financing activities:

	2020	2021
Balance at 1 January	**5,006**	**5,704**
Changes included in cash flows from financing activities	**543**	**(129)**
Bond issues	492	-
Repayments of bonds	-	(739)
EIB loan and Term Loan subscription	-	800
CDP loan	100	-
Net change in other borrowings	(49)	(190)
Non-monetary changes	**155**	**95**
Non monetary items of lease liabilities	200	63
Exchange-rate effect	(56)	53
Accrued interest	11	(21)
Balance at 31 December	**5,704**	**5,670**

Bonds

The decrease in the period was due to the repayment of the abovementioned bond issue, which expired in January 2021.
Below is the detail of the bonds at 31 December 2021 which shows the bonds issued by Leonardo (LDO) and Leonardo US Holding Inc. (LH), the latter being fully guaranteed by Leonardo SpA:

Issuer		Year of issue	Maturity	Currency	Outstanding nominal amount (mil.) (*)	Annual coupon	Type of offer
LDO	(**)	2005	2025	€	500	4.875%	European institutional
LDO	(****)	2009	2022	€	556	5.250%	European institutional
LH	(***)	2009	2039	USD	124	7.375%	American institutional Rule 144A/Reg. S
LH	(***)	2009	2040	USD	182	6.250%	American institutional Rule 144A/Reg. S
LDO	(**)	2017	2024	€	600	1.500%	European institutional
LDO	(**)	2020	2026	€	500	2.375%	European institutional

(*) Residual nominal amounts for bond issues subject to the buy-back transactions.
(**) Bonds listed on the Luxembourg Stock Exchange and issued as part of the EMTN Programme for a maximum of €bil. 4. The transaction was authorised pursuant to Article 129 of Legislative Decree 385/1993.
(***) Bonds issued under Rule 144A, Regulation S of the US Securities Act. The proceeds of this issue were entirely used by Leonardo US Holding Inc. to finance the purchase of the subsidiary Leonardo DRS replacing the dollar-issue bonds originally issued by the company. These bonds were redeemed early following Leonardo's purchase of Leonardo DRS. As a result, these issues were not hedged against exchange-rate risk.
(****) Bonds listed on the Luxembourg Stock Exchange, initially issued by Finmeccanica Finance, under the EMTN Programme for a maximum amount of €bil. 4. The transaction was authorised in accordance with Article 129 of Legislative Decree 385/1993.

Movements in bonds are as follows:

	1 January 2020	New borrowings	Interest	Repayments/ Repurchases	Payments of coupons	Effect of exchange rate	31 December 2020	Fair value
€mil. 500 LDO 2025 (*)	517	-	25	-	(25)		**517**	574
€mil. 600 LDO 2022 (*)	581	-	30	-	(29)		**582**	585
USDmil. 300 LH 2039 (*)	111	-	8	-	(8)	(10)	**101**	133
USDmil. 500 LH 2040 (*)	165	-	10	-	(10)	(14)	**151**	177
€mil. 600 LDO 2024 (*)	599	-	11	-	(9)		**601**	612
€mil. 950 LDO 2021 (*)	768	-	35	-	(33)		**770**	739
€mil. 500 LDO 2026 (*)	-	492	6	-			**498**	522
	2,741	**492**	**125**	**-**	**(114)**	**(24)**	**3,220**	**3,342**

	1 January 2021	New borrowings	Interest	Repayments/ Repurchases	Payments of coupons	Effect of exchange rate	31 December 2021	Fair value
€mil. 500 LDO 2025 (*)	517	-	25	-	(24)	-	**518**	563
€mil. 600 LDO 2022 (*)	582	-	30	-	(29)	-	**583**	559
USDmil. 300 LH 2039 (*)	101	-	8	-	(8)	9	**110**	144
USDmil. 500 LH 2040 (*)	151	-	10	-	(10)	12	**163**	188
€mil. 600 LDO 2024 (*)	601	-	10	-	(9)	-	**602**	611
€mil. 950 LDO 2021 (*)	770	-	2	(739)	(33)	-	**-**	-
€mil. 500 LDO 2026 (*)	498	-	13	-	(6)	-	**505**	520
	3,220	**-**	**98**	**(739)**	**(119)**	**21**	**2,481**	**2,585**

(*) 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:

31 December 2020

	Bonds		Bank borrowings		Lease liabilities		Related party lease liabilities		Other related party borrowings (Note 36)		Other borrowings		Total	
	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed
Within 1 year	-	835	20	28	-	72	-	3	781	-	62	23	**863**	**961**
2 to 5 years	-	1,648	612	27	-	313	-	16	-	-	-	-	**612**	**2,004**
Beyond 5 years	-	737	209	-	-	140	-	11	100	-	67	-	**376**	**888**
Total	**-**	**3,220**	**841**	**55**	**-**	**525**	**-**	**30**	**881**	**-**	**129**	**23**	**1,851**	**3,853**

31 December 2021

	Bonds		Bank borrowings		Lease liabilities		Related party lease liabilities		Other related party borrowings (Note 36)		Other borrowings		Total	
	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed
Within 1 year	-	626	22	27	-	78	-	4	756	-	22	23	**800**	**758**
2 to 5 years	-	1,589	631	38	-	336	-	18	-	-	-	-	**631**	**1,981**
Beyond 5 years	-	266	768	162	-	124	-	8	100	-	72	-	**940**	**560**
Total	**-**	**2,481**	**1,421**	**227**	**-**	**538**	**-**	**30**	**856**	**-**	**94**	**23**	**2,371**	**3,299**

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 5/21 of 29 April 2021. The scheme is provided below:

	31 December 2020	31 December 2021
A - Cash	(2,213)	(2,479)
C - Other current financial assets	(167)	(61)
D - Liquidity	**(2,380)**	**(2,540)**
E - Current financial debt (*)	989	932
F - Current portion of non-current financial debt	835	626
G - Current financial debt	**1,824**	**1,558**
H - Net current financial debt (funds)	**(556)**	**(982)**
I - Non-current financial debt (*)	3,880	4,112
J - Debt instruments (**)	(6)	(8)
K - Trade payables and other non-current debt	161	165
L - Non-current financial debt	**4,035**	**4,269**
M - Total financial debt	**3,479**	**3,287**

(*) Includes payables for leases of €mil. 568, of which €mil. 82 current (€mil. 555 as at 31 December 2020, of which €mil. 75 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 MED 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:

	Notes	31 December 2020	31 December 2021
Net financial debt CONSOB com. DEM/6064293/ESMA		**3,479**	**3,287**
Payables to MED (Law 808/1985)	*24*	(161)	(165)
Group net debt (KPI)		**3,318**	**3,122**

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 2020							
Current	32	81	74	125	385	467	**1,164**
Non-current	10	82	20	95	-	468	**675**
	42	**163**	**94**	**220**	**385**	**935**	**1,839**
Allocations	8	39	5	64	207	194	**517**
Uses	-	(89)	(1)	(14)	(18)	(12)	**(134)**
Reversals	(2)	(3)	-	(44)	(112)	(84)	**(245)**
Other changes	(3)	(13)	(4)	(2)	(6)	(47)	**(75)**
31 December 2020	**45**	**97**	**94**	**224**	**456**	**986**	**1,902**
Broken down as follows:							
Current	35	63	77	136	456	551	**1,318**
Non-current	10	34	17	88	-	435	**584**
	45	**97**	**94**	**224**	**456**	**986**	**1,902**
Allocations	-	71	3	87	103	166	**430**
Uses	-	(45)	-	(19)	(31)	(94)	**(189)**
Reversals	-	-	(16)	(54)	(156)	(127)	**(353)**
Other changes	(14)	(2)	(3)	27	26	(130)	**(96)**
31 December 2021	**31**	**121**	**78**	**265**	**398**	**801**	**1,694**
Broken down as follows:							
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**

"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 a number of subsidiary companies or Leonardo itself, as well as certain former directors and executives, concerning acts committed during the performance of their duties at subsidiary companies or at Leonardo itself, with specific reference to the events that occurred in 2021 and in early 2022:

› 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 12 AW101 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 Patiala House 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 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 a judgment dated 24 September 2021, rejected the appeals submitted by Leonardo. The Company filed an appeal with the Council of State.

On the contrary AgustaWestland International Ltd appeared at the hearings set within the proceedings brought by the Central Bureau of Investigation and the proceedings are continuing before the Patiala House Court of New Delhi.

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 AW101 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.

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 Indian Judicial Authority (Directorate of Enforcement);

- on 23 March 2021 the Court of Naples acquitted an employee of the then-Elsag Datamat (now Selex ES SpA) of the crimes referred to in Articles 353 and 326 of the Italian Criminal Code, the former Chief Executive Officer and an employee of the then-Elsag Datamat of the crime referred to in Articles 326, 353 and 416 of the Italian Criminal Code, as well as it acquitted Selex ES of the offence under Article 24-*ter*, paragraph 2, of Legislative Decree 231/2001, within the criminal proceedings concerning contracts awarded to the then-Elsag Datamat and to another company for the development, respectively, of the integrated traffic monitoring system of the city of Naples and video-surveillance systems for a number of municipalities within the Province of Naples. The former Chief Executive Officer of the then-Elsag Datamat submitted an appeal against the judgment of acquittal;
- the debate phase continued within the criminal proceedings before the Court of Naples against some suppliers and subcontractors of the then-Selex Service Management (now Selex ES), in relation to the awarding of the contract for the construction and operation of the Control System for Waste Tracking (SISTRI). Within these proceedings, the company brought a civil action at the hearing held on 7 November 2013;
- by appeal to the Supreme Court served on 12 January 2022, the attorney general challenged the judgment whereby on 19 January 2021 the Court of Appeal of Milan rejected the appeals submitted against the judgment whereby on 15 June 2017 the Court of Milan acquitted certain directors of the then-Breda Termomeccanica SpA, subsequently Ansaldo SpA, who served during the period from 1973 to 1985, charged with having committed the crimes under Article 589, paragraphs 1, 2 and 3, Article 40, paragraph 2, Article 41, paragraph 1 of the Italian Criminal Code, Article 2087 of the Italian Civil Code and Article 590, paragraphs 1, 2, 3, 4 and 5, of the Italian Criminal Code, for violation of the rules governing the prevention of occupational diseases. It should be noted that Leonardo had entered appearance in the civil action within the abovementioned proceedings;
- the phase of debate is still continuing within the criminal proceedings pending before the Court of Vercelli against three former employees of AgustaWestland SpA (who are currently working for Leonardo - Helicopters Division) and an employee of AgustaWestland Philadelphia Corporation for the crime referred to in Article 449 of the Italian Criminal Code in relation to Articles 428 and 589 of the Italian Criminal Code, relating to the accident that occurred in Santhià on 30 October 2015.

Based upon the information gathered and the results of the analyses 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 Leonardo Group companies' 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 Group is defendant as these disputes are reasonably expected to be settled, based on current knowledge, satisfactorily and without significantly impacting the Group. 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 (R.G. 32257/13) in order to have them declared responsible for the financial collapse caused to the company, within which Leonardo and AnsaldoBreda have been summoned as parties concerned, have been postponed to the hearing scheduled on 10 March 2022 for the joinder to proceedings R.G. 16312/15 described below. It should be noted that, within these proceedings, two of the defendants and specifically the former directors Giorgio and Gianfranco Fiore summoned Leonardo and AnsaldoBreda in court, on the grounds of an alleged abusive exercise of management and coordination activities that was perpetrated by the parties summoned to the detriment of Firema. On the basis of this assumption, Giorgio and Gianfranco Fiore therefore requested, primarily, that Leonardo and AnsaldoBreda be ordered to pay direct compensation to the plaintiff for any damages that should be ascertained, which they presumed to be €mil. 262 and which is equal to Firema's liabilities, and, alternatively, to be held harmless by the aforesaid companies.
  As to the action brought by GMR against Leonardo and AnsaldoBreda before the Court of Naples (R.G. 16312/15), the court referred the case to the President in order for the proceedings to be possibly joined to those described above at the hearing held on 1 October 2020.
  It should be noted that, within these proceedings, the plaintiff company 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.
  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;
- the proceedings brought by Mr Pio Maria Deiana before the Rome Court of Appeal – which were discontinued due to his subsequent death – have been resumed by one of the heirs within the prescribed time limits. Following the hearing held on 26 January 2022, the Court noting a lack of documentation attesting to the claimant's capacity as heir of the deceased person adjourned the case to the hearing of 4 May 2022 requesting that, in the meantime, such documentation be supplemented. It should be noted that in 2013 Pio Maria Deiana, on his own account and in his capacity as director of Janua Dei Srl and of Società Progetto Cina Srl, brought proceedings, before the Court of Rome, against Leonardo in order to ask the Court to rule the invalidity of the settlement agreement signed in 2000 by the aforesaid companies and the then-Ansaldo Industria, assuming that it was allegedly concluded based on unfair conditions. The claim was submitted against Leonardo, on the basis of the latter's alleged general liability in the capacity as the parent company of Ansaldo Industria at the time of the events being disputed. The damages being sought, to be determined during the course of the proceedings, are estimated at €mil. 2,700. By a judgment dated 31 May 2018, the Court rejected the plaintiff's claim;
- the case involved in the action brought before the Court of Rome by Selex Service Management (now Selex ES SpA in liquidation) against the Ministry of the Environment, Land and Sea (now the Ministry for Ecological Transition) in relation to the performance of the SISTRI contract. By a judgment published on 20 January 2022, the Court of Rome ordered the Ministry to settle the invoices that had not yet been paid and related to the variable quota set out as per contract for an amount of about €mil. 80 (in addition to VAT) plus interest. The company and the Ministry have mutually agreed to let the time limit for the appeal to elapse (25 February 2022) as

part of a broader settlement agreement that will be further formalised in the coming months. It should be noted that the SISTRI contract was signed between the Ministry of Ecological Transition and Selex Service Management in December 2009 in relation to the design, operation and maintenance of the System for Waste Tracking until 30 November 2014;

› within the dispute pending between AugustaWestland International Ltd and the Indian Ministry of Defence in relation to the supply contract for 12 helicopters signed in 2010, worth around €mil. 560 in total, the Company – before proceeding with the ordinary court hearing to determine jurisdiction as an alternative to the arbitration proceedings that had been in the meantime abandoned – filed a mandatory request for the initiation of mediation proceedings under the Commercial Courts Act of 2015, which was not accepted by the Ministry. Pending the initiation of ordinary proceedings before the Indian Civil Courts, the Ministry did not confirm the ban on the Leonardo Group entering the Indian market, which is why it is no longer considered convenient or consistent to bring an action against the local government.

Moreover, given their complexity, their cutting-edge technological content and the nature of the customers, the Group's long-term contracts are sometimes affected by disputes with customers in relation to the compliance of works with customer specifications and product performances. The Group adjusts the estimated contract costs for foreseeable issues, also taking into account 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 SpA and PSC SpA (collectively referred to as "LP" unincorporated joint venture) initiated arbitration proceedings against Galfar Misnad Engineering & Contracting WLL, Salini-Impregilo SpA (now Webuild) and Cimolai SpA (collectively referred to "GSIC" unincorporated joint venture) to seek an order imposing them to pay, among others, the fees that were still unpaid and any additional costs relating to the subcontract that had been 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 damage to its organisation.
  In this context, on a preliminary basis LP asked the court to order GSIC to pay the remaining instalments of the fees initially envisaged in the subcontract, as well as any and all additional costs incurred for a total of QARmil. 1,432 (about €mil. 347 at 20 January 2022). On the other hand, GSIC contested any charges and asked the court, on a counterclaim basis, to order LP to compensate for any damage the latter had allegedly caused, for a total of QARmil. 755 (about €mil. 183 at 20 January 2022).
  From a procedural point of view, the phase for the exhibition of documents between the parties was completed in December 2021 following an initial exchange of briefs and statements (including the Memorial of claim submitted by LP in November 2020 and the subsequent Memorial of defence and counterclaim submitted by GSIC in July 2021). Additional statements of defence are expected to be filed during the first half of 2022, while the hearing for arbitration proceedings is currently scheduled on the days from 4 to 15 July 2022.

Finally, the award is expected to be issued in February 2023, after a final exchange of statements of claim and reply, according to the procedural schedule that is currently in force between the parties.

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 2020			31 December 2021		
	Liabilities	**Assets**	**Net**	**Liabilities**	**Assets**	**Net**
Severance pay provision	265	-	**265**	256	-	**256**
Defined-benefit plans	106	298	**(192)**	73	585	**(512)**
Defined-contribution plans	29	-	**29**	33	-	**33**
	400	**298**	**102**	**362**	**585**	**(223)**

The deficit for defined-benefit plans is broken down below:

	31 December 2020	**31 December 2021**
GBP area	(295)	(582)
Euro area	6	6
USD area	70	52
Other	27	12
	(192)	**(512)**

The change in defined-benefit plans was mainly due to the plans applicable in the United Kingdom. In particular, the increase in the discount rate reduced liabilities and returns on plan assets were higher than those expected.

Below is a breakdown of defined-benefit plans and statistical information regarding the excess (deficit/surplus) of the plans:

	31 December 2020	**31 December 2021**
Present value of obligations	(3,368)	(3,489)
Fair value of plan assets	3,560	4,001
Plan deficit	**192**	**512**
of which, related to:		
-net liabilities	(106)	(73)
-net assets	298	585

Changes in defined-benefit plans are shown below:

31 December 2020

	Present value of obligations	Fair value of plan assets	Net liability defined-benefit plans
Opening balance	**3,236**	**3,334**	**(98)**
Costs of benefits paid	72		72
Net interest expenses	57	57	-
Remeasurement	268	387	(119)
Actuarial losses/(gains) through equity-demographic assumption	*(32)*	-	*(32)*
Actuarial losses/(gains) through equity-financial assumptions	*322*	-	*322*
Actuarial losses/(gains) through equity resulting from adjustments based on the experience	*(22)*	-	*(22)*
Expected return on plan assets (no interest)	-	*387*	*(387)*
Curtailments	(21)	(20)	(1)
Increase for business combinations	24	19	5
Contributions paid	-	54	(54)
Contributions from other plan participants	11	11	-
Exchange-rate differences	(184)	(188)	4
Benefits paid	(95)	(94)	(1)
Other changes	-	-	-
Closing balance	**3,368**	**3,560**	**(192)**
of which, related to:			
-net liabilities	259	153	106
-net assets	3,109	3,407	(298)

31 December 2021

	Present value of obligations	Fair value of plan assets	Net liability defined-benefit plans
Opening balance	**3,368**	**3,560**	**(192)**
Costs of benefits paid	72	(4)	76
Net interest expenses	52	53	(1)
Remeasurement	(124)	178	(302)
Actuarial losses/(gains) through equity-demographic assumption	*19*	-	*19*
Actuarial losses/(gains) through equity-financial assumptions	*(98)*	-	*(98)*
Actuarial losses/(gains) through equity resulting from adjustments based on the experience	*(45)*	-	*(45)*
Expected return on plan assets (no interest)	-	*178*	*(178)*
Contributions paid	-	59	(59)
Contributions from other plan participants	11	11	-
Exchange-rate differences	233	254	(21)
Benefits paid	(110)	(110)	-
Other changes	(13)	-	(13)
Closing balance	**3,489**	**4,001**	**(512)**
of which, related to:			
-net liabilities	252	179	73
-net assets	3,237	3,822	(585)

Changes in severance pay provision are shown below:

	31 December 2020	31 December 2021
Opening balance	**290**	**265**
Costs of benefits paid	1	1
Net interest expenses	2	1
Remeasurement	2	9
Actuarial losses/(gains) through equity - demographic assumption	-	-
Actuarial losses/(gains) through equity - financial assumptions	*3*	*5*
Actuarial losses/(gains) through equity resulting from adjustments based on the experience	*(1)*	*4*
Increase for business combinations	-	(1)
Benefits paid	(28)	(21)
Other changes	(2)	2
Closing balance	**265**	**256**

The amount recognised in profit or loss on defined-benefit plans (including the severance pay provision) was calculated as follows:

	2020	2021
Current service costs	73	78
Past service costs	-	(1)
Curtailments and settlements	(1)	-
Costs booked as "personnel expenses"	**72**	**77**
Net interest expenses	2	-
Costs booked as "financial expenses"	**2**	**-**
	74	**77**

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 2020	31 December 2021	31 December 2020	31 December 2021
Discount rate (annual)	0.4%	0.7%	1.45% - 3.02%	1.95% - 2.91%
Rate of salary increase	n.a.	n.a.	2.10% - 3.20%	3.20% - 3.80%
Inflation rate	0.4%	1.4%	1.50% - 3.10%	2.80% - 2.95%

The discount rate utilised to discount the defined-benefit 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 2020		31 December 2021		31 December 2020		31 December 2021	
	-0.25%	+0.25%	-0.25%	+0.25%	-0.25%	+0.25%	-0.25%	+0.25%
Discount rate (annual)	4	(4)	3	(3)	167	(159)	175	(163)
Inflation rate	(2)	3	(2)	2	(102)	111	(110)	115

The average duration of the severance pay provision is about 5 years while that of the other defined-benefit plans is 20 years.

The estimate of the contributions to be paid in 2022 related to defined-benefit plans is about €mil. 54.

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 2020	31 December 2021
Cash and cash equivalents	107	84
Shares and investment funds	1,461	994
Debt instruments	1,506	2,478
Real properties	8	14
Derivatives	146	142
Other	332	289
	3,560	**4,001**

The item "Other" included €mil. 166 (€mil. 165 in 2020) of assets held by insurance companies.

24. Other current and non-current liabilities

	31 December 2020		31 December 2021	
	Non-current	Current	Non-current	Current
Employee obligations (*)	50	343	62	468
Deferred income	82	118	80	134
Amounts due to social security institutions	-	176	-	218
Payables to MED (Law 808/1985)	161	-	165	-
Payables to MED for royalties (Law 808/1985)	196	7	220	16
Indirect tax liabilities	-	108	-	106
Derivatives	-	172	-	161
Other liabilities	290	383	404	454
Other payables to related parties (Note 36)	-	12	-	12
	779	**1,319**	**931**	**1,569**

(*) Non-current item includes other employee benefits related to seniority bonuses.

The payables to the Ministry for Economic Development (MED) under Law 808/1985 relate to monopoly costs accrued on national security and similar projects, as well as payables for grants received from MED for the development of programmes not related to national security and similar projects eligible for benefits under Law 808/1985.

"Other liabilities" include, in particular, the non-current payable due to Bell Helicopter amounting to €mil. 252 (€mil. 221 at 31 December 2020), deriving from the acquisition of 100% of the AW609 programme. This amount also includes the reasonably estimated potential consideration due to Bell Helicopter based on the commercial performance of the programme.

25. Trade payables

	31 December 2020	31 December 2021
Suppliers	3,260	3,025
Trade payables to related parties (Note 36)	359	347
	3,619	**3,372**

26. Guarantees

The Group has existing guarantees for €mil. 13,466 (€mil. 14,234 at 31 December 2020). The item mainly includes guarantees given to third parties, banks and insurance companies as well as commitments in favour of lenders, tax authorities and customers.

27. Revenues

	2020	2021
Revenues from contracts with customers	9,924	12,115
Change in contract assets	1,748	202
Revenues from related parties (Note 36)	1,738	1,818
	13,410	**14,135**

The breakdown by geographical area and business sector is reported in Note 8. The breakdown of revenues by timing is reported below:

	2020	2021
Revenues at point in time	2,387	2,433
Revenues over time	11,023	11,702
	13,410	**14,135**

28. Other operating income/(expenses)

	2020			2021		
	Income	Expenses	Net	Income	Expenses	Net
Grants for research and development costs (*)	31	-	**31**	30	-	**30**
Other operating grants	25	-	**25**	38	-	**38**
Gains/(Losses) on sales of intangible asset, property, plant and equipment	4	(2)	**2**	1	(2)	**(1)**
Reversals/(Accruals) to provisions for risks	237	(464)	**(227)**	332	(350)	**(18)**
Exchange-rate difference on operating items	206	(225)	**(19)**	138	(150)	**(12)**
Restructuring costs	-	(13)	**(13)**	-	(1)	**(1)**
Indirect taxes	-	(34)	**(34)**	-	(36)	**(36)**
Other operating income/(expenses)	138	(53)	**85**	29	(87)	**(58)**
Other operating income/(expenses) from/to related parties (Note 36)	14	(1)	**13**	5	-	**5**
	655	**(792)**	**(137)**	**573**	**(626)**	**(53)**

(*) To which must be added assessments of “Non-current receivables for measures pending under Law 808/1985” (Note 13), equal to €mil. 50 (€mil. 176 at 31 December 2020, current and non-current portion). In 2021 there are no assessments of “Non-recurring costs pending under Law 808/1985” (Note 13) (€mil. 51 at 31 December 2020). These amounts are classified directly as a reduction in the related recognised intangibles (Note 9).

Restructuring costs include both costs incurred during the year and accruals to the “Restructuring provision”. Costs and accruals relating to personnel are found under personnel expenses (Note 29).

Reversals and accruals to provisions for risks are affected by the work progress and update of onerous contracts (Note 22).

29. Purchase and personnel expenses

	2020	2021
Purchase of materials from third parties	4,606	4,286
Change in inventories of raw materials	(324)	78
Costs for purchases from related parties (Note 36)	761	812
Purchases	**5,043**	**5,176**
Services rendered by third parties	3,351	3,624
Costs of leases of low value and short term	59	62
Royalties	13	23
Services rendered by related parties (Note 36)	408	322
Services	**3,831**	**4,031**
Wages and salaries	2,573	2,838
Social security contributions	512	553
Costs related to defined-contribution plans	127	135
Costs related to severance pay provision and other defined-benefit plans (Note 23)	72	77
Restructuring costs - net	46	88
Other personnel expenses	130	148
Personnel expenses	**3,460**	**3,839**
Change in finished goods, work in progress and semi-finished products	**(22)**	**81**
Internal work capitalised	**(328)**	**(357)**
Total purchase and personnel expenses	**11,984**	**12,770**

The exact and average workforce at period-end showed, compared to 2020, an increase that was mainly attributable to *Defence Electronics & Security* (no. 353 units and 367 units respectively). The acquisitions of the Kopter Group (no. 326 units) and the PAS Group (no. 33 units) took place during the previous period.

Below is the breakdown of workforce by position:

No.	Average workforce			Total workforce		
	31 December 2020	**31 December 2021**	**Change**	**31 December 2020**	**31 December 2021**	**Change**
Senior managers (*)	1,205	1,216	11	1,198	1,219	21
Middle managers	5,956	6,103	147	6,113	6,243	130
Clerical employees	28,331	28,649	318	28,806	29,413	607
Manual labourers (**)	13,859	13,647	(212)	13,765	13,538	(227)
	49,351	**49,615**	**264**	**49,882**	**50,413**	**531**

(*) Includes pilots.
(**) Includes senior manual labourers.

30. Amortisation, depreciation and financial assets value adjustments

	2020	2021
Amortisation of intangible assets	147	150
Development costs	*26*	*33*
Non-recurring costs	*48*	*45*
Acquired through business combinations	*27*	*22*
Concessions, licences and trademarks	*17*	*19*
Other intangible assets	*29*	*31*
Depreciation of property, plant and equipment and investment properties	286	247
Depreciation of right of use	80	88
Impairment of other assets	268	42
Financial assets value adjustments	14	(2)
Operating receivables	*15*	*8*
Contract assets and liabilities	*-*	*(11)*
Other financial assets	*(1)*	*1*
	795	**525**

The decrease in amortisation, depreciation and write-downs is mainly related to property, plant and equipment subject to impairment during 2020. Value adjustments to financial assets related to the measurements made by the Group on a periodical basis in order to assess the recoverability of financial assets recognised in the consolidated financial statements, in accordance with the provisions governing impairment under IFRS 9.

31. Financial income and expenses

Below is a breakdown of financial income and expenses:

	2020			2021		
	Income	Expenses	Net	Income	Expenses	Net
Interest	3	(150)	**(147)**	1	(118)	**(117)**
Interest on lease liabilities	-	(18)	**(18)**	-	(19)	**(19)**
Premiums received/(paid) on IRS	-	(4)	**(4)**	-	(4)	**(4)**
Commissions on borrowings	-	(17)	**(17)**	-	(17)	**(17)**
Other commissions	-	(7)	**(7)**	-	(2)	**(2)**
Fair value gains/(losses) through profit or loss	22	(21)	**1**	21	(27)	**(6)**
Premiums received/(paid) on forwards	63	(97)	**(34)**	38	(34)	**4**
Exchange-rate differences	51	(56)	**(5)**	54	(49)	**5**
Interest cost on defined-benefit plans (Note 23)	-	(2)	**(2)**	-	-	**-**
Financial income/(expenses) -related parties (Note 36)	2	(4)	**(2)**	1	(4)	**(3)**
Other financial income and expenses	6	(38)	**(32)**	22	(35)	**(13)**
	147	**(414)**	**(267)**	**137**	**(309)**	**(172)**

The decrease in net financial expenses was mainly due to lower interest charges deriving from the redemption of the bond issue in January 2021 and lower premiums paid on forwards, thanks to the significant narrowing of the spread between the euro and US dollar rate curves.

More specifically:

- net interest decreased by €mil. 30. The item includes €mil. 98 (€mil. 125 in 2020) related to interest on bonds;
- the expenses arising from the application of fair value break down as follows:

	2020			2021		
	Income	Expenses	Net	Income	Expenses	Net
Interest-rate swaps	-	-	**-**	1	-	**1**
Ineffective portion of hedging swaps	22	(21)	**1**	20	(27)	**(7)**
	22	**(21)**	**1**	**21**	**(27)**	**(6)**

32. Income taxes

Income taxes can be broken down as follows:

	2020	2021
IRES (corporate income tax)	(3)	12
IRAP (regional tax on production)	(24)	(15)
Other income taxes (foreign)	(62)	(90)
Tax related to previous periods	30	5
Provisions for tax disputes	(5)	13
Deferred tax-net	52	(91)
Total income taxes	**(12)**	**(166)**

The balance of 2021 tax was significantly higher than in 2020, mainly as a result of the results achieved.

In 2021 the tax rate was equal to about 24.4%, as reported in the table below:

	2020	2021
Operating profit/(loss) before income taxes and discontinued operations	**253**	**753**
Total taxes	12	166
Provisions for tax disputes	(5)	13
Tax related to previous periods	30	5
Gain of ATIL JV dismission	-	-
	37	**184**
Tax rate	**14.6%**	**24.4%**

Deferred taxes and related receivables and payables at 31 December 2021 were the result of the following temporary differences. In this regard, we point out that part of the deferred tax assets relate to tax losses valued on the basis of the taxable income envisaged in the companies' plans, in particular an amount of €mil. 87 is related to the tax consolidation mechanism (about €mil. 580 of unrecognised losses).

	2020	2021
Deferred tax assets on tax losses	(54)	(28)
Property, plant and equipment and intangible assets	7	40
Financial assets and liabilities	1	-
Severance pay provision and retirement benefits	2	5
Provision for risks and impairment	22	(56)
Effect of change in tax rate	-	(8)
Other	74	(44)
Deferred taxes recognised through profit or loss	**52**	**(91)**

	31 December 2020			31 December 2021		
	Balance sheet			Balance sheet		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred tax assets on tax losses	160	-	**160**	143	-	**143**
Property, plant and equipment and intangible assets	50	129	**(79)**	78	117	**(39)**
Severance pay provision and retirement benefits	9	21	**(12)**	14	28	**(14)**
Financial assets and liabilities	2	-	**2**	2	-	**2**
Provision for risks and impairment	621	-	**621**	568	-	**568**
Other	188	13	**175**	180	60	**120**
Offsetting	(1)	(1)	**-**	(2)	(2)	**-**
Deferred taxes recognised through balance sheet	**1,029**	**162**	**867**	**983**	**203**	**780**
On cash flow hedge derivatives	16	16	**-**	20	6	**14**
On actuarial gains and losses	48	55	**(7)**	32	131	**(99)**
Deferred taxes recognised through equity	**64**	**71**	**(7)**	**52**	**137**	**(85)**
	1,093	**233**	**860**	**1,035**	**340**	**695**

33. Assets held for sale and discontinued operations

Following the sale of the Vitrociset space business unit to Telespazio, as at 31 December 2021 assets classified as held for sale are entirely represented by fixed assets owned by Leonardo Global Solutions.

As detailed in the Integrated Annual Report at 31 December 2020, to which reference is made, the space business of Vitrociset SpA and that of its investees (Vitrociset Belgium Sprl and Vitrociset France Sarl) was intended for a contribution transaction in favour of the Space Alliance (in particular Telespazio SpA). Therefore, the value of the assets and liabilities held for sale included, as at 31 December 2020, the values of the abovementioned space business unit for a net amount of €mil. 38, plus the value of the fixed assets owned by Leonardo Global Solutions that were held for sale for €mil. 9.

	31 December 2020	31 December 2021
Non-current assets	35	17
Current assets	37	-
Assets	**72**	**17**
Adjustment to selling price	-	-
Assets held for sale	**72**	**17**
Non-current liabilities	4	-
Current liabilities	21	-
Liabilities associated with assets held for sale	**25**	**-**

There was no impact on the income statement deriving from the discontinued operations during 2021.

With reference to 31 December 2020, the abovesaid space business unit represented a group of assets acquired for the purposes of a subsequent sale and, therefore, the related results of operations (a net result of €mil. 2) were also classified among "discontinued operations".

	2020	2021
Revenues	61	-
Purchase and personnel expenses	(58)	-
Amortisation, depreciation and write-offs	(1)	-
Other operating income/(expenses)	1	-
Income before tax and financial expenses	**3**	**-**
Financial income/(expenses)	-	-
Income taxes	(1)	-
Profit/(Loss) for the period	**2**	**-**
Other comprehensive income/(expenses)	-	-
Total comprehensive income/(expenses)	**2**	**-**

34. Earnings 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.

	2020	2021
Average shares outstanding during the reporting period (in thousands)	575,076	575,229
Earnings for the period (excluding non-controlling interests) (€ millions)	241	586
Earnings from continuing operations (excluding non-controlling interests) (€ millions)	239	586
Earnings from discontinued operations (excluding non-controlling interests) (€ millions)	2	-
Basic and diluted EPS (€)	**0.419**	**1.019**
Basic and diluted EPS from continuing operations (€)	0.416	1.019
Basic and diluted EPS from discontinued operations (€)	0.003	0.000

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

	2020	2021
Net result	243	587
Amortisation, depreciation and financial assets value adjustments	795	525
Share of profits/(losses) of equity-accounted investees	(26)	(138)
Income taxes	12	166
Cost of severance pay provision and other defined-benefit plans	72	77
Net financial expenses/(income)	267	172
Net allocations to the provisions for risks and inventory write-downs	339	169
Profit from discontinued operations	(2)	-
Other non-monetary items	1	65
	1,701	**1,623**

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 expenses).

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:

	2020	2021
Inventories	(167)	488
Contract assets and liabilities	(208)	(506)
Trade receivables and payables	(281)	(625)
	(656)	**(643)**

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:

	2020	2021
Payment of pension plans	(83)	(80)
Changes in provisions for risks and other operating items	(342)	78
	(425)	**(2)**

Changes in other investing or disinvesting activities include dividends received in 2021 of €mil. 63 (€mil. 58 in 2020) and the effects of acquisitions and sales of equity investments. In particular, transactions on equity investments that for their nature or significance qualify as “strategic investments” generated an outlay of €mil. 19 in 2021 against €mil. 200 in 2020.

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 2020

	Non-current loans and receivables	Other non-current receivables	Current loans and receivables	Trade receivables	Other current receivables	Total
Associates						
NHIndustries SAS				147		**147**
Eurofighter Jagdflugzeug GmbH				140		**140**
Iveco-OTO Melara Scarl				24		**24**
AgustaWestland Aviation Services LLC				20		**20**
Macchi Hurel Dubois SAS						
Other with unit amount lower than €mil. 10	1		2	27		**30**
Joint ventures						
Thales Alenia Space SAS			142	26		**168**
Joint Stock Company Helivert				39		**39**
GIE-ATR				22	71	**93**
Orizzonte Sistemi Navali SpA				37		**37**
MBDA SAS				20		**20**
Other with unit amount lower than €mil. 10	7		1	8	4	**20**
Consortiums (*)						
Other with unit amount lower than €mil. 10			2	12		**14**
Companies subject to the control or considerable influence of the MEF						
Fintecna SpA				72		**72**
Ferrovie dello Stato Italiane SpA				41		**41**
ENAV SpA				15		**15**
Other with unit amount lower than €mil. 10			2	13		**15**
Total	**8**	**-**	**149**	**663**	**75**	**895**
% against total for the period	*50.0%*	*n.a.*	*89.2%*	*21.9%*	*35.0%*	

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

Receivables at 31 December 2021

	Non-current loans and receivables	Other non-current receivables	Current loans and receivables	Trade receivables	Other current receivables	Total
Associates						
NHIndustries SAS				192		**192**
Eurofighter Jagdflugzeug GmbH				119		**119**
AgustaWestland Aviation Services LLC				17		**17**
Advanced Air Traffic Systems SDN BHD				12		**12**
Iveco-OTO Melara Scarl				11		**11**
Other with unit amount lower than €mil. 10	1		5	23		**29**
Joint ventures						
Thales Alenia Space SAS			37	7		**44**
Orizzonte Sistemi Navali SpA				39		**39**
Joint Stock Company Helivert				23		**23**
GIE-ATR				23		**23**
MBDA SAS				19		**19**
Telespazio SpA	12		1	4	5	**22**
Other with unit amount lower than €mil. 10				8	1	**9**
Consortiums (*)						
Other with unit amount lower than €mil. 10			2	10		**12**
Companies subject to the control or considerable influence of the MEF						**-**
Cassa Depositi e Prestiti SpA				69		**69**
Ferrovie dello Stato Italiane SpA				31		**31**
ENAV SpA				14		**14**
Other with unit amount lower than €mil. 10				19		**19**
Total	**13**	**-**	**45**	**640**	**6**	**704**
% against total for the period	*92.9%*	*n.a.*	*73.8%*	*20.0%*	*3.8%*	

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

Payables at 31 December 2020

	Non-current loans and borrowings	Other non-current borrowings	Current loans and borrowings	Trade payables	Other current payables	Total	Guarantees
Associates							
Gulf System Logistic Services Company WLL				82		**82**	
Eurofighter Jagdflugzeug GmbH			45	55		**100**	
NHIndustries SAS				21		**21**	
Elettronica SpA				15		**15**	
Leonardo Hélicoptères Algérie			20			**20**	
Other with unit amount lower than €mil. 10			4	15	6	**25**	
Joint ventures							
MBDA SAS			663	67		**730**	47
Telespazio SpA			49	2	2	**53**	161
GIE-ATR				55		**55**	
Rotorsim Srl				12		**12**	
Other with unit amount lower than €mil. 10				8	1	**9**	
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				3	**103**	
Enel SpA				19		**19**	
Other with unit amount lower than €mil. 10				4		**4**	410
Total	**100**	**-**	**781**	**359**	**12**	**1,252**	**618**
% against total for the period	*2.6%*	*n.a.*	*42.8%*	*9.9%*	*1.2%*		

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

Payables at 31 December 2021

	Non-current loans and borrowings	Other non-current borrowings	Current loans and borrowings	Trade payables	Other current payables	Total	Guarantees
Associates							
NHIndustries SAS				93		**93**	
Eurofighter Jagdflugzeug GmbH			37	40		**77**	
Gulf System Logistic Services Company WLL				24		**24**	
Elettronica SpA				14		**14**	
Leonardo Hélicoptères Algérie			20			**20**	
Other with unit amount lower than €mil. 10			1	7	4	**12**	
Joint ventures							
MBDA SAS			664	56		**720**	8
Telespazio SpA			31	2	2	**35**	152
GIE-ATR				57	2	**59**	
Rotorsim Srl				18		**18**	
Other with unit amount lower than €mil. 10				12	1	**13**	
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	3	**104**	
Enel SpA				14		**14**	
Other with unit amount lower than €mil. 10			3	6		**9**	414
Total	**100**	**-**	**756**	**347**	**12**	**1,215**	**574**
% against total for the period	*2.4%*	*n.a.*	*48.5%*	*10.3%*	*0.9%*		

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

Trade receivables are commented on later, along with revenues from related parties.

Current loans and receivables and other current payables to related parties mainly refer to receivables and payables from/to joint ventures and payables for subscribed capital unpaid to be paid towards Leonardo Hélicoptères Algérie for €mil. 20.

The financial exposure to Cassa Depositi e Prestiti (€mil. 100) relates to the loan taken out in 2020 in support of investments in R&D and innovation set out in the Industrial Plan.

Trade payables to associates mainly related to the relations with Gulf System Logistic Services Company WLL, which showed a decrease following the completion of the infrastructures built in Kuwait and to the failure to start logistic support activities, within the EFA Kuwait programme.

Current loans and borrowings from related parties include in particular the amount of €mil. 664 (€mil. 663 at 31 December 2020) due by Group companies to the joint venture MBDA and payables of €mil. 37 (€mil. 45 at 31 December 2020) to Eurofighter, 21% owned. As regards the latter, under a cash pooling agreement its surplus cash and cash equivalents are distributed among the partners.

Income statement transactions at 31 December 2020

	Revenues	Other operating income	Costs	Other operating costs	Financial income	Financial expenses
Associates						
Eurofighter Jagdflugzeug GmbH	433		755			
NHIndustries SAS	417					
Iveco-OTO Melara Scarl	74		2			
Macchi Hurel Dubois SAS	30					
AgustaWestland Aviation Services LLC	20		4			
Advanced Air Traffic Systems SDN BHD	11					
EUROMIDS SAS	11		1			
Elettronica SpA	1		27			
Gulf System Logistic Services Company WLL			166			
Other with unit amount lower than €mil. 10	17		6	1		1
Joint ventures						
GIE-ATR	122		26			
MBDA SAS	65		96			1
Thales Alenia Space SAS	53		2		1	
Joint Stock Company Helivert	41	1				
Orizzonte Sistemi Navali SpA	155		1			
Telespazio SpA	4		5			
Rotorsim Srl	1	2	12			
Other with unit amount lower than €mil. 10			3			1
Consortiums (*)						
Consorzio Protezioni Balistiche Italia	11					
Other with unit amount lower than €mil. 10	8		1			
Companies subject to the control or considerable influence of the MEF						
Fintecna SpA	168	10	(11)			
Ferrovie dello Stato Italiane SpA	26					
Poste Italiane SpA	22					
ENAV SpA	19					
Enel SpA	8		72			
Other with unit amount lower than €mil. 10	21	1	1		1	1
Total	**1,738**	**14**	**1,169**	**1**	**2**	**4**
% against total for the period	*13.0%*	*2.1%*	*9.8%*	*0.1%*	*1.4%*	*1.0%*

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

Income statement transactions at 31 December 2021

	Revenues	Other operating income	Costs	Other operating costs	Financial income	Financial expenses
Associates						
Eurofighter Jagdflugzeug GmbH	584		607			
NHIndustries SAS	373		151			
Gulf System Logistic Services Company WLL			71			
Iveco-OTO Melara Scarl	71		2			
Macchi Hurel Dubois SAS	29					
AgustaWestland Aviation Services LLC	15		2			
Elettronica SpA	2		50			
Other with unit amount lower than €mil. 10	31		18			1
Joint ventures						
GIE-ATR	80		8			
MBDA SAS	79		104			2
Thales Alenia Space SAS	52		2			
Joint Stock Company Helivert	15	2				
Orizzonte Sistemi Navali SpA	105					
Rotorsim Srl	1	2	17			
Other with unit amount lower than €mil. 10	6		8		1	
Consortiums (*)						
Consorzio Protezioni Balistiche Italia	14					
Other with unit amount lower than €mil. 10	9		5			
Companies subject to the control or considerable influence of the MEF						
Cassa Depositi e Prestiti SpA	261		2			1
Ferrovie dello Stato Italiane SpA	11					
Panavia Aircraft GmbH	10					
Poste Italiane SpA	23					
ENAV SpA	20		1			
Enel SpA	10		84			
Other with unit amount lower than €mil. 10	17	1	2			
Total	**1,818**	**5**	**1,134**	**-**	**1**	**4**
% against total for the period	*12.9%*	*0.9%*	*8.9%*	*n.a.*	*0.7%*	*1.3%*

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

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

- Eurofighter Jagdflugzeug GmbH in the scope of the EFA Kuwait aeronautical programme;
- NHIndustries in the scope of the NH90 helicopter programme;
- Iveco-OTO Melara for production and post-sales assistance on defence and security ground vehicles (mainly VBM Freccia for the Italian Army);
- trade receivables from Macchi Hurel Dubois for the sale of nacelles are no longer reported since they were less than €mil. 10; the slight decrease in revenues is linked to lower deliveries;
- subsidiaries or companies subject to significant influence on the part of the Ministry of Economy and Finance, including relations with Ferrovie dello Stato for the provision of ETR 700 trains, with CDP for supplies to subsidiary Fincantieri and with ENAV for the supply of systems and software components for flight assistance.

Costs related to joint ventures, as well as to companies:

- Eurofighter Jagdflugzeug GmbH and Gulf System Logistic Services Company WLL for operations within the EFA Kuwait programme; the increase in costs to Eurofighter in the comparative period was due to the delivery of major components for the assembly and mounting on aircraft intended for the Kuwait customer while the decrease in costs to Gulf reflects what already described in the comment on trade payables;
- subsidiaries or companies subject to significant influence by the Ministry of Economy and Finance, including those to Enel.

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 risk, related to the Group's financial exposure;
- exchange-rate risk, related to operations in currencies other than the reporting currency;
- liquidity risk, relating to the availability of financial resources and access to the credit market;
- credit risk, resulting from normal commercial transactions or financing activities.

Leonardo carefully and specifically follows each of these financial risks, with the objective of promptly minimising 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 minimise related borrowing costs.

In this regard, it should be noted that borrowings at 31 December 2021, equal to €mil. 5,670, included the value of lease liabilities equal to €mil. 568 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 71%, and, consequently, the floating-rate percentage is around 29%. Therefore, at the date of these financial statements, the interest-rate risk exposure continued to be moderate, with a variable exposure component which allows, at the current market conditions, the debt cost to be reduced, bringing it to about 2.8% with an average life of about 4.2 years. It should be noted that, following the Group's repayment of the bond issue expired in January 2022, the cost of debt showed a further decrease, reaching a value of about 2.3% with an average term of about 5 years and a variable rate amount increased up to 34%.

At 31 December 2021, 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. Moreover, given the low cost, it is currently deemed appropriate not to settle the transaction, in order to use it in the event of the Group's strategy providing for a return to the floating rate and the levels of said rate should become unfavourable;

› *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 01.01.2020	Changes			Fair value 31.12.2020
	2019	2020			Income	Expenses	CFH reserve	
Options	200	200	Bond 2025	(3)	-	-	1	(2)
IRS fixed/floating/fixed	300	300	EIB	(16)	-	-	(8)	(24)
Total notional	**500**	**500**		**(19)**	**-**	**-**	**(7)**	**(26)**

	Notional		Underlying (maturity)	Fair value 01.01.2021	Changes			Fair value 31.12.2021
	2020	2021			Income	Expenses	CFH reserve	
Options	200	200	Bond 2025	(2)	1	-	-	(1)
IRS fixed/floating/fixed	300	300	EIB	(24)	-	-	11	(13)
Total notional	**500**	**500**		**(26)**	**1**	**-**	**11**	**(14)**

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 2020		31 December 2021	
	Increase of 50 bps	Decrease of 50 bps	Increase of 50 bps	Decrease of 50 bps
Net result	(5)	5	(3)	4
Equity (*)	3	(3)	3	(2)

(*) Defined as sum of earnings and cash flow hedge reserve.

Exchange-rate risk

Transaction risk

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, revenues 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 standardise 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 neutralising 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 or 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 2021 the Leonardo Group had outstanding foreign exchange transactions totalling €mil. 9,846 (notional amount). Overall, the average euro/US dollar exchange rate for hedging purposes is 1.149 on sales and about 1.157 on purchases.

	Notional			Fair value 01.01.2020	Changes				Fair value 31.12.2020
	Sales	Purchases	Total		Discontinued operations	Income	Expenses	CFH reserve	
Swap and forward transactions	3,837	3,051	6,888	(50)	-	22	(21)	125	76

	Notional			Fair value 01.01.2021	Changes				Fair value 31.12.2021
	Sales	Purchases	Total		Discontinued operations	Income	Expenses	CFH reserve	
Swap and forward transactions	5,807	4,039	9,846	76	-	20	(27)	(108)	(39)

The table below shows the expected due dates of receipts and payments related to derivative instruments broken down by main currencies:

	31 December 2020				31 December 2021			
	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	1,473	72	871	1,002	1,456	11	716	935
2 to 3 years	1,156	-	347	123	1,695	-	532	146
4 to 9 years	429	-	27	-	351	-	43	-
Total	**3,058**	**72**	**1,245**	**1,125**	**3,502**	**11**	**1,291**	**1,081**
Hedging transactions which cannot be classified as hedging transactions	551	2	551	2	752	2	746	2
Total transactions	**3,609**	**74**	**1,796**	**1,127**	**4,254**	**13**	**2,037**	**1,083**

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), 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 2021 and at 31 December 2020.

	31 December 2020				31 December 2021			
	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 5%	Decrease of 5%	Increase of 5%	Decrease of 5%	Increase of 5%	Decrease of 5%	Increase of 5%	Decrease of 5%
Net result	3	(3)	-	1	(2)	2	(5)	4
Equity (*)	(19)	22	65	(70)	(8)	9	45	(52)

(*) 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 US dollars and the pound sterling) 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 United States and in the United Kingdom.

Leonardo UK Ltd, which is Leonardo's main equity holding in the United Kingdom, 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 from third parties or, similarly, by the cash effects deriving from the renewal of hedges.

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 has at its disposal, for financing its operations:

- the cash and cash equivalents of €mil. 2,479 generated at 31 December 2021 related to Leonardo SpA (€mil. 1,875) 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 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 2021;
- uncommitted bank credit lines totalling €mil. 810 (entirely unused at 31 December 2021);
- short-term credit lines subject to revocation in US dollars, available to subsidiary Leonardo US Holding and guaranteed by Leonardo SpA, for an overall countervalue of €mil. 221 (entirely unused at 31 December 2021);
- unconfirmed lines of credit for guarantees for a total amount of €mil. 10,324, of which an amount of €mil. 3,750 available at 31 December 2021;
- the EMTN (Euro Medium Term Note) Programme, out of which all the bonds of Leonardo SpA were issued, which are currently in place on the Euromarket and which had been used for a total nominal amount of €mil. 2,156 at 31 December 2021, compared to a total amount of €mil. 4,000 under the programme.

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 United Kingdom, the United States and the Middle East. The risks associated with the counterparty, for contracts with countries for which there are no usual commercial relations, are analysed and valued at the time of the offer in order to highlight and 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. When possible, 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 (eg. SACE).

The types of contracts entered into by the Group provide for sizeable retention money withheld by customers, as well as back-to-back clauses in case of sub-supplies. All this inherently extends 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 2021, we note the following relations with countries exposed to credit risk according to the international institutions (SACE):

	Lybia	Zambia	Turkey	Turkmenistan	Angola	Other countries	Total
Assets	23	5	72	27	92	75	**294**
Liabilities	(30)	(13)	(127)	(1)	(87)	(70)	**(328)**
Net exposure	**(7)**	**(8)**	**(55)**	**26**	**5**	**5**	**(34)**

As at 31 December 2021, the countries identified by SACE as countries at risk included Ukraine, to which – as indicated in Note 7 to which reference should be made – 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 summarises trade receivables, with most of the balance claimed, as indicated, from public-sector contractors or contractors belonging to public institutions:

€ billions	31 December 2020	31 December 2021
Portion due	1.3	1.2
-of which: for more than 12 months	*0.6*	*0.4*
Portion not yet due	1.7	2.0
Total trade receivables	**3.0**	**3.2**

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. 75 (€mil. 183 at 31 December 2020), include €mil. 14 (€mil. 16 at 31 December 2020) classified as "non-current" and consequently excluded from the net financial position. Loans and receivables are broken down in the table below:

	31 December 2020	31 December 2021
Loans and receivables from related parties	8	13
Other loans and receivables	8	1
Non-current loans and receivables	**16**	**14**
Loans and receivables from related parties	149	45
Other loans and receivables	18	16
Current loans and receivables	**167**	**61**
Total loans and receivables	**183**	**75**

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. 747 (€mil. 2,619 in 2020). The amount of the assignments is significantly lower than the previous year's figure, also thanks to an objective progressive improvement in the emergency situation during 2021, which has allowed the dynamics underlying the realisation of collection flows to be restored, linearising the flow trend.

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 2020			31 December 2021		
	Level 2	Level 3	**Total**	Level 2	Level 3	**Total**
Other non-current assets	-	-	**-**	-	-	**-**
Other current assets	222	-	**222**	108	-	**108**
Other non-current liabilities	-	17	**17**	-	17	**17**
Other current liabilities	172	-	**172**	161	-	**161**

The total fair value of pension plan assets amounted to €mil. 4,001 (€mil. 3,560 at 31 December 2020), 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 SpA amounted to €mil. 10 (€mil. 9 at 31 December 2020).

Remuneration paid to directors, excluding managers with strategic responsibility, amounted to €mil. 2 (€mil. 2 in 2020). This figure includes fees and other compensation, pensions and other benefits, including the portion borne by the Company.

39. 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 2021 to €mil. 9 (€mil. 10 in 2020).

With specific regard to the 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 € 10.25 (value of Leonardo shares at the grant date of 31 July 2018) with reference to the three-year cycle 2018-2020; it 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, to € 5.41 (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 (value of Leonardo shares at the grant date of 31 July 2021) with reference to the three-year cycle 2021-2023.

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 € 3.51 with reference to the three-year cycle 2018-2020; it was equal to € 6.72 with reference to the three-year cycle 2019-2021, to € 1.73 with reference to the three-year cycle 2020-2022 and to € 3.7 with reference to the three-year cycle 2021-2023.

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 2021 the conditions for the granting of 133,560 shares under the Long-Term Incentive Plan have been met.

For the Board of Directors
The Chairman
(Luciano Carta)

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 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, paragraph 125, of Law 124/2017.

It should also be noted that the transparency of State aids for which there is a publication obligation is protected by their publication in the National Register of State Aids referred to in Article 52 of Law 234 of 24 December 2012.

Grants made

As a publicly traded company, Leonardo SpA is not subject to the obligations under Article 1, paragraph 126, in accordance with Article 2-*bis*, paragraph 2, letter b) of Legislative Decree 33/2013.

There are no grants disbursed by Leonardo SpA 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)

Company name	Registered office	Participating company	Currency	Share capital	% Group ownership		% Group shareholding
					Direct	Indirect	
3083683 NOVA SCOTIA LTD	Halifax, Nova Scotia (Canada)	ENGINEERED SUPPORT SYSTEMS INC.	CAD	-		100	100
AGUSTAWESTLAND HOLDINGS LTD	Yeovil, Somerset (UK)	LEONARDO SPA	GBP	1	100		100
AGUSTAWESTLAND INDIA PRIVATE LTD (IN LIQ.)	New Delhi (India)	AGUSTAWESTLAND SPA AGUSTAWESTLAND LTD	INR	11,519,450		100	100
AGUSTAWESTLAND INTERNATIONAL LTD	Yeovil, Somerset (UK)	AGUSTAWESTLAND SPA AGUSTAWESTLAND LTD	GBP	511,000		100	100
AGUSTAWESTLAND LTD	Yeovil, Somerset (UK)	LEONARDO UK LTD formerly Leonardo MW Ltd	GBP	1,520,304		100	100
AGUSTAWESTLAND PHILADELPHIA CO.	Wilmington, Delaware (USA)	LEONARDO SPA	USD	20,000,000	100		100
AGUSTAWESTLAND SPA	Rome	SO.GE.PA. SPA	EUR	120,000		100	100
ALEA SRL	Polcenigo (Pordenone)	LEONARDO SPA	EUR	120,000	69.91		69.91
ALENIA AERMACCHI SPA	Rome	SO.GE.PA. SPA	EUR	120,000		100	100
ANSALDOBREDA SPA	Naples	LEONARDO SPA	EUR	10,000,000	100		100
DAYLIGHT DEFENCE LLC	Wilmington, Delaware (USA)	DAYLIGHT SOLUTIONS INC.	USD	-		100	100
DAYLIGHT SOLUTIONS INC.	Wilmington, Delaware (USA)	LEONARDO DRS INC.	USD	1		100	100
DISPOSITIVI PROTEZIONE INDIVIDUALE DPI SRL	Rome	LARIMART SPA	EUR	309,600		77.92	46.75
DRS ADVANCED ISR LLC	Wilmington, Delaware (USA)	DRS D.S. LLC	USD	-		100	100
DRS C3 & AVIATION COMPANY	Wilmington, Delaware (USA)	ENGINEERED SUPPORT SYSTEMS INC.	USD	1		100	100
DRS DEFENSE SOLUTIONS LLC	Wilmington, Delaware (USA)	LEONARDO DRS INC.	USD	-		100	100
DRS ENVIRONMENTAL SYSTEMS INC.	Wilmington, Delaware (USA)	ENGINEERED SUPPORT SYSTEMS INC.	USD	2		100	100
DRS GLOBAL ENTERPRISE SOLUTIONS INC.	Baltimora, Maryland (USA)	DRS D.S. LLC	USD	50		100	100

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

Company name	Registered office	Participating company	Currency	Share capital	% Group ownership		% Group shareholding
					Direct	Indirect	
DRS HOMELAND SECURITY SOLUTIONS INC.	Wilmington, Delaware (USA)	LEONARDO DRS INC.	USD	1		100	100
DRS INTERNATIONAL INC.	Wilmington, Delaware (USA)	LEONARDO DRS INC.	USD	1		100	100
DRS NAVAL POWER SYSTEMS INC.	Wilmington, Delaware (USA)	LEONARDO DRS INC.	USD	1		100	100
DRS NETWORK & IMAGING SYSTEMS LLC	Wilmington, Delaware (USA)	LEONARDO DRS INC.	USD	-		100	100
DRS RADAR SYSTEMS LLC	Wilmington, Delaware (USA)	DRS C3 & AVIATION COMPANY	USD	-		100	100
DRS SIGNAL SOLUTIONS INC.	Wilmington, Delaware (USA)	DRS D.S. LLC	USD	10		100	100
DRS SURVEILLANCE SUPPORT SYSTEMS INC.	Wilmington, Delaware (USA)	LEONARDO DRS INC.	USD	1		100	100
DRS SUSTAINMENT SYSTEMS INC.	Wilmington, Delaware (USA)	ENGINEERED SUPPORT SYSTEMS INC.	USD	1,000		100	100
DRS SYSTEMS MANAGEMENT LLC	Wilmington, Delaware (USA)	LEONARDO DRS INC.	USD	1		100	100
DRS SYSTEMS INC.	Wilmington, Delaware (USA)	LEONARDO DRS INC.	USD	1		100	100
DRS TECHNOLOGIES CANADA INC.	Wilmington, Delaware (USA)	LEONARDO DRS INC.	USD	1		100	100
DRS TECHNOLOGIES CANADA LTD	Kanata, Ontario (Canada)	DRS TECHNOLOGIES CANADA INC.	CAD	100		100	100
DRS TECHNOLOGIES SAUDI ARABIA LLC	Riyadh (Saudi Arabia)	LEONARDO DRS INC.	SAR	2,000,000		49	100
DRS TECHNOLOGIES UK LTD	Yeovil, Somerset (UK)	LEONARDO UK LTD formerly Leonardo MW Ltd	GBP	1		100	100
DRS TECHNOLOGIES VERWALTUNGS GMBH	Stuttgart (Germany)	DRS GLOBAL ENT. SOLUTIONS INC.	EUR	25,000		100	100
DRS TRAINING & CONTROL SYSTEMS LLC	Tallahassee, Florida (USA)	DRS D.S. LLC	USD	510		100	100
DRS TSI INTERNATIONAL LLC	Wilmington, Delaware (USA)	DRS GLOBAL ENT. SOLUTIONS INC.	USD	-		100	100

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

Company name	*Registered office*	*Participating company*	*Currency*	*Share capital*	*% Group ownership*		*% Group shareholding*
					Direct	*Indirect*	
DRS UNMANNED TECHNOLOGIES INC.	Wilmington, Delaware (USA)	DRS T. & C. SYSTEMS LLC	USD	1		100	100
ENGINEERED COIL COMPANY	Jefferson City, Missouri (USA)	ENGINEERED SUPPORT SYSTEMS INC.	USD	1,000		100	100
ENGINEERED SUPPORT SYSTEMS INC.	Jefferson City, Missouri (USA)	LEONARDO DRS INC.	USD	1		100	100
ESSI RESOURCES LLC	Frankfort, Kentucky (USA)	DRS SUSTAINMENT SYSTEMS INC.	USD	-		100	100
GLOBAL NETWORK SERVICES LLC	Wilmington, Delaware (USA)	DRS GLOBAL ENT. SOLUTIONS INC.	USD	1		100	100
KOPTER GERMANY GMBH	Höhenkirchen-Siegertsbrunn (Germany)	KOPTER GROUP AG	EUR	25,000		100	100
KOPTER GROUP AG	Mollis, North Glarus (Switzerland)	LEONARDO SPA	CHF	32,000,000	100		100
KOPTER NORTH AMERICA LLC	Wilmington, Delaware (USA)	KOPTER GROUP AG	USD	1,000		100	100
LARIMART SPA	Rome	LEONARDO SPA	EUR	2,500,000	60		60
LAUREL TECHNOLOGIES PARTNERSHIP	Wilmington, Delaware (USA)	DRS SYSTEMS MANAGEMENT LLC DRS SIGNAL SOLUTIONS INC.	USD	-		100	100
LEONARDO AUSTRALIA (PTY) LTD	Essendon, Victoria (Australia)	LEONARDO INTERNATIONAL SPA	AUD	8,366,301		100	100
LEONARDO BELGIUM SA	Grace Hollogne (Belgium)	LEONARDO INTERNATIONAL SPA SELEX ES INTERNATIONAL LTD	EUR	500,000		100	100
LEONARDO CAE ADVANCED JET TRAINING SRL formerly Leonardo Advanced Jet Training Srl	Villasor (Cagliari)	LEONARDO SPA	EUR	29,040,000	50		50
LEONARDO DO BRASIL LTDA	Osasco (Brazil)	LEONARDO INTERNATIONAL SPA SELEX ES INTERNATIONAL LTD	BRL	48,241,788		100	100
LEONARDO DRS INC.	Wilmington, Delaware (USA)	LEONARDO US HOLDING INC.	USD	1		100	100
LEONARDO ELECTRONICS US INC.	Wilmington, Delaware (USA)	LEONARDO UK LTD formerly Leonardo MW Ltd	USD	32,750,000		100	100

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

Company name	Registered office	Participating company	Currency	Share capital	% Group ownership		% Group shareholding
					Direct	Indirect	
LEONARDO GERMANY GMBH	Neuss (Germany)	LEONARDO INTERNATIONAL SPA SELEX ES INTERNATIONAL LTD	EUR	2,500,000		100	100
LEONARDO GLOBAL SOLUTIONS SPA	Rome	LEONARDO SPA	EUR	51,000,000	100		100
LEONARDO HELICOPTERS USA INC.	Wilmington, Delaware (USA)	AGUSTAWESTLAND PHILADELPHIA CO.	USD	-		100	100
LEONARDO HISPANIA SAU	Loriguilla, Valencia (Spain)	LEONARDO INTERNATIONAL SPA	EUR	5,189,019		100	100
LEONARDO INTERNATIONAL SPA	Rome	LEONARDO SPA	EUR	1,000,000	100		100
LEONARDO LOGISTICS SPA formerly FATA Logistic Systems SpA	Rome	LEONARDO GLOBAL SOLUTIONS SPA	EUR	100,000		100	100
LEONARDO MALAYSIA SDN BHD	Kuala Lumpur (Malaysia)	LEONARDO INTERNATIONAL SPA	MYR	2,500,000		100	100
LEONARDO UK Ltd formerly Leonardo MW Ltd	London (UK)	LEONARDO SPA	GBP	314,500,100	100		100
LEONARDO PORTUGAL SA	Porto Salvo Oeiras (Portugal)	LEONARDO INTERNATIONAL SPA	EUR	100,000		100	100
LEONARDO ROMANIA AEROSPACE, DEFENCE & SECURITY SA	Ploiesti (Romania)	LEONARDO INTERNATIONAL SPA SELEX ES INTERNATIONAL LTD	RON	10,847,960		100	100
LEONARDO SAUDI LTD formerly Selex ES Saudi Arabia Ltd	Riyadh (Saudi Arabia)	LEONARDO UK Ltd formerly Leonardo MW Ltd SELEX ES (PROJECTS) LTD	SAR	500,000		100	100
LEONARDO SOUTH AFRICA (PTY) LTD formerly Precision Aviation Services (Pty) Ltd	Lynnwood (South Africa)	LEONARDO INTERNATIONAL SPA	ZAR	1,500		100	100
LEONARDO TECHNOLOGIES & SERVICES LTD	Nairobi (Kenya)	LEONARDO INTERNATIONAL SPA	KES	109,600,000		100	100
LEONARDO TURKEI HAVACILIK SAVUNMA VE GUVENLIK SISTEMLERI AS	Ankara (Turkey)	LEONARDO INTERNATIONAL SPA SELEX ES INTERNATIONAL LTD	TRY	79,557,009		100	100
LEONARDO US AIRCRAFT INC.	Wilmington, Delaware (USA)	LEONARDO US HOLDING INC.	USD	44		100	100
LEONARDO US HOLDING INC.	Wilmington, Delaware (USA)	LEONARDO SPA	USD	10	100		100
OTO MELARA NORTH AMERICA LLC	Wilmington, Delaware (USA)	LEONARDO DRS INC.	USD	-		100	100

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

Company name	Registered office	Participating company	Currency	Share capital	% Group ownership		% Group shareholding
					Direct	Indirect	
PARTECH SYSTEMS (PTY) LTD	Yerriyong (Australia)	LEONARDO AUSTRALIA (PTY) LTD	AUD	330		100	100
PIVOTAL POWER INC.	Halifax, Nova Scotia (Canada)	3083683 NOVA SCOTIA LTD	CAD	-		100	100
PRECISION AVIATION PROPERTY (PTY) LTD	Wonderboom (South Africa)	LEONARDO SOUTH AFRICA (PTY) LTD formerly Precision Aviation Services (Pty) Ltd	ZAR	100		100	100
PRECISION AVIATION TRAINING ACADEMY (PTY) LTD	Wonderboom (South Africa)	LEONARDO SOUTH AFRICA (PTY) LTD formerly Precision Aviation Services (Pty) Ltd	ZAR	1,000		100	100
REGIONALNY PARK PRZEMYSLOWY ŚWIDNIK SP Z OO	Świdnik (Poland)	PZL-ŚWIDNIK SA	PLN	7,072,000		73.88	73.88
SELEX ELSAG LTD	Basildon, Essex (UK)	LEONARDO UK LTD formerly Leonardo MW Ltd	GBP	25,800,100		100	100
SELEX ES AUSTRALIA (PTY) LTD	Melbourne (Australia)	LEONARDO INTERNATIONAL SPA	AUD	500,000		100	100
SELEX ES INC.	Wilmington, Delaware (USA)	LEONARDO INTERNATIONAL SPA	USD	1		100	100
SELEX ES INTERNATIONAL LTD	Basildon, Essex (UK)	LEONARDO SPA	GBP	100	100		100
SELEX ES MALAYSIA SDN BHD	Kuala Lumpur (Malaysia)	LEONARDO INTERNATIONAL SPA	MYR	500,000		100	100
SELEX ES SPA (IN LIQ.)	Rome	SO.GE.PA. SPA	EUR	120,000		100	100
SO.GE.PA.-SOCIETÀ GENERALE DI PARTECIPAZIONI SPA	Rome	LEONARDO SPA	EUR	1,000,000	100		100
T-S HOLDING CORPORATION	Austin, Texas (USA)	TECH-SYM LLC	USD	280,000		100	100
TECH-SYM LLC	Carson City, Nevada (USA)	LEONARDO DRS INC.	USD	10		100	100
TTI TACTICAL TECHNOLOGIES INC.	Ottawa, Ontario (Canada)	LEONARDO UK Ltd formerly Leonardo MW Ltd	CAD	2,500,001		100	100
UTM SYSTEMS & SERVICES SRL	Rome	LEONARDO SPA TELESPAZIO SPA	EUR	6,620,000	66.67	33.33	89
VEGA DEUTSCHLAND GMBH	Cologne (Germany)	SELEX ES SPA	EUR	25,700		100	100
VITROCISET SPA	Rome	LEONARDO SPA	EUR	24,500,000	100		100
WYTWORNIA SPRZETU KOMUNIKACYJNEGO "PZL-ŚWIDNIK" SPOLKA AKCYJNA	Świdnik (Poland)	LEONARDO SPA	PLN	137,401,350	100		100

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

Company name	Registered office	Participating company	Currency	Share capital	% Group ownership		% Group shareholding
					Direct	Indirect	
ADVANCED ACOUSTIC CONCEPTS LLC	Wilmington, Delaware (USA)	DRS D.S. LLC	USD	-		51	51
ADVANCED AIR TRAFFIC SYSTEMS SDN BHD	Shah Alam (Malaysia)	SELEX ES INTERNATIONAL LTD	MYR	10,000,000		30	30
AGUSTAWESTLAND AVIATION SERVICES LLC	Abu Dhabi (United Arab Emirates)	LEONARDO SPA	AED	58,010,000	30		30
AIRBUS TELESPAZIO CAPACITY OPERATOR SAS	Issy-les-Moulineaux (France)	TELESPAZIO FRANCE SAS	EUR	11,000,000		49	32.83
AMSH BV	Rotterdam (Netherlands)	LEONARDO SPA	EUR	36,296,316	50		50
AVIO SPA	Rome	LEONARDO SPA	EUR	90,964,213	29.63		29.63
C-27J AVIATION SERVICES INC.	Ottawa, Ontario (Canada)	LEONARDO CANADA CO.	CAD	10,000		30	30
CONSORZIO GIE-ATR	Tolouse (France)	LEONARDO SPA	USD	-	50		50
D-FLIGHT SPA	Rome	UTM SYSTEMS & SERVICES SRL	EUR	83,333		40	35.60
E-GEOS SPA	Matera	TELESPAZIO SPA	EUR	5,000,000		80	53.60
ELETTRONICA SPA	Rome	LEONARDO SPA	EUR	9,000,000	31.33		31.33
EUROFIGHTER JAGDFLUGZEUG GMBH	Hallbergmoos (Germany)	LEONARDO SPA	EUR	2,556,459	21		21
EUROFIGHTER SIMULATION SYSTEMS GMBH	Munich (Germany)	LEONARDO SPA	EUR	260,000	24		24
EUROMIDS SAS	Paris (France)	LEONARDO SPA	EUR	40,500	25		25
GAF AG	Munich (Germany)	E-GEOS SPA	EUR	256,000		100	53.60
GEM ELETTRONICA SRL	San Benedetto del Tronto (Ascoli Piceno)	LEONARDO SPA	EUR	4,500,000	30		30
GULF SYSTEMS LOGISTICS SERVICES COMPANY WLL	Kuwait City (Kuwait)	ALENIA AERMACCHI SPA	KWD	75,000		40	40
IAMCO - INTERNATIONAL AEROSPACE MANAGEMENT COMPANY SCARL	Venice	LEONARDO SPA	EUR	208,000	25		25
ICARUS SCPA (IN LIQ.)	Turin	LEONARDO GLOBAL SOLUTIONS SPA	EUR	3,192,724		53.06	53.06
INDUSTRIA ITALIANA AUTOBUS SPA	Rome	LEONARDO SPA	EUR	21,050,000	28.65		28.65
INMOVE ITALIA SRL	Naples	ANSALDOBREDA SPA	EUR	14,441		100	100
IVECO-OTO MELARA SCARL	Rome	LEONARDO SPA	EUR	40,000	50		50

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

Company name	Registered office	Participating company	Currency	Share capital	% Group ownership		% Group shareholding
					Direct	Indirect	
JIANGXI CHANGHE AGUSTA HELICOPTER CO. LTD	Jingdezhen (China)	LEONARDO SPA	CNY	6,000,000	40		40
JOINT STOCK COMPANY HELIVERT	Moscow (Russia)	LEONARDO SPA	RUB	325,010,000	50		50
LEONARDO AEROSPACE DEFENSE & SECURITY INDIA PRIVATE LTD	New Delhi (India)	LEONARDO INTERNATIONAL SPA SELEX ES INTERNATIONAL LTD	INR	30,000,000		100	100
LEONARDO CANADA CO.	Halifax, Nova Scotia (Canada)	LEONARDO INTERNATIONAL SPA	CAD	298,421		100	100
LEONARDO (CHINA) CO. LTD	Beijing (China)	LEONARDO INTERNATIONAL SPA	USD	800,000		100	100
LEONARDO ELECTRONICS PENSION SCHEME (TRUSTEE) LTD	Yeovil, Somerset (UK)	LEONARDO UK LTD formerly Leonardo MW Ltd	GBP	100		100	100
LEONARDO FOR AVIATION SERVICES (SPC)	Kuwait City (Kuwait)	LEONARDO SPA	KWD	300,000	100		100
LEONARDO FOR TRADING OF MACHINERY EQUIPMENT AND DEVICES WLL	Kuwait City (Kuwait)	LEONARDO INTERNATIONAL SPA	KWD	303,000		93	93
LEONARDO FUTUREPLANNER (TRUSTEE) LTD	Yeovil, Somerset (UK)	LEONARDO UK LTD formerly Leonardo MW Ltd	GBP	1		100	100
LEONARDO HELICOPTERES ALGERIE SPA	Bir Mourad Rais (DZ) (Algeria)	LEONARDO SPA LEONARDO INTERNATIONAL SPA	EUR	55,000,000	39	10	49
LEONARDO HELICOPTERS PENSION SCHEME (TRUSTEE) LTD	Yeovil, Somerset (UK)	LEONARDO UK LTD formerly Leonardo MW Ltd	GBP	1		100	100
LEONARDO LTD	Yeovil, Somerset (UK)	LEONARDO UK LTD formerly Leonardo MW Ltd	GBP	1		100	100
LEONARDO MW LTD formerly Cardprize Two Ltd	Basildon, Essex (UK)	LEONARDO UK LTD formerly Leonardo MW Ltd	GBP	1		100	100
LEONARDO POLAND SP. Z OO	Warsaw (Poland)	LEONARDO INTERNATIONAL SPA	PLN	850,000		100	100
LEONARDO SINGAPORE PTE. LTD	Singapore (Singapore)	LEONARDO INTERNATIONAL SPA	USD	150,000		100	100
LEONARDO TECHNOLOGY PAKISTAN (SMC-PRIVATE) LTD	Islamabad (Pakistan)	LEONARDO INTERNATIONAL SPA	PKR	30,000,000		100	100

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

Company name	Registered office	Participating company	Currency	Share capital	% Group ownership		% Group shareholding
					Direct	Indirect	
LEONARDO & CODEMAR SA	Maricá (Brazil)	LEONARDO INTERNATIONAL SPA	BRL	2,010,000		51	51
LIBYAN ITALIAN ADVANCED TECHNOLOGY CO.	Tripoli (Lybia)	LEONARDO SPA AGUSTAWESTLAND SPA	EUR	8,000,000	25	25	50
MACCHI HUREL DUBOIS SAS	Versailles (France)	LEONARDO SPA	EUR	100,000	50		50
MBDA SAS	Paris (France)	AMSH BV	EUR	53,824,021		50	25
NHINDUSTRIES SAS	Aix-en-Provence (France)	LEONARDO SPA	EUR	306,000	32		32
ORIZZONTE SISTEMI NAVALI SPA	Genoa	LEONARDO SPA	EUR	20,000,000	49		49
RARTEL SA	Bucharest (Romania)	TELESPAZIO SPA	RON	468,500		61.06	40.91
ROTORSIM SRL	Sesto Calende (Varese)	LEONARDO SPA	EUR	9,800,000	50		50
ROTORSIM USA LLC	Wilmington, Delaware (USA)	AGUSTAWESTLAND PHILADELPHIA CO.	USD	12,607,452		50	50
SELEX ES (PROJECTS) LTD	Basildon, Essex (UK)	LEONARDO UK LTD formerly Leonardo MW Ltd	GBP	100		100	100
SPACEOPAL GMBH	Munich (Germany)	TELESPAZIO SPA	EUR	500,000		50	33.50
TELESPAZIO ARGENTINA SA	Buenos Aires (Argentina)	TELESPAZIO SPA TELESPAZIO BRASIL SA	ARS	9,950,000		100	67
TELESPAZIO BELGIUM SRL formerly Vitrociset Belgium Sprl	Transinne (Belgium)	TELESPAZIO SPA TELESPAZIO FRENCH GUIANA SARL formerly Vitrociset France Sarl	EUR	1,282,750		100	67
TELESPAZIO BRASIL SA	Rio de Janeiro (Brazil)	TELESPAZIO LATIN AMERICA LTDA	BRL	58,724,000		99	66.18
TELESPAZIO FRANCE SAS	Tolouse (France)	TELESPAZIO SPA	EUR	33,670,000		100	67
TELESPAZIO FRENCH GUIANA SARL formerly Vitrociset France Sarl	Kourou (French Guiana)	TELESPAZIO SPA	EUR	7,625		100	67
TELESPAZIO GERMANY GMBH formerly Telespazio Vega Deutschland GmbH	Darmstadt (Germany)	TELESPAZIO SPA TELESPAZIO FRANCE SAS	EUR	44,150		100	67
TELESPAZIO IBÉRICA SL	Madrid (Spain)	TELESPAZIO SPA	EUR	2,230,262		100	67
TELESPAZIO LATIN AMERICA LTDA	Rio de Janeiro (Brazil)	TELESPAZIO SPA TELESPAZIO UK LTD formerly Telespazio Vega UK Ltd	BRL	56,444.390		100	67

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

Company name	Registered office	Participating company	Currency	Share capital	% Group ownership		% Group shareholding
					Direct	Indirect	
TELESPAZIO SPA	Rome	LEONARDO SPA	EUR	50,000,000	67		67
TELESPAZIO UK LTD formerly Telespazio Vega UK Ltd	Luton, Bedfordshire (UK)	TELESPAZIO SPA	GBP	14,400,048		100	67
TELESPAZIO UK SL formerly Telespazio Vega UK SL	Madrid (Spain)	TELESPAZIO UK LTD formerly Telespazio Vega UK Ltd	EUR	3,100		100	67
THALES ALENIA SPACE SAS	Cannes (France)	LEONARDO SPA	EUR	918,037,500	33		33
TORPEDO SOUTH AFRICA (PTY) LTD	Gauteng (South Africa)	LEONARDO SPA	ZAR	-	49		49
VITROCISET JADWALEAN LTD	Riyadh (Saudi Arabia)	VITROCISET SPA	SAR	2,000,000		45	45
WORLD'S WING SA (IN LIQ.)	Geneva (Switzerland)	LEONARDO SPA	CHF	811,876	100		100

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

Company name	Registered office	Participating company	Currency	Share capital	% Group ownership		% Group shareholding
					Direct	Indirect	
ADVANCED MALE AIRCRAFT LLC	Al Ain, Muwaiji (United Arab Emirates)	LEONARDO SPA	AED	200,000	49		49
CHONGQING CHUANYI ANSALDOBREDA RAILWAY TRANSPORT. EQUIP. CO. LTD	Chongqing (China)	ANSALDOBREDA SPA	CNY	50,000,000		50	50
EARTHLAB LUXEMBOURG SA	Mamer (Luxembourg)	TELESPAZIO FRANCE SAS E-GEOS SPA	EUR	4,875,000		54.40	34.17
ELSACOM-UKRAINE JOINT STOCK COMPANY	Kiev (Ukraine)	SO.GE.PA. SPA	UAH	7,945,000		49	49
INDUSTRIE AERONAUTICHE E MECCANICHE RINALDO PIAGGIO SPA (EXT. ADM.)	Genoa	SO.GE.PA. SPA	EUR	103,567		30.98	30.98

Below are the main changes in the scope of consolidation at 31 December 2021 in comparison with 31 December 2020:

COMPANY	EVENT	MONTH
Companies which entered the scope of consolidation		
Leonardo For Aviation Services (SPC)	newly established	January 2021
Dispositivi Protezione Individuale DPI Srl	acquired	February 2021
GEM Elettronica Srl	acquired	April 2021
Alea Srl	acquired	August 2021
Companies which left the scope of consolidation		
DRS Technical Services GmbH & Co. KG	deconsolidated	January 2021
Win Bluewater Services Private Ltd (in liq.)	deconsolidated	February 2021
Leonardo International Ltd (*)	deconsolidated	March 2021
Selex ES Ltd	deconsolidated	March 2021
Vega Consulting Services Ltd	deconsolidated	March 2021
CCRT Sistemi SpA (in bankruptcy) (*)	deconsolidated	December 2021
Companies involved in merger transactions		
Merged company	**Merging company**	**Month**
Kopter Design AG	Kopter Group AG	January 2021
Companies which changed their corporate name		
Old name	**New name**	**Month**
Telespazio Vega Deutschland GmbH	Telespazio Germany GmbH	January 2021
Telespazio Vega UK Ltd	Telespazio UK Ltd	January 2021
Telespazio Vega UK SL	Telespazio UK SL	January 2021
Precision Aviation Services (Pty) Ltd	Leonardo South Africa (Pty) Ltd	February 2021
Selex ES Saudi Arabia Ltd	Leonardo Saudi Ltd	February 2021
Leonardo MW Ltd	Leonardo UK Ltd	March 2021
Cardprize Two Ltd	Leonardo MW Ltd	March 2021
Leonardo Advanced Jet Training Srl	Leonardo CAE Advanced Jet Training Srl	April 2021
Vitrociset Belgium Sprl	Telespazio Belgium Srl	June 2021
Vitrociset France Sarl	Telespazio French Guiana Sarl	June 2021
FATA Logistic Systems SpA	Leonardo Logistics SpA	September 2021

(*) Companies valued at cost.

STATEMENT ON THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-*BIS*, PARAGRAPH 5 OF LEGISLATIVE DECREE 58/1998 AS AMENDED

1. The undersigned Alessandro Profumo, as the Chief Executive Officer, 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 2021.

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, 10 March 2022

Chief Executive Officer
(Alessandro Profumo)

Officer in charge of financial reporting
(Alessandra Genco)

EY S.p.A.
Via Lombardia, 31
00187 Roma

Tel: +39 06 324751
Fax: +39 06 324755504
ey.com

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, 2021, 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 a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2021, 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.

Other matters

The consolidated financial statements of Leonardo Group for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on March 11, 2021.

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:

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, 2021 amounts to Euro 3.836 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	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

Building a better working world

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 2022-2026, 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".	consistency with the expected cash flows resulting from the Business Plan 2022-2026; • 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, 2021 amount to an aggregate of Euro 2.609 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, including the estimation of units of production to be sold and related expected cash flows; • 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 Company [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 with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 with the provisions of the

Delegated Regulation.

In our opinion, the consolidated financial statements 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.

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, 2021, 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, 2021 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, 2021 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, 2022

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 2021

LEONARDO - SOCIETÀ PER AZIONI

ACCOUNTING STATEMENTS TO THE SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2021

SEPARATE INCOME STATEMENT

Euro	Notes	2020	*Of which with related parties*	2021	*Of which with related parties*
Revenues	*27*	8,653,557,015	*2,154,473,112*	9,332,231,748	*2,215,976,888*
Other operating income	*28*	483,417,660	*16,548,497*	398,650,905	*7,831,720*
Purchase and personnel expenses	*29*	(7,843,805,926)	*(1,804,991,837)*	(8,605,057,567)	*(1,795,747,778)*
Amortisation, depreciation and financial assets value adjustments	*30*	(659,149,051)		(387,659,171)	
Other operating expenses	*28*	(584,322,247)	*(10,269,691)*	(432,241,850)	*(77,973)*
Income before tax and financial expenses		**49,697,451**		**305,924,065**	
Financial income	*31*	207,613,058	*19,015,525*	262,993,570	*15,087,227*
Financial expenses	*31*	(377,071,753)	*(18,959,163)*	(355,369,148)	*(17,473,791)*
Operating profit/(loss) before income taxes and discontinued operations		**(119,761,244)**		**213,548,488**	
Income taxes	*32*	26,608,779		(36,310,855)	
Net profit/(loss) for the period		**(93,152,465)**		**177,237,633**	

STATEMENT OF COMPREHENSIVE INCOME

Euro		2020		2021
Profit/(Loss) for the period		**(93,152,465)**		**177,237,633**
Other comprehensive income/(expenses)				
Comprehensive income/(expenses) which will not be subsequently reclassified within the profit/(loss) for the period:				
-measurement of defined-benefit plans:		(1,906,626)		(8,027,011)
. revaluation	*(1,906,626)*		*(8,027,011)*	
-tax effect		-		-
		(1,906,626)		**(8,027,011)**
Comprehensive income/(expenses) which will or might be subsequently reclassified within the profit/(loss) for the period:				
-changes in cash flow hedges:		84,015,571		(61,772,449)
. change generated in the period	*119,902,408*		*(95,312,040)*	
. transferred to the profit/(loss) for the period	*(35,886,837)*		*33,539,591*	
-tax effect		(20,163,784)		14,825,542
		63,851,787		**(46,946,907)**
Total other comprehensive income/(expenses), net of tax		**61,945,161**		**(54,973,918)**
Total comprehensive income		**(31,207,304)**		**122,263,715**

STATEMENT OF FINANCIAL POSITION

Euro	Notes	31 December 2020	*Of which with related parties*	31 December 2021	*Of which with related parties*
Intangible assets	*8*	2,872,677,133		3,139,946,543	
Property, plant and equipment	*9*	765,756,548		791,532,952	
Right of use	*10*	586,163,414		509,321,001	
Equity investments	*11*	7,690,519,681		7,684,035,919	
Receivables	*12*	284,836,459	*242,661,135*	463,520,185	*442,865,723*
Deferred tax assets	*32*	803,168,229		786,875,942	
Other non-current assets	*12*	16,385,130		20,031,671	
Non-current assets		**13,019,506,594**		**13,395,264,213**	
Inventories	*13*	4,602,069,402		4,191,975,511	
Contract assets	*14*	2,165,470,114		2,655,015,997	
Trade receivables	*15*	2,969,805,101	*1,193,716,911*	2,992,960,230	*1,134,387,402*
Income tax receivables	*16*	73,289,482		64,056,091	
Loans and receivables	*15*	472,614,515	*462,947,736*	77,052,837	*63,398,322*
Other current assets	*17*	529,046,330	*101,019,217*	375,363,430	*27,134,722*
Cash and cash equivalents	*18*	1,663,484,164		1,875,397,692	
Current assets		**12,475,779,108**		**12,231,821,788**	
Non-current assets held for sale	*19*	-		236,867,745	
Total assets		**25,495,285,702**		**25,863,953,746**	
Share capital		2,497,872,383		2,499,097,262	
Other reserves		3,419,162,372		3,537,081,414	
Total equity	*20*	**5,917,034,755**		**6,036,178,676**	
Loans and borrowings (non-current)	*21*	3,617,426,919	*490,650,060*	3,793,035,645	*471,498,072*
Employee benefits	*23*	276,695,643		269,509,199	
Provisions for risks and charges	*22*	418,543,859		498,398,077	
Deferred tax liabilities	*32*	99,694,334		79,626,470	
Other non-current liabilities	*24*	550,394,758	*14,260*	809,309,352	*143,609,253*
Non-current liabilities		**4,962,755,513**		**5,449,878,743**	
Contract liabilities	*14*	6,723,998,280		6,779,498,706	
Trade payables	*25*	3,062,079,678	*820,552,931*	2,739,935,981	*760,091,697*
Loans and borrowings (current)	*21*	2,875,232,454	*1,926,229,717*	2,834,299,953	*2,112,064,006*
Income tax payables	*16*	27,358,176		29,232,337	
Provisions for short-term risks and charges	*22*	944,695,941		850,310,564	
Other current liabilities	*24*	982,130,905	*51,941,142*	1,144,618,786	*36,009,726*
Current liabilities		**14,615,495,434**		**14,377,896,327**	
Total liabilities		**19,578,250,947**		**19,827,775,070**	
Total liabilities and equity		**25,495,285,702**		**25,863,953,746**	

STATEMENT OF CASH FLOWS

Euro	Notes	2020	*Of which with related parties*	2021	*Of which with related parties*
Gross cash flows from operating activities	*33*	963,191,812		921,975,812	
Change in working capital	*33*	(412,374,812)	*(194,645,104)*	(379,869,812)	*(8,744,104)*
Change in other operating assets and liabilities and provisions for risks and charges	*33*	(329,758,745)	*(161,693,699)*	35,174,255	*63,698,301*
Interest paid		(205,352,255)	*53,362*	(148,434,255)	*(2,385,638)*
Income taxes (paid)/received		(27,364,304)		(20,838,304)	
Cash flows generated from/(used in) operating activities		**(11,658,304)**		**408,007,696**	
Investments in property, plant and equipment and intangible assets		(96,177,152)		(371,409,025)	
Sales of property, plant and equipment and intangible assets		1,572,304		4,133,199	
Dividends received		72,387,819		121,385,228	
Other investing activities	*33*	(50,617,848)		(386,593,972)	
Cash flows generated from/(used in) investing activities		**(72,834,877)**		**(632,484,570)**	
Repayment of EIB loan		(46,320,346)		(46,320,346)	
CDP loan		100,000,000	*100,000,000*	-	
Term Loan subscription and EIB loan		-		800,000,000	
Bond issue		491,749,000		-	
Bond buy repayments		-		(738,584,000)	
Net change in other loans and borrowings		(125,197,654)	*(19,828,679)*	415,530,735	*466,277,321*
Dividends paid		(80,524,020)		-	
Cash flows generated from/(used in) financing activities		**339,706,980**		**430,626,389**	
Net increase/(decrease) in cash and cash equivalents		**255,213,799**		**206,149,515**	
Exchange-rate differences and other changes		1,055,113		5,764,013	
Cash and cash equivalents at 1 January		1,407,215,252		1,663,484,164	
Cash and cash equivalents at 31 December		**1,663,484,164**		**1,875,397,692**	

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 2020	**2,496,351,674**	**2,937,381,036**	**(75,587,562)**	**(60,482,101)**	**722,681,269**	**6,020,344,316**
Profit/(Loss) for the period	-	(93,152,465)	-	-	-	(93,152,465)
Other comprehensive income/(expenses)	-	-	63,851,787	(1,906,625)	-	61,945,162
Total comprehensive income/(expenses)	**-**	**(93,152,465)**	**63,851,787**	**(1,906,625)**	**-**	**(31,207,303)**
Dividends resolved	-	(80,524,319)	-	-	-	(80,524,319)
Repurchase of treasury shares less sold shares	1,520,709	-	-	-	-	1,520,709
Total transactions with owners of the parent, recognised directly in equity	**1,520,709**	**(80,524,319)**	**-**	**-**	**-**	**(79,003,610)**
Effect from mergers/ demergers	-	-	-	-	(2,618,565)	(2,618,565)
Other changes	-	9,519,917	-	-	-	9,519,917
31 December 2020	**2,497,872,383**	**2,773,224,169**	**(11,735,775)**	**(62,388,726)**	**720,062,704**	**5,917,034,755**
1 January 2021	**2,497,872,383**	**2,773,224,169**	**(11,735,775)**	**(62,388,726)**	**720,062,704**	**5,917,034,755**
Profit/(Loss) for the period	-	177,237,633	-	-	-	177,237,633
Other comprehensive income/(expenses)	-	-	(46,946,996)	(8,027,012)	-	(54,974,008)
Total comprehensive income/(expenses)	**-**	**177,237,633**	**(46,946,996)**	**(8,027,012)**	**-**	**122,263,625**
Repurchase of treasury shares less sold shares	1,224,880	-	-	-	-	1,224,880
Total transactions with owners of the parent, recognised directly in equity	**1,224,880**	**-**	**-**	**-**	**-**	**1,224,880**
Other changes	-	(4,344,584)	-	-	-	(4,344,584)
31 December 2021	**2,499,097,263**	**2,946,117,218**	**(58,682,771)**	**(70,415,738)**	**720,062,704**	**6,036,178,676**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2021

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 organisation operating in the *Helicopters*, *Defence Electronics & Security* and *Aeronautics* 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 2021 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 2020 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 10 March 2022 resolved to submit to shareholders the draft financial statements at 31 December 2021, authorising their circulation, in the same venue and set the dates for the Ordinary Shareholders' Meeting for 23 and 31 May 2022, on first and second call, respectively.

The separate financial statements were prepared in accordance with IFRS and are subject to a statutory audit by EY SpA.

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”. 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 recognises 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

In August 2020, the IASB published, in response to the reform of inter-bank offered rates (IBOR), the document “Interest Rate and Benchmark Reform - Phase 2” containing amendments to the following standards: IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. All amendments entered into force on 1 January 2021. The adoption of these amendments did not impact the Company’s financial statements.

On 31 March 2021, the IASB issued “COVID-19 Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)” whereby it extended for one year the period of application of the amendment to IFRS 16 issued in 2020 regarding the recognition of COVID-19 related rent concessions granted to lessees. The changes introduced by this new amendment are applicable beginning from 1 April 2021 however not impacting on the Company’s financial statements.

5. Significant events and transactions during the year

Within the scope of the strategic/corporate rationalisation project of certain company assets with a view to a more efficient and effective operation of industrial activities, the following industrial transactions are worth noting.

- **Acquisition of GEM Elettronica**. On 27 January 2021 Leonardo signed a contract with GEM Investment Srl and two minority quotaholders in order to acquire 30% of GEM Elettronica Srl (GEM) for a consideration of €mil. 5. The company operates in the field of short-and medium-range sensors, navigation radar and coastal surveillance, which are a business that is highly complementary to the Group's products. Under a call/put option scheme, Leonardo will also be entitled to become the majority shareholder (from 65% to 100%) within 3 to 6 years. The closing of the transaction took place on 14 April 2021.
- **Cooperation agreement with CAE**. On 29 March 2021 Leonardo sold to CAE Aviation Training BV (CAE) 50% of its shares in "Leonardo CAE Advanced Jet Training", a company previously wholly owned by Leonardo and providing support services to the operations of the International Flight Training School (IFTS), ranging from technical and logistics support to M-346 aircraft and Ground-Based Training Systems to the operation of IFTS infrastructures.
- **Acquisition of Hensoldt AG**. On 24 April 2021 Leonardo entered into an agreement with Square Lux Holding II Sàrl, a company controlled by funds advised by Kohlberg Kravis & Roberts & Co. LP, to purchase a 25.1% stake in Hensoldt AG. The company is the leading German player in the field of sensor solutions for defence and security applications, as confirmed by the recent important contracts acquired (e.g. EFA, Pegasus), and it already had a consolidated collaboration relationship with Leonardo in significant programmes such as EFA, MALE, IFF. The completion of the transaction, which entailed an outlay of about €mil. 606 (net of transaction costs), took place on 3 January 2022.
- **Acquisition of ALEA**. On 8 June 2021 Leonardo signed a preliminary agreement for the acquisition of 70% of the share capital of Alea SpA, a company specialising in mission critical communication software for multimedia solutions compliant with international standards on LTE/5G broadband networks. Leonardo, thanks to this transaction, strengthens its offering portfolio in professional communications, in order to guarantee new features and advanced performances in support of emergency management, public safety, companies, critical infrastructures and transports. The closing of the transaction took place on 3 August 2021, with a total outlay of about €mil. 3.
- **Merger by incorporation of Vitrociset**. On 30 September 2021 the Board of Directors of Leonardo approved the merger of Vitrociset SpA by incorporation into the Company. The transaction became effective from 1 January 2022 – including for accounting and tax purposes – and marked the completion of the integration process between the two companies that had been started in 2019 with the acquisition of the entire capital of Vitrociset.

During the 2021 financial year, the following financial transactions were carried out:

- in January 2021 Leonardo used an amount of €mil. 200 of the loan taken out with the European Investment Bank (EIB) in December 2020, aimed at supporting some investment projects envisaged in the Group's Industrial Plan; moreover, it proceeded with the early cancellation, which had been requested at the end of December 2020, of the remaining amount of about €mil. 250 of the Term Loan taken out with a pool of international banks during the COVID-19 emergency period in May 2020. Finally, it repaid the remaining portion (€mil. 739) of the bond issue of January 2015 for an initial amount of €mil. 950, which had reached its natural expiry;

- in June 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 is used for a total of €bil. 2.2;
- in October 2021 Leonardo entered, with a pool of international and national banks, into an ESG-linked Revolving Credit Facility agreement for an amount of €bil. 2.4, structured into a 5-year term tranche of €bil. 1.8 and a 3-year term tranche of €mil. 600. The new credit facility replaces the two existing Revolving Credit Facilities – amounting to €mil. 1,800 and €mil. 1,250 –, which have been cancelled at the same time, thus reducing the overall cost of the borrowing available to meet the Group's financial requirements and extending its term until 2026. The ESG-linked Revolving Credit Facility is subject to the same financial covenants as are already provided for in the other agreements signed by Leonardo. In line with the sustainability strategy of Leonardo, the new credit facility is linked for the first time to specific ESG indicators, including the reduction of CO_2 emissions through eco-efficiency of industrial processes and the promotion of female employment with STEM degrees. The aforesaid ESG indicators also contribute to the achievement of the Sustainable Development Goals (SDGs), which are behind about 50% of the Group's investments. The achievement of ESG-linked targets will trigger an adjustment to the margin applied to the credit facility;
- in December 2021 Leonardo entered, with a pool of national and international banks, into an ESG-linked Term Loan facility for an amount of €mil. 600, with a term of 5 years and expiring at the beginning of 2027, aimed at repaying a bond maturing in January 2022. The credit facility is linked to specific ESG indicators, which are already included in the aforesaid ESG-linked Revolving Credit Facility (RCF-ESG) signed in October; in this case too, the achievement of the ESG-linked targets will trigger an adjustment to the margin applied to the credit facility.

Other transactions:

- during 2021 the Company made use of the tax concession provided for by Article 110 of Legislative Decree 104/2020 as amended, to realign the tax values of goodwill to the higher book value. In June 2021 the Company paid the first of the 3 annual instalments of the substitute tax, totally amounting to about €mil. 18, calculated on the value to realign for tax purposes for €mil. 614. As a result of the realignment, equal to €mil. 696, the goodwill book value acquires full tax relevance and becomes tax deductible over 50 years. The exercise of the realignment option requires to set aside a reserve subject to tax relief for tax purposes for €mil. 595, equal to the amount of the realignment net of the substitute tax. For a detail of the reserves at issue, reference is made to Appendix no. 7. Considering the occurred realignment of the said values Leonardo derecognised the deferred tax liabilities priorly recorded and recognised a benefit of €mil. 45 through profit or loss;
- taking into account the mid-term impacts of the pandemic on the civil sector and considering the changed prospects for the commercial aviation market, as set out in the Integrated Annual Report 2020, Leonardo has embarked on the announced actions aimed at mitigating the impact on the industrial performance of the Aerostructures Division. In this context, on 21 July 2021 trade union agreements were signed to make operational the instruments identified for the early retirement of employees on a voluntary basis. Such agreements will involve up to 390 employees who will meet the criteria for early retirement in the three-year period 2021-2023, with an estimated cost of around €mil. 71.

6. Significant post-balance sheet events

As part of the mentioned projects for more efficient and effective operations of Leonardo's manufacturing activities, it should be noted that on 1 January 2022 the legal, accounting and tax effects commenced to run for the merger by incorporation into Leonardo SpA of Vitrociset SpA.

In January 2022, the bond issued for €mil. 556 in December 2009 was repaid, having reached its natural expiry.

It should also be noted that Leonardo took steps to pay an amount of €mil. 606, net of transaction costs, for the acquisition of a stake in Hensoldt AG, at € 23 per share, as detailed in the chapter "Industrial and financial transactions".

As indicated in the notes to the consolidated financial statements, following the offensive launched by the Russian government against Ukraine, profound changes in the context of the world's geopolitical and economic equilibrium are looming up.

Leonardo currently has no significant exposure to these two countries. Specifically, the balance sheet exposure at 31 December 2021 to Ukraine is zero and the net balance sheet exposure to operators directly affected by the sanction regime against Russia is approximately €mil. 30. The order backlog with Russia is about €mil. 25, while the backlog with Ukraine is about €mil. 8.

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* and *Aeronautics*. 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

	Goodwill	Development costs	Non-recurring costs	Concessions, licenses and trademarks	Acquired through business combinations	Other intangible assets	Total
1 January 2020							
Cost	917	901	2,216	513	96	346	**4,989**
Amortisation, depreciation and write-offs	(210)	(511)	(530)	(453)	(51)	(268)	**(2,023)**
Carrying amount	**707**	**390**	**1,686**	**60**	**45**	**78**	**2,966**
Investments (net of grants)	-	50	(21)	9	-	37	**75**
Sales	-	(2)	-	-	-	-	**(2)**
Depreciation	-	(17)	(47)	(19)	(4)	(20)	**(107)**
Impairment losses	-	(60)	(8)	-	-	-	**(68)**
Other changes	-	(1)	7	11	-	(8)	**9**
31 December 2020	**707**	**360**	**1,617**	**61**	**41**	**87**	**2,873**
Broken down as follows:							
Cost	917	951	2,247	534	96	375	**5,120**
Depreciation	-	(521)	(469)	(473)	(55)	(264)	**(1,782)**
Impairment losses	(210)	(70)	(161)	-	-	(24)	**(465)**
Carrying amount	**707**	**360**	**1,617**	**61**	**41**	**87**	**2,873**
Investments (net of grants)	-	74	115	186	-	46	**421**
Sales	-	(2)	-	-	-	-	**(2)**
Depreciation	-	(24)	(44)	(22)	(2)	(20)	**(112)**
Impairment losses	-	(11)	(30)	-	-	-	**(41)**
Other changes	-	-	2	9	1	(11)	**1**
31 December 2021	**707**	**397**	**1,660**	**234**	**40**	**102**	**3,140**
Broken down as follows:							
Cost	917	1,022	2,364	728	96	412	**5,539**
Depreciation	-	(545)	(513)	(494)	(57)	(286)	**(1,895)**
Impairment losses	(210)	(80)	(191)	-	1	(24)	**(504)**
Carrying amount	**707**	**397**	**1,660**	**234**	**40**	**102**	**3,140**
31 December 2020							
Gross value			4,578				
Grants			2,961				
31 December 2021							
Gross value			4,655				
Grants			2,996				

The item increased by €mil. 267 as a result of new investments net of related grants and amortisation charges for the period.

These investments are mainly related to the sectors of *Helicopters* (€mil. 286), *Defence Electronics & Security* (€mil. 87) and *Aeronautics* (€mil. 18).

Commitments were in place for the purchase of intangible assets for €mil. 27 at 31 December 2021 (€mil. 11 at 31 December 2020).

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 organisational, management and control structure coinciding, as is known, with the Group's three business segments. At the recognition of the mergers and demergers occurred in 2016 within the creation of the One Company, the goodwill was allocated, in accordance with the principle of "continuity of values", to the same CGUs as those in the consolidated financial statements, differentiating the part of goodwill related to net assets recognised line-by-line from that related to foreign equity investments, for which goodwill was recognised on the basis of the investments' values.

The breakdown of goodwill recognised by business sector at 31 December 2021 is as follows:

	31 December 2020	31 December 2021
Helicopters	459	459
Defence Electronics & Security	188	188
Aeronautics	60	60
	707	**707**

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 organisational 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 CGUs by comparing the carrying amount with the greater of the value in use of the CGU and the amount recoverable by sale (fair value). In practice, the Company has established an operational hierarchy between calculating the fair value net of transaction costs and the 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 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 expenses 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, 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.

The most 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 2021 and 2020:

	31 December 2020		31 December 2021	
	WACC	g-rate	WACC	g-rate
Helicopters	7.2%	2.0%	7.0%	2.0%
Defence Electronics & Security	6.2%	2.0%	6.1%	2.0%
Aeronautics	6.7%	2.0%	6.7%	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 2021 and 2020 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.

	Margin (base case)	Margin post sensitivity		
		WACC	g-rate	ROS TV
31 December 2020				
Helicopters	1,057	634	709	832
Defence Electronics & Security	10,075	8,634	8,846	9,686
Aeronautics	6,929	6,321	6,413	6,680

	Margin (base case)	Margin post sensitivity		
		WACC	g-rate	ROS TV
31 December 2021				
Helicopters	1,545	1,020	1,105	1,309
Defence Electronics & Security	12,006	10,346	10,585	11,573
Aeronautics	7,663	7,025	7,125	7,418

Development costs and non-recurring costs

The item “Development costs” mainly related to the *Helicopters* (€mil. 198) and *Defence Electronics & Security* (€mil. 195) Divisions. Investments for the year related in particular to *Defence Electronics & Security* (€mil. 49) and *Helicopters* (€mil. 26).

The investments for the year relating to “Non-recurring costs” mainly refer to the *Helicopters* (€mil. 73) *Defence Electronics & Security* (€mil. 31) and *Aeronautics* (€mil. 11) sectors.

As regards programmes that benefit from the provisions of Law 808/1985 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). The related amount is calculated on the basis of the management’s estimate that takes account of both reasonable certainty of obtaining grants and the effects arising from time value in the event that, once they have been obtained, they are deferred over more than one financial period. 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 of non-recurring costs mainly refers to the write-down of non-recurring costs linked to programmes in the *Defence Electronics & Security* sector. 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.

Total research and development costs, including also "Non-recurring costs" and "Development costs" just mentioned, amount to €mil. 1,105 at 31 December 2021 (€mil. 1,077 at 31 December 2020), of which €mil. 149 expensed (€mil. 136 at 31 December 2020).

Concessions, licenses and trademarks

The item "Concessions, licenses and trademarks" rose by €mil. 173, after amortisation, mainly as a result of the agreement entered into in December 2021 by and between Leonardo and the subsidiary AgustaWestland Philadelphia Corporation governing the acquisition, for €mil. 176, of the license granted by Bell Helicopter Textron Inc. linked to the sale of the AW609 tiltrotor.

Other intangible assets

"Other intangible assets" mainly include software, intangible assets in progress and advances.

9. Property, plant and equipment

	Land and buildings	Plant and machinery	Equipment	Other tangible assets	Total
1 January 2020					
Cost	25	1,210	1,803	792	**3,830**
Amortisation, depreciation and write-offs	(20)	(946)	(1,389)	(509)	**(2,864)**
Carrying amount	**5**	**264**	**414**	**283**	**966**
Investments	-	5	34	118	**157**
Sales	-	-	-	(1)	**(1)**
Depreciation	(1)	(52)	(76)	(26)	**(155)**
Impairment losses	-	-	(198)	-	**(198)**
Other changes	1	39	17	(60)	**(3)**
31 December 2020	**5**	**256**	**191**	**314**	**766**
Broken down as follows:					
Cost	38	1,240	1,853	852	**3,983**
Amortisation, depreciation and write-offs	(33)	(984)	(1,662)	(538)	**(3,217)**
Carrying amount	**5**	**256**	**191**	**314**	**766**
Investments	-	7	36	117	**160**
Sales	-	-	-	(3)	**(3)**
Depreciation	(1)	(52)	(36)	(28)	**(117)**
Impairment losses	-	-	-	-	**-**
Other changes	1	35	21	(71)	**(14)**
31 December 2021	**5**	**246**	**212**	**329**	**792**
Broken down as follows:					
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**

The item showed an increase due to the new investments, net of the depreciation charges for the period, and as a result of investments in tangible assets under construction.

Commitments for the acquisition of tangible assets were in place for €mil. 147 at 31 December 2021 (€mil. 69 at 31 December 2020).

10. Right of use

	Right of use of land and buildings	Right of use of plant and machinery	Right of use of equipment and infrastructure	Total
1 January 2020				
Cost	702	2	38	**742**
Amortisation, depreciation and write-offs	(100)	(1)	(14)	**(115)**
Carrying amount	**602**	**1**	**24**	**627**
New contract submission	57	-	1	**58**
Closing and contract modifications	1	-	12	**13**
Depreciation	(102)	-	(11)	**(113)**
Other changes	2	(1)	-	**1**
31 December 2020	**560**	**-**	**26**	**586**
Broken down as follows:				
Cost	757	-	48	**805**
Amortisation, depreciation and write-offs	(197)	-	(22)	**(219)**
Carrying amount	**560**	**-**	**26**	**586**
New contract submission	12	-	15	**27**
Closing and contract modifications	13	-	4	**17**
Depreciation	(106)	-	(15)	**(121)**
Other changes	-	-	-	**-**
31 December 2021	**479**	**-**	**30**	**509**
Broken down as follows:				
Cost	782	-	64	**846**
Amortisation, depreciation and write-offs	(303)	-	(34)	**(337)**
Carrying amount	**479**	**-**	**30**	**509**

During 2021 this item showed a decrease of €mil. 77 mainly as a result of the amortisation for the period.

The Company has opted to exclude from the scope of application the leases with a term of less than 12 months and those concerning assets of modest value, the effects of which were therefore recognised among “Costs for purchases”.

At 31 December 2021 acquisition commitments were in place for short-term leases for €mil. 4 (€mil. 3 at 31 December 2020).

11. Equity investments

	31 December 2020			31 December 2021		
	Equity investments	Risk provisions	Total	Equity investments	Risk provisions	Total
1 January	**7,697**	**(4)**	**7,693**	**7,691**	**(4)**	**7,687**
Acquisitions/ Subscriptions	36	-	**36**	246	-	**246**
Impairment losses	(42)	-	**(42)**	(13)	(10)	**(23)**
Disposals	-	-	**-**	(2)	-	**(2)**
Other changes	-	-	**-**	(238)	-	**(238)**
31 December	**7,691**	**(4)**	**7,687**	**7,684**	**(14)**	**7,670**

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 as a whole; for any information on the procedures for the performance of tests and any related information, reference should then be made to Note 8 of the consolidated financial statements.

Among the changes that occurred during the period were the following transactions:

- acquisition of capital quotas in the following investments:
    - Alea Srl, equal to €mil. 3, a company specialised in software for mission critical communications for multi-media solutions. The equity interest held by Leonardo is about 70%;
    - GEM Elettronica Srl, amounting to €mil. 5, a company operating in the field of short-medium range sensor, navigation radars and coastal surveillance. The equity interest held by Leonardo is 30;
- as part of the collaboration agreement with the company CAE (see Note 5), Leonardo sold to CAE Aviation Training BV 50% of the fully-owned Leonardo Advanced Jet Training Srl generating a capital gain recognised through profit or loss of about €mil. 13. The company changed its corporate name in Leonardo CAE Advanced Jet Training Srl. Afterwards the quota capital was increased by €mil. 26, with an equal participation of the quotaholders. The interest held by Leonardo in the capital remained unchanged at 50%;
- incorporation of Leonardo For Aviation Services (SPC) equal to €mil. 1, a company governed under Kuwaiti law that was established to manage the logistic support operations within the EFA Kuwait contract. The equity interest held by Leonardo is 100%;
- recapitalisation of Vitrociset SpA equal to €mil. 35, of Leonardo International SpA, equal to €mil. 3, and of Kopter Group AG, equal to €mil. 155 (see Note 34);
- subscription of new shares in Skydweller Aero Inc. (€mil. 4), a company specialised in new generation unmanned aircraft. The equity interest held by Leonardo went to 16.54% of the share capital and to 30.83% of the Series A Preferred Stock;
- write-downs, amounting to €mil. 24, of which €mil. 10 for provision for risks on equity investments, include the losses for the period of SO.GE.PA. SpA;

- disposals for the period, equal to €mil. 1, were mainly made up of the sale to third parties of the interest (1.46%) in Ciset Holding SpA;
- the reclassification under assets held for sale of the AgustaWestland Philadelphia Corporation investment for €mil. 237 which includes the discounted value of the capital increase subscribed in December 2021.

Finally, below is presented a comparison of the carrying amounts and the average market price of the listed shares of Avio SpA in December 2021:

Listed company	No. 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	11.500	90	10.844	85	0.656	5

12. Receivables and other non-current assets

	31 December 2020	31 December 2021
Deferred grants under Law 808/1985	31	10
Related party receivables (Note 34)	243	443
Other non-current receivables	11	11
Non-current receivables	**285**	**464**
Prepayments - non-current portion	1	5
Non-recurring costs pending under Law 808/1985	15	15
Non-current assets	**16**	**20**

Non-current receivables showed an increase of €mil. 179, mainly attributable to related parties, the details of which are reported in Note 34.

Non-current assets showed an increase of €mil. 4 under item “Prepayments”.

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 2020	31 December 2021
Raw materials, supplies and consumables	1,686	1,549
Work in progress and semi-finished goods	958	1,002
Finished goods and merchandise	34	37
Assets from point in time contracts	305	154
Advances to suppliers	1,619	1,450
	4,602	**4,192**

Inventories showed a decrease in the period, equal to €mil. 410.

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 realisable value, for a total amount of €mil. 589 (€mil. 609 at 31 December 2020).

Assets from point in time contracts 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 2020	31 December 2021
Contract assets (gross)	4,709	5,336
Contract liabilities	(2,544)	(2,681)
Contract assets (net)	**2,165**	**2,655**
Contract liabilities (gross)	6,980	6,779
Contract assets	(256)	-
Contract liabilities (net)	**6,724**	**6,779**

Contract assets are stated among assets, net of related liabilities if, based on an analysis carried out on a contract-by-contract basis, the gross amount of work executed at the reporting date exceeds advances received from customers, or, among liabilities, if advances exceed the relevant work. 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.

Below is a breakdown of net contract assets:

	31 December 2020	31 December 2021
Cost incurred and margins recognised	4,965	5,217
Advanced received	(9,524)	(9,341)
Net value	**(4,559)**	**(4,124)**

15. Trade and financial receivables

	31 December 2020		31 December 2021	
	Trade	Financial	Trade	Financial
Receivables	2,160	12	2,236	16
Cumulative impairments	(384)	(2)	(377)	(2)
Related party current receivables (Note 34)	1,194	463	1,134	63
	2,970	**473**	**2,993**	**77**

The item “Cumulative impairments” 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. Income tax receivables and payables

Net income tax receivables and payables amounted to €mil. 35 at 31 December 2021 (€mil. 46 at 31 December 2020).

Receivables mainly relate to IRES (corporate income tax) and IRAP (regional tax on production) receivables, as well as to direct tax advances paid.

The changes during the year and the composition of assets and liabilities by currency and geographical area are shown in Appendices nos. 5, 6, 9 and 10 to these notes.

17. Other current assets

	31 December 2020	31 December 2021
Derivatives	202	81
Prepaid expenses-current portion	46	57
Receivables for grants	54	56
Receivables from employees and social security institutions	40	49
Indirect tax receivables	12	17
Deferred receivables under Law 808/1985	14	4
Other related party receivables (Note 34)	101	27
Other assets	60	84
	529	**375**

This item showed a decrease of €mil. 154 compared to 2020, mainly as a result of a reduction in derivative assets which decreased by €mil. 121, mainly due to the fluctuations in the euro/US dollar exchange rates as well as to the decrease in the volume of derivative assets essentially attributable to the civil component.

The decrease 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 table below provides the breakdown of derivative assets and liabilities.

	Fair value at					
	31 December 2020			**31 December 2021**		
	Assets	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Interest-rate swaps						
Trading	-	(2)	**(2)**	-	(1)	**(1)**
Cash flow hedges	-	(24)	**(24)**	-	(13)	**(13)**
Currency forwards/swaps/options						
Trading	5	(5)	**-**	5	(5)	**-**
Fair value hedges	-	-	**-**	-	-	**-**
Cash flow hedges	197	(132)	**65**	76	(131)	**(55)**

The cash flow hedge is the forward instrument hedging trade items denominated in foreign currency.

18. Cash and cash equivalents

The balance of “Cash and cash equivalents” at 31 December 2021, equal to €mil. 1,875 (€mil. 1,663 at 31 December 2020), was mainly the result of net cash flows realised by the Company’s divisions during the year. Cash and cash equivalents at 31 December 2021 include €mil. 2 of term deposits (€mil. 1 at 31 December 2020).

19. Assets and liabilities held for sale

At 31 December 2021 the item included the reclassification for €mil. 237 of the investment value in the subsidiary AgustaWestland Philadelphia Corporation with a view to an ensuing sale.

20. Equity

The equity broken down by available and distributable reserves is shown in Appendix no. 7 to these notes.

The composition of the share capital is as follows:

	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	(2,976,680)	-	(27)	-	(27)
31 December 2020	**575,173,715**	**2,544**	**(27)**	**(19)**	**2,498**
Repurchase of treasury shares net of the portion sold	133,560	-	1	-	1
31 December 2021	**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 2021 the Ministry of Economy and Finance owned around 30.204% of the share capital.

The cash flow hedge reserve includes changes in the 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 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.

The revaluation reserve includes the effects of the valuation of actuarial gains and losses with reference to severance pay.

21. Loans and borrowings

	31 December 2020			31 December 2021		
	Non-current	Current	Total	Non-current	Current	Total
Bonds	2,142	827	**2,969**	1,589	619	**2,208**
Bank loans and borrowings	848	48	**896**	1,599	49	**1,648**
Related party loans and borrowings (Note 34)	491	1,926	**2,417**	472	2,112	**2,584**
Lease liabilities	82	22	**104**	75	25	**100**
Other financial debts	55	52	**107**	58	29	**87**
	3,618	**2,875**	**6,493**	**3,793**	**2,834**	**6,627**

The item increased by €mil. 134 mainly as a result of borrowings from related parties which included at 31 December 2021 lease liabilities amounting to €mil. 437 (€mil. 496 at 31 December 2020).

The main clauses that regulate the Company's loans and borrowings are provided in the chapter "Industrial and financial transactions" of the Report on Operations. Below is the breakdown in loans and borrowings:

	1 January 2020	Issues	Repayments/ Payments of coupons	Other net increase/ (decrease)	Exchange differences	31 December 2020
Bonds	2,469	492	-	8	-	**2,969**
Bank loans and borrowings	942	-	(46)	-	-	**896**
Related party loans and borrowings	2,415	100	-	(106)	8	**2,417**
Lease liabilities	53	-	-	51	-	**104**
Other financial debts	93	-	-	14	-	**107**
	5,972	**592**	**(46)**	**(33)**	**8**	**6,493**

	1 January 2021	Issues	Repayments/ Payments of coupons	Other net increase/ (decrease)	Exchange differences	31 December 2021
Bonds	2,969	-	(739)	(22)	-	**2,208**
Bank loans and borrowings	896	800	(46)	(2)	-	**1,648**
Related party loans and borrowings	2,417	-	-	149	18	**2,584**
Lease liabilities	104	-	-	(4)	-	**100**
Other financial debts	107	-	-	(20)	-	**87**
	6,493	**800**	**(785)**	**101**	**18**	**6,627**

Below is the reconciliation of the financial liabilities with the cash flows from financing activities in 2021:

	2020	2021
Balance at 1 January	**5,972**	**6,493**
Changes included in cash flows from financing activities	**440**	**95**
Bond issue	500	(739)
CDP loan	100	-
Term Loan subscription and EIB loan	-	800
Net change in other borrowings	(160)	34
Non-monetary changes	**81**	**39**
Non-monetary items of lease liabilities	71	44
Exchange-rate effect	8	18
Accrued interest	2	(23)
Balance at 31 December	**6,493**	**6,627**

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
2009	2022	€	556	5.25%	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 item decreased on account of the repayment of the residual portion (€mil. 739) of the 2015 bonded loan of an original amount of €mil. 950 reaching its expiry date.

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 securitisation 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

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.

It should be also noted that the year saw the repayment of the last instalments (€mil. 46) of the 12-year EIB loan raised in 2009 aimed at development activities in the *Aeronautics* sector.

The residual value of the total EIB loans amounted to €mil. 500 at 31 December 2021 (€mil. 393 at 31 December 2020).

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 (see Note 5).

Related party loans and borrowings

Payables to related parties amounting to €mil. 2,584 increased by €mil. 167 compared to 31 December 2020.

The item includes 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, which have already been 50% funded by the abovementioned European Investment Bank. This item also included lease liabilities for €mil. 437 (€mil. 496 at 31 December 2020).

For a more detailed breakdown of payables to related parties, 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:

31 December 2020

	Bonds		Bank loans and borrowings		Related party loans and borrowings (Note 34)		Lease liabilities		Other financial debts		Total	
	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed
Within 1 year	-	827	20	28	1,821	105	-	22	35	17	**1,876**	**999**
2 to 5 years	-	1,649	612	27	-	212	-	48	55	-	**667**	**1,936**
Beyond 5 years	-	493	209	-	100	179	-	34	-	-	**309**	**706**
Total	**-**	**2,969**	**841**	**55**	**1,921**	**496**	**-**	**104**	**90**	**17**	**2,852**	**3,641**

31 December 2021

	Bonds		Bank loans and borrowings		Related party loans and borrowings (Note 34)		Lease liabilities		Other financial debts		Total	
	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed
Within 1 year	-	619	22	27	1,993	119	-	25	29	-	**2,044**	**790**
2 to 5 years	-	1,589	631	38	100	217	-	48	58	-	**789**	**1,892**
Beyond 5 years	-	-	768	162	53	102	-	27	-	-	**821**	**291**
Total	**-**	**2,208**	**1,421**	**227**	**2,146**	**438**	**-**	**100**	**87**	**-**	**3,654**	**2,973**

Lease liabilities

At 31 December 2021, the item amounted to €mil. 537 (€mil. 600 at 31 December 2020), of which €mil. 100 (€mil. 104 at 31 December 2020) to third parties and, as reported earlier, €mil. 437 at 31 December 2021 (€mil. 496 at 31 December 2020) to related parties.

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 5/2021 of 29 April 2021.

	31 December 2020	31 December 2021
A - Cash	(1,663)	(1,875)
C - Other current financial assets	-	-
D - Liquidity	**(1,663)**	**(1,875)**
E - Current financial debt (*)	1,575	2,138
F - Current portion of non-current financial debt	827	619
G - Current financial debt	**2,402**	**2,757**
H - Net current financial debt (funds)	**739**	**882**
I - Non-current financial debt (*)	3,618	3,793
J - Debt instruments (**)	(6)	(8)
K - Trade payables and other non-current liabilities	161	165
L - Non-current financial debt	**3,773**	**3,950**
M - Total financial debt	**4,512**	**4,832**

(*) Includes payables for leases of €mil. 537, of which €mil. 144 current (€mil. 600 as at 31 December 2020, of which €mil. 413 current).
(**) Includes the fair value of hedging derivatives in respect of debt items.

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

	Note	31 December 2020	31 December 2021
Net financial debt CONSOB com. DEM/6064293/ESMA		**4,512**	**4,832**
Non-current payables to MED (Law 808/1985)	*24*	(161)	(165)
Non-current financial receivables from Group's consolidated entities		(237)	(430)
Net debt (KPI)		**4,114**	**4,237**

22. Provisions for risks and charges and contingent liabilities

	Guarantees given	Restructuring	Penalties	Product guarantees	Onerous contracts (losses at completion)	Other provisions	Total
1 January 2020							
Current	30	70	11	103	247	343	**804**
Non-current	-	67	3	69	-	339	**478**
	30	**137**	**14**	**172**	**247**	**682**	**1,282**
Allocations	8	12	2	43	103	174	**342**
Uses	-	(70)	(1)	(6)	-	(4)	**(81)**
Reversals	-	-	-	(28)	(60)	(56)	**(144)**
Other changes	(3)	2	(1)	-	4	(37)	**(35)**
31 December 2020	**35**	**81**	**14**	**181**	**294**	**759**	**1,364**
Broken down as follows:							
Current	35	53	10	113	294	440	**945**
Non-current	-	28	4	68	-	319	**419**
	35	**81**	**14**	**181**	**294**	**759**	**1,364**
Allocations	1	66	3	59	45	152	**326**
Uses	-	(38)	(7)	(10)	-	(64)	**(119)**
Reversals	-	-	-	(33)	(112)	(80)	**(225)**
Other changes	(1)	1	4	25	15	(42)	**2**
31 December 2021	**35**	**110**	**14**	**222**	**242**	**725**	**1,348**
Broken down as follows:							
Current	35	48	8	138	242	379	**850**
Non-current	-	62	6	84	-	346	**498**
	35	**110**	**14**	**222**	**242**	**725**	**1,348**

The amount of the provision for risks showed a decrease of €mil. 16 compared to the previous year.

The provision for "Restructuring" showed an increase of €mil. 29 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 July 2021 (see Note 5) and in 2018.

"Other provisions" for risks and charges mainly include:

- the provision for tax disputes of €mil. 54 (€mil. 55 at 31 December 2020);
- the provision for litigation with employees and former employees of €mil. 24 (€mil. 25 at 31 December 2020);
- the provision for litigation in progress of €mil. 2 (€mil. 2 at 31 December 2020);
- provisions for critical issues on contracts equal to €mil. 292 (€mil. 336 at 31 December 2020), attributable in particular to the Aerostructures and Aircraft Divisions.

With regard to risks, below is a summary of the criminal proceedings that are currently underway against Leonardo SpA, as well as certain former directors and executives, concerning acts committed during the performance of their duties at Leonardo SpA. With specific reference to the events that occurred in 2021 and in early 2022:

› 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 SpA 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 12 AW101 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 Patiala House 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 a judgment dated 24 September 2021, rejected the appeals submitted by Leonardo. The Company filed an appeal with the Council of State.

On the contrary AgustaWestland International Ltd appeared at the hearings set within the proceedings brought by the Central Bureau of Investigation; the proceedings are continuing before the Patiala House Court of New Delhi.
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 AW101 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.
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 Indian Judicial Authority (Directorate of Enforcement);

- by appeal to the Supreme Court served on 12 January 2022, the attorney general challenged the judgment whereby on 19 January 2021 the Court of Appeal of Milan rejected the appeals submitted against the judgment whereby on 15 June 2017 the Court of Milan acquitted certain directors of the then-Breda Termomeccanica SpA, subsequently Ansaldo SpA, who served during the period from 1973 to 1985, charged with having committed the crimes under Article 589, paragraphs 1, 2 and 3, Article 40, paragraph 2, Article 41, paragraph 1 of the Italian Criminal Code, Article 2087 of the Italian Civil Code and Article 590, paragraphs 1, 2, 3, 4 and 5, of the Italian Criminal Code, for violation of the rules governing the prevention of occupational diseases. It should be noted that Leonardo SpA had entered appearance in the civil action within the abovementioned proceedings;
- the phase of debate is still continuing within the criminal proceedings pending before the Court of Vercelli against three former employees of AgustaWestland SpA (who are currently working for Leonardo - Helicopters Division) and an employee of AgustaWestland Philadelphia Corporation for the crime referred to in Article 449 of the Italian Criminal Code in relation to Articles 428 and 589 of the Italian Criminal Code, relating to the accident that occurred in Santhià on 30 October 2015.

Based upon the information gathered and the results of the analyses 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 (R.G. 32257/13) in order to have them declared responsible for the financial

collapse caused to the company, within which Leonardo SpA and AnsaldoBreda SpA have been summoned as parties concerned, have been postponed to the hearing scheduled on 10 March 2022 for the joinder to proceedings R.G. no. 16312/15 described below. It should be noted that, within these proceedings, two of the defendants and specifically the former directors Giorgio and Gianfranco Fiore summoned Leonardo and AnsaldoBreda in court, on the grounds of an alleged abusive exercise of management and coordination activities that was perpetrated by the parties summoned to the detriment of Firema. On the basis of this assumption, Giorgio and Gianfranco Fiore therefore requested, primarily, that Leonardo and AnsaldoBreda be ordered to pay direct compensation to the plaintiff for any damages that should be ascertained, which they presumed to be €mil. 262 and which is equal to Firema's liabilities, and, alternatively, to be held harmless by the aforesaid companies.
As to the action brought by GMR against Leonardo and AnsaldoBreda before the Court of Naples (R.G. 16312/15), the court referred the case to the President in order for the proceedings to be possibly joined to those described above at the hearing held on 1 October 2020.
It should be noted that, within these proceedings, the plaintiff company states that Firema Trasporti was allegedly subject, during the period in which Leonardo SpA 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.
In both proceedings Leonardo SpA and AnsaldoBreda SpA 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;

- the proceedings brought by Mr Pio Maria Deiana before the Rome Court of Appeal – which were discontinued due to his subsequent death – have been resumed by one of the heirs within the prescribed time limits. Following the hearing held on 26 January 2022, the Court noting a lack of documentation attesting to the claimant's capacity as heir of the deceased person adjourned the case to the hearing of 4 May 2022 requesting that, in the meantime, such documentation be supplemented. It should be noted that in 2013 Pio Maria Deiana, on his own account and in his capacity as director of Janua Dei Srl and of Società Progetto Cina Srl, brought proceedings, before the Court of Rome, against Leonardo in order to ask the Court to rule the invalidity of the settlement agreement signed in 2000 by the aforesaid companies and the then-Ansaldo Industria, assuming that it was allegedly concluded based on unfair conditions. The claim was submitted against Leonardo, on the basis of the latter's alleged general liability in the capacity as the parent company of Ansaldo Industria at the time of the events being disputed. The damages being sought, to be determined during the course of the proceedings, are estimated at €mil. 2,700. By a judgment dated 31 May 2018, the Court rejected the plaintiff's claim.

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 SpA and PSC SpA (collectively referred to as "LP" unincorporated joint venture) initiated arbitration proceedings against Galfar Misnad Engineering & Contracting WLL, Salini-Impregilo SpA (now Webuild) and Cimolai SpA (collectively referred to "GSIC" unincorporated joint venture) to seek an order imposing them to pay, among others, the fees that were still unpaid and any additional costs relating to the subcontract that had been 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 damage to its organisation.

In this context, on a preliminary basis LP asked the court to order GSIC to pay the remaining instalments of the fees initially envisaged in the subcontract, as well as any and all additional costs incurred for a total of QARmil. 1,432 (about €mil. 347 at 20 January 2022). On the other hand, GSIC contested any charges and asked the court, on a counterclaim basis, to order LP to compensate for any damage the latter had allegedly caused, for a total of QARmil. 755 (about €mil. 183 at 20 January 2022).
From a procedural point of view, the phase for the exhibition of documents between the parties was completed in December 2021 following an initial exchange of briefs and statements (including the Memorial of claim submitted by LP in November 2020 and the subsequent Memorial of defence and counterclaim submitted by GSIC in July 2021). Additional statements of defence are expected to be filed during the first half of 2022, while the hearing for arbitration proceedings is currently scheduled on the days from 4 to 15 July 2022.
Finally, the award is expected to be issued in February 2023, after a final exchange of statements of claim and reply, according to the procedural schedule that is currently in force between the parties.

23. Employee benefit obligations

	31 December 2020	31 December 2021
Severance pay provision	250	239
Defined contribution plans	26	31
	276	**270**

The severance pay provision showed a reduction essentially due to early retirements under Article 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 expenses, is equal to €mil. 1 (€mil. 2 at 31 December 2020).

Below are the changes in the severance pay provision:

	31 December 2020	31 December 2021
Opening balance	**272**	**250**
Net interest expenses	2	1
Remeasurement	2	8
Actuarial losses/(gains) through equity-financial assumptions	*2*	*8*
Benefits paid	(25)	(19)
Other changes	(1)	(1)
Closing balance	**250**	**239**

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 provision that has maintained the nature of defined-benefit plan are as follows:

	31 December 2020	31 December 2021
Discount rate (annual)	0.4%	0.7%
Inflation rate	0.4%	1.4%

The sensitivity analysis for each significant actuarial assumption, which shows the effects on bonds in absolute value, is as follows:

	31 December 2020		31 December 2021	
	-0.25%	*+0.25%*	*-0.25%*	*+0.25%*
Discount rate (annual)	4	(4)	3	(3)
Inflation rate	(4)	4	(2)	2

The average duration of the severance pay provision is 5 years.

24. Other current and non-current liabilities

	31 December 2020		31 December 2021	
	Non-current	Current	Non-current	Current
Employee obligations (*)	48	250	49	359
Deferred income	144	71	151	65
Amounts due to social security institutions	1	155	1	195
Payables to MED (Law 808/1985)	161	-	165	-
Payables to MED for royalties (Law 808/1985)	196	7	220	16
Indirect tax liabilities	-	68	-	63
Derivatives	-	163	-	150
Other liabilities	-	216	79	262
Other payables to related parties (Note 34)	-	52	144	36
	550	**982**	**809**	**1,146**

(*) Non-current item includes other employee benefits related to seniority bonuses.

The payables to the Ministry for Economic Development (MED) under Law 808/1985 relate to monopoly costs accrued on national security and similar projects, as well as payables for grants received from MED for the development of programmes not related to national security and similar projects eligible for benefits under Law 808/1985.

Payables to related parties increased overall by €mil. 128 compared to the previous year mainly due to the discounted recognition of non-current payable to AgustaWestland Philadelphia Corporation related to the acquisition of the license (see Note 8).

“Deferred income” specifically includes subsequent years rentals already collected in past years in relation to the agreements for the sale of “Ansaldo” trademark and royalties and grants collected.

“Other payables” mainly related to down payments received from customers for €mil. 62 (€mil. 37 at 31 December 2020) and to penalties on programmes for €mil. 35 (€mil. 68 at 31 December 2020).

The changes recorded during the year and the composition of liabilities by maturity, currency and geographical area are shown in Appendices nos. 8, 9 and 10 to these notes.

25. Trade payables

	31 December 2020	31 December 2021
Suppliers	2,241	1,980
Trade payables to related parties (Note 34)	821	760
	3,062	**2,740**

26. Guarantees and other commitments

At 31 December 2021 the Company had in place the following guarantees:

	31 December 2020	31 December 2021
Guarantees in favour of related parties (Note 34)	3,921	4,011
Guarantees in favour of third parties	8,389	7,805
Guarantees given to third parties	2,212	1,954
Unsecured guarantees given	**14,522**	**13,770**

Specifically, the main guarantees issued consist of:

› bank and insurance sureties in favour of third-party companies for an amount of €mil. 7,805 (€mil. 8,389 at 31 December 2020);

› bank and insurance counter-guarantees issued in the interest of related parties for €mil. 951 (€mil. 941 at 31 December 2020);

› direct commitments issued by the Company in favour of tax authorities, customers and co-suppliers (Parent Company Guarantee) for €mil. 1,952 (€mil. 2,210 at 31 December 2020), in favour of related parties for €mil. 3,060 (€mil. 2,980 at 31 December 2020) and in favour of other companies for €mil. 2 (€mil. 2 at 31 December 2020).

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

	2020	2021
Revenues from contracts with customers	5,102	6,808
Change in contract assets	1,398	308
Revenues from related parties (Note 34)	2,154	2,216
Total revenues	**8,654**	**9,332**

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 revenues by timing of reporting:

	2020	2021
Revenues at point in time	1,514	1,658
Revenues over time	7,140	7,674
Total	**8,654**	**9,332**

Revenues were realised in the following geographical areas:

	2020	2021
Italy	2,110	2,298
United Kingdom	313	286
Rest of Europe	2,367	2,559
United States	1,210	920
Rest of the world	2,654	3,269
	8,654	**9,332**

28. Other operating income/(expenses)

	2020			2021		
	Income	Expenses	Net	Income	Expenses	Net
Grants for research and development costs (*)	25	-	**25**	26	-	**26**
Other operating grants	1	-	**1**	10	-	**10**
Reversals/(Accruals) to provisions for risks	141	(319)	**(178)**	216	(242)	**(26)**
Exchange-rate difference on operating items	173	(199)	**(26)**	117	(134)	**(17)**
Insurance reimbursements	3	-	**3**	8	-	**8**
Indirect taxes	-	(8)	**(8)**	-	(9)	**(9)**
Other operating income/(expenses)	124	(48)	**76**	14	(47)	**(33)**
Other operating income/(expenses) from related parties (Note 34)	16	(10)	**6**	8	-	**8**
	483	**(584)**	**(101)**	**399**	**(432)**	**(33)**

(*) To which must be added "Non-current and current receivables for measures pending under Law 808/1985" (Note 12 and Note 17, respectively), equal to €mil. 50 (€mil. 176 at 31 December 2020). In 2021 there are no assessments of "Non-recurring costs pending under Law 808/1985" (Note 12) (€mil. 51 at 31 December 2020). These amounts are classified directly as a reduction in the related recognised intangibles (Note 8).

29. Purchase and personnel expenses

	2020	2021
Purchase of materials from third parties	2,533	2,362
Change in inventories of raw materials	(279)	127
Costs for purchases from related parties (Note 34)	1,104	1,166
Purchases	**3,358**	**3,655**
Services rendered by third parties	1,910	2,214
Costs of leases	70	54
Royalties	13	22
Services rendered by related parties (Note 34)	701	630
Services	**2,694**	**2,920**
Wages and salaries	1,375	1,520
Social security contributions	397	434
Costs related to defined-contribution plans	99	104
Employee disputes	2	-
Restructuring costs-net	34	80
Other personnel expenses net of cost recovery	15	15
Personnel expenses	**1,922**	**2,153**
Change in finished goods, work in progress and semi-finished products	**112**	**112**
Internal work capitalised	**(242)**	**(235)**
Total purchase and personnel expenses	**7,844**	**8,605**

The average workforce at 31 December 2021 was equal to 28,998 units, showing an increase of 358 units compared to 2020.

The figure of total workforce at 31 December 2021, equal to 29,739 units, showed an increase of 512 units compared to 2020.

The figure related to the average workforce is affected by the presence of part-time employees and personnel that took extended leave.

Below is the breakdown of workforce by category:

No.	Average workforce			Total workforce		
	31 December 2020	31 December 2021	Change	31 December 2020	31 December 2021	Change
Senior managers (*)	785	817	32	798	832	34
Middle managers	3,266	3,352	86	3,381	3,470	89
Clerical employees	16,896	17,090	194	17,323	17,718	395
Manual labourers (**)	7,693	7,739	46	7,725	7,719	(6)
Total	**28,640**	**28,998**	**358**	**29,227**	**29,739**	**512**

(*) Includes pilots.

(**) Includes senior manual labourers.

30. Amortisation, depreciation and financial assets value adjustments

	2020	2021
Amortisation of intangible assets	107	112
Development costs	*17*	*24*
Non-recurring costs	*47*	*43*
Acquired through business combinations	*4*	*2*
Concessions, licenses and trademarks	*19*	*22*
Other intangible assets	*20*	*21*
Depreciation of property, plant and equipment and investment properties	155	117
Depreciation of right of use	113	121
Impairment of other assets	266	41
Financial assets value adjustments	18	(3)
	659	**388**

Amortisation, depreciation and financial assets value adjustments showed a decrease of €mil. 271 compared to 2020. This reduction is mainly due to the write-down of non-recurring costs and specific equipment (tooling) made in 2020 by the Aerostructures Division, following some production assets' failure to operate at full capacity because of the pandemic.

31. Financial income and expenses

	2020			2021		
	Income	Expenses	Net	Income	Expenses	Net
Interest to/from banks	-	(16)	**(16)**	-	(14)	**(14)**
Interest on lease liabilities	-	(2)	**(2)**	-	(3)	**(3)**
Interest and other charges on bonds	-	(104)	**(104)**	-	(79)	**(79)**
Commissions	-	(21)	**(21)**	-	(16)	**(16)**
Dividends	72	-	**72**	121	-	**121**
Premiums (paid)/received on IRS	-	(4)	**(4)**	-	(4)	**(4)**
Premiums (paid)/received on forwards	48	(83)	**(35)**	38	(33)	**5**
Income and charges from equity investments and securities	1	-	**1**	13	-	**13**
Value adjustments on equity investments	-	(42)	**(42)**	-	(97)	**(97)**
Fair value gains/(losses) through profit or loss	22	(13)	**9**	21	(25)	**(4)**
Exchange-rate differences	40	(43)	**(3)**	40	(39)	**1**
Financial income/(expenses) -related parties (Note 34)	19	(19)	**-**	15	(17)	**(2)**
Other financial income and expenses	5	(30)	**(25)**	15	(29)	**(14)**
	207	**(377)**	**(170)**	**263**	**(356)**	**(93)**

The improvement in net financial income and expenses was equal to €mil. 77 compared to 2020.

Income from equity investments, amounting to €mil. 13, is related to the sale of 50% of the equity interest in Leonardo Jet Training Srl (now Leonardo CAE Jet Training Srl), as a result of the arrangement mentioned in Note 5.

Interest and other charges on bonds decreased as a result of the abovementioned redemption in January 2021 of the bond issued in 2009 for €mil. 759.

Dividends increased by €mil. 49 compared to the prior year.

Fair value results through profit or loss are as follows:

	2020			2021		
	Income	Expenses	Net	Income	Expenses	Net
Ineffective portion of hedging swap	22	(13)	**9**	21	(25)	**(4)**

32. Income taxes

Income taxes can be broken down as follows:

	2020	2021
IRES (corporate income tax)	(20)	-
IRAP (regional tax on production)	(21)	(13)
Benefit under consolidated tax mechanism	-	7
Tax related to previous periods	2	-
Provisions for tax disputes	(5)	1
Deferred tax-net	74	(11)
Other taxes	(3)	(20)
Total income taxes	**27**	**(36)**

The item "Other taxes" includes €mil. 18 for the substitute tax due to bring into line the statutory value to the tax value of goodwill as envisaged by Article 110 of Legislative Decree 104/2020 as described in Note 5, to which reference is made.

Below is an analysis of the composition of the theoretical and effective tax rates for 2021 and 2020:

	2020	2021
Profit/(Loss) before income taxes	**(120)**	**214**
Tax rate	**22.5%**	**16.8%**
Theoretical tax	29	(51)
Permanent differences	18	(1)
Timing differences	-	(4)
Unrecognised tax consolidation benefit	-	(4)
Dividends	9	28
Impairment of equity investments	(10)	(6)
IRAP tax	(21)	(13)
Net deferred tax assets	13	(7)
Tax provision	(5)	1
Other taxes	(6)	21
Total tax through profit or loss	**27**	**(36)**
Theoretical tax	**24.0%**	**(24.0%)**
Permanent differences	15.0%	(0.5%)
Timing differences	n.a.	(1.9%)
Unrecognised tax consolidation benefit	-	(1.9%)
Dividends	7.5%	13.1%
Impairment of equity investments	(8.3%)	(2.8%)
IRAP tax	(17.5%)	(6.1%)
Net deferred tax assets	10.8%	(3.3%)
Tax provision	(4.2%)	0.5%
Other taxes	(5.0%)	9.8%
Total tax	**22.5%**	**(16.8%)**

The effective tax rate went from 22.5% in 2020 to (16.8%) in 2021.

It should be noted that a portion of deferred tax assets relates to tax losses measured on the basis of taxable income forecast in the Company's plans, with reference to which a remaining amount of about €mil. 59 is reported for the Company in relation to losses that have not been measured, of which €mil. 44 carried forward from prior years and €mil. 15 accrued in the year.

Deferred taxes and related receivables and payables at 31 December 2021 were the result of the following differences:

	2020	2021
Deferred tax assets on tax losses	(13)	3
Property, plant and equipment and intangible assets	16	28
Provision for risks and impairment	29	(16)
Other	42	(26)
Deferred taxes recognised through profit or loss	**74**	**(11)**

	31 December 2020			31 December 2021		
	Balance sheet			Balance sheet		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred tax assets on tax losses	61	-	**61**	64	-	**64**
Property, plant and equipment and intangible assets	34	(60)	**(26)**	21	(19)	**2**
Provision for risks and impairment	534	-	**534**	527	-	**527**
Other	147	(23)	**124**	144	(56)	**88**
Deferred taxes recognised through balance sheet	**776**	**(83)**	**693**	**756**	**(75)**	**681**
On cash flow hedge derivatives	16	(13)	**3**	20	(1)	**19**
On actuarial gains and losses	11	(4)	**7**	11	(4)	**7**
Deferred taxes recognised through equity	**27**	**(17)**	**10**	**31**	**(5)**	**26**
	803	**(100)**	**703**	**787**	**(80)**	**707**

33. Cash flows from operating and investing activities

	2020	2021
Net result	(93)	177
Amortisation, depreciation and financial assets value adjustments	659	388
Income taxes	(27)	36
Net allocations to the provisions for risks and inventory write-downs	244	163
Net financial expenses/(income)	170	91
Other non-monetary items	10	67
	963	**922**

The changes in working capital are as follows:

	2020	2021
Inventories	27	559
Contract assets and liabilities	(86)	(507)
Trade receivables and payables	(353)	(432)
	(412)	**(380)**

The changes in other operating assets and liabilities are as follows:

	2020	2021
Payment of pension plans	(26)	(20)
Changes in provisions for risks and other operating items	(304)	55
	(330)	**35**

Changes in other investing or disinvesting activities include dividends received in 2021 of €mil. 63 (€mil. 58 in 2020) and the effects of acquisitions and sales of equity investments. In particular, transactions on equity investments that for their nature or significance qualify as “strategic investments” generated an outlay of €mil. 3 in 2021 (€mil. 0 in 2020).

34. 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 2020

	Non-current loans and receivables	Current loans and receivables	Trade receivables	Receivables from consolidated tax mechanism	Other current receivables	Total
Subsidiaries						
AgustaWestland Philadelphia Co.			175		1	**176**
W.S.K. PZL-Świdnik SA			7			**7**
Kopter Group AG		246				**246**
Leonardo MW Ltd	22		330			**352**
Leonardo Global Solutions SpA	69		5	7	13	**94**
Leonardo International SpA		8	1			**9**
Leonardo Australia (Pty) Ltd			28			**28**
Leonardo Malaysia SDN BHD			8			**8**
SO.GE.PA. Società Generale di Partecipazioni SpA	17		1		2	**20**
Leonardo US Holding Inc.	126		1			**127**
Vitrociset SpA		61	7			**68**
Other with unit amount lower than €mil. 10		3	42	1	2	**48**
Associates						
NHIndustries SAS			147			**147**
Eurofighter Jagdflugzeug GmbH			137			**137**
Iveco-OTO Melara Scarl			23			**23**
AgustaWestland Aviation Services LLC			19			**19**
Other with unit amount lower than €mil. 10	1	1	20			**22**
Joint ventures						
GIE-ATR			22		71	**93**
MBDA SAS			16			**16**
Thales Alenia Space SAS		142	26			**168**
Joint Stock Company Helivert			36			**36**
Orizzonte Sistemi Navali SpA			37			**37**
Telespazio SpA	7	1	2	2		**12**
Other with unit amount lower than €mil. 10			1			**1**
Consortiums						
Other with unit amount lower than €mil. 10		1	5			**6**
Companies subject to the control or considerable influence of the MEF						
Fintecna SpA			72			**72**
ENAV SpA			15			**15**
Other with unit amount lower than €mil. 10			8			**8**
Other related parties						
Other with unit amount lower than €mil. 10	1		3		2	**6**
Total	**243**	**463**	**1,194**	**10**	**91**	**2,001**
% against total for the period	*85.3%*	*97.9%*	*40.2%*	*1.9%*	*17.2%*	

Receivables at 31 December 2021

	Non-current loans and receivables	Current loans and receivables	Trade receivables	Receivables from consolidated tax mechanism	Other current receivables	Total
Subsidiaries						
AgustaWestland Philadelphia Co.			189		1	**190**
Kopter Group AG	190		2			**192**
Leonardo UK Ltd			266			**266**
Leonardo Global Solutions SpA	86		5	4	13	**108**
Leonardo Belgium SA			9			**9**
Leonardo Australia (Pty) Ltd			21			**21**
Leonardo Malaysia SDN BHD			14			**14**
SO.GE.PA.-Società Generale di Partecipazioni SpA	17					**17**
Leonardo US Holding Inc.	137					**137**
Vitrociset SpA		20	5			**25**
Other with unit amount lower than €mil. 10			38	1	2	**41**
Associates						
NHIndustries SAS			192			**192**
Eurofighter Jagdflugzeug GmbH			117			**117**
Iveco-OTO Melara Scarl			11			**11**
AgustaWestland Aviation Services LLC			17			**17**
Advanced Air Traffic System SDN BHD			12			**12**
Elettronica SpA			2			**2**
Other with unit amount lower than €mil. 10	1	2	19			**22**
Joint ventures						
GIE-ATR			23			**23**
Orizzonte Sistemi Navali SpA			39			**39**
MBDA SAS			15			**15**
Thales Alenia Space SAS		37	6			**43**
Joint Stock Company Helivert			20			**20**
Telespazio SpA	12	1	3	5		**21**
Other with unit amount lower than €mil. 10			2			**2**
Consortiums						
Other with unit amount lower than €mil. 10		1	2			**3**
Companies subject to the control or considerable influence of the MEF						
Cassa Depositi e Prestiti SpA			69			**69**
Poste Italiane SpA			9			**9**
ENAV SpA			13			**13**
Other with unit amount lower than €mil. 10			8			**8**
Other related parties						
Other		2	6		1	**9**
Total	**443**	**63**	**1,134**	**10**	**17**	**1,667**
% against total for the period	*95.5%*	*81.8%*	*37.9%*	*2.7%*	*4.5%*	

As regards the most important loans and receivables we note that:

- non-current receivables, equal to €mil. 443 (€mil. 243 at 31 December 2020), were up by €mil. 200. They mainly relate to the "Revolving Credit Facility" granted in 2021 to Kopter Group AG to finance the development of the new AW09 single-engine helicopter. The originally granted loan allowed the subsidiary to discharge the current financial receivable that at 31 December 2020 amounted to €mil. 243 and Leonardo to use, for an amount of €mil. 155, a part of the loan for the company recapitalisation. At 31 December 2021, the loan amount was €mil. 190;
- current loans and receivables amounted to €mil. 63 (€mil. 463 at 31 December 2020). The €mil. 400 decrease is chiefly due to the mentioned discharge made by Kopter Group AG. Loans and receivables arise from financing activities conducted by Leonardo in favour of the Group companies, as a result of the abovementioned centralisation of treasury resources;
- other receivables equal to €mil. 26 (€mil. 101 at 31 December 2020) included amounts deriving from the Group tax consolidation mechanism, recognised by Leonardo SpA, the party having a legal relationship with the Tax Authority;
- trade receivables equal to €mil. 1,134 (€mil. 1,194 at 31 December 2020) include receivables related to services rendered in the interests and in favour of the Group's companies.

Payables at 31 December 2020

	Current and non-current loans and borrowings	Trade payables	Payables from consolidated tax mechanism	Other current and non-current payables	Total	Guarantees
Subsidiaries						
AgustaWestland Philadelphia Co.		106			**106**	440
AgustaWestland SpA		19	5	9	**33**	
Leonardo MW Ltd	716	147			**863**	1,494
AnsaldoBreda SpA	108		17		**125**	257
Larimart SpA	8	8			**16**	1
FATA Logistic Systems SpA	13	39			**52**	1
Leonardo Global Solutions SpA	629	40			**669**	4
Leonardo US Aircraft Inc.		17			**17**	
W.S.K. PZL-Świdnik SA		38			**38**	119
Selex ES International Ltd	48				**48**	
Selex ES Saudi Arabia Ltd		3			**3**	11
Leonardo US Holding Inc.						498
Leonardo Malaysia SDN BHD		10			**10**	
Leonardo DRS Inc.		12			**12**	205
Leonardo International SpA	2			1	**3**	112
SO.GE.PA.-Società Generale di Partecipazioni SpA	7		1	1	**9**	110
Vitrociset SpA	12	6	1	1	**20**	28
Other with unit amount lower than €mil. 10		30	3	1	**34**	
Associates						
Eurofighter Jagdflugzeug GmbH	45	55			**100**	
Elettronica SpA		15			**15**	
Gulf System Logistics Services Company WLL		82			**82**	
NHIndustries SAS		21			**21**	
Industria Italiana Autobus SpA					**-**	21
Leonardo Helicoptères Algérie SpA	16				**16**	
Other with unit amount lower than €mil. 10		11		6	**17**	
Joint ventures						
GIE-ATR		55			**55**	
MBDA SAS	663	67			**730**	47
Telespazio SpA	49	1		2	**52**	161
Thales Alenia Space SAS		2			**2**	
Rotorsim Srl		12			**12**	
Consortiums						
Other with unit amount lower than €mil. 10		3			**3**	

>>

Payables at 31 December 2020

	Current and non-current loans and borrowings	Trade payables	Payables from consolidated tax mechanism	Other current and non-current payables	Total	Guarantees
>>						
Companies subject to the control or considerable influence of the MEF						
Cassa Depositi e Prestiti SpA	100			3	**103**	
Enel SpA		19			**19**	
Fintecna SpA		1			**1**	
Other related parties						
Other	1	2	1		**4**	410
Total	**2,417**	**821**	**28**	**24**	**3,290**	**3,919**
% against total for the period	*37.2%*	*26.8%*	*2.9%*	*2.4%*		*27.0%*

Payables at 31 December 2021

	Current and non-current loans and borrowings	Trade payables	Payables from consolidated tax mechanism	Other current and non-current payables	Total	Guarantees
Subsidiaries						
AgustaWestland Philadelphia Co.	53	59		143	**255**	475
AgustaWestland SpA		20	1	9	**30**	
Leonardo MW Ltd	878	111			**989**	1,558
AnsaldoBreda SpA	121		1		**122**	223
Larimart SpA	11	11			**22**	1
Leonardo Logistics SpA	7	46	1		**54**	1
Leonardo Global Solutions SpA	591	42			**633**	5
Leonardo US Aircraft Inc.		19			**19**	
W.S.K. PZL-Świdnik SA		53			**53**	128
Selex ES International Ltd	50				**50**	
Leonardo Saudi Ltd		4			**4**	12
Leonardo US Holding Inc.					**-**	538
Leonardo Australia (Pty) Ltd		24			**24**	
Leonardo DRS Inc.		3			**3**	232
Leonardo International SpA	21		1		**22**	113
SO.GE.PA.-Società Generale di Partecipazioni SpA	3		1	2	**6**	94
Vitrociset SpA		4	1		**5**	34
Other with unit amount lower than €mil. 10		26	6		**32**	
Associates						
Eurofighter Jagdflugzeug GmbH	37	40			**77**	
Elettronica SpA		14			**14**	
Gulf System Logistics Services Company WLL		24			**24**	
Iveco-OTO Melara Scarl				4	**4**	
NHIndustries SAS		93			**93**	
Industria Italiana Autobus SpA					**-**	23
Leonardo Helicoptères Algérie SpA	16				**16**	
Other with unit amount lower than €mil. 10		6			**6**	
Joint ventures						
GIE-ATR		57		2	**59**	
MBDA SAS	664	56			**720**	8
Telespazio SpA	31	1		2	**34**	152
Rotorsim Srl		18			**18**	
Other with unit amount lower than €mil. 10		6			**6**	
Consortiums						
Other with unit amount lower than €mil. 10		2			**2**	

>>

Payables at 31 December 2021

	Current and non-current loans and borrowings	Trade payables	Payables from consolidated tax mechanism	Other current and non-current payables	Total	Guarantees
>>						
Companies subject to the control or considerable influence of the MEF						
Cassa Depositi e Prestiti SpA	100	1		3	**104**	
Enel SpA		14			**14**	
Other related parties						
Other	1	6	1	2	**10**	414
Total	**2,584**	**760**	**13**	**167**	**3,524**	**4,011**
% against total for the period	*39.0%*	*27.7%*	*1.1%*	*14.6%*		*29.1%*

As regards the most important loans and borrowings we note that:

- other payables of €mil. 179 in addition to the values deriving from the Group tax consolidation mechanism, recognised by the Company, included for €mil. 143 the discounted payables to AgustaWestland Philadelphia Corporation following the acquisition of the license related to the AW60 tiltrotor project (Note 8);
- loans and borrowings from related parties, equal to €mil. 2,584 (€mil. 2,417 at 31 December 2020), include a fixed amount of €mil. 437 (€mil. 496 at 31 December 2020) linked to lease transactions in accordance with IFRS 16, and the other 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. 664 (€mil. 663 at 31 December 2020) to the MBDA joint ventures and the loan of €mil. 100 taken out with Cassa Depositi e Prestiti (CDP), which, as already noted, is aimed at co-financing some investment projects envisaged in the Industrial Plan as well as, for €mil. 53, to AgustaWestland Philadelphia Corporation, a payable related to the capital increase in the equity investment subscribed in December 2021.

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, 8, 9 and 10 to these notes.

Below are all income statement transactions with Leonardo's related parties for the years 2021 and 2020:

Income statement transactions at 31 December 2020

	Revenues	Other operating revenues	Purchase and service expenses	Other operating expenses	Financial income	Financial expenses
Subsidiaries						
AgustaWestland Philadelphia Co.	125		85			
FATA Logistic Systems SpA	3		87			
Leonardo Global Solutions SpA	1		124			14
Leonardo MW Ltd	245	1	122	9	4	2
Larimart SpA			16			
Leonardo Belgium SA	19		11			
Leonardo Australia (Pty) Ltd	26		4			
Leonardo Malaysia SDN BHD	32		20			
W.S.K. PZL-Świdnik SA	17	1	122			
Other with unit amount lower than €mil. 10	34		53		11	
Associates						
Eurofighter Jagdflugzeug GmbH	433		755			
Elettronica SpA	1		27			
EUROMIDS SAS	11		2			
Gulf System Logistics Services Company WLL			167			
NHIndustries SAS	417					
Iveco-OTO Melara Scarl	74		2			
Macchi Hurel Dubois SAS	30					
AgustaWestland Aviation Services LLC	20		4			
Advanced Air Traffic Systems SDN BHD	11					
Other with unit amount lower than €mil. 10	7		1			
Joint ventures						
GIE-ATR	122		26			
Orizzonte Sistemi Navali SpA	155		1			
MBDA SAS	37		96			1
Thales Alenia Space France SAS	53		2		1	
Rotorsim Srl	1	2	12			
Joint Stock Company Helivert	41	1				
Other with unit amount lower than €mil. 10	1		2			
Consortiums						
Consorzio G.e.i.e. Eurotorp	7					
Other with unit amount lower than €mil. 10	1		1			
Companies subject to the control or considerable influence of the MEF						
Enel SpA	8		72			
Fintecna SpA	168	10	(11)			
ENAV SpA	15					
Poste Italiane SpA	22					
Other with unit amount lower than €mil. 10	17				1	1

>>

Income statement transactions at 31 December 2020

	Revenues	Other operating revenues	Purchase and service expenses	Other operating expenses	Financial income	Financial expenses
>>						
Other related parties						
Other		1	2	1	2	1
Total	**2,154**	**16**	**1,805**	**10**	**19**	**19**
% against total for the period	*24.9%*	*3.3%*	*23.0%*	*1.7%*	*9.2%*	*5.0%*

Income statement transactions at 31 December 2021

	Revenues	Other operating revenues	Purchase and service expenses	Other operating expenses	Financial income	Financial expenses
Subsidiaries						
AgustaWestland Philadelphia Co.	128		70			
Leonardo Logistics SpA	1		95			
Leonardo Global Solutions SpA			121			13
Leonardo UK Ltd	203	2	128		1	1
Larimart SpA			17			
Leonardo Belgium SA	19		6			
Leonardo Australia (Pty) Ltd	35		17			
Leonardo Malaysia SDN BHD	35		13			
Leonardo Electronics US Inc.			9			
Leonardo Saudi Ltd			11			
Vitrociset SpA	3		14		4	
Kopter Group AG	4				7	
W.S.K. PZL-Świdnik SA	7	2	140			
Other with unit amount lower than €mil. 10	30		36			
Associates						
Eurofighter Jagdflugzeug GmbH	584		607			
Elettronica SpA	2		50			
EUROMIDS SAS	9		3			
Gulf System Logistics Services Company WLL			71			
NHIndustries SAS	373		151			
Iveco-OTO Melara Scarl	71		2			
Macchi Hurel Dubois SAS	29					
AgustaWestland Aviation Services LLC	15		2			
Advanced Air Traffic Systems SDN BHD	9		1			
Other with unit amount lower than €mil. 10	13		4			

>>

Income statement transactions at 31 December 2021

	Revenues	Other operating revenues	Purchase and service expenses	Other operating expenses	Financial income	Financial expenses
>>						
Joint ventures						
GIE-ATR	80		8			
Orizzonte Sistemi Navali SpA	105					
MBDA SAS	47		103			2
Thales Alenia Space SAS	51		2			
Rotorsim Srl	1	2	17			
Joint Stock Company Helivert	15	2				
Other with unit amount lower than €mil. 10	2		3			
Consortiums						
Consorzio G.e.i.e. Eurotorp	9					
Other with unit amount lower than €mil. 10			5			
Companies subject to the control or considerable influence of the MEF						
Enel SpA	10		84			
Cassa Depositi e Prestiti SpA	261		2			1
ENAV SpA	17		1			
Poste Italiane SpA	23					
Panavia Aircraft GmbH	10					
Other with unit amount lower than €mil. 10	13		1			
Other related parties						
Other	2		2		3	
Total	**2,216**	**8**	**1,796**	**-**	**15**	**17**
% against total for the period	*23.7%*	*2.0%*	*20.9%*	*0.0%*	*5.7%*	*4.8%*

Financial income and expenses relate to interest on financial receivables and payables 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 risk, related to exposure to financial instruments;
- exchange-rate risk, related to operations in currencies other than the reporting currency;
- liquidity risk, relating to the availability of financial resources and access to the credit market;
- credit risk, resulting from normal commercial transactions or financing activities.

The Company carefully and specifically follows each of these financial risks, with the objective of promptly minimising 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 Note 37 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 interest rates while seeking to minimise related borrowing costs.

In this regard, it should be noted that loans and borrowings at 31 December 2021, equal to €mil. 6,627, included lease liabilities of €mil. 537. The amount of fixed-rate loans and borrowings (including by using hedging instruments) was equal to about 45% and, consequently, the amount at variable rate was equal to about 55%.

At 31 December 2021, 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. Moreover, given the low cost, it is currently deemed appropriate not to settle the transaction, in order to use it in the event of the Group's strategy providing for a return to the floating rate and the levels of said rate should become unfavourable;
- *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 2021 is as follows:

	Notional		Underlying (maturity)	Fair value 01.01.2020	Changes			Fair value 31.12.2020
	2019	2020			Income	Expenses	CFH reserve	
Options	200	200	Bond 2025	(2)	-	-	-	(2)
IRS fixed/floating	300	300	EIB 2025	(17)	-	-	(7)	(24)
Total notional	**500**	**500**		**(19)**	**-**	**-**	**(7)**	**(26)**

	Notional		Underlying (maturity)	Fair value 01.01.2021	Changes			Fair value 31.12.2021
	2020	2021			Income	Expenses	CFH reserve	
Options	200	200	Bond 2025	(2)	1	-	-	(1)
IRS fixed/floating	300	300	EIB 2025	(24)	-	-	11	(13)
Total notional	**500**	**500**		**(26)**	**1**	**-**	**11**	**(14)**

The table below shows the effects of the sensitivity analysis for 2021 and 2020 on derivatives on interest rates at 31 December 2021 deriving from the 50-basis-point shift in the interest-rate curve (bps):

Effect of shift of interest-rate curve

	31 December 2020		31 December 2021	
	Increase of 50 bps	Decrease of 50 bps	Increase of 50 bps	Decrease of 50 bps
Net result	(7)	7	(5)	7
Equity (*)	1	(1)	-	-

(*) Defined as sum of earnings and cash flow hedge reserve.

Exchange-rate risk

Exchange-rate risk management for the Group is governed by the Directive issued by Leonardo SpA, the purpose of which is to standardise 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 neutralising 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 or 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 enters into foreign exchange transactions in the interest of other Group companies totalling €mil. 6,549 (notional amount), as detailed in the following table:

	Notional 2020			Notional 2021		
	Sales	Purchases	Total	Sales	Purchases	Total
Swap and forward transactions	3,116	2,693	5,809	3,715	2,834	6,549

As a result of the financial centralisation, the cash flows of the Group's foreign companies were recharged to Leonardo through intercompany transactions mainly denominated in pound sterling (GBP) and US dollars (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 2020				31 December 2021			
	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	1,536	102	1,111	1,278	2,013	49	1,257	1,305
2 to 3 years	920	-	150	7	800	2	84	5
4 to 9 years	-	-	12	-	189	-	8	-
Total	**2,456**	**102**	**1,273**	**1,285**	**3,002**	**51**	**1,349**	**1,310**
Hedging transactions which cannot be classified as hedging transactions	21	2	21	2	-	-	-	-
Total transactions	**2,477**	**104**	**1,294**	**1,287**	**3,002**	**51**	**1,349**	**1,310**

The table below shows the effects of the sensitivity analysis carried out on the change in the exchange rates of the euro against the pound sterling and the US dollar, 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 2021.

	31 December 2020				31 December 2021			
	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 5%	Decrease of 5%	Increase of 5%	Decrease of 5%	Increase of 5%	Decrease of 5%	Increase of 5%	Decrease of 5%
Net result	3	(4)	1	(1)	2	(2)	(1)	1
Equity (*)	(22)	25	55	(61)	(6)	7	54	(60)

(*) 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. Therefore, there is the risk of not being able to repay or refinance debts at the expiry dates.

In order to face the series of abovementioned risks, Leonardo has adopted a series of instruments aimed at optimising the management of financial resources by resorting to bank and bond transactions.

In order to mainly finance its operations, the Company has at its disposal:

- the cash and cash equivalents of €mil. 1,875 generated at 31 December 2021;
- 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 2021;
- uncommitted bank credit lines totalling €mil. 810 (entirely unused at 31 December 2021);
- the ESG-linked Term Loan credit line of €mil. 600 subscribed and entirely used at December 2021 expiring in 2027. Such loan was aimed at repaying the bond expired in January 2022;
- unconfirmed lines of credit for guarantees for a total amount of €mil. 10,324, of which an amount of €mil. 3,750, available at 31 December 2021;
- the EMTN (Euro Medium Term Note) Programme, out of which all the bonds of Leonardo SpA were issued, which are currently in place on the Euromarket and which had been used for a total nominal amount of €mil. 2,156 at 31 December 2021, compared to a total amount of €mil. 4,000 under the programme.

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 United Kingdom, the United States and the Middle East. The risks associated with the counterparty, for contracts with countries for which there are no usual commercial relations, are analysed 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. When possible, the Company hedges against potential defaults of its customers by entering into insurance policies with leading Export Credit Agencies (ECAs) internationally and with major Italian agencies (eg. SACE).

The types of contracts entered into provide for sizeable retention money withheld by customers, as well as back-to-back clauses in case of sub-supplies. These cases 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 2021, we note the following relations with countries exposed to credit risk according to the international institutions (SACE):

	Libya	Zambia	Turkey	Turkmenistan	Angola	Other	Total
Assets	5	4	61	27	92	71	**260**
Liabilities	(12)	(13)	(125)	(1)	(87)	(70)	**(308)**
Net exposure	**(7)**	**(9)**	**(64)**	**26**	**5**	**1**	**(48)**

As at 31 December 2021, the countries identified by SACE as countries at risk included Ukraine, to which – as indicated in Note 6 to which reference should be made – the Group has no balance sheet exposures.

Finally, the receivables related to these agreements might not be paid, renegotiated or written off.

The table below summarises trade receivables at 31 December 2021 and 2020:

€ billions	31 December 2020	31 December 2021
Portion due	1.6	0.7
-of which: for more than 12 months	*0.9*	*0.2*
Portion not yet due	1.4	2.3
Total trade receivables	**3.0**	**3.0**

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. 916 (€mil. 320 at 31 December 2020), include €mil. 13 (€mil. 6 at 31 December 2020) classified as "non-current" and subsequently excluded from the net financial position.

The table below shows the breakdown of loans and receivables:

	31 December 2020	31 December 2021
Loans and receivables from related parties	243	443
Other loans and receivables	-	-
Non-current loans and receivables	**243**	**443**
Loans and receivables from related parties	63	463
Other loans and receivables	14	10
Current loans and receivables	**77**	**473**
Total loans and receivables	**320**	**916**

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. 169 (€mil. 1,790 in 2020). The amount of the assignments is significantly lower than the previous year's figure, also thanks to an objective progressive improvement in the emergency situation during 2021, which has allowed the dynamics underlying the realisation of collection flows to be restored, linearising the flow trend.

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 2020			31 December 2021		
	Level 2	Level 3	**Total**	Level 2	Level 3	**Total**
Other current assets	163	-	**163**	150	-	**150**
Other non-current liabilities	-	257	**257**	-	16	**16**
Other current liabilities	202	-	**202**	81	-	**81**

36. Remuneration to key management personnel

Remuneration paid to persons who have strategic power and responsibility of Leonardo SpA amounted to €mil. 10 (€mil. 9 at 31 December 2020).

Remuneration paid to directors, excluding managers with strategic responsibility, amounted to about €mil. 2 (€mil. 2 in 2020). 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 2021 to €mil. 9 (€mil. 10 in 2020).

With specific regard to the 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, Sustainability Indicators) was equal to € 10.25 (the value of Leonardo shares at the grant date of 31 July 2018) with reference to the three-year cycle 2018-2020; it 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.

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 € 3.51 with reference to the three-year cycle 2018-2020; it was equal to € 6.72 with reference to the three-year cycle 2019-2021, to € 1.73 with reference to the three-year cycle 2020-2022 and to € 3.7 with reference to the three-year cycle 2021-2023.

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 2021, the conditions for the granting of 133,560 shares under the co-investment plan and the Long-Term Incentive Plan have been met.

PROPOSAL TO THE SHAREHOLDERS' MEETING

Dear Shareholders,

The 2021 financial statements, which we submit for your approval, close with a net profit of € 177,237,632.93. 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 2021;
- having acknowledged the report of EY SpA;

resolves

- to approve the Directors' Report on Operations and the financial statements at 31 December 2021;
- to approve the proposal posed by the Board of Directors of allocating the profit of € 177,237,632.93 for the 2021 financial year as follows:
  - as to € 8,861,881.65, equal to 5% of the profit, to legal reserve;
  - as to € 0.14, on account of dividend, by paying it, including any withholding prescribed by law, as from 22 June 2022, with "detachment date" of coupon no. 12 falling on 20 June 2022 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 Market Regulation organised and managed by Borsa Italiana SpA) falling on 21 June 2022; 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

(Luciano Carta)

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 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.

Leonardo SpA has not received grants falling within the framework of those referred to in Article 1, paragraph 125, of Law 124/2017.

It should also be noted that the transparency of State aids for which there is a publication obligation is protected by their publication in the National Register of State Aids referred to in Article 52 of Law 234 of 24 December 2012.

Grants made

As a publicly traded company, Leonardo SpA is not subject to the obligations under Article 1, paragraph 126, in accordance with Article 2-*bis*, paragraph 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 (€ millions) - EQUITY INVESTMENTS

		31.12.2020		
		Cost	Impairment	Carrying amount
%	**Equity investments in subsidiaries**			
100	AGUSTAWESTLAND HOLDING LTD	57	(57)	-
100	AGUSTAWESTLAND PHILADELPHIA CO.	217	-	217
68	ALEA SRL	-	-	-
100	ANSALDOBREDA SPA	509	(492)	17
100	KOPTER GROUP AG	17	-	17
60	LARIMART SPA	14	-	14
100	LEONARDO FOR AVIATION SERVICES (SPC)	-	-	-
100	LEONARDO GLOBAL SOLUTIONS SPA	850	-	850
100	LEONARDO INTERNATIONAL SPA	146	-	146
100	LEONARDO UK LTD	2,804	-	2,804
100	LEONARDO US HOLDING INC.	3,234	(1,290)	1,944
100	SELEX ES INTERNATIONAL LTD	131	(77)	54
100	SO.GE.PA. - SOCIETÀ GENERALE DI PARTECIPAZIONI SPA	50	(37)	13
67	TELESPAZIO SPA (*)	171	-	171
100	VITROCISET SPA	28	-	28
67	UTM SYSTEMS & SERVICES SRL	4	-	4
100	W.S.K. PZL-ŚWIDNIK SA	143	-	143
	Other with unit amount lower than €mil. 10	1	(1)	-
		8,376	**(1,954)**	**6,422**
%	**Equity investments in associates**			
30	AGUSTAWESTLAND AVIATION SERVICES LLC	4	-	4
50	AMSH BV (*)	873	(392)	481
30	AVIO SPA	116	(31)	85
31	ELETTRONICA SPA	54	(47)	7
21	EUROFIGHTER JAGDFLUGZEUG GMBH	9	-	9
24	EUROFIGHTER SIMULATION SYSTEMS GMBH	2	-	2
30	GEM ELETTRONICA SRL	-	-	-
50	GIE-ATR	232	(40)	192
29	INDUSTRIA ITALIANA AUTOBUS SPA	9	(6)	3
40	JIANGXI CHANGHE AGUSTA HELICOPTERS CO.	2	-	2
50	LEONARDO CAE ADVANCED JET TRAINING SRL	-	-	-
39	LEONARDO HELICOPTERES ALGERIE	21	-	21
25	LIBYAN ITALIAN ADVANCED TECH. CO.	2	(2)	-
32	NHINDUSTRIES SAS	1	-	1
49	ORIZZONTE SISTEMI NAVALI SPA	16	-	16
50	ROTORSIM SRL	28	-	28
33	THALES ALENIA SPACE SAS (*)	546	(145)	401
	Other with unit amount lower than €mil. 10	3	-	3
		1,918	**(663)**	**1,255**

(*) Joint control.

Transfers/ Acquisition of business unit (a)	Acquis./ Subscriptions/ Payments of capital	Disposal (b)	Reclass. (c)	Financial Revalut./ Impairment	Capital replenish-ment	Other changes (d)	31.12.2021		
							Cost	Impairment	Carrying amount
-	-	-	-	-	-	-	57	(57)	-
-	20	-	-	-	-	(237)	-	-	-
-	3	-	-	-	-	-	3	-	3
-	-	-	-	-	-	-	509	(492)	17
-	155	-	-	-	-	-	172	-	172
-	-	-	-	-	-	-	14	-	14
-	1	-	-	-	-	-	1	-	1
-	-	-	-	-	-	-	850	-	850
-	3	-	-	-	-	-	149	-	149
-	-	-	-	-	-	-	2,804	-	2,804
-	-	-	-	-	-	-	3,234	(1,290)	1,944
-	-	-	-	-	-	-	131	(77)	54
-	-	-	-	(13)	-	-	50	(50)	-
-	-	-	-	-	-	19	190	-	190
-	35	-	-	-	-	(20)	43	-	43
-	-	-	-	-	-	-	4	-	4
-	-	-	-	-	-	-	143	-	143
-	-	-	-	-	-	-	1	(1)	-
-	**217**	**-**	**-**	**(13)**	**-**	**(238)**	**8,355**	**(1,967)**	**6,388**
-	-	-	-	-	-	-	4	-	4
-	-	-	-	-	-	-	873	(392)	481
-	-	-	-	-	-	-	116	(31)	85
-	-	-	-	-	-	-	54	(47)	7
-	-	-	-	-	-	-	9	-	9
-	-	-	-	-	-	-	2	-	2
-	5	-	-	-	-	-	5	-	5
-	-	-	-	-	-	-	232	(40)	192
-	5	-	-	-	-	-	9	(1)	8
-	-	-	-	-	-	-	2	-	2
-	15	(1)	-	-	-	-	14	-	14
-	-	-	-	-	-	-	21	-	21
-	-	-	-	-	-	-	2	(2)	-
-	-	-	-	-	-	-	1	-	1
-	-	-	-	-	-	-	16	-	16
-	-	-	-	-	-	-	28	-	28
-	-	-	-	-	-	-	546	(145)	401
-	-	-	-	-	-	-	3	-	3
-	**25**	**(1)**	**-**	**-**	**-**	**-**	**1,937**	**(658)**	**1,279**

>>

>>

Appendix no. 1 (€ millions) - EQUITY INVESTMENTS

		31.12.2020		
		Cost	Impairment	Carrying amount
%	Other companies			
99	CONSORZIO CREO	1	(1)	-
3	ISTITUTO TRECCANI SPA	2	-	2
15	PANAVIA AIRCRAFT GMBH	3	-	3
17	SKYDWELLER AERO INC.	6	-	6
1	CISET HOLDING SRL	1	-	1
	Other with unit amount lower than €mil. 10	2	-	2
		15	(1)	14
	TOTAL EQUITY INVESTMENTS	**10,309**	**(2,618)**	**7,691**

	Subsidiaries	Associates	Other companies
(a) Of which:			
Cost			
Impairment losses			
	-	-	-
(b) Of which:			
Cost		(1)	(1)
Impairment losses			
	-	(1)	(1)
(c) Of which:			
Cost			
Impairment losses			
	-	-	-
(d) Of which:			
Cost	(238)		
Impairment losses			
	(238)	-	-

Transfers/ Acquisition of business unit (a)	Acquis./ Subscriptions/ Payments of capital	Disposal (b)	Reclass. (c)	Financial Revalut./ Impairment	Capital replenish-ment	Other changes (d)	31.12.2021 Cost	Impairment	Carrying amount
-	-	-	-	-	-	-	1	(1)	-
-	-	-	-	-	-	-	2	-	2
-	-	-	-	-	-	-	3	-	3
-	4	-	-	-	-	-	10	-	10
-	-	(1)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	2	-	2
-	4	(1)	-	-	-	-	18	(1)	17
-	**246**	**(2)**	**-**	**(13)**	**-**	**(238)**	**10,310**	**(2,626)**	**7,684**

Appendix no. 2 (€ millions) - LIST OF EQUITY INVESTMENTS

Name	Office	Reporting date
Equity investments in subsidiaries		
AGUSTAWESTLAND HOLDING LTD	Yeovil (UK)	31.12.2021
ALEA SRL	Polcenigo (Italy)	31.12.2021
ANSALDOBREDA SPA	Naples (Italy)	31.12.2021
KOPTER GROUP AG	Wetzikon (Switzerland)	31.12.2021
LARIMART SPA	Rome (Italy)	31.12.2021
LEONARDO FOR AVIATION SERVICES (SPC)	Kuwait	n.a.
LEONARDO GLOBAL SOLUTIONS SPA	Rome (Italy)	31.12.2021
LEONARDO INTERNATIONAL SPA	Rome (Italy)	31.12.2021
LEONARDO UK LTD	Basildon (UK)	31.12.2021
LEONARDO US HOLDING INC.	Wilmington (USA)	31.12.2021
SELEX ES INTERNATIONAL LTD	Basildon (UK)	31.12.2021
SO.GE.PA.-SOCIETÀ GENERALE DI PARTECIPAZIONI SPA	Rome (Italy)	31.12.2021
TELESPAZIO SPA (*)	Rome (Italy)	31.12.2021
VITROCISET SPA	Rome (Italy)	31.12.2021
UTM SYSTEMS & SERVICES SRL	Rome (Italy)	31.12.2021
W.S.K. PZL-ŚWIDNIK SA	Świdnik (Poland)	31.12.2021
WORLD'S WING SA	Geneva (Switzerland)	31.12.2021
Equity investments in associates		
ADVANCED MALE AIRCRAFT LLC	Al Ain (United Arab Emirates)	n.a.
AGUSTAWESTLAND AVIATION SERVICES LLC	Abu Dhabi City (United Arab Emirates)	31.12.2021
AMSH BV (*)	Rotterdam (Netherlands)	31.12.2020
AVIO SPA	Rome (Italy)	31.12.2020
CONSORZIO GIE-ATR	Blagnac Cedex (France)	31.12.2020
ELETTRONICA SPA	Rome (Italy)	31.12.2021
EUROFIGHTER JAGDFLUGZEUG GMBH	Hallbergmoos (Germany)	31.12.2020
EUROFIGHTER SIMULATION SYSTEMS GMBH	Hallbergmoos (Germany)	31.12.2020
EUROMIDS SAS	Paris (France)	31.12.2020
GEM ELETTRONICA SRL	Ascoli Piceno (Italy)	31.12.2020
IAMCO-INT. AEROSPACE MANAG. COMPANY SCARL	Venice (Italy)	31.12.2020
INDUSTRIA ITALIANA AUTOBUS SPA	Rome (Italy)	31.12.2020
IVECO-OTO MELARA SCARL	Rome (Italy)	31.12.2019
JIANGXI CHANGHE AGUSTA HELICOPTERS CO.	Jingdezhen (China)	31.12.2021
JOINT STOCK COMPANY HELIVERT	Moscow (Russia)	31.12.2021
LEONARDO CAE ADVANCED JET TRAINING SRL	Decimomannu (Italy)	31.12.2020
LEONARDO HELICOPTERES ALGERIE SPA	Ain Arnat (Algeria)	31.12.2021
LIBYAN ITALIAN ADVANCED TECH. CO.	Tripoli (Lybia)	31.12.2011
MACCHI HUREL DUBOIS SAS	Versailles (France)	31.12.2020
NHINDUSTRIES SAS	Aix-en-Provence (France)	31.12.2021
ORIZZONTE SISTEMI NAVALI SPA	Genoa (Italy)	31.12.2020
ROTORSIM SRL	Sesto Calende (Italy)	31.12.2021
THALES ALENIA SPACE SAS (*)	Cannes (France)	31.12.2020

(*) Joint control.

Share capital (total)	Currency	Equity	Total Assets	Total Liabilities	Profit/ (Loss)	Ownership	Net equity in financial statements	Carrying amount
1	GBP	-	-	-	-	100	-	-
129,383		5	5	-	(1)	68	3	4
10,000,000		130	211	81	(3)	100	130	17
32,000,000	CHF	142	361	219	(21)	100	142	171
2,500,000		29	53	24	5	60	17	14
300,000	KWD	n.a.	n.a.	n.a.	n.a.	100	-	-
51,000,000		890	1,146	256	15	100	890	850
1,000,000		149	205	56	1	100	149	149
314,500,100	GBP	2,873	4,949	2,076	220	100	2,873	2,805
10	USD	2,196	2,639	442	(2)	100	2,196	1,944
100	GBP	49	49	-	-	100	49	54
1,000,000		(10)	98	108	(34)	100	(10)	-
50,000,000		262	611	349	32	67	176	190
24,500,000		32	132	100	7	100	32	43
6,620,000		5	6	1	(1)	67	3	4
307,642,000	PLN	162	255	93	24	100	162	143
811,876	CHF	(135)	-	135	-	100	(135)	-
								6,388
200,000	AED	n.a.	n.a.	n.a.	n.a.	49	-	-
58,010,000	AED	21	42	21	2	30	6	4
36,296,316		989	989	-	138	50	495	481
90,964,212		294	1,174	880	9	30	88	85
n.a.	USD	(179)	1,275	1,454	(179)	50	(90)	192
9,000,000		106	-	-	14	31	33	7
639,114		29	1,463	1,434	5	21	6	9
260,000		4	14	10	5	24	1	2
40,500		3	35	32	-	25	1	-
4,500,000		14	44	30	-	30	4	5
208,000		1	8	7	-	25	-	-
21,050,000		5	196	191	(6)	29	1	8
40,000		-	141	141	-	50	-	-
48,403,000	CNY	6	9	3	-	40	2	2
325,010,000	RUB	(16)	24	40	2	50	(8)	-
100,000		-	-	-	-	50	-	15
7,420,165	DZD	47	47	-	-	39	18	22
8,000,000	LYD	1	5	4	(1)	25	-	-
100,000		1	12	11	-	50	1	-
306,000		9	8,284	8,275	1	32	3	1
20,000,000		35	1,704	1,669	-	49	17	16
9,800,000		81	88	7	3	50	41	29
918,037,500		1,121	1,630	509	(65)	33	370	401
								1,279

>>

>>

Appendix no. 2 (€ millions) - LIST OF EQUITY INVESTMENTS

Name	Office	Reporting date
Consortiums		
COMPETENCE INDUSTRY MANUFACTURING 4.0	Turin (Italy)	n.a.
CONAI CONSORZIO NAZIONALE IMBALLAGGI	Rome (Italy)	31.12.2020
CONS. CREO	L'Aquila (Italy)	31.12.2020
CONSORZIO ERION WEEE	Milan (Italy)	31.12.2020
CONSORZIO IANUA	Genoa (Italy)	31.12.2020
CONSORZIO IMPRENDITORI GIUGLIANO ASI	Giugliano (Italy)	31.12.2020
CONSORZIO KIDS	Rome (Italy)	31.12.2021
CONSORZIO PER IL CONTRATTO DI PROGRAMMA PER L'AREA AQUILANA	L'Aquila (Italy)	31.12.2014
CONSORZIO PER L'ENERGIA VARESE	Varese (Italy)	31.12.2020
CONSORZIO SISTEMA SOLDATO SICURO - SISS	Rome (Italy)	31.12.2021
CONSORZIO TESSERA	Venice (Italy)	31.12.2020
E-SPAT - E-NET SERVIZI DI PRESIDIO E ASSISTENZA TECNICA	Rome (Italy)	31.12.2020
EUROTORP G.E.I.E	Vallauris (France)	31.12.2016
LEONARDO TECHNICAL TRAINING EX CONSAER	Naples (Italy)	31.12.2020
TICOM - CONSORZIO PER LE TECNOL. DELL'INFORMAZ. E COMUNICAZ.	Campi Bisenzio (Italy)	31.12.2021
Other companies		
A4ESSOR SAS	Gennevilliers (France)	31.12.2020
CENTRO PER GLI STUDI DI TECNICA NAVALE CETENA SPA	Genoa (Italy)	31.12.2020
CIRA CENTRO ITALIANO RICERCHE AEROSPAZIALI SCPA	Capua (Italy)	31.12.2019
DISTRETTO LIGURE DELLE TECNOLOGIE MARINE SCARL	La Spezia (Italy)	31.12.2020
DISTRETTO TECNOLOGICO AEROSPAZIALE DELLA CAMPANIA SCARL	Capua (Italy)	31.12.2019
DISTRETTO TECNOLOGICO AEROSPAZIALE SCARL	Brindisi (Italy)	31.12.2019
E.O.S. SCRL	Bruxelles (Belgium)	31.12.2020
EUROPEAN SATELLITE NAVIGATION INDUSTRIES GMBH (IN LIQ.)	Ottobrunn (Germany)	31.12.2018
I.M.A.S.T. SCARL	Naples (Italy)	31.12.2020
ISTITUTO DELLA ENCICL. ITALIANA TRECCANI SPA	Rome (Italy)	31.12.2020
PANAVIA AIRCRAFT GMBH	Hallbergmoos (Germany)	31.12.2020
SECBAT SARL	Saint-Cloud (France)	31.12.2020
SIIT SOCIETÀ CONSORTILE PER AZIONI	Genoa (Italy)	31.12.2019
SKYDWELLER AERO INC.	Delaware (USA)	n.a.
TOTAL EQUITY INVESTMENTS		

Share capital (total)	Currency	Equity	Total Assets	Total Liabilities	Profit/ (Loss)	Ownership	Net equity in financial statements	Carrying amount
n.a.		-	-	-	-	4	-	-
15,073,170		20	71	51	-	-	-	-
774,685		1	3	2	-	99	1	1
3,787,621		31	59	28	-	-	-	-
49,716		-	-	-	-	17	-	-
50,000		-	1	1	-	15	-	-
100,000		-	-	-	-	90	-	-
339,881		-	-	-	-	7	-	-
80,242		-	-	-	-	1	-	-
40,000		-	-	-	-	65	-	-
40,000		-	-	-	-	90	-	-
10,000		-	2	2	-	92	-	-
n.a.		-	-	-	1	50	-	-
211,123		-	2	2	-	73	-	-
10,000		-	-	-	-	100	-	-
								1
123,100		1	70	69	-	19	-	-
1,000,000		8	27	19	1	3	-	-
985,224		111	141	30	5	12	13	-
1,140,000		1	18	17	-	10	-	-
737,500		1	17	16	-	4	-	-
150,000		2	12	10	-	19	-	-
72,000		-	2	2	-	2	-	-
264,000		-	3	3	-	19	-	-
689,000		1	6	5	-	7	-	-
62,124,105		81	99	18	1	3	2	3
6,437,165		46	141	95	4	15	7	3
32,000		1	17	16	-	14	-	-
600,000		2	1	1	-	12	-	-
474,004	USD	-	-	-	-	17	-	10
								16
								7,684

Appendix no. 3 (€ millions) - NON-CURRENT RECEIVABLES

	31.12.2020		
	Residual nominal amount	Impairment	Carrying amount
Receivables	41	-	41
Receivables from subsidiaries	243	-	243
Total receivables	**284**	**-**	**284**

Appendix no. 4 (€ millions) - ASSETS BROKEN DOWN BY MATURITY

	31.12.2020			31.12.2021		
	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	28	14	42	18	3	21
Non-current loans and receivables from related parties	210	33	243	398	45	443
Other non-current assets	16	-	16	20	-	20
Total receivables and non-current assets	**254**	**47**	**301**	**436**	**48**	**484**

Disbursement	Reclassifications	Reimbursements	31.12.2021 Residual nominal amount	31.12.2021 Impairment	31.12.2021 Carrying amount
52	(4)	(68)	21	-	21
204	19	(23)	443	-	443
256	**15**	**(91)**	**464**	**-**	**464**

Appendix no. 5 (€ millions) - FOREIGN CURRENCY ASSETS

	31.12.2020			31.12.2021		
	In foreign currency	In euro	Total	In foreign currency	In euro	Total
Receivables	-	42	42	-	21	21
Non-current loans and receivables from related parties	149	94	243	327	116	443
Other non-current assets	-	16	16	-	20	20
Total receivables and other non-current assets	**149**	**152**	**301**	**327**	**157**	**484**
Deferred tax assets		803	803	-	787	787
Total non-current assets	**149**	**955**	**1,104**	**327**	**944**	**1,271**
Loans and receivables	-	10	10	-	14	14
Loans and receivables form related parties	2	461	463	-	63	63
	2	**471**	**473**	**-**	**77**	**77**
Trade receivables	364	1,412	1,776	372	1,487	1,851
Trade receivables from related parties	403	791	1,194	294	840	1,142
	767	**2,203**	**2,970**	**666**	**2,327**	**2,993**
Other assets	27	401	428	87	261	348
Other receivables from related parties	1	100	101	1	26	27
	28	**501**	**529**	**88**	**287**	**375**
Income tax receivables	-	73	73	6	58	64
Cash and cash equivalents	225	1,438	1,663	121	1,754	1,875
Total current assets	**1,022**	**4,686**	**5,708**	**881**	**4,503**	**5,384**

Appendix no. 6 (€ millions) - ASSETS BY GEOGRAPHICAL AREA

	31.12.2020					31.12.2021				
	Italy	Rest of Europe	North America	Rest of the world	Total	Italy	Rest of Europe	North America	Rest of the world	Total
Receivables	42	-	-	-	42	20	-	-	1	21
Non-current loans and receivables from related parties	94	23	126	-	243	116	190	137	-	443
Other non-current assets	16	-	-	-	16	20	-	-	-	20
Total receivables and other non-current assets	**152**	**23**	**126**	**-**	**301**	**156**	**190**	**137**	**1**	**484**
Deferred tax assets	803	-	-	-	803	787	-	-	-	787
Total non-current assets	**955**	**23**	**126**	**-**	**1,104**	**943**	**190**	**137**	**1**	**1,271**
Loans and receivables	10	-	-	-	10	14	-	-	-	14
Loans and receivables from related parties	73	388	2	-	463	27	36	-	-	63
	83	**388**	**2**	**-**	**473**	**41**	**36**	**-**	**-**	**77**
Trade receivables	513	300	99	864	1,776	435	353	120	951	1,851
Trade receivables from related parties	322	610	183	79	1,194	219	626	191	98	1,142
	835	**910**	**282**	**943**	**2,970**	**654**	**979**	**311**	**1,049**	**2,993**
Other assets	375	32	1	20	428	292	26	6	24	348
Other receivables from related parties	29	71	1	-	101	26	-	1	-	27
	404	**103**	**2**	**20**	**529**	**318**	**26**	**7**	**24**	**375**
Income tax receivables	60	-	1	12	73	55	-	-	9	64
Cash and cash equivalents	1,602	5	-	56	1,663	1,838	2	3	32	1,875
Total current assets	**2,984**	**1,406**	**287**	**1,031**	**5,708**	**2,906**	**1,043**	**321**	**1,114**	**5,384**

Appendix no. 7 (€ millions) - AVAILABLE AND DISTRIBUTABLE RESERVES

Nature/Descriptiom	Amount	Possible use	Distributable portion	Reserve subject to deferred taxation under Article 110 of Legislative Decree 104/2020
Share capital (*)	**2,498**			
Revenue reserves				
Legal reserve	318	B		318
Extraordinary reserve	392	A,B,C	392	136
Reserve for actuarial gains/(losses) in equity	(70)	B		
Cash flow hedge reserve	(58)	B		
Stock grant reserve	40	B		
Reserve for merger and demerger surplus	720	A,B,C	720	
Retained earnings and other reserve (**)	2,019	A,B,C	1,872	141
Total	**5,859**		**2,984**	**595**
Net profit/(loss) for the period	**177**	**A,B,C**	**168**	
Constraint ex Article 2426 paragraph 1 no. 5 Civil Code			**(2,056)**	
Total equity	**6,036**		**1,096**	

(*) 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

Appendix no. 8 (€ millions) - LIABILITIES BROKEN DOWN BY MATURITY

	31.12.2020			31.12.2021		
	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	344	206	550	323	486	809
Loans and borrowings (non-current)	1,821	1,306	3,127	2,362	959	3,321
Non-current loans and borrowings to related parties	311	180	491	367	105	472
Total non-current liabilities	**2,476**	**1,692**	**4,168**	**3,051**	**1,550**	**4,602**

Appendix no. 9 (€ millions) - FOREIGN CURRENCY LIABILITIES

	31.12.2020			31.12.2021		
	In foreign currency	In euro	Total	In foreign currency	In euro	Total
Loans and borrowings (non-current)	2	3,125	3,127	1	3,320	3,321
Non-current loans and borrowings to related parties	-	491	491	53	419	472
	2	**3,616**	**3,618**	**54**	**3,739**	**3,793**
Deferred tax assets	-	100	100	-	80	80
Other non-current liabilities	-	550	550	-	666	666
Other non-current liabilities to related parties	-	-	-	144	-	144
Total non-current liabilities	**2**	**4,266**	**4,268**	**198**	**4,485**	**4,683**
Loans and borrowings	3	946	949	4	718	722
Related party loans and borrowings	891	1,035	1,926	1,120	992	2,112
	894	**1,981**	**2,875**	**1,124**	**1,710**	**2,834**
Trade payables	462	1,779	2,241	385	1,595	1,980
Trade payables to related parties	289	532	821	214	546	760
	751	**2,311**	**3,062**	**599**	**2,141**	**2,740**
Other liabilities	25	905	930	24	1,085	1,109
Other payables to related parties	-	52	52	-	36	36
	25	**957**	**982**	**24**	**1,121**	**1,145**
Income tax payables	-	27	27	1	28	29
Total current liabilities	**1,670**	**5,276**	**6,946**	**1,748**	**5,000**	**6,748**

Appendix no. 10 (€ millions) - LIABILITIES BY GEOGRAPHICAL AREA

	31.12.2020					31.12.2021				
	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)	2,779	346	-	2	3,127	2,820	500	-	1	3,321
Non-current loans and borrowings to related parties	491	-	-	-	491	419	-	53	-	472
	3,270	**346**	**-**	**2**	**3,618**	**3,239**	**500**	**53**	**1**	**3,793**
Deferred tax assets	100	-	-	-	100	80	-	-	-	80
Other non-current liabilities	550	-	-	-	550	666	-	-	-	666
Other non-current liabilities to related parties	-	-	-	-	-	-	-	144	-	144
Total non-current liabilities	**3,920**	**346**	**-**	**2**	**4,268**	**3,984**	**500**	**197**	**1**	**4,683**
Loans and borrowings	900	47	-	2	949	670	48	-	4	722
Related party loans and borrowings	438	1,472	-	16	1,926	483	1,629	-	-	2,112
	1,338	**1,519**	**-**	**18**	**2,875**	**1,153**	**1,677**	**-**	**4**	**2,834**
Trade payables	1,485	287	269	200	2,241	1,322	281	230	146	1,980
Trade payables to related parties	259	311	139	112	821	236	349	78	97	760
	1,744	**598**	**408**	**312**	**3,062**	**1,558**	**630**	**308**	**243**	**2,740**
Other liabilities	831	25	11	63	930	992	76	5	36	1,109
Other payables to related parties	52	-	-	-	52	36	-	-	-	36
	883	**25**	**11**	**63**	**982**	**1,028**	**76**	**5**	**36**	**1,145**
Income tax payables	27	-	-	-	27	26	1	-	2	29
Total current liabilities	**3,992**	**2,142**	**419**	**393**	**6,946**	**3,765**	**2,384**	**313**	**285**	**6,748**

For the Board of Directors

The Chairman

(Luciano Carta)

STATEMENT ON THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-*BIS*, PARAGRAPH 5 OF LEGISLATIVE DECREE 58/1998 AS AMENDED

1. The undersigned Alessandro Profumo, as the Chief Executive Officer, 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 2021.

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 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;

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

Rome, 10 March 2022

Chief Executive Officer
(Alessandro Profumo)

Officer in charge of financial reporting
(Alessandra Genco)

EY S.p.A.
Via Lombardia, 31
00187 Roma

Tel: +39 06 324751
Fax: +39 06 324755504
ey.com

Building a better working world

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, 2021, 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 a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2021, 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.

Other matters

The financial statements of Leonardo S.p.A. for the year ended December 31, 2020, were audited by another auditor who expressed an unmodified opinion on those statements on March 11, 2021.

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.

We identified the following key audit matters:

Building a better working world

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 principles", "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 and equity investments as at December 31, 2021 amount to Euro 3.707 million and 7.684 million, respectively. Directors tested for impairment the Cash Generating Units (CGUs) to which goodwill and equity investments have been allocated in order to identify any impairment loss in respect of their recoverable amount.	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 Directors; • testing of the criteria applied for identifying the CGUs and allocating relevant assets and liabilities to them;

Building a better working world

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 2022-2026, 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 Principles", "8 Intangible Assets" and "11 Equity investments".	• 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 2022-2026; • 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, 2021 amount to an aggregate of Euro 2.057 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	 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, including the estimation of units of production to be sold and related expected cash flows; • 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.

and development costs are included in the notes "3 Accounting principles" 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 [the Group] 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 with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 Regulations (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 with the provisions of the Delegated Regulation.

In our opinion, the financial statements 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, 2021, 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, 2021 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, 2021 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, 2022

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 OF LEONARDO S.P.A.
CALLED TO APPROVE THE 2021 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 referred to as "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. This report also includes the activities carried out, in the first part of 2021, by the Board of Statutory Auditors in office until the abovementioned Meeting of 19 May 2021.

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. to carry out the statutory audit of accounts starting from 2021 and for the period from 2021 to 2029. For the prior nine-year period from 2012 to 2020 the statutory audit of accounts was carried out by the independent auditing firm KPMG S.p.A.. The rotation of the two independent auditing firms took place in 2021.

During the year ended on 31 December 2021 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.

As the effects of the COVID-19 pandemic continued, the Board of Statutory Auditors carried out part of its activities remotely, without any impact on the effectiveness of its control activities.

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, organisation and the methods of functioning of the body, in line with the main organisational 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 – following its installation and in the meeting held on 22 February 2022 – provided for the self-assessment of the independence of its members, whose outcome confirmed the existence of the requirements required by law and the Corporate Governance Code. In the meeting held on 14 February 2022 the Board of Statutory Auditors also updated the criteria to assess the significance of commercial, financial, professional relationships and additional remuneration. 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.

As in previous years, the Board carried out a self-assessment process relating to the 2021 financial year, thus making use of the support of the external consultant (Eric Salmon & Partners S.r.l.) for the second 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 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.

* * *

The Board 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:

a) held twenty-seven meetings in 2021 and eight meetings from the beginning of 2022 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 TUF, 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, 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 19 May 2021 in its ordinary session, to which the Shareholders were able to intervene exclusively through the designated representative, pursuant to Art. 106 of Legislative Decree No. 18/2020, subsequently converted into Law No. 27/2020;

c) attended the twelve meetings held by the Board of Directors during 2021 and the three meetings held from the beginning of 2022 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 thirteen meetings of the Control and Risks Committee, the seven meetings of the Remuneration Committee, the eight meetings of the Nomination and Governance Committee, the seven meetings of the Sustainability and Innovation Committee held in 2021 and the five meetings of the Control and Risks Committee, the three meetings of the Remuneration Committee, the three meetings of the Nomination and Governance Committee, the three meetings of the Sustainability and Innovation Committee held from the beginning of 2022 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.

Despite the restrictions on mobility caused by the pandemic event, the Board of Statutory Auditors maintained an effective flow of information with 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 autonomously through the constant contacts 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.

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 and of the Work Plan prepared by the CAE. Furthermore, the Board of Statutory Auditors acknowledged that the Control and Risks Committee expressed its favourable opinion on 9 March 2022 on the annual assessment of the adequacy of 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 2021, in line with the audit plan, and of the special audits required from time to time. From these 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 effectiveness was monitored by the Group Internal Audit ("GIA") O.U. The Board also took acknowledged the results of the "Quality Assurance and Improvement" Plan 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 acknowledged the renewal of the Quality Assurance certification of the GIA O.U., following an independent third-party's evaluation (Quality Assurance Review), concluded with the "General Compliance" assessment, the highest compliance degree required by the Institute of Internal Auditors (IIA). These results were analysed by the Control and Risks Committee in the meeting of 26 January 2022 and explained to the Board of Directors on 27 January 2022;

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 2021, 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 activities aimed at implementing the Control Model on the Leonardo Non-Financial Reporting, in order to, inter alia, issue a "reasonable assurance" opinion by the independent auditors 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" by virtue of which 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;

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 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) periodically met with the representatives of the independent auditing firms that, as mentioned above, rotated in 2021 (KPMG S.p.A. and EY S.p.A.). During 2021 and from the beginning of 2022 to the date of this report, the Board received from the *pro tempore* independent auditors 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, and 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, 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 timeliness of the information flows between the Parent Company and the other Group companies and the adequacy of the instructions given to the subsidiaries, 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 9 March 2022, 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, the existence of an administrative-accounting system, as part of a control environment actually operating and 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;

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) acknowledged the Company's succession plans of Top Management and the management and development projects for the performance of company resources;

w) 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 and the most significant impacts of the pandemic on them: 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;

x) 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;

y) 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, 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 summarized 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, in close relation with the independent directors (and in particular with the Control and Risks Committee), a set of organizational changes that the Company has put in place during the year for the implementation and monitoring of the initiatives envisaged in the Industrial Plan.

The Board 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.

* * *

While performing its activities, the Board:

a) acknowledged that nos. 4 complaints pursuant to article 2408 of the Italian Civil Code were filed (on 3 May, 9 May, 24 May and 31 May 2021) by the shareholder Bluebell Partners Ltd (holder of 25 shares), represented by its legal representative Mr Giuseppe Bivona.

Below are summarised the objections raised:

- *Complaint of 3 May 2021*

The shareholder challenged, in summary: the Board of Directors' a priori complete trust given to the Chief Executive Officer, without this position being reconsidered following the publication of the reasons of the judgment of conviction of first instance against Mr Profumo for events relating to the period in which he acted as Chairman of Banca Monte dei Paschi di Siena; the

failure to reflect that judgement in the financial statements of Leonardo S.p.a. for the financial year 2020; the failure to comply with the Global Reporting Initiative (GRI) Standards in preparing the Non-Financial Statement, with specific regard to the disclosure of "accounting fraud" (GRI 419); untimely publication of the proposed liability action submitted by Bluebell Partners, in order to deliberately delay the shareholders' knowledge of the matter, resulting in the exercise of their voting right to be hampered.
The Board of Statutory Auditors, which met on 6 May 2021, following an extensive and in-depth analysis, judged the complaint filed by the shareholder as groundless.

- *Complaint of 9 May 2021*

The shareholder requested, in summary: to suspend with immediate effect the Chief Executive Officer from his executive responsibilities until the Board of Directors completed a full assessment of the reasons of the judgement of conviction, as well as the technical appraisal regarding another proceedings in which Mr Profumo was found to be involved for events relating to the period in which he held the position of Chairman of Banca Monte dei Paschi di Siena, also asking the Board of Directors to put publicly available the assessments made; to put off the Shareholders' Meeting of Leonardo by four weeks to enable i) the Board of Directors to perform the assessments requested, ii) the proxy advisors to analyse such information and provide voting recommendations accordingly, iii) the shareholders to examine the assessments of the Board of Directors that Bluebell Partners was requesting to the governing body and have enough time to give voting instructions on the financial statements and on the liability action.
The Board of Statutory Auditors, which met on 11 and 12 May 2021, following an extensive and in-depth analysis, judged the complaint filed by the shareholder as groundless.

- *Complaint of 24 May 2021*

The shareholder challenged, in summary: misleading information provided to shareholders and the market by the Company since failing to report the number of Shareholders which did not participate in the vote on the liability action proposed by Bluebell against the Chief Executive Officer would have implied the shareholders' unanimous support in favour of the Chief Executive Officer Mr Profumo; the delay in the publication of Bluebell Partners' proposed liability action against the Chief Executive Officer, without giving the Shareholders enough time to consider the action.
The Board of Statutory Auditors, which met on 31 May and 16 June 2021, following an extensive and in-depth analysis, judged the complaint filed by the shareholder as groundless.

- *Complaint of 31 May 2021*

The shareholder Bluebell Partners briefly: contested misinformation on the local press, reporting that the Shareholders' Meeting of Leonardo of 19 May 2021 had rejected with 99.3% of votes the proposed liability action against the Company's Chief Executive Officer; requested the Board of Directors and the Surveillance Body of the Company to ascertain, within the sphere of their respective competence, whether or not all internal Communications units of Leonardo S.p.a. played a role (and what this role was) in relation to what was reported on the local press.

The Board of Statutory Auditors, which met on 31 May and 16 June 2021, following an extensive and in-depth analysis, judged the complaint filed by the shareholder as groundless.

* * *

Furthermore, the Board, in the course of the activities carried out:

b) find no omissions or reprehensible facts;

c) expressed its opinion in all the cases provided for by the law and by the corporate governance and, in particular, with regard to the correct application of the criteria for assessing the independence of directors and the remuneration of the CEO and CAE;

d) verified the methods of actual implementation of the corporate governance rules provided for by the corporate governance, as well as the conclusion of the process of adaptation to the Corporate Governance Code;

e) 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 2021 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. Specifically, during 2021 the Board of Statutory Auditors supervised the adaptation of the "Procedure for Related Parties Transactions" to the changes made by Consob to the Regulation by resolution no. 21624 of 10 December 2020 and in force from 1 July 2021, whereby an overall significant review of the discipline on related-party transactions has been made with a view also to bring it into line with the new "Shareholder Rights Directive II" (hereinafter also "SHRD II") governed by Directive EU 2017/828 and the ensuing amendments adopted at local legislation level (Legislative Decree no. 49 of 10 May 2019). With regard to this, the Company's Board of Directors meeting of 17 June 2021, subject to the favourable opinion of the Control and Risks Committee acting as the Committee for Related Parties Transactions, approved the update to the Procedure for Related Parties Transactions, effective from 1 July 2021;

- ascertained that the Integrated Annual Report 2021 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;

f) 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 favourable opinion of the Control and Risks Committee on 23 February 2022 and was approved by the Board of Directors on 24 February 2022; in this regard, the Board monitored the substantive and formal legitimacy of the impairment process;

g) 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 Auditors EY S.p.A. (hereinafter also the "Auditing Firm") 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 2022 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 "reasonable assurance" on a set of selected indicators within the consolidated non-financial statement;

h) was regularly updated during the meetings of the Board of Directors on the trend of COVID-19 contagion within the company, monitoring the procedures adopted and the safeguards put in place by the Company to tackle the health emergency.

* * *

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 EU Regulation 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 2021 issued, pursuant to art. 14

of Legislative Decree No. 39/2010 and Art. 10 of the EU Reg. No. 537/2014, on 15 March 2022 and with which the auditor certified that:

- the consolidated financial statements of the Group as at 31 December 2021 and the separate financial statements of the Company provide a true and fair view of the financial position as at 31 December 2021, 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, 4th paragraph, 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 EU Regulation No. 537/2014.

The Board also examined the contents of the Additional Report pursuant to art. 11 of EU Regulation 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, had a constant exchange of information with the Independent Auditors and in particular:

- 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 Independent Auditors, 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;
- carried out a monitoring process in order to verify that the Independent Auditors, 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 EU Regulation No. 537/2014;
- declares that the fees for the aforementioned assignments for the financial year amount to a total of EUR 1,789,000 and are reported, pursuant to art. 149-*duodecies*

of the Issuers Regulation, in the summary table attached to the Separate Financial Statements.

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 independence of 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 2021 financial year, which recorded a net profit of € 177.2 million, 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 2021, nor the proposal for the allocation of the relevant FY result as requested by the Board of Directors.

15 March 2022

ON BEHALF OF THE BOARD OF STATUTORY AUDITORS
The Chairman
Luca Rossi

INFORMATION PURSUANT TO ARTICLE 149-*DUODECIES* OF THE ISSUERS' REGULATIONS

The following statement reports the fees for the year 2021 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 2021 year (€ thousands)
Auditing services	EY SpA	Parent Company	2,513
	EY SpA	Subsidiaries	738
	EY Network	Subsidiaries	1,683
Assurance services	EY SpA	Parent Company	590
	EY SpA	Subsidiaries	-
	EY Network	Subsidiaries	-
Other services	EY SpA	Parent Company	-
	EY Network	Parent Company	1,199
	EY Network	Subsidiaries	-
Total			**6,723**

ANNEX TO THE REPORT ON OPERATIONS - NOTES TO THE NFS

METHODOLOGY NOTE OF THE NFS

The Consolidated Non-Financial Statement (NFS) under Legislative Decree 254/2016 forms an integral part of the 2021 Integrated Annual Report and is prepared, on an annual basis, in compliance with the GRI Sustainability Reporting Standards of the Global Reporting Initiative (GRI), according to the "core" reporting option and considering the ESMA guidelines. The GRI Standards are related to the 2016 edition, except for the following standards: "GRI 403: Occupational Health and Safety" and "GRI 303: Water and Effluents" 2018, "GRI 207: Tax" 2019 and "GRI 306: Waste" 2020. The Integrated Annual Report has been prepared by considering the International Integrated Reporting Council (IIRC) Framework, the Sustainable Development Goals (SDG), the Ten Principles of the United Nations Global Compact, the standards issued by the Sustainability Accounting Standards Board (SASB) for Aerospace & Defence sector, the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the "core" metrics set out in the White Paper "Measuring Stakeholder Capitalism - Towards Common Metrics and Consistent Reporting of Sustainable Value Creation" of the World Economic Forum (WEF)[77].

The NFS covers the 2021 fiscal year (1 January 2021 - 31 December 2021) and was approved by Leonardo SpA's Board of Directors' meeting held on 10 March 2022. The Sustainability and Innovation Committee is responsible for examining the general layout of the NFS, as well as the completeness and transparency of disclosure, issuing in this regard a preliminary opinion for the approval on the part of the Board of Directors. In compliance with Legislative Decree 254/2016, the Consolidated Non-Financial Statement 2021, except for disclosures relating to the indicators summarised in the paragraph "SASB content index", was subjected to a limited review ("Limited assurance engagement") on the part of EY SpA, 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).

Furthermore, with reference to the 2021 financial year, a selection of indicators (reported below) has been subjected to a full assurance ("Reasonable assurance engagement") by EY SpA 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). Below are the indicators subject to full assurance:

- GRI 302-1: Energy consumption within the organisation;
- 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);
- 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", 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.
The document is published on the Company's website at www.leonardo.com.

77 For more details, reference should be made to the chapter "Correlation table - Non-Financial Statement".

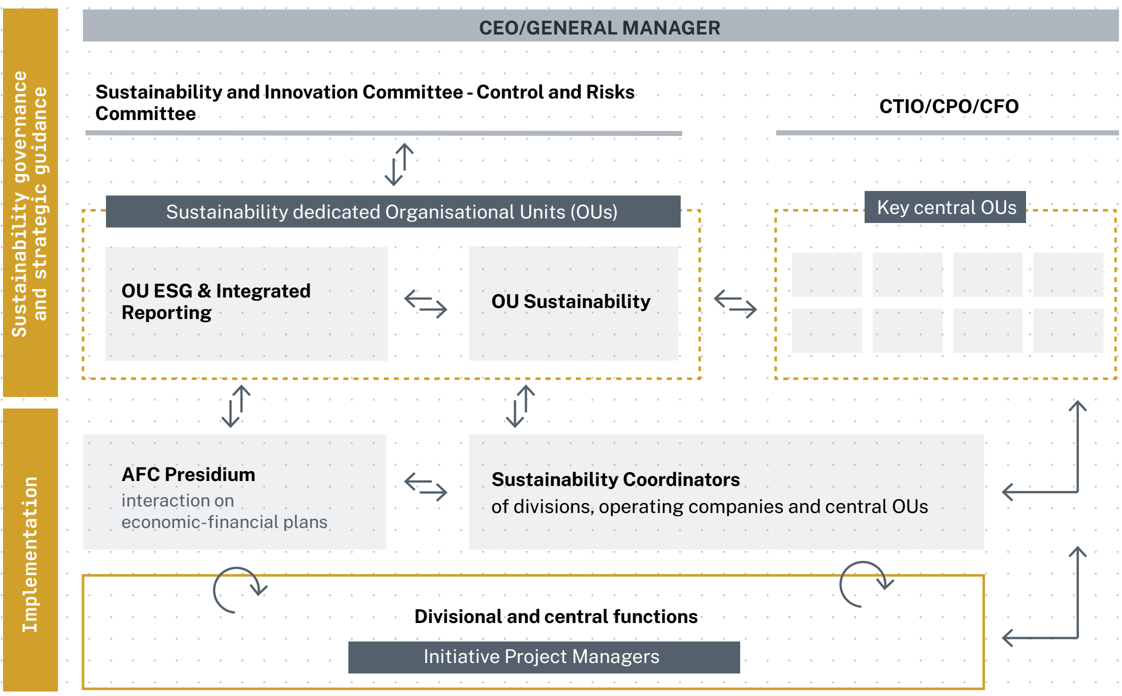
SUSTAINABILITY GOVERNANCE

Leonardo has drawn up the company rules on Sustainability, the Group Policy that sets out the sustainability model adopted by the Group, including in terms of responsibilities and the Procedure that outlines the underlying processes. The Board of Directors, supported by the Sustainability and Innovation Committee and the Control and Risks Committee, is responsible for setting out the key guidelines on sustainability and establishing whether sustainability objectives have been pursued in line with the Industrial Plan.

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. The Sustainability and Innovation Committee is composed of four non-executive and independent directors and, in agreement – for the areas of competence – with the Control and Risks Committee, it also monitors Leonardo's positioning in the main sustainability/ESG (Environmental, Social, Governance) indices, promotes the methods of interaction with stakeholders (stakeholder engagement), examines the general approach of the NFS, supports the Company in setting out and assessing technological capabilities and in establishing academic and research networks. The Sustainability Organisational Unit (OU), under the responsibility of the Chief Technology and Innovation Officer (CTIO), is responsible for guidance, management, monitoring and strategic dialogue on Group sustainability issues. Reporting and relations with financial stakeholders on ESG issues are instead managed, under the responsibility of the Chief Financial Officer (CFO), by the ESG & Integrated Reporting OU, within Administration and Budget, and by the Investor Relations & Credit Rating Agencies OU, respectively, with the aim of providing a full and integrated view of the Company. The Sustainability Coordinators – within the various divisions, Corporate functions and Group companies – are the internal connection point and are involved in the process of setting out, implementing and monitoring the Sustainability Plan, ensuring consistency between objectives, sustainability programmes and non-financial indicators.

In order to strengthen the governance system, the remuneration policy also includes the achievement of objectives linked to specific ESG indicators[78].

SUSTAINABILITY OPERATING MODEL

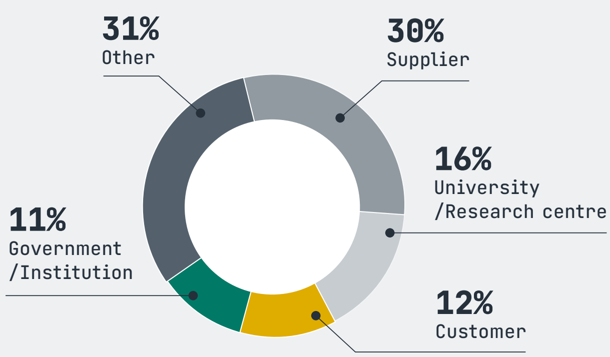


78 For more details, reference should also be made to the Corporate Governance Report 2022 and the Remuneration Report 2021.

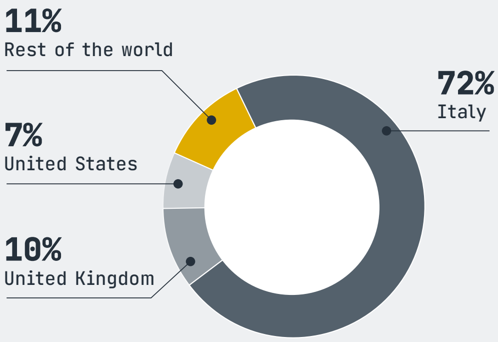
MATERIALITY ANALYSIS

The materiality analysis (or priority analysis) allows the identification and evaluation of the themes that are priorities for the stakeholders, as weighed on the basis of their relevance and comparing them with the Group's priorities and industrial strategy, taking the impacts they generate and any misalignments into account. The result of this analysis, reported in the priority matrix, supports and steers the preparation of the financial statements and the identification of key targets, the achievement of which is contributed to by the various Group's functions and divisions.
Leonardo updates the materiality analysis on a periodical basis for an appropriate description of the expectations of its stakeholders and the Group's key priorities. The last update of the priority matrix is the outcome of an analysis, which was started in 2021 and completed in 2022 with its presentation to the Sustainability and Innovation Committee, concerning the regulations, best practices and priorities in the sector and public opinion on economic and financial, environmental, social and corporate governance issues.
The method used is that required by the GRI Standards, while also taking account of the guidelines of the SASB. In order to identify and prioritise material and/or emerging issues, the Company used both intelligence and big data analytics (Datamaran cloud software), in support of a data-driven approach, and stakeholder engagement tools (an online survey aimed at a sample of stakeholders and top management). In particular, 1,877 national and international regulations, 21 companies in the sector and 10,829 press articles were analysed. The online survey involved 33 company functions and departments, 41 managers of Leonardo and a significant number of external stakeholders from 13 countries. The materiality analysis will support the definition of priorities on sustainability issues within the strategy and the Sustainability Plan. The Sustainability Plan is accompanied by a periodic updating process that envisages specific phases for the review and monitoring of the programmes, carried out in collaboration with the Sustainability Coordinators, who are specific officers appointed at division, Company and corporate function level. This is a structured process that is part of the sustainability operating model adopted by the Group, which is governed under the Group Policy.
Strategic actions will be further implemented and strengthened towards those topics and trends that have emerged as particularly material for stakeholders.

STAKEHOLDERS INVOLVED BY TYPE



STAKEHOLDERS INVOLVED BY GEOGRAPHICAL AREA



DESCRIPTION OF MATERIAL TOPICS

R&D, innovation and advanced technologies

Innovation management, intellectual property enhancement and technological development foster innovativeness and new business models. The development of emerging and advanced technologies – with critical impacts on business activities and the community – enables solutions that meet and anticipate market demand.

Sustainable supply chain

Developing the competitiveness of the supply chain (including SMEs and regional clusters) through policies, procedures and targets to improve supplier performance and efficiency and alignment with basic values, with a commitment to complying with the highest ethical, social and environmental standards.

Cyber security and data protection

Ensuring business resilience and privacy by protecting sensitive data and information. Vulnerabilities in critical IT systems and networks, through security breaches, can discontinue business-critical activities and allow accidental or illegal access, destruction, alteration or disclosure of confidential data.

Working conditions and health and safety at work

High and fair labour standards to guarantee fundamental rights at work, while promoting social dialogue and trade union relations. Among the issues to be considered are health and safety management (in particular risk prevention), establishing optimal conditions for employees' productivity and managing organisational change.

Digital transformation

Integration, development and deployment of digital technologies and connectivity are driving a cultural shift towards digitisation. This entails a profound impact on business models, the entire product life cycle and customer experience.

Customer intimacy

Managing the relationship between the Company and the customer in a partnership perspective, while developing strategies and processes to meet or exceed expectations, create a positive experience and retain customer loyalty. Corporate reputation and the stakeholders' perception depend on performance, including in the area of sustainability, key decisions and the ability to create value.

Sound corporate governance

Board of Directors' proceedings effectiveness, remuneration policy, ESG governance structure, management of relations with shareholders and all stakeholders, on the basis of reliable financial and non-financial information. These practices and processes foster sustainable results and the creation of economic, social and environmental value in the long term.

Well-being, inclusion and equal opportunities

Promoting an inclusive, meritocratic and fair corporate environment and culture, where diversity, including gender diversity, is recognised as an enabling factor for value creation. Factors such as welfare and work-life balance, adequate and fair remuneration, equal opportunities improve performance, satisfaction and sense of belonging.

Citizens' security

National and international threats – violations of law and order, terrorism, organised crime, physical/cyber attacks, natural disasters – are risks to the country and for the security of citizens, businesses, critical infrastructures and territories, with strong impacts on the continuity of economic activities. Integrated solutions, both military and civil, contribute to countering these risks.

Development of territories and communities

Strengthening relations and dialogue with the communities with which the Company interacts in order to ensure well-being and support social and economic progress, through industrial footprint, support to suppliers operating at local level, cooperation with local projects and support to social projects.

Business continuity

Preparing plans, actions, protocols and training to deal with disastrous, critical or unexpected events, ensuring the operation of business-critical operations and activities. Among the risk factors that may affect business continuity are also those related to public health, including the spread of infectious diseases and pandemics.

Climate change, adaptation and mitigation

Impacts, risks and opportunities linked to climate change. Development of solutions that reduce emissions from products, services and activities (e.g., low carbon technology, digitisation, energy efficiency, renewable sources, sustainable mobility). Measures to combat climate change and mitigate its effects.

Solutions' quality, safety and performance

Management of processes and projects to ensure the quality, reliability and safety of products and services, while guaranteeing efficient and distinctive performance and safety of end users.

Responsible business conduct

Ensuring compliance with rules, policies and regulations, in areas such as anti-corruption, export control, human rights, fair competition, responsible tax practices, prevention of illegal conduct and proactive risk management. Investments in control and reporting systems and the dissemination of corporate values promote ethical business conduct.

Skills and talent management

Selection, recruitment, management and retention of people and talents to establish and maintain a skilled workforce and stimulate company growth, in a context of increasing competition linked to the evolution of work and the difficulty in finding skills. This includes continuous learning, re-skilling, talent enhancement and development of resources at all levels.

Management of natural resources

Efficiency and minimisation of social/environmental damage in the management of water, hazardous/non-hazardous waste, harmful substances, while limiting contamination and pollution and protecting biodiversity. Waste recycling, reduction and recovery, proper management of materials and circular economy practices contribute to the responsible management of natural resources.

REPORTING SCOPE

The 2021 environmental reporting scope[79] covered 106 sites around the world (equal to about 98% of total employees in the 2021 consolidated financial statements). 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 2021 consolidated financial statements. Any possible limitations are set out from time to time in this document.

SITES COVERED BY THE ENVIRONMENTAL REPORTING SCOPE

	2019	2020	2021
Italy	52	52	55
United Kingdom	8	8	7
United States	27	31	32
Poland	1	1	1
Rest of the world	8	12	12
Total sites	**95**	**103**	**106**

Country	Sites included in the environmental reporting scope
Italy	Abbadia San Salvatore, Anagni, Aprilia, Benevento, Brescia, Brindisi, Cameri, Campi Bisenzio, Carsoli, Cascina Costa di Samarate, Caselle Nord, Caselle Sud, Catania, Chieti, Cisterna di Latina, Foggia, Frosinone, Fusaro Bacoli, Genoa - Cyber Security, Genoa - Corporate, Giugliano, Grottaglie, La Spezia, L'Aquila, Livorno, Montevarchi, Naples, Nerviano, Nola, Palermo, Pisa - Electronics, Pisa - Helicopters, Pomezia, Pomigliano, Pozzuoli, Rome Larimart, Rome Via Tiburtina - Vitrociset, Rome Piazza Monte Grappa, Rome Faustiniana, Rome Via Flaminia, Rome Via Laurentina, Rome Via Pastrengo, Rome Via Sardegna, Rome Via Tiburtina - Electronics, Ronchi dei Legionari, San Maurizio Canavese, Sesto Calende, Taranto, Turin, Venegono Campo Volo, Venegono Superiore, Venice - Helicopters, Venice - Aircraft, Vergiate, Villaputzu
United Kingdom	Basildon Sigma House, Bristol Brandon House, Bristol Building 430, Edimburgh, Luton, Southampton, Yeovil
United States	Arlington, Austin, Broussard, Burnsville, Chesapeake, Cypress, Dallas 1057 Sherman Street, Dallas 1300 Sherman Street, Dallas Expressway, Danbury, Dayton, Dulles, Fitchburg, Fort Walton Beach, Germantown, Hauppauge, High Ridge, Huntsville, Johnstown Airport, Largo, Lemont Furnace, Madison, Melbourne Babcock, Menomonee Falls, Milwaukee, Overland Park, Philadelphia, San Diego, Sidman, St.Louis, Tampa, West Plains
Belgium	Grâce Hollogne
Canada	Bedford, Ottawa
Germany	Neuss
Poland	Świdnik
Romania	Ploiesti
Spain	Loriguilla
Switzerland	Mollis, Nafels, Uznach, Wetzikon
Turkey	Ankara

79 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.

INDICATORS - DETAILS

GRI INDICATORS

ENVIRONMENTAL INDICATORS

Energy				GRI 302-1/3
Energy consumption within the organisation (GRI 302-1)	**Unit**	**2019**	**2020**	**2021**
Non-renewable energy consumed	**TJ**	**3,040**	**2,815**	**2,982**
Natural gas	TJ	2,836	2,621	2,699
Diesel oil for energy and/or heat generation	TJ	4	3	2
Fuel oil	TJ	-	-	-
Other (LPG, fuels used for product tests)	TJ	200	191	281
Energy purchased for electricity and district heating	**TJ**	**2,663**	**2,545**	**2,493**
Electrical energy from conventional sources	TJ	429	436	460
Electrical energy from renewable sources	TJ	2,035	1,916	1,805
District heating	TJ	200	193	228
Self-generated energy	**TJ**	**133**	**134**	**138**
Energy sold	**TJ**	**-**	**-**	**-**
Total	**TJ**	**5,836**	**5,493**	**5,614**
Energy intensity (GRI 302-3)	**Unit**	**2019**	**2020**	**2021**
Energy consumption/Revenues	MJ/euro	0.42	0.41	0.40

Water and water discharge				GRI 303-3/4
Water withdrawal by source and category (GRI 303-3)	**Unit**	**2019**	**2020**	**2021**
Water supply systems	megaliters	2,328	2,197	2,349
- of which freshwater	megaliters	2,241	2,123	2,126
- of which other water	megaliters	87	74	223
Wells	megaliters	3,325	2,901	3,175
- of which freshwater	megaliters	3,212	2,792	3,053
- of which other water	megaliters	113	109	122
Other sources	megaliters	234	190	364
- of which freshwater	megaliters	232	188	354
- of which other water	megaliters	2	2	10
Total	**megaliters**	**5,887**	**5,287**	**5,888**

Water withdrawal from water-stressed areas by source and category (GRI 303-3)	Unit	2019	2020	2021
Water supply systems	megaliters	619	590	519
- of which freshwater	megaliters	611	584	511
- of which other water	megaliters	8	6	8
Wells	megaliters	148	162	146
- of which freshwater	megaliters	50	60	35
- of which other water	megaliters	98	102	111
Other sources	megaliters	5	5	14
- of which freshwater	megaliters	5	5	5
- of which other water	megaliters	0	0	9
Total	**megaliters**	**772**	**757**	**679**
Water discharge by type of destination (GRI 303-4)	**Unit**	**2019**	**2020**	**2021**
Sewers	megaliters	3,896	3,707	3,993
Surface water	megaliters	255.0	240.8	257
Seawater	megaliters	13.6	14.3	14
Other use	megaliters	30	26	15
Total	**megaliters**	**4,195**	**3,989**	**4,279**
Water discharge by type and water-stressed areas (GRI 303-4)	**Unit**	**2018**	**2019**	**2020**
Freshwater	megaliters	3,746	3,554	3,988
- of which in areas with water stress	megaliters	504	491	462
Other water	megaliters	449	434	291
- of which in areas with water stress	megaliters	37	34	21
Total	**megaliters**	**4,195**	**3,989**	**4,279**

Emissions				GRI 305-1/2/3/4/7
CO_2e emissions (GRI 305-1/2/3)	**Unit**	**2019**	**2020**	**2021**
Direct emissions (Scope 1)	t CO_2e	332,780	359,711	262,984
Indirect emissions (Scope 2 market-based)	t CO_2e	70,856	63,003	62,029
Indirect emissions (Scope 2 location-based)	t CO_2e	267,468	248,958	215,907
Other indirect emissions (Scope 3)	t CO_2e	281,701	207,425	220,472
Total Scopes 1, 2 market-based, 3	**t CO_2e**	**685,337**	**630,139**	**545,485**
Total Scopes 1, 2 location-based, 3	**t CO_2e**	**881,949**	**816,094**	**699,363**
CO_2e emission intensity (GRI 305-4)	**Unit**	**2019**	**2020**	**2021**
Total emissions (Scope 1 + Scope 2 market-based)/Revenues	g/euro	29.28	31.52	22.99
Total emissions (Scope 1 + Scope 2 location-based)/Revenues	g/euro	43.55	45.39	33.88
Other emissions (GRI 305-7)	**Unit**	**2019**	**2020**	**2021**
NO_x	t	193	178	162
SO_2	t	3	1	1
VOC	t	127	109	99
VIC	t	2	2	3
Heavy metal	t	0.1	0.6	0.5
Particulate	t	22	17	13

Waste				GRI 306-3
Waste produced by type and disposal	**Unit**	**2019**	**2020**	**2021**
Non-hazardous	**t**	**29,420**	**26,337**	**21,642**
Recovered	t	17,316	16,379	13,333
	%	59	62	62
Disposed	t	12,104	9,958	8,309
	%	41	38	38
Hazardous	**t**	**9,079**	**8,136**	**8,242**
Recovered	t	2,169	1,688	1,988
	%	24	21	24
Disposed	t	6,910	6,448	6,254
	%	76	79	76
Total waste produced (hazardous and non-hazardous)	**t**	**38,499**	**34,474**	**29,884**

NOTE:
Environmental data may be subject to estimates, should final data not be available.

EMPLOYEE INDICATORS

Information on employees and other workers				GRI 102-8
Employees by employment contract, employment type and gender	**Unit**	**2019**	**2020**	**2021**
Total employees	**No.**	**49,530**	**49,882**	**50,413**
Men	No.	40,516	40,764	41,073
Women	No.	9,014	9,118	9,340
Permanent employment contracts	**No.**	**48,458**	**49,178**	**49,669**
Men	No.	39,649	40,211	40,495
Women	No.	8,809	8,967	9,174
Fixed-term contracts	**No.**	**1,072**	**704**	**744**
Men	No.	867	553	578
Women	No.	205	151	166
Full-time contracts (permanent)	**No.**	**47,139**	**47,952**	**48,587**
Men	No.	39,381	39,956	40,280
Women	No.	7,758	7,996	8,307
Part-time contracts (permanent)	**No.**	**1,319**	**1,226**	**1,082**
Men	No.	268	255	215
Women	No.	1,051	971	867
Employees by professional category and gender	**Unit**	**2019**	**2020**	**2021**
Managers	**No.**	**1,199**	**1,152**	**1,174**
Men	No.	1,058	1,010	1,018
Women	No.	141	142	156
Middle managers	**No.**	**6,004**	**6,113**	**6,243**
Men	No.	4,933	5,009	5,063
Women	No.	1,071	1,104	1,180

White collars	**No.**	**28,428**	**28,806**	**29,413**
Men	No.	21,943	22,222	22,648
Women	No.	6,485	6,584	6,765
Blue collars	**No.**	**13,857**	**13,765**	**13,538**
Men	No.	12,540	12,477	12,299
Women	No.	1,317	1,288	1,239
Pilots	**No.**	**42**	**46**	**45**
Men	No.	42	46	45
Women	No.	-	-	-
Employees by country and gender	**Unit**	**2019**	**2020**	**2021**
Italy	**No.**	**31,186**	**31,052**	**31,661**
Men	No.	26,142	26,018	26,402
Women	No.	5,044	5,034	5,259
United States	**No.**	**6,996**	**7,299**	**7,274**
Men	No.	5,186	5,406	5,413
Women	No.	1,810	1,893	1,861
United Kingdom	**No.**	**7,305**	**7,387**	**7,375**
Men	No.	6,035	6,060	6,015
Women	No.	1,270	1,327	1,360
Poland	**No.**	**2,814**	**2,586**	**2,548**
Men	No.	2,283	2,109	2,073
Women	No.	531	477	475
Other countries	**No.**	**1,229**	**1,558**	**1,555**
Men	No.	870	1,171	1,170
Women	No.	359	387	385
Employees by employment contract and country	**Unit**	**2019**	**2020**	**2021**
Permanent employment contracts	**No.**	**48,458**	**49,178**	**49,669**
Italy	No.	31,052	30,966	31,464
United States	No.	6,932	7,248	7,228
United Kingdom	No.	6,832	6,982	7,011
Poland	No.	2,540	2,469	2,502
Other countries	No.	1,102	1,513	1,464
Fixed-term contracts	**No.**	**1,072**	**704**	**744**
Italy	No.	134	86	197
United States	No.	64	51	46
United Kingdom	No.	473	405	364
Poland	No.	274	117	46
Other countries	No.	127	45	91
Workers other than employees	**Unit**	**2019**	**2020**	**2021**
Supervised workers	**No.**	**2,102**	**1,853**	**1,790**

NOTE:
Breakdown of employees with fixed-term contracts by full/part-time is not available. Most of them are assumed to be employed full time.

Employment				GRI 401-1/3
New employee hires and employee turnover (GRI 401-1)	**Unit**	**2019**	**2020**	**2021**
Total hires and gender breakdown	**No.**	**5,677**	**3,222**	**3,753**
Percentage of hires on total employees	%	11	6	7
Men	No.	4,564	2,477	2,862
	%	80	77	76
Women	No.	1,113	745	891
	%	20	23	24
Number and percentage of hires by age group				
< 30 years	No.	2,424	1,319	1,585
	%	43	41	42
30-50 years	No.	2,463	1,339	1,616
	%	43	42	43
> 50 years	No.	790	564	552
	%	14	18	15
Number and percentage of hires by country				
Italy	No.	2,336	919	1,456
	%	41	29	39
United States	No.	1,648	1,244	1,298
	%	29	39	35
United Kingdom	No.	1,102	736	689
	%	19	23	18
Poland	No.	288	74	64
	%	5	2	2
Other countries	No.	303	249	246
	%	5	8	7
Number of hires with STEM degrees	**No.**	**n.a.**	**n.a.**	**1,527**
Men	No.	n.a.	n.a.	1,231
Women	No.	n.a.	n.a.	296
Total employees leaving and gender breakdown	**No.**	**3,114**	**3,094**	**3,303**
Percentage of employees leaving on total employees	%	6	6	7
Men	No.	2,562	2,430	2,599
	%	82	79	79
Women	No.	552	664	704
	%	18	21	21

Number and percentage of employees leaving by age group				
< 30 years	No.	653	544	601
	%	21	18	18
30-50 years	No.	957	745	1,081
	%	31	24	33
> 50 years	No.	1,504	1,805	1,621
	%	48	58	49
Number and percentage of employees leaving by country				
Italy	No.	911	1,073	911
	%	29	35	28
United States	No.	1,173	918	1,311
	%	38	30	40
United Kingdom	No.	772	661	732
	%	25	21	22
Poland	No.	96	186	102
	%	3	6	3
Other countries	No.	162	256	247
	%	5	8	7

Return to work and retention rates after parental leave (GRI 401-3)	Unit	2019	2020	2021
Employees entitled to parental leave	**No.**	**49,530**	**49,882**	**50,413**
Men	No.	40,516	40,764	41,073
Women	No.	9,014	9,118	9,340
Rate of return to work by gender	**%**	**99**	**96**	**95**
Men	%	99	97	97
Women	%	97	94	92
Retention rate by gender	**%**	**96**	**98**	**95**
Men	%	98	100	96
Women	%	94	95	93
Employees who took parental leave during the reporting period, by gender	**No.**	**1,809**	**1,790**	**1,504**
Men	No.	1,099	1,135	1,039
Women	No.	710	655	465
Employees who returned to work at the end of the parental leave during the reporting period, by gender	**No.**	**1,728**	**1,661**	**1,542**
Men	No.	1,077	1,107	1,079
Women	No.	651	554	463
Employees who returned to work at the end of the parental leave and continued to work 12 months after their return, by gender	**No.**	**1,625**	**1,696**	**1,579**
Men	No.	1,004	1,065	1,027
Women	No.	621	631	552

Occupational health and safety				GRI 403-9
Injuries of employees	**Unit**	**2019**	**2020**	**2021**
Number of injuries	**No.**	**358**	**213**	**246**
Injury Rate (IR) by gender and country	**i**	**4.41**	**2.60**	**2.91**
Men	i	4.66	2.76	3.13
Women	i	3.25	1.90	1.93
Italy	**i**	**5.16**	**2.78**	**3.53**
Men	i	5.49	3.00	3.72
Women	i	3.31	1.57	2.55
United States	**i**	**3.96**	**3.68**	**2.73**
Men	i	3.85	3.72	3.28
Women	i	4.27	3.57	1.13
United Kingdom	**i**	**1.11**	**0.83**	**1.15**
Men	i	1.03	0.92	1.13
Women	i	1.43	0.42	1.24
Poland	**i**	**2.74**	**1.02**	**1.63**
Men	i	2.82	0.93	1.70
Women	i	2.34	1.41	1.30
Number of injuries with high consequences	**No.**	**n.a.**	**-**	**-**
Injury Rate (IR) with high consequences	**i**	**n.a.**	**-**	**-**
Injuries of workers not employees	**Unit**	**2019**	**2020**	**2021**
Number of injuries	**No.**	**15**	**9**	**11**
Total Injury Rate (IR)	**i**	**4.09**	**2.58**	**3.30**
Number of injuries with high consequences	**No.**	**n.a.**	**-**	**-**
Injury Rate (IR) with high consequences	**i**	**n.a.**	**-**	**-**
Work-related fatalities	**Unit**	**2019**	**2020**	**2021**
Work-related fatalities	**No.**	**-**	**-**	**-**
Fatality Rate of employees	**i**	**-**	**-**	**-**
Number of fatalities of workers not-employees	**No.**	**-**	**-**	**-**
Fatality Rate of workers not-employees	**i**	**-**	**-**	**-**

NOTE:
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 hours worked) * 1,000,000. Workers not-employees refer to the category of supervised workers. With regard to accidents with serious consequences, the data is published starting from 2020.

Training				GRI 404-1
Average hours of training per employee	**Unit**	**2019**	**2020**	**2021**
Training hours per employee	**hours**	**18.8**	**16.2**	**31.8**
Training hours by gender				
Men	hours	18.6	16.1	32.6
Women	hours	19.6	16.8	28.3
Training hours by employee category				
Managers	hours	37.2	20.0	29.0
Middle managers	hours	19.1	20.0	28.8
White collars	hours	18.2	17.2	27.4
Blue collars	hours	18.0	11.9	43.0

Diversity and equal opportunities				GRI 405-1
Diversity of governance bodies and employees	**Unit**	**2019**	**2020**	**2021**
Composition of governance bodies by gender and age group				
Men	%	67	58	58
Women	%	33	42	42
< 30 years	%	-	-	-
30-50 years	%	8	25	25
> 50 years	%	92	75	75
Breakdown of employees by category and gender				
Men				
Managers	%	88	88	87
Middle managers	%	82	82	81
White collars	%	77	77	77
Blue collars	%	90	91	91
Pilots	%	100	100	100
Women				
Managers	%	12	12	13
Middle managers	%	18	18	19
White collars	%	23	23	23
Blue collars	%	10	9	9
Pilots	%	-	-	-
Breakdown of employees by category and age group				
< 30 years				
Managers	%	-	-	-
Middle managers	%	-	-	-
White collars	%	10	11	11
Blue collars	%	15	15	14
Pilots	%	-	-	-

30-50 years				
Managers	%	35	35	34
Middle managers	%	42	42	42
White collars	%	54	54	54
Blue collars	%	54	55	53
Pilots	%	38	35	33
> 50 years				
Managers	%	65	65	66
Middle managers	%	58	58	58
White collars	%	36	35	35
Blue collars	%	31	31	31
Pilots	%	62	65	67

Equal remuneration for women and men				**GRI 405-2**
Ratio of basic salary of women to men by employee category	**Unit**	**2019**	**2020**	**2021**
Italy				
Managers	%	95	97	96
Middle managers	%	98	96	96
White collars	%	98	95	97
Blue collars	%	102	98	97
United States				
Managers	%	100	89	92
Middle managers	%	86	88	89
White collars	%	73	74	75
Blue collars	%	88	85	86
United Kingdom				
Managers	%	94	103	100
Middle managers	%	92	92	94
White collars	%	82	84	82
Blue collars	%	77	82	76
Poland				
Managers	%	158	73	70
Middle managers	%	89	87	98
White collars	%	88	88	88
Blue collars	%	93	92	91

Ratio of remuneration of women to men by employee category	Unit	2019	2020	2021
Italy				
Managers	%	90	97	94
Middle managers	%	92	92	92
White collars	%	88	90	92
Blue collars	%	89	89	92
United States				
Managers	%	101	97	94
Middle managers	%	85	86	88
White collars	%	69	72	73
Blue collars	%	75	82	84
United Kingdom				
Managers	%	87	94	96
Middle managers	%	94	93	94
White collars	%	79	81	83
Blue collars	%	83	67	68
Poland				
Managers	%	138	97	69
Middle managers	%	86	85	99
White collars	%	81	78	79
Blue collars	%	90	87	88

ECONOMIC INDICATORS

Direct economic value generated and distributed			GRI 201-1
€ millions	**2019**	**2020**	**2021**
Total gross added value[80]	**14,889**	**13,928**	**14,897**
Total costs for the purchase of goods and services	9,093	8,873	9,208
Total employee remuneration	3,448	3,461	3,837
Total loan capital remuneration	443	359	260
Total Public Administration remuneration	147	11	166
Total sponsorships and community investments	5	4	5
Total company remuneration	1,754	1,220	1,421
Total value distributed	**14,889**	**13,928**	**14,897**
Total added value generated	**5,796**	**5,055**	**5,690**

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

Leonardo is committed to complying with tax regulations in force in the countries where it is active. Correct fulfilment of tax obligations is ensured by the Company's internal procedures that identify roles and responsibilities, operational and control activities and the necessary information flows.
Leonardo has adopted a tax strategy in Italy approved by the Board of Directors since 2017 and in Great Britain, approved on an annual basis. Leonardo has also joined the Cooperative Compliance Scheme and, to monitor actions, has established a Tax Control Framework, i.e. a system for detecting, measuring, managing and controlling tax risk, included in the context of the company and internal control system.

The approach to tax is inspired by the following values:

› properly managing the "tax burden" related to its business while protecting the interests of all stakeholders, including the government and local communities in which Leonardo operates;
› managing all results in compliance with national tax laws as regards both form and substance, in conformity with tax principles, while conducting, on an ongoing basis, an analysis of updates on national and international laws consistently with the activities carried out;
› promoting performance in compliance with the law, transparency, simplicity, with trust and collaboration, truthfulness and professional correctness;
› establishing good relations with the tax authorities with utmost transparency and collaboration in order to solve complex tax issues, while promptly providing accurate and correct information, in response to questions and information requested;
› establishing decision-making processes regarding investments in low-tax regime countries, based on economic reasons and not for tax avoidance and/or planning purposes;
› establishing an adequate information flow spread across all company levels, including top management, in order to enable the BoD to take action as the body in charge of internal control;

80 "Total gross added value" includes revenues, other revenues, other operating costs and management balance.

- investing in the development of the professional skills of employees involved in tax activities.

Tax returns and payments are subject to audits on the part of independent auditors.

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 monitoring tax risk management, the performance of the tax department, and the resources allocated in order to reduce tax risk while the BoD designs the related strategy.

With a view to enhancing transparency towards the tax authorities, Leonardo complies with the provisions governing transfer pricing documentation, in accordance with the instructions of the Chapter V of OECD Transfer Pricing Guidelines for companies that meet the requirements prescribed by the relevant domestic regulations. Finally, Leonardo always acts by adopting a transparent and collaborative approach with all institutions and trade associations in order to support the development of effective tax systems in the various countries in which it operates.

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.

€ millions

Tax - Country-by-Country Reporting (Year 2019)						GRI 207-4
Tax jurisdiction	**Notes**	**Italy**	**United Kingdom**	**United States**	**Poland**	**Other countries**
Revenues from third parties	*1*	*9,088*	*2,165*	*2,972*	*60*	*616*
Revenues from related parties	*2*	*902*	*328*	*210*	*210*	*173*
Total revenues	3	9,990	2,493	3,182	270	789
Profit/(Loss) before income taxes	4	646	284	18	36	(76)
Income taxes paid (based on cash accounting)	5	(13)	(45)	(8)	(9)	5
Income taxes accrued in the year		44	51	6	8	8
Workforce	6	31,156	7,257	5,844	2,814	2,978
Property, plant and equipment other than cash and cash equivalents	7	1,877	192	239	39	32

Tax - Country-by-Country Reporting (Year 2020)						GRI 207-4
Tax jurisdiction	**Notes**	**Italy**	**United Kingdom**	**United States**	**Poland**	**Other countries**
Revenues from third parties	*1*	*8,951*	*2,109*	*2,903*	*56*	*389*
Revenues from related parties	*2*	*853*	*225*	*221*	*157*	*96*
Total revenues	3	9,804	2,334	3,124	213	485
Profit/(Loss) before income taxes	4	1	213	93	27	(56)
Income taxes paid (based on cash accounting)	5	43	(57)	6	(8)	(83)
Income taxes accrued in the year		27	37	9	5	12
Workforce	6	31,131	7,387	7,300	2,586	1,782
Property, plant and equipment other than cash and cash equivalents	7	1,653	181	241	36	66

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	2021
Employees covered by collective bargaining agreements	%	72
Employees who are members of trade unions	%	32

In Italy, 100% of employees are covered by collective bargaining agreements. In 2021, the hours of strike on the total hours worked was 0.13%.

2. Employee training

Average hours of training per employee	Unit	2021
Total average training hours	**No.**	**31.8**
Mandatory training	No.	9.0
Non-mandatory training	No.	22.8
Average hours of training per employee by age group	**Unit**	**2021**
< 30 years	No.	34.3
30-50 years	No.	36.7
> 50 years	No.	24.2
No. of employees who received training	**Unit**	**2021**
No. of employees who received training in the reporting period	No.	48,101

3. Employee health and safety

Health and safety indicators	Unit	2021
Occupational Disease Rate (ODR)	i	0.03
Lost Days Rate (LDR)	i	26.83
Absenteeism Rate (AR)	i	4.17

Details on indicator calculation: ODR is calculated using the following formula: (Total cases of occupational diseases/Total worked worked) * 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. Supplier health and safety

Health and safety indicators related to suppliers that work at Leonardo sites	Unit	2021
Sites monitored	No.	39
Number of suppliers	No.	197
Injuries	No.	47
Injuries with high consequences	No.	-

Injuries with high conseguences are defined as injuries that resulted in more than 180 days of temporary disability.

5. Employee performance appraisal

Total employees assessed	Unit	2021
Employees with performance appraisal	No.	30,134
	%	60
Employees assessed on the total workforce - by gender	**Unit**	**2021**
Men	%	57
Women	%	71
Employees assessed on the total workforce - by category	**Unit**	**2021**
Managers	%	89
Middle managers	%	89
White collars	%	72
Blue collars	%	17
Employees assessed on the total employees assessed - by gender	**Unit**	**2021**
Men	%	78
Women	%	22
Employees assessed on the total employees assessed - by category	**Unit**	**2021**
Managers	%	3
Middle managers	%	19
White collars	%	70
Blue collars	%	7

6. Diversity - Ethnic minorities

Ethnic minority employees	Unit	2021
Employees from minorities by gender	**No.**	**1,632**
Men	No.	1,120
Women	No.	512
Employees from minorities by category and gender		
Managers	**No.**	**8**
Men	No.	6
Women	No.	2
Middle managers	**No.**	**195**
Men	No.	140
Women	No.	55
White collars	**No.**	**694**
Men	No.	468
Women	No.	226
Blue collars	**No.**	**734**
Men	No.	505
Women	No.	229
Pilots	**No.**	**1**
Men	No.	1
Women	No.	-
Employees from minorities by type		
American Indian (Alaska Native)	No.	19
of which managers and middle managers	*No.*	*7*
Asian	No.	469
of which managers and middle managers	*No.*	*58*
Black or African American	No.	507
of which managers and middle managers	*No.*	*53*
Hispanic or Latino	No.	505
of which managers and middle managers	*No.*	*63*
Native Hawaiian	No.	12
of which managers and middle managers	*No.*	*2*
Other Pacific Islander	No.	120
of which managers and middle managers	*No.*	*20*

The figure only relates to Leonardo's employees in the United States. Ethnic minority employees account for 22% of total employees in the United States. The minority categories monitored are: American Indian/ Alaska Native, Asian, Black or African American, Hispanic or Latino, Native Hawaiian or other Pacific Islander.

7. Diversity - Disability

Employees with disability	Unit	2021
Employees with disability	**No.**	**1,634**
Employees with disability by category		
Managers	No.	12
Middle managers	No.	148
White collars	No.	1,022
Blue collars	No.	452

8. Gender diversity

Gender pay gap	First quartile	Second quartile	Third quartile	Last quartile	Total
Men	83%	79%	78%	87%	**82%**
Women	17%	21%	22%	13%	**18%**
2021 remuneration ratio	**93%**	**99%**	**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 95.3% of employees using the following formula: women average remuneration/men average remuneration. The total median value of the remuneration ratio is 103%. 10% of employees with the highest remuneration is composed of 15% women and 85% men.

Top management composition	Unit	2021
Men	%	85
Women	%	15

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 29 men (88%) and 4 women (12%).

9. Certifications

Health and safety management systems	Unit	2021
Employees at ISO 45001-certified sites on total employees	%	78
Environmental management systems	**Unit**	**2021**
Employees at ISO 14001-certified sites on total employees	%	77
Quality management systems	**Unit**	**2021**
Employees at ISO 9001-certified sites on total employees	%	92
Employees at AS/EN 9100-certified sites on total employees	%	72

ISO 45001-certified sites are 57, ISO 14001-certified sites are 61, ISO 50001-certified sites are 6, ISO 9001-certified sites are 86, AS/EN 9100-certified sites are 57.

10. Data privacy

In terms of personal data protection, Leonardo adopts 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 audits at least on an annual basis to ensure full compliance with the highest standards of protection. Since 2017, 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 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.

11. 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 and through infoproviders. If there are risk factors, relating for example to ownership structures and final beneficiaries, an additional reputational analysis is carried out, with the support of specialist databases. 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 environmental management, health and safety protection, cyber security and intellectual property protection, which are also regulated by specific contractual clauses at any time[81]. In 2021 in particular, the requirements relating to cyber security and intellectual property have been made more homogeneous and stringent, with lower tolerance thresholds compared to the possible risks and minimum requirements. In this phase, for example, Leonardo examines any possible certification uploaded to the Purchasing Portal by potential suppliers.

81 By including clauses in their contracts, suppliers are required to ensure that their subcontractors also comply with the same requirements.

According to the product sector, an additional audit, Product Qualification, may be necessary to establish whether the technical requirements of the component or part to be purchased are met. 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 effective suppliers of Leonardo. Furthermore, supplier selection takes account of the availability of specific additional ESG requirements, for example ISO 14001, ISO 45001, quality and cyber security certification for some product areas.

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 far as supplier audits on HSE issues are concerned, 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 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 the dedicated Portal to ensure transparency and traceability of information, and offer technical assistance and information materials.

Work progress on sustainability objectives	**Unit**	**2021**	**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	>150	2023
Managing over 75% of the value ordered by Leonardo divisions through digital collaboration platforms(*)	%	70	2022
Raising awareness/training on SDGs and support tools for reporting to more than 80% of key suppliers (over 500 suppliers)	no. of suppliers	66	2023
100% of LEAP partners with targets and plans set out on green energy, reduction of CO_2, emissions, waste recycling, water consumption	%	15	2023

(*) It includes recurring suppliers. Leonardo DRS is not included.

12. Ozone-depleting substances

Emissions of ozone-depleting substances	**Unit**	**2021**
SF_6 emissions	t CO_2e	79,524
HFC emissions	t CO_2e	11,078
Total SF_6 and HFC emissions	**t CO_2e**	**90,602**
Quantity of ozone-depleting substances emitted in atmosphere	**t CFC-11e**	**0.00018**

CONTENT INDEXES

GRI CONTENT INDEX

The GRI table is reported below, which is in line with the "in accordance-core" reporting option, as set out by the GRI Sustainability Reporting Standards published by the Global Reporting Initiative (GRI). References reported refer to the 2021 Report on Operations or to the other documents where expressly stated: the 2022 Corporate Governance Report (FY 2021), the Code of Ethics and the Anti-Corruption Code.

Disclosure		Pages/Notes	Omission
Organisation profile			
102-1	Name of the organisation	Leonardo SpA	
102-2	Activities, brands, products and services	p. 11	
102-3	Location of Headquarters	Leonardo SpA's registered office is in Piazza Monte Grappa, 4 - Rome (Italy)	
102-4	Location of operations	p. 11	
102-5	Ownership and legal form	p. 11	
102-6	Markets served	p. 11 p. 39 p. 53	
102-7	Scale of the organisation	p. 11 p. 39	
102-8	Information on employees and other workers	p. 123 p. 419	
102-9	Supply chain	p. 166	
102-10	Significant changes to the organisation and its supply chain	p. 11 p. 88 p. 170 p. 293	
102-11	Precautionary principle or approach	p. 102 p. 139	
102-12	External initiatives	Ten Principles of the United Nations Global Compact CFO Principles on Integrated SDG Investments and Finance Global Principles of Business Ethics for the Aerospace and Defence Industry - International Forum on Business Ethical Conduct (IFBEC) Common Industry Standards - Aerospace Defence Security and Space (ASD) Task Force for Climate-related Financial Disclosures (TCFD)	

102-13	Membership of associations	World › IAEG (International Aerospace and Environment Group) › HAI (Helicopter Association International) › Heli Offshore › TCCA (Tetra and Critical Communications Association) Europe › ASD (AeroSpace and Defence Industries Association of Europe) › ECSO (European Cyber Security Organisation) › EHA (European Helicopter Association) › EOS (European Organisation for Security) › ETSI (European Telecommunication Standards Institute) › EUROCAE (European Organisation for Civil Aviation Equipment) › ETP4HPC (European Technology Plat for High Performance Computing) Italy › AIAD (Italian Industry Federation for Aerospace, Defence and Security) - associated with Confindustria › ANITEC-ASSINFORM (Association of Information & Communication Technology companies) - associated with Confindustria › ASSONAVE (Italian Industry Association of Shipbuilding Industry) - associated with Confindustria › Global Compact Network Italia (GCNI) Foundation › UNAVIA (Association for standardisation, training and qualification in the Aerospace, Defence & Security sectors) › Ente Nazionale Italiano di Unificazione (UNI, Italian National Unification Body) United Kingdom › 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) › makeUK (formerly Federation of engineering employers) - represents the manufacturing sector in the United Kingdom › CBI (Confederation of British Industry) - the major entrepreneurs association of the United Kingdom, representing the enterprises at regional, national and International level › 5% Club - employer movement offering training opportunities › Team Defence Information - non-profit collaborative organisation to modernise and transform Defence support in the United Kingdom 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 2021, membership fees for trade associations, industry and business support organisations, technical interest bodies and think tanks totalled approximately €mil. 5.8 (approximately €mil. 5.2 in 2020, approximately €mil. 5 in 2019 and approximately €mil. 5 in 2018). In particular, the most relevant contributions in 2021 concerned Confindustria (associated local bodies) for €mil. 2.4, AIAD for €mil. 1,150 and Fondazione Ansaldo for €mil. 0.130.	
Strategy			
102-14	Statement from senior decision-maker	p. 6	
Ethics and integrity			
102-16	Values, principles, standards, and norms of behaviour	p. 102 Charter of Values (available on website)	
102-17	Mechanisms for advice and concerns about ethics	Dedicated channels made available by Leonardo to make reports, even anonymous, are those described in the "Whistleblowing Management Guidelines"[82] . Since they were issued, they have been circulated within and outside the Group to ensure maximum publicity. Furthermore, Leonardo DRS implements an Ethics Helpline available 24/7 managed by a third-party company[83]. p. 102	
Governance			
102-18	Governance structure	p. 100	
102-20	Executive-level responsibility for economic, environmental, and social topics	p. 35 p. 99	
102-22	Composition of the highest governance body and its committees	p. 99 Corporate Governance Report - Board of Directors/Composition	
102-23	Chair of the highest governance body	p. 99	
102-24	Nominating and selecting the highest governance body	p. 99 Corporate Governance Report - Diversity criteria and policies	
102-32	Highest governance body's role in sustainability reporting	p. 99 p. 412	
102-35	Remuneration policies	p. 99	
102-37	Stakeholders' involvement in remuneration	In accordance with applicable regulations, Leonardo's Shareholders' Meeting is called upon to express an advisory vote on the Remuneration Report.	

82 The "Whistleblowing Management Guidelines" are available on the website.
83 The helpline's website is https://drs.altertline.com.

		Stakeholder engagement	
102-40	List of stakeholder groups	p. 116	
102-41	Collective bargaining agreements	p. 116 p. 123 p. 430	
102-42	Identifying and selecting stakeholders	p. 116	
102-43	Approach to stakeholder engagement	p. 102 p. 116	
102-44	Key topics and concerns raised	p. 21 p. 116	
		Reporting practice	
102-45	Entities included in the consolidated financial statements	p. 293 p. 412	
102-46	Defining report content and topic boundaries	p. 4 p. 25 p. 412	
102-47	List of material topics	p. 25 p. 414	
102-48	Restatements of information	Any restatements or adjustments of information are indicated in the document from time to time.	
102-49	Changes in reporting	p. 412	
102-50	Reporting period	2021 financial year	
102-51	Date of most recent report	2020 Integrated Annual Report	
102-52	Reporting cycle	Annual	
102-53	Contact point for questions regarding the report	ir@leonardocompany.com	
102-54	Claims of reporting in accordance with the GRI Standards	p. 412	
102-55	GRI content index	p. 436	
102-56	External assurance	p. 190 p. 412	
		GRI 201 Economic performance	
103-1	Explanation of the material topic and its boundary	p. 25 p. 412 Internal and external boundary; direct impact	
103-2; 103-3	The management approach and its components	p. 16	
	Evaluation of the management approach	p. 39 p. 53 p. 178	

201-1	Direct economic value generated and distributed	p. 427 The following list includes the Parent Company and the main subsidiaries in the 4 domestic markets (fully consolidated) and the main countries of operations at 31 December 2021 (these companies are incorporated in the main country of operation). These subsidiaries are selected based on materiality in terms of revenues, number of employees, fixed assets and tax contribution. Leonardo SpA - Italy Leonardo MW Ltd - United Kingdom Leonardo DRS Inc. - United States PZL-Świdnik SA - Poland Leonardo Global Solutions SpA - Italy These subsidiaries account for: 95% of revenues 97% of fixed assets 92% of employees	
201-3	Defined-benefit plan obligations and other retirement plans	Group companies use several types of pension plans, as described in Note 3.16 of the consolidated financial statements "Employee benefits".	
GRI 203 Indirect economic impact			
103-1	Explanation of the material topic and its boundary	p. 25 p. 414 External boundary; indirect impact	
103-2; 103-3	The management approach and its components Evaluation of the management approach	p. 16 p. 153 p. 166 p. 178	
203-1	Infrastructure investments and services supported	p. 166 p. 178 p. 427	
GRI 204 Procurement practices			
103-1	Explanation of the material topic and its boundary	p. 25 p. 414 External boundary; direct impact	
103-2; 103-3	The management approach and its components Evaluation of the management approach	p. 166	
204-1	Proportion of spending on local suppliers	p. 166	
GRI 205 Anti-corruption			
103-1	Explanation of the material topic and its boundary	p. 25 p. 414 Internal boundary; indirect impact	
103-2; 103-3	The management approach and its components Evaluation of the management approach	p. 102	

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 2021 – within the annual Compliance Council – a training webinar was held, which was reserved for first-line company managers on: "Anti-corruption system and Model 231". More than 900 Group people participated in the event, both in-presence and via streaming connection. Among these were 180 managers (including all the first-line company managers) and 762 employees of Leonardo. Additional details of employee training are reported in the paragraph "Responsible business conduct". In 2021, work also continued on delivering training to sales promoters and consultants, involving 90 users and a redemption rate of 83% (77 users). Anti-Corruption Code pages 3-4	
205-3	Confirmed incidents of corruption and actions taken	Provisions for risks and contingent liabilities In 2021 there were no convictions against Group companies, nor dismissals due to confirmed cases of corruption.	
GRI 206 Anti-competitive behaviour			
103-1	Explanation of the material topic and its boundary	p. 25 p. 414 External boundary; indirect impact	
103-2; 103-3	The management approach and its components Evaluation of the management approach	p. 102	
206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	No legal actions were commenced in 2021 related to anti-competitive behaviour, anti-trust and monopoly practices.	
GRI 207 Tax			
103-1	Explanation of the material topic and its boundary	p. 25 p. 414 Internal boundary; direct impact	
103-2; 103-3	The management approach and its components Evaluation of the management approach	p. 427	
207-1	Approach to tax	p. 427	
207-2	Tax governance, control and risk management	p. 427	
207-3	Stakeholder engagement and management of concerns related to tax	p. 427	
207-4	Country-by-Country Reporting	p. 428	

GRI 302 Energy			
103-1	Explanation of the material topic and its boundary	p. 25 p. 414 Internal boundary; direct impact	
103-2; 103-3	The management approach and its components Evaluation of the management approach	p. 139 p. 143	
302-1	Energy consumption within the organisation	p. 139 p. 143 p. 417	
302-3	Energy intensity	p. 49 p. 417	
GRI 303 Water and effluents			
103-1	Explanation of the material topic and its boundary	p. 25 p. 414 Internal boundary; direct impact	
103-2; 103-3	The management approach and its components Evaluation of the management approach	p. 139	
303-1	Interaction with waters as a shared resource	p. 139	
303-2	Management of water discharge-related impacts	p. 139	
303-3	Water withdrawal	p. 139 p. 417	
303-4	Water discharge	p. 417	
GRI 304 Biodiversity			
103-1	Explanation of the material topic and its boundary	p. 25 p. 414 Internal boundary; direct impact	
103-2; 103-3	The management approach and its components Evaluation of the management approach	p. 139	
304-1	Operational sites owned, leased, managed in (or adjacent to) protected areas and areas of high biodiversity value outside protected areas	p. 139	
GRI 305 Emissions			
103-1	Explanation of the material topic and its boundary	p. 25 p. 414 Internal boundary; direct impact	
103-2; 103-3	The management approach and its components Evaluation of the management approach	p. 139 p. 143	

305-1	Direct (Scope 1) GHG emissions	p. 139 p. 418 Source of the emission factor: › GHG Protocol Global; › UNFCCC - National Inventory Submissions 2021; › Table of national standard parameters (MITE).	
305-2	Indirect (Scope 2) GHG emissions	p. 139 p. 143 p. 418 Reporting method based on the principles of the GHG Protocol new Scope 2 reporting guidance, using the following coefficients: › Average Grid US, Source: EPA - United States Environmental Protection Agency - eGRID2019; › Average Grid Europe, Source: TERNA - ENERDATA data 2020; › Residual Mix United States and Canada, Source: 2021 Green-e Energy Residual Mix Emissions Rates; › Residual Mix Europe, Source: AIB - Association of Issuing Bodies - European Residual Mixes 2020.	
305-3	Other indirect (Scope 3) GHG emissions	p. 139 p. 143 p. 418 Scope 3 emissions include the following items: purchase of goods and services (raw materials); fuel and energy production activities not included in Scopes 1 and 2; upstream transport and distribution; waste generated in operations; travel; leased assets; production, transport and distribution of electricity. Source of the emission factor: › GHG Protocol Global; › UNFCCC-National Inventory Submissions 2021; › Boustead Model; › UK Government GHG Conversion Factors for Company Reporting.	
305-4	GHG emissions intensity	p. 49 p. 143 p. 418	
305-5	Reduction of GHG emissions	p. 139 p. 143 p. 418	
305-7	Nitrogen oxides (NO_x), sulphur oxides (SO_x) and other significant air emissions	p. 139 p. 418 Source of the emission factor: GHG Protocol Global	

GRI 306 Waste			
103-1	Explanation of the material topic and its boundary	p. 25 p. 414 Internal boundary; direct impact	
103-2; 103-3	The management approach and its components Evaluation of the management approach	p. 137 p. 139	
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. p. 139 p. 148	
306-2	Management of significant waste-related impacts	p. 139	
306-3	Waste generated	p. 419	
GRI 307 Environmental compliance			
103-1	Explanation of the material topic and its boundary	p. 25 p. 414 Internal boundary; direct impact	
103-2; 103-3	The management approach and its components Evaluation of the management approach	p. 139	
307-1	Non-compliance with environmental laws and regulations	During 2021, 6 violations of environmental laws were reported by the control bodies (11 in 2020, 6 in 2019 and 9 in 2018), 2 of which gave rise to fines imposed during the year. To these must be added 2 fines due for violations reported in 2016 and 2020. Total fines amounted to € 21,020. During 2021, 7 environmental incidents occurred, of which: 2 due to external causes (a fire of external origin to the site, extinguished by the company emergency team and subsequently checked by the Fire Brigades; a flood due to torrential rain, managed through recovery actions such as cleaning of infiltrations and pumping), 2 due to spills, 2 due to emissions into the atmosphere, promptly contained and managed and/or eliminated, and 1 due to exceeding the legal limit authorised for a parameter discharge. As part of the remediation process, no damage caused to the environment has been reported, for which Leonardo has been definitively found to be liable, and no final penalties are reported which have been imposed on Leonardo for environmental offences.	

GRI 308 Supplier environmental assessment			
103-1	Explanation of the material topic and its boundary	p. 25 p. 414 External boundary; direct impact	
103-2; 103-3	The management approach and its components Evaluation of the management approach	p. 178 p. 434	
308-1	New suppliers that were screened using environmental criteria	p. 178	
GRI 401 Employment			
103-1	Explanation of the material topic and its boundary	p. 25 p. 414 Internal boundary; direct impact	
103-2; 103-3	The management approach and its components Evaluation of the management approach	p. 123	
401-1	New employee hires and employee turnover	p. 123 p. 421 In 2021 voluntary terminations were equal to 4.2% of total employees.	
401-3	Parental leave	p. 422 In Italy, parental leave-related aspects are ruled by Legislative Decree 151/2001 and other laws on the matter.	
GRI 402 Labour relations			
103-1	Explanation of the material topic and its boundary	p. 25 p. 414 Internal boundary; direct impact	
103-2; 103-3	The management approach and its components Evaluation of the management approach	p. 123	
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 covered by and managed as part of the National Collective Bargaining Agreement (CCNL) and supplementary company agreements (if any).	
GRI 403 Occupational health and safety			
103-1	Explanation of the material topic and its boundary	p. 25 p. 414 Internal boundary; direct impact	
103-2; 103-3	The management approach and its components Evaluation of the management approach	p. 131 The control bodies have reported 9 violations of regulations governing health and safety, which have led to imposing 2 fines, for a total of € 3,313.	
403-1	Occupational health and safety management system	p. 131	

403-2	Hazard identification, risk assessment and incident investigation	p. 131 p. 139	
403-3	Occupational health services	p. 131	
403-4	Worker participation, consultation and communication on occupational health and safety	p. 131	
403-5	Worker training on occupational health and safety	p. 131	
403-6	Promotion of worker health	p. 131	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked to business relationships	p. 131 p. 178 p. 434	
403-9	Work-related injuries	p. 131 p. 423	
GRI 404 Training and education			
103-1	Explanation of the material topic and its boundary	p. 25 p. 414 Internal boundary; direct impact	
103-2; 103-3	The management approach and its components Evaluation of the management approach	p. 127	
404-1	Average hours of training per year per employee	p. 424 p. 430	
404-2	Programmes for upgrading employee skills and transition assistance programmes	p. 127	
GRI 405 Diversity and equal opportunities			
103-1	Explanation of the material topic and its boundary	p. 25 p. 414 Internal boundary; direct impact	
103-2; 103-3	The management approach and its components Evaluation of the management approach	p. 123	
405-1	Diversity of governance bodies and employees	p. 99 p. 123 p. 424	
405-2	Ratio of basic salary and remuneration of women to men	p. 425 p. 433	

GRI 407 Freedom of association and collective bargaining			
103-1	Explanation of the material topic and its boundary	p. 25 p. 414 Internal and external boundary; direct impact	
103-2; 103-3	The management approach and its components Evaluation of the management approach	Code of Ethics page 6 p. 132	
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	p. 132 p. 166 p. 434	
GRI 414 Supplier social assessment			
103-1	Explanation of the material topic and its boundary	p. 25 p. 414 External boundary; direct impact	
103-2; 103-3	The management approach and its components Evaluation of the management approach	p. 178 p. 434	
414-1	New suppliers that were screened using social criteria	p. 178 p. 434	
GRI 415 Public policy			
103-1	Explanation of the material topic and its boundary	p. 25 p. 414 External boundary; direct impact	
103-2; 103-3	The management approach and its components Evaluation of the management approach	p. 102 p. 185	
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 organisations, or to their representatives and/or candidates: therefore Leonardo did not pay any political contribution in 2021. 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 a Political Action Committee (PAC) by eligible employees are permitted by law, the operation of the PAC is supervised and monitored for legal compliance to ensure they are not used as vehicles for bribery and corruption.	

GRI 416 Customer health and safety			
103-1	Explanation of the material topic and its boundary	p. 25 p. 414 External boundary; indirect impact	
103-2; 103-3	The management approach and its components Evaluation of the management approach	p. 177	
416-1	Assessment of the health and safety impacts of product and service categories	p. 177	
GRI 418 Customer privacy			
103-1	Explanation of the material topic and its boundary	p. 25 p. 414 External boundary; direct impact	
103-2; 103-3	The management approach and its components Evaluation of the management approach	p. 102 p. 106 p. 434	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	p. 102 p. 106 p. 434	
R&D, innovation and advanced technology			
103-1	Explanation of the material topic and its boundary	p. 25 p. 414 Internal and external boundary; direct impact	
103-2; 103-3	The management approach and its components Evaluation of the management approach	p. 153	
Cyber security and data protection			
103-1	Explanation of the material topic and its boundary	p. 25 p. 414 Internal and external boundary; direct impact	
103-2; 103-3	The management approach and its components Evaluation of the management approach	p. 102 p. 106 p. 434	
Digital transformation			
103-1	Explanation of the material topic and its boundary	p. 25 p. 414 Internal and external boundary; direct impact	
103-2; 103-3	The management approach and its components Evaluation of the management approach	p. 127 p. 139 p. 153 p. 166 p. 175 p. 178	

Citizen security			
103-1	Explanation of the material topic and its boundary	p. 25 p. 414 External boundary; indirect impact	
103-2; 103-3	The management approach and its components Evaluation of the management approach	p. 153 p. 175 p. 183	
Customer intimacy			
103-1	Explanation of the material topic and its boundary	p. 25 p. 414 Internal boundary; indirect impact	
103-2; 103-3	The management approach and its components Evaluation of the management approach	p. 175	
Business continuity			
103-1	Explanation of the material topic and its boundary	p. 25 p. 414 Internal boundary; direct impact	
103-2; 103-3	The management approach and its components Evaluation of the management approach	p. 107	

SASB CONTENT INDEX

	Disclosure	Section/Note
RT-AE-000.A	Production by reportable segment	Profile Segment 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 management in industrial processes Towards energy transition
RT-AE-150a.1	Amount of hazardous waste generated, percentage recycled	Natural resources management in industrial processes
RT-AE-150a.2	Number and aggregate quantity of reportable spills, quantity recovered	There were no spills in 2020 and two non-significant spills occurred in 2021, all of which were promptly contained and managed and/or disposed of in accordance with applicable regulations.
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 - paragraph 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 relevant aviation authority with an Emergency Airworthiness Directive (see indicator RT-AE-250a.3).
RT-AE-250a.3	Number of Airworthiness Directives received, 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 2021, 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	Total amount of monetary losses as a result of legal proceedings associated with product safety	No fine/settlement agreement associated with Emergency Airworthiness Directives referred to in indicator RT-AE-250a.3.
RT-AE-410a.2	Description of strategic approach to reduce fuel consumption and greenhouse gas (GHG) emissions of products	Towards energy transition
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	There are no convictions or compensation ordered as part of criminal proceedings for corruption.
RT-AE-510a.2	Revenues from countries classified in bands “E” and “F” of Transparency International’s Government Defence Anti-Corruption Index	20% of revenues in 2021 from countries classified in bands “E” and “F” of the Government Defence Anti-Corruption Index of Transparency International, of which 66% 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

<table>
<tr><th colspan="2">TCFD RECOMMENDATIONS</th><th rowspan="2">Section/Notes</th></tr>
<tr><th>Pillar</th><th>TCFD Recommended Disclosures</th></tr>
<tr><td rowspan="2">GOVERNANCE</td><td>a) Describe the Board’s oversight of climate-related risks and opportunities.</td><td rowspan="2">Sustainability governance</td></tr>
<tr><td>b) Describe management’s role in assessing and managing climate-related risks and opportunities.</td></tr>
<tr><td rowspan="3">STRATEGY</td><td>a) Describe the climate-related risks and opportunities the company has identified over the short, medium, and long term.</td><td rowspan="3">Towards energy transition</td></tr>
<tr><td>b) Describe the impact of climate-related risks and opportunities on the company’s businesses, strategy, and financial planning.</td></tr>
<tr><td>c) Describe the resilience of the company’s strategy, taking into consideration different climate-related scenarios, including a 2 °C or lower scenario.</td></tr>
<tr><td rowspan="3">RISK MANAGEMENT</td><td>a) Describe the company’s processes for identifying and assessing climate-related risks.</td><td rowspan="3">Risk management
Towards energy transition</td></tr>
<tr><td>b) Describe the company’s processes for managing climate-related risks.</td></tr>
<tr><td>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the company’s overall risk management.</td></tr>
<tr><td rowspan="3">METRICS AND TARGETS</td><td>a) Disclose the metrics used by the company to assess climate-related risks and opportunities in line with its strategy and risk management process.</td><td rowspan="3">GRI indicators
Natural resources management in industrial processes
Towards energy transition</td></tr>
<tr><td>b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.</td></tr>
<tr><td>c) Describe the targets used by the company to manage climate-related risks and opportunities and performance against targets.</td></tr>
</table>

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 promotes investments in sustainable assets and activities. In this perspective, EU Regulation 2020/852 brought in a classification system or "taxonomy" of sustainable activities (Taxonomy Regulation), based on the use of the statistical classification codes of economic activities in the European Union (NACE codes - Nomenclature statistique des Activités économiques dans la Communauté Européenne).

The Taxonomy Regulation sets out the criteria for establishing whether an economic 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.

In 2021, the taxonomy regulatory framework was supplemented by a series of Delegated Acts: the Delegated Regulation (EU) 2021/2139 of 4 June 2021 (Climate Delegated Act) and the Commission's EU Delegated Regulation 2021/2178 of 6 July 2021, which regulates a mandatory disclosure regime for companies (Disclosures Regulation).

The first Delegated Act to be published, the Climate Delegated Act, focused on activities that have a greater capacity to contribute to the first two objectives set out in the Taxonomy Regulation, climate change mitigation and climate change adaptation.

With a view to the gradual application of the regulations, companies must publish, in the 2021 NFS, the level of "eligibility" of their economic activities, while from the 2022 edition a disclosure must be provided on activities "aligned" with the taxonomy, i.e. those "eligible" activities that simultaneously: contribute substantially to at least one of the environmental objectives, do not cause significant harm to any of the other objectives, comply with both minimum social and governance safeguard clauses and technical screening criteria.

Finally, it should be emphasised that the scope of the taxonomy is expected to expand over time in terms of both the economic activities that are considered and the sustainability objectives that are analysed. In this regard, two documents recently published by the Platform on Sustainable Finance should be highlighted[84]:

84 This is a platform established by the European Commission for the purposes of providing advice on taxonomy.

1. the document “Taxonomy pack for feedback” of 3 August 2021, which, on the one hand, lists environmentally sustainable activities on the four remaining environmental objectives and, on the other, analyses the possible contribution given by additional economic activities to the achievement of climate objectives;
2. the final “social taxonomy” report of 28 February 2022.

Thus, not all sustainability goals and not all economic activities are regulated by the legislation that is currently in force.

TAXONOMY AND THE AEROSPACE, DEFENCE & SECURITY SECTOR

The Climate Delegated Act does not include among sustainable activities the primary reference NACE code for the Aerospace, Defence & Security sector, NACE code C30.3 “Manufacture of air and spacecraft and related machinery”.

NACE code C30.3 is instead included within the aforementioned Platform on Sustainable Finance document of 3 August 2021 “Taxonomy pack for feedback”, which is available for public consultation until 24 September 2021 to gather stakeholder feedback. Leonardo took part in the consultation by providing the Group’s point of view on the basis of the considerations made by the internal working group, consisting of representatives of the various organisational units and divisions. The outcomes of the consultation, which were originally planned for the end of 2021, will be disclosed in the first half of 2022. Leonardo will follow regulatory developments and will adjust its reporting and related disclosure requirements accordingly.

LEONARDO REPORTING

Within the 2021 Report on Operations, Leonardo describes environmental and energy sustainability performance, as well as its commitments to reducing impacts and promoting responsible management of natural resources in industrial processes.

The commitments are further strengthened by the application of metrics linked to greenhouse gas reduction both in the long-term variable remuneration policy of management and in the latest ESG-linked financing transactions that were entered into in the last quarter of 2021, which account for 50% of total sources of financing available to the Group. The efforts put in place were also recognised by CDP, which included Leonardo in the "2021 Climate A List", the list that includes the world's leading companies out of more than 13,000 analysed in the fight against climate change; the list is compiled on the basis of information on environment-related impacts, risks and opportunities, requested by more than 590 investors, which account for 110 trillion dollars of assets under management.

In compliance with the Disclosures Regulation that supplements the Taxonomy Regulation, Leonardo publishes the required information for the year 2021 regarding the percentages of sales (Revenues), capital expenditures (Capex) and operating expenses (Opex) relating to sustainable taxonomy eligible and ineligible economic activities among those set out in the Delegated Acts (taxonomy-eligible).

2021 EU Taxonomy report	€mil.	Eligible (%)	Non-eligible (%)
Revenues	14,135	0%	100%
Capex	676	1%	99%
Opex	503	17%	83%

The guidelines provided in Annex I attached to the Disclosures Regulation have been considered for the definition of the denominators of turnover (Revenues), Capex and Opex.

For the numerators, the assessments of eligibility have been carried out by taking account of the descriptions of the economic activities included in Annex I (climate change mitigation) and Annex II (climate change adaptation) of the Climate Delegated Act. It should be noted that the numerators are affected by the lack of coverage of the primary business of Leonardo within the Climate Delegated Act.

It should be noted that, considering the foreseeable regulatory developments and the abovementioned consultation carried out by the Platform on Sustainable Finance, which included the NACE code C30.3 attributable to the operations in the AD&S sector, the percentages of taxonomy-eligible activities could undergo significant changes in 2022.

ART DIRECTOR
Humus Design

COPY-EDITING
postScriptum di Paola Urbani, Rome

LEONARDO

Piazza Monte Grappa, 4
00195 Rome
T. +39 06324731