RESULTS AT
31 MARCH 2023

Disclaimer

These Results at 31 March 2023 have been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document

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GROUP RESULTS AND FINANCIAL POSITION

The good commercial performance of the Group already recorded in 2022 continued in the first three months of 2023.

New orders significantly increased, specifically with the contribution of the helicopter sector, thus confirming the strengthening of the Group market positioning.

Revenues are essentially in line with those of the first quarter of 2022, showing signs of recovery in the Aerostructures sector as well.

Solid operating profitability of the business segments, with a lower contribution of the strategic investments.

A marked improvement of over 36% in cash flow for the quarter, with a consequent positive impact on the Group Net Debt.

Key performance indicator (KPI)

Below are the key performance indicators by Sector:

	March 2022	March 2023	Change	2022
New orders	3,789	4,868	28.5%	17,266
Order backlog	36,278	39,126	7.9%	37,506
Revenue	3,006	3,034	0.9%	14,713
EBITDA	251	238	(5.2%)	1,763
EBITA	132	105	(20.5%)	1,218
ROS	*4.4%*	*3.5%*	*(0.9) p.p.*	*8.3%*
EBIT	123	93	(24.4%)	961
EBIT Margin	*4.1%*	*3.1%*	*(1.0) p.p.*	*6.5%*
Net Result before extraordinary transactions	74	40	(45.9%)	697
Net result	74	40	(45.9%)	932
Group Net Debt	4,788	3,699	(22.7%)	3,016
FOCF	(1,080)	(688)	36.3%	539
ROI	*10.8%*	*10.5%*	*(0.3) p.p.*	12.0%
Workforce	50,106	51,627	3.0%	51,392

Please refer to Annex 2 on “Non-GAAP performance indicators” for definitions.

The figures for the first quarter of 2022 shown above included the contribution of the GES business, which was sold in July 2022, and they did not include the Hensoldt[1] result for the quarter. For a better comparability of the Group's operating performance which, vice versa, in 2023 does not include the contribution of the GES business but includes the results for the first quarter of Hensoldt, we report below some adjusted performance indicators for the comparative period:

	March 2022 Reported	March 2022 Adjusted	March 2023	Change
New orders	3,789	3,765	4,868	29.3%
Revenue	3,006	2,958	3,034	2.6%
EBITA	132	121	105	(13.2%)
ROS	*4.4%*	*4.1%*	*3.5%*	*(0.6) p.p.*
FOCF	(1,080)	(1,081)	(688)	36.4%

Commercial and business performance

New orders came to €bil. 4.9, significantly increased (+28.5%, +29.3 on the Adjusted value) compared to the first quarter of 2022, in particular thanks to the excellent performance of Helicopters mainly linked to orders of no. 18 AW 169 helicopters for the Austrian Ministry of Defence and no. 13 MH 139 helicopters for the US Air Force, with a constant growth of orders in Defence Electronics & Security. The order level for the quarter is equal to a book to bill (the ratio of New orders and Revenues for the period) amounting to about 1.6.

The **Order Backlog** ensures a coverage in terms of production higher than 2.5 years.

Revenues (€bil. 3) were in line with those of the first quarter of 2022 for all the business sectors (+2.6% on the Adjusted value), with an increase in Defence Electronics & Security and a slight increase in Aerostructures.

EBITA (€mil. 105) this reflected the solid performance of the Group's businesses and was also affected by the performance of strategic investments which, in the period, posted a negative result of €mil. 14 (positive €mil. 7 in the Adjusted value of first quarter of 2022). The Group's industrial performance – excluding the contribution of the strategic investments – shows an increase of about 4% compared with Adjusted value of first quarter of 2022).

EBIT equal to €mil. 93 (€mil. 123 in the first quarter of 2022) was affected by the EBITA performance and the amortization of the Purchase Price Allocation related to the acquisition of Rada, finalized in 2022.

The **Net result before extraordinary transactions**, amounting to €mil. 40 (€mil. 74 in the comparative period), equal to the **Net Result**, reflected compared to the first quarter of 2022 the performance of non-strategic investments valued at equity.

[1] The investment in Hensoldt was acquired in January 2022. However, due to the different financial calendars, the Group's results for the first quarter of 2022 did not include yet the Hensoldt contribution.

Reclassified income statement

(€ millions)	*For the 3 months ended 31 March* 2022	2023	*Change*	*% Change*
Revenue	3,006	3,034	28	0.9%
Purchases and personnel expenses	(2,786)	(2,776)		
Other net operating income/(expenses)	18	(4)		
Equity-accounted strategic investments	13	(14)		
Amortisation, depreciation and write-offs	(119)	(135)		
EBITA	**132**	**105**	**(27)**	**(20.5%)**
ROS	*4.4%*	*3.5%*	(0.9) p.p.	
Non-recurring income/(expenses)	(1)	(3)		
Restructuring costs	(2)	(1)		
Amortisation of intangible assets acquired as part of business combinations	(6)	(8)		
EBIT	**123**	**93**	**(30)**	**(24.4%)**
EBIT Margin	*4.1%*	*3.1%*	(1.0) p.p.	
Net financial income/(expenses)	(30)	(41)		
Income taxes	(19)	(12)		
Net result attributable to:	**74**	**40**	**(34)**	**(45.9%)**
- owners of the parent	*74*	*36*		
- non-controlling interests	-	*4*		

Financial performance

FOCF in the first quarter of 2023, which was negative for €mil. 688, showed a significant improvement (+36.3%) compared to the first quarter of 2022 (negative for €mil. 1,080).

The figure consolidates the positive results of the initiatives aimed at strengthening the performance of operations, streamlining and making working capital more efficient, and of a careful investment policy in a period of business growth and efficient financial strategy.

The expected positive trend towards improvement however confirmed the usual interim trend that is characterised by significant cash absorptions in the first part of the year.

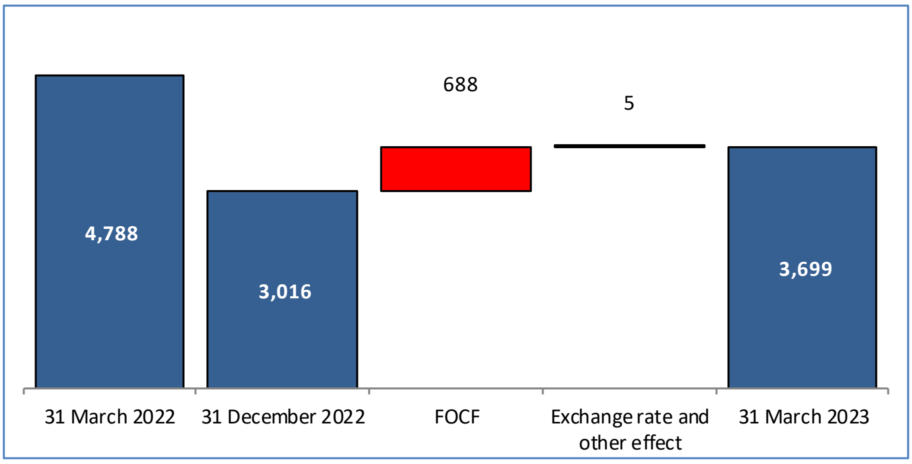
Reclassified cash flow statement

(€ millions)	*For the 3 months ended 31 March* 2022	2023	*Change*	*% Change*
Cash flows used in operating activities	(978)	(558)		
Dividends received	1	-		
Cash flows from ordinary investing activities	(103)	(130)		
Free Operating Cash Flow (FOCF)	**(1,080)**	**(688)**	**392**	**36.3%**
Strategic investments	(608)	-		
Change in other investing activities	1	(4)		
Net change in loans and borrowings	(418)	255		
Net increase (decrease) in cash and cash equivalents	**(2,105)**	**(437)**		
Cash and cash equivalents at 1 January	2,479	1,511		
Exchange rate differences and other changes	9	(4)		
Cash and cash equivalents at 31 March	**383**	**1,070**		

The **Group Net Debt**, equal to €mil. 3,699, showed a considerable reduction of approx. €bil. 1.1 against March 2022 thanks to the strengthening of the Group's cash generation.

Compared to 31 December 2022 (€mil. 3,016) the figure increased mainly as a result of the abovementioned usual FOCF performance.

Changes in the Group Net Debt

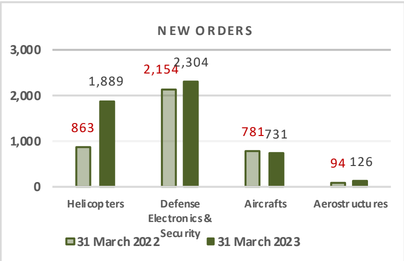


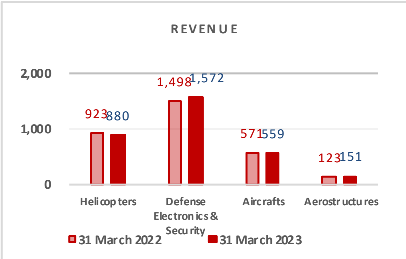
Reclassified statement of financial position

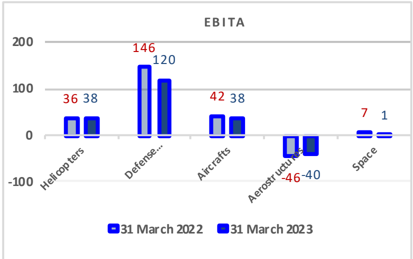
(€ millions)	*31 March 2022*	*31 December 2022*	*31 March 2023*
Non-current assets	13,479	13,943	13,901
Non-current liabilities	(2,150)	(2,174)	(2,169)
Capital assets	**11,329**	**11,769**	**11,732**
Inventories	1,547	975	1,102
Trade receivables	3,418	3,338	3,376
Trade payables	(2,859)	(3,054)	(2,582)
Working capital	**2,106**	**1,259**	**1,896**
Provisions for short-term risks and charges	(1,119)	(1,078)	(1,061)
Other net current assets (liabilities)	(981)	(1,260)	(1,144)
Net working capital	**6**	**(1,079)**	**(309)**
Net invested capital	**11,335**	**10,690**	**11,423**
Equity attributable to the Owners of the Parent	6,521	7,183	7,237
Equity attributable to non-controlling interests	27	516	512
Equity	**6,548**	**7,699**	**7,749**
Group Net Debt	**4,788**	**3,016**	**3,699**
Net (assets)/liabilities held for sale	**(1)**	**(25)**	**(25)**

KEY PERFORMANCE INDICATORS BY SECTOR

The Key Performance Indicators of the business Sectors are reported below while pointing out that - starting with 2022 financial statements - the Group has set out a method of representing its performance that is increasingly consistent with corporate strategies and underlying business dynamics. The performance in the sectors will therefore be represented and commented on with reference to the operating sectors of Helicopters, Defence Electronics and Security, Aircraft, Aerostructures and Space (the results at 31 March 2022 of Helicopters, Defence Electronics and Security, Aeronautics and Space were restated to facilitate the performance comparison).







The business sectors are commented on below in terms of business and financial performance:

	31 March 2022				
	New orders	**Order backlog at 31 Dec. 2022**	**Revenue**	**EBITA**	**ROS**
Helicopters	863	13,614	923	36	3.9%
Defense Electronics & Security	2,154	15,160	1,498	146	9.7%
- of which Hensoldt + MBDA				*16*	
Aircrafts	781	8,554	571	42	7.4%
- of which GIE ATR				*(10)*	
Aerostructures	94	1,075	123	(46)	(37.4%)
Space	-	-	-	7	n.a.
Other activities	68	360	135	(53)	(39.3%)
Eliminations	*(171)*	*(1,257)*	*(244)*	-	*n.a.*
Total	**3,789**	**37,506**	**3,006**	**132**	**4.4%**

	31 March 2023				
	New orders	**Order backlog**	**Revenue**	**EBITA**	**ROS**
Helicopters	1,889	14,619	880	38	4.3%
Defense Electronics & Security	2,304	15,692	1,572	120	7.6%
- of which Hensoldt + MBDA				*1*	
Aircrafts	731	8,741	559	38	6.8%
- of which GIE ATR				*(16)*	
Aerostructures	126	1,058	151	(40)	(26.5%)
Space	-	-	-	1	n.a.
Other activities	133	391	173	(52)	(30.1%)
Eliminations	*(315)*	*(1,375)*	*(301)*	-	*n.a.*
Total	**4,868**	**39,126**	**3,034**	**105**	**3.5%**

	Change %				
	New orders	**Order backlog**	**Revenue**	**EBITA**	**ROS**
Helicopters	118.9%	7.4%	(4.7%)	5.6%	0.4 p.p.
Defense Electronics & Security	7.0%	3.5%	4.9%	(17.8%)	(2.1) p.p.
- of which Hensoldt + MBDA				*(93,8%)*	
Aircrafts	(6.4%)	2.2%	(2.1%)	(9.5%)	(0.6) p.p.
- of which GIE ATR				(60.0%)	
Aerostructures	34.0%	(1.6%)	22.8%	13.0%	10.9 p.p.
Space	n.a.	n.a.	n.a.	(85.7%)	n.a.
Other activities	95.6%	8.6%	28.1%	1.9%	9.2 p.p.
Eliminations	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Total	**28.5%**	**4.3%**	**0.9%**	**(20.5%)**	**(0.9) p.p.**

1. Helicopters

This sector continues to show an excellent commercial performance, with a particularly significant increase in New orders compared to the same period of 2022. Excluding the declining contribution of pass-through volumes, revenues are up compared to the first quarter of 2022, with profitability essentially in line. During the period, 28 new helicopters were delivered compared to 19 in the first quarter of 2022.

New orders. Up by about 120% as a result of increased acquisitions in both the government and commercial context. Among the main acquisitions for the period we note:

- The contract, entered into within the Italy-Austria Government-to-Government (G2G) Agreement Amendment signed in December 2022, for the supply of additional 18 AW169M LUH (Light Utility Helicopter) helicopters for the Austrian Ministry of Defence;
- The contracts for the Mid Life Upgrade (MLU) of 3 AW159 helicopters and of 2 AW101 helicopters for export customers;
- The contract with Boeing for the supply of 13 helicopters related to the starting of the production phase of the MH-139 programme for the US Air Force;
- Sundry orders, mainly linked to AW139 helicopters within a commercial context

Revenues. They slightly decreased due to the lower contribution of the NH90 Qatar programme, as estimated.

EBITA. It showed a slight increase compared to the first quarter of 2022.

2. Defence Electronics & Security

The first quarter of 2023 was characterised by an increasing commercial performance in all the business areas. The volume of revenues also showed an increase in the European component.

Profitability was in line in the European component, while DRS was affected by the different production mix.

Key Performance Indicators of the sector

31 March 2022	New orders	Revenue	EBITA	ROS
DES Europe	1,489	955	91	9.5%
Leonardo DRS	665	545	55	10.1%
Eliminations	-	*(2)*	-	*n.a.*
Total	**2,154**	**1,498**	**146**	**9.7%**
31 March 2023	**New orders**	**Revenue**	**EBITA**	**ROS**
DES Europe	1,624	1,046	89	8.5%
Leonardo DRS	698	530	31	5.8%
Eliminations	*(18)*	*(4)*	-	*n.a.*
Total	**2,304**	**1,572**	**120**	**7.6%**
Change %	**New orders**	**Revenue**	**EBITA**	**ROS**
DES Europe	9.1%	9.5%	(2.2%)	(1.0) p.p.
Leonardo DRS	5.0%	(2.8%)	(43.6%)	(4.3) p.p.
Eliminations	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Total	**7.0%**	**4.9%**	**(17.8%)**	**(2.1) p.p.**

Average €/USD exchange rate: 1.07299 (first three months of 2023) and 1.1225 (first three months of 2022)

As previously indicated, the figures of the first quarter of 2022 included the contribution of the GES business and did not include the Hensoldt results for the first quarter. Below are the Adjusted performance indicators of the sector for the comparative period:

	31 March 2022 Reported	31 March 2022 Adjusted	31 March 2023	Change
New orders	2,154	2,130	2,304	8.2%
Revenue	1,498	1,450	1,572	8.4%
EBITA	146	135	120	(11.1%)
ROS	*9.7%*	*9.3%*	*7.6%*	*(1.7) p.p.*

New orders. These increased in all the business areas, despite the different perimeter. Among the main acquisitions of the period, we highlight the order for the supply of tented command posts for Brigades and Regiments to the Italian Army, which is part of the broader programme for the modernisation of land-based multi-domain command and control (C2) capabilities in order to provide the above-mentioned units with a modern, highly modular C2 capability for effective deployment across the entire spectrum of Multi-Domain Operations. In the export area, we highlight the order for the supply of defence systems that will equip OPV-class ships for the Philippine Navy and related logistic support.

For the Cyber division, note the order for the construction of the Joint Operation Center (JOC) of the Joint Operations Command (Comando Operativo di Vertice Interforze, COVI) of the Italian Defence, through the setting up of Operations Rooms and Data Centres and the development of functionalities such as Joint Common Operational Picture (JCOP), Political Military Economic Social Information Infrastructure (PMESII) and Information Knowledge Management (IKM).

Leonardo DRS, as part of the broader Ohio-submarine class Replacement Programme (ORP), received an additional order to supply integrated electric propulsion components for the next-generation Columbia-class submarine for the US Navy. Moreover, additional orders were placed for the supply of infrared countermeasures to protect rotary and tilt-wing platforms against threats from infrared weapon systems, supplied to the US armed forces.

Revenues. They showed growing volumes in the European component of DES (Defence Electronics & Security). The Leonardo DRS volumes slightly reduced mainly due to the different perimeter (last year the GES business left the perimeter in August). Excluding such effect, the volumes of the subsidiary were essentially in line with the first quarter of 2022 (+6.6% on the adjusted figure in Euro).

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

Leonardo DRS data in USD

	New orders	Revenue	EBITA	ROS
DRS ($mil.) March 2022	747	612	62	10.1%
DRS ($mil.) March 2023	749	569	33	5.8%

3. Aircraft

The Aircraft Sector confirmed the high profitability of the military business.

The GIE-ATR consortium- although confirming same deliveries as in the same period of 2022 - showed a decline in profitability.

From a production point of view:

- For the military programmes of the Aircraft Division 10 wings were delivered to Lockheed Martin for the F-35 programme (11 wings and 2 final assemblies delivered in the first quarter 2022). In addition, 2 Typhoon aircraft were accepted by Kuwait at the Caselle plant compared to the 2 deliveries in 2022;
- For the GIE consortium we highlight 2 deliveries, in line with the 2022 figure.

Key Performance Indicators of the sector

31 March 2022	New orders	Revenue	EBITA	ROS
Aircrafts	781	571	52	9.1%
GIE ATR	*n.a.*	*n.a.*	*(10)*	*n.a.*
31 March 2023	New orders	Revenue	EBITA	ROS
Aircrafts	731	559	54	9.7%
GIE ATR	*n.a.*	*n.a.*	(16)	*n.a.*
Change %	New orders	Revenue	EBITA	ROS
Aircrafts	(6.4%)	(2.1%)	3.8%	0.6 p.p.
GIE ATR	*n.a.*	*n.a.*	(60.0%)	*n.a.*

New orders. The Aircraft Division recorded lower orders compared to the same period of 2022, which benefitted from the important order for the first design phase of the remotely-piloted aircraft system Euromale. In 2023 worth noting are the orders for the logistic component of EFA, for two special version ATR aircraft and the anticipation of orders for the JSF programme.

Revenues. They slightly declined, due to lower production volumes of the Kuwait programme.

EBITA.

- For the Aircraft Division the high level of profitability was confirmed, mainly sustained by the international programmes of Typhoon;
- the GIE-ATR consortium recorded a lower result compared with that in 2022 in consequence of the slowdown in the supply chain and in the different mix of the deliveries.

4. Aerostructures

This sector confirmed the improving trend already recorded starting from 2022. Specifically, the Grottaglie site recorded an increase in production workloads which lessened the effects from the site working at lower capacity.

From the production point of view, 10 fuselage sections and 8 stabilisers were delivered for the B787 programme (3 fuselages and 3 stabilisers delivered in 2022) and 6 fuselages delivered for the ATR programme (2 in 2022).

New orders. The sector showed an increase compared to last year, benefitting from the orders from Boeing for the B787 programme. Orders for the programmes with GIE-ATR and Airbus customers were substantially stable.

Revenues. They were on a rise, thanks to the higher deliveries to the GIE ATR consortium and the B787 programme.

EBITA. The sector profitability was positively influenced by the improvement in the production sites which were working at lower capacity, in particular the Grottaglie site.

5. Space

The first quarter of 2023 showed a declining result, due to the operating performance of the manufacturing sector, which in this phase is affected by a higher volume of research and development activities.

The segment of satellite services confirmed a positive trend, with growing results compared to the first quarter of 2022.

OUTLOOK

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

Main transactions of the first 3 months of 2023 and significant events occurred after the period-end

There were no **Industrial transactions** in the first quarter of 2023.

With reference to process of concentrating the assets held by Leonardo in the USA in a single legal entity started in 2022, in the first three months of 2023 the following transactions were completed:

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

Furthermore, we note that May 2023 saw the finalisation of the disposal of the ATM business of Selex ES Inc. following the obtainment of the usual authorizations required by the law.

Financial transactions. No new transaction was carried out on the financial markets during the first quarter of 2023.

As at 31 March 2023 Leonardo SpA had sources of liquidity for a total of about €mil. 4,210, to meet the financing needs of the Group's recurring operations, all unused at 31 March 2023 and broken-down as follows:

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

Leonardo DRS held a Revolving Credit Facility for an amount of USDmil. 275 signed at the same time as the finalisation of the merger with RADA, used at 31 March 2023 for USDmil. 215 (€mil. 198).

Leonardo US Holding had revocable short-term lines of credit, guaranteed by Leonardo Spa, for USDmil. 190 (€mil. 175), used as at 31 March 2023 for USDmil. 56 (€mil. 51).

Leonardo has unconfirmed lines of credit for guarantees for a total of €mil. 10,102, of which €mil. 2,841 available as at 31 March 2023.

Furthermore, the Company had a €mil. 260 financing granted by the European Investment Bank (EIB) – with a contract signed in November 2022 – entirely unused at the date of this report.

Finally, Leonardo had in place an EMTN (Euro Medium Term Note) programme for the possible issue of bonds on the European market for a total of €bil. 4 that, at the date of this report, was still available for €mil. 2,400. Outstanding bond issues (equal to a total of €mil 1,600) are given a medium/long-term financial credit rating by the international rating agencies: Moody's Investors Service (Moody's), Standard & Poor's and Fitch.

On May 03 of the current year Moody's upgraded Leonardo's rating bringing it back to an Investment Grade level, Baa3 compared to the previous Ba1, with stable outlook, in view of:

- The strong execution of the Industrial Plan conducted by the Group, even during the pandemic;
- The material reduction in financial leverage over the last 12 to 18 months and the commitment to further deleverage its balance sheet;
- The maintaining of a stable shareholder remuneration,
- The strong growth prospects, as evidenced both by the strong commercial activity in 2022 and the solid growth prospects for the Defense Industry as a whole, also in consideration of the complex geopolitical context.

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	May 2023	Ba1	positive	Baa3	stable
Standard&Poor's	May 2022	BB+	stable	BB+	positive
Fitch	January 2022	BBB-	negative	BBB-	stable

EXPLANATORY NOTES

This interim reporting that has been approved today by the Board of Directors, was made available to the public at the registered office, with Borsa Italiana S.p.A., on the Company website (www.leonardo.com, in the section Investors/Results and Reports), as well as on the website of the authorised storage mechanism NIS-Storage (www.emarketstorage.com).

The accounting policies, measurement criteria and consolidation methods used for this interim reporting at 31 March 2023, which should be read in conjunction with the Consolidated Financial Statements at 31 December 2022, are unchanged from those of the Consolidated Financial Statements at 31 December 2022 (except for those specifically applicable to interim financial reports) and the interim reporting at 31 March 2022.

This interim reporting, approved by the Board of Directors on 3 May 2023, was not subject to any statutory review.

FINANCIAL INCOME AND EXPENSE

	For the 3 months ended 31 March	
	2022	**2023**
Interest	(29)	(30)
Commissions	(2)	(2)
Fair value gains (losses) through profit or loss	(1)	2
Premiums (paid) received on forwards	(1)	1
Exchange rate differences	1	-
Other financial income and expenses	(8)	(14)
Share of profits/(losses) of equity-accounted investees	10	2
	(30)	**(41)**

The performance of net financial expenses in the first quarter of 2023 showed a worsening mainly attributable to the lower contribution of the equity-accounted investees.

LOANS AND BORROWINGS

The Group Net Debt breaks down as follows:

(€ millions)	31 March 2022	*of which current*	31 December 2022	*of which current*	31 March 2023	*of which current*
Bonds	1,875	*14*	1,628	*36*	1,603	*10*
Bank debt	1,706	*107*	1,350	*71*	1,570	*296*
Cash and cash equivalents	(383)	*(383)*	(1,511)	*(1,511)*	(1,070)	*(1,070)*
Net bank debt and bonds	**3,198**		**1,467**		**2,103**	
Current loans and receivables from related parties	(32)	*(32)*	(56)	*(56)*	(43)	*(43)*
Other current loans and receivables	(16)	*(16)*	(49)	*(49)*	(17)	*(17)*
Current loans and receivables and securities	**(48)**		**(105)**		**(60)**	
Hedging derivatives in respect of debt items	16	*16*	19	*19*	(7)	*(7)*
Other related party loans and borrowings	956	*856*	962	*862*	983	*883*
Lease liabilities	562	*79*	570	*78*	573	*78*
Other loans and borrowings	104	*31*	103	*35*	107	*46*
Group Net Debt	**4,788**		**3,016**		**3,699**	

The reconciliation with the net financial position required by CONSOB Communication no. DEM/6064293 of 28 July 2006, updated by the provisions of ESMA Guideline 32-382-1138 of 4 March 2021 as implemented by CONSOB warning notice no. 5/21 of 29 April 2021, is provided in Annex 2.

It should be noted that financial covenants are included both in the ESG-linked Revolving Credit Facility and in the ESG-linked Term Loan, which were signed in 2021 and which require Leonardo to comply with two financial ratios (the ratio of Group net debt - excluding payables to the joint ventures MBDA and Thales Alenia Space and lease liabilities /EBITDA, including amortisation of the right of use assets, must be no higher than 3.75 and the ratio of EBITDA, including amortisation of the right of use assets / Net interest must be no lower than 3.25), tested annually based on consolidated data, which were largely complied with at 31 December 2022. These covenants are included in the loan agreement with CDP of €mil. 100, as well as in all EIB loans in place (they were used for a total amount of €mil. 500 at 31 March 2023).

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

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

CONTINGENT LIABILITIES

During this quarter there were no updates with respect to the ongoing disputes compared to what is described in the Integrated Annual Report at 31 December 2022, to which reference is made.

For the Board of Directors

The Chairman

Luciano Carta

ANNEXES

ANNEX 1: SCOPE OF CONSOLIDATION

Below are the changes in the scope of consolidation at 31 March 2023 compared with 31 March 2022.

Company	Event	Month
Companies which entered the scope of consolidation:		
Blackstart Ltd	newly established	June 2022
Earthlab Luxembourg Sa (**)	acquired	July 2022
Leonardo Us Corporation	newly established	August 2022
Polo Strategico Nazionale Spa (**)	newly established	August 2022
Leonardo Logistics Poland Sp. Z o.o (**)	newly established	October 2022
Rada Electronic Industries Ltd	acquired	November 2022
Rada Sensors Inc	acquired	November 2022
Rada Usa Llc	acquired	November 2022
Rada Innovations Llc	acquired	November 2022
Rada Technologies Llc	acquired	November 2022
Blcat Inc (**)	acquired	December 2022
Leonardo Us Subholding Llc	newly established	March 2023
Companies which left the scope of consolidation:		
Industrie Aeronautiche e Meccaniche Rinaldo Piaggio Spa (*)	sold	June 2022
Advanced Acoustic Concepts Llc (**)	sold	July 2022
Drs Global Enterprise Solutions Inc	sold	August 2022
Global Network Services Llc	sold	August 2022
Drs Tsi International Llc	sold	August 2022
Drs Technologies Verwaltungs Gmbh	sold	August 2022
Drs C3 & Aviation Company	deconsolidated	September 2022
Drs Radar Systems Llc	deconsolidated	September 2022
World's Wing Sa (in liq.) (**)	deconsolidated	December 2022
Chongqing Chuanyi Ansaldobreda Railway Transportation Equipment Company ltd (in liq.) (*)	deconsolidated	December 2022

Companies involved in merger transactions:

Merged company	Merging company	Month
Blackstart Ltd	Rada Electronic Industries Ltd	November 2022

Companies which changed their name:

Old name	New name	Month
So.Ge.Pa. – Società Generale di Partecipazioni Spa	Leonardo Partecipazioni Spa	June 2022
Leonardo US Holding Inc	Leonardo US Holding Llc	October 2022
Rada Electronic Industries Ltd	Drs Rada Technologies Ltd	December 2022
Leonardo US Aircraft Inc	Leonardo US Aircraft Llc	March 2023
Selex Es Inc	Selex Es Llc	March 2023

(*): companies valued at cost

(**): companies valued at equity

ANNEX 2: “NON-GAAP” PERFORMANCE INDICATORS

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

As required by Consob Communication 0092543 of 3 December 2015, implementing the ESMA guidelines 2015/1415 on alternative performance indicators, below is a description of the components of each of these indicators:

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

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

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

(€ millions)	For the 3 months ended 31 March	
	2022	*2023*
Income before tax and financial expenses	110	107
Equity-accounted strategic investments	13	(14)
EBIT	**123**	**93**
Amortisation of intangible assets acquired as part of business combinations	6	8
Restructuring costs	2	1
Non-recurring (income) expense	1	3
EBITA	**132**	**105**

- **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 expense", "share of profits (losses) of equity-accounted investees", "income taxes" and "Profit (loss) from discontinued operations") the Group's share of profit in the results of its strategic Joint Ventures (MBDA, GIE ATR, TAS, Telespazio and Hensoldt), reported in the "share of profits (losses) of equity-accounted investees".
- **Net result before extraordinary transactions**: this is the Net Result before the result from discontinued operations and the effects of the extraordinary transactions (acquisitions and disposals).
- **Group Net Debt**: this includes cash, financial receivables and current securities, net of (current and non-current) loans and borrowings and of the fair value of derivatives covering financial debt items, as well as the main non-current receivables. The reconciliation with the net financial position required by the Consob communication no. DEM/6064293 of 28 July 2006, updated by the provisions of the EMSA Guideline 32-382-1138 of 4 March 2021 as implemented by Consob warning notice no. 5/21 of 29 April 2021, is reported below:

	31 December 2022	*31 March 2023*
A - Cash	(1,511)	(1,070)
C - Other current financial assets	(105)	(60)
D - Liquidity	**(1,616)**	**(1,130)**
E - Current financial debt (*)	1,046	1,303
F - Current portion of non-current financial debt	36	10
G - Current financial debt	**1,082**	**1,313**
H - Net current financial debt (funds)	**(534)**	**183**
I - Non-current financial debt (*)	3,531	3,523
J - Debt instruments (**)	19	(7)
K- Trade payables and other non-current debt	170	169
L - Non-current financial debt	**3,720**	**3,685**
M - Total financial debt	**3,186**	**3,868**

(*) Includes payables for leases of €mil. 78 in current payables and €mil. 495 in non-current payables (€mil. 78 current and €mil. 492 non-current at 31 December 2022)

(**) Includes the fair value of FX hedging derivatives in respect of debt items

- **Free Operating Cash-Flow (FOCF)**: this is the sum of the cash flows generated by (used in) operating activities (excluding the changes in the Group Net Debt), the cash flows generated by (used in) ordinary investing activities (investment and divestment of intangible assets, property, plant and equipment, and equity investments, net of cash flows from the purchase or sale of equity investments that, due to their nature or significance, are considered “strategic investments”) and dividends. The calculation of FOCF is presented in the reclassified statement of cash flows shown in the section “Group results and financial position”.
- **Return on Investments (ROI)**: this is calculated as the ratio of EBITA to the average net capital invested in the 12 months before the reporting period.
- **Workforce**: the number of employees recorded in the register on the last day of the period.

STATEMENT OF THE OFFICER IN CHARGE OF FINANCIAL REPORTING PURSUANT TO ART. 154 BIS, PARAGRAPH 2 OF LEGISLATIVE DECREE NO. 58/98 AS AMENDED AND SUPPLEMENTED

In accordance with the provisions of article 154-bis, paragraph 2 of Legislative Decree no. 58/1998 as amended and supplemented, the undersigned Alessandra Genco, the Officer in charge of Financial Reporting of Leonardo Società per azioni certifies that this interim reporting at 31 March 2023 corresponds to the related accounting records, books and supporting documentation.

Rome, 3 May 2023

Officer in charge of Financial Reporting

(Alessandra Genco)