

# Disclosure document on the Long-Term Incentive Plan for the management of the Leonardo Group

pursuant to Article 114-bis of the TUF and Article 84-bis of Consob's Issuers Regulation  
approved with resolution no. 11971 of 14 May 1999, as amended



#### *Disclaimer*

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

## CONTENTS

<b>Introduction</b>	<b>4</b>
<b>Beneficiaries</b>	<b>6</b>
– Identification by name of Beneficiaries who are members of the Board of Directors of the Issuer, its parent companies and its direct and indirect subsidiaries	6
– Categories of employees or associates of the Issuer and of the parent companies or subsidiaries of said Issuer	6
– Identification by name of the Beneficiaries belonging to the groups indicated in section 1.3, letters a), b) and c) of Annex 3A, Scheme 7 of the Issuers Regulation	6
– Description and number of Beneficiaries, divided into the categories indicated in section 1.4, letters a), b), and c) of Annex 3A, Scheme 7 of the Issuers Regulation	7
<b>Reasons for adopting the Plan</b>	<b>7</b>
– Objectives to be achieved by means of the attribution of the Plan	7
– Key variables, including performance indicators, considered in order to attribute the Plan	7
– Factors underlying the determination of the amount of compensation based on financial instruments, i.e. the criteria for its determination	7
– Reasons for any decision to attribute compensation Plans based upon financial instruments not issued by the Issuer, such as financial instruments issued by subsidiaries or parent companies or third party companies with respect to the group of origin; in the event that said instruments are not traded on regulated markets, information on the criteria used to determine the value assigned to them	8
– Evaluations with regards to significant tax and accounting implications that have affected the definition of the Plan	8
– Any support of the Plan by the special Fund to encourage workers to participate in businesses, pursuant to Article 4, paragraph 112 of Law 350 of 24 December 2003	8
<b>Approval procedure and the timing of the granting of instruments</b>	<b>8</b>
– Scope of powers and functions delegated by the Shareholders' Meeting to the Board of Directors in order to implement the Plan	8
– Identification of the persons responsible for administering the Plan and their function and Competence	9
– Any procedures in place for the review of the Plan, including in relation to any change in the basic objectives	9
– Description of the procedures for determining the availability and assignment of the financial instruments on which the Plan is based	9
– The role played by each director in determining the characteristics of the Plan, any conflicts of interest concerning the relevant directors	10
– Date of the resolution of the Board of Directors proposing that the Shareholders' Meeting approve the Plan and any proposals of the Remuneration Committees	10
– Date of the decision made by the Board of Directors concerning the granting of the instruments and any proposal to the Board made by the Remuneration Committees	10
– The market price, recorded on said dates, for the financial instruments on which the Plan is based	10
– Deadlines and procedures which the Issuer takes into account in determining the timing of the granting of the instruments in implementation of the Plan, of the possible timing coincidence of: (i) said grant or any decisions taken in this regard by the Remuneration Committee, and (ii) the circulation of any significant information pursuant to Article 114, paragraph 1, of the Consolidated Law on Financial Intermediation	10
<b>The characteristics of the instruments awarded</b>	<b>11</b>
– Description of the ways in which the compensation plans based on financial instruments are structured	11
– Indication of the period of effective implementation of the Plan, including with reference to any different cycles envisaged	11
– Termination of the Plan	11

- Maximum number of financial instruments, including options, granted in each tax year in relation to the individual persons named or the given categories	11
- The methods and clauses for the implementation of the Plan, specifying if the effective granting of the instruments is subject to conditions being met or certain results, including performance results, being achieved; description of such conditions and results	11
- Indication of any restrictions on availability affecting the instruments granted or the instruments arising from the exercise of the options, with specific reference to the terms within which the subsequent transfer to the company or third parties is permitted or prohibited	13
- Description of any conditions for termination of the attribution of the Plan in the event the participants engage in hedging operations that would allow them to neutralize any prohibitions on the sale of the financial instruments awarded, including in the form of options, or of financial instruments arising from the exercise of such options	13
- Description of the effects of the termination of the employment relationship	13
- Indication of any other reasons for cancellation of the Plan	13
- The reasons for any potential provision for "redemption" by the company of the financial instruments underlying the plans, arranged in accordance with Articles 2357 et seq. of the Italian Civil Code; the beneficiaries of the redemption, indicating whether the redemption is intended just for certain categories of employees; effects of termination of the employment relationship on such redemption	13
- Any loans or other benefits to be granted for the purchase of the shares in accordance with Article 2358 of the Italian Civil Code	14
- Indication of the assessment of the expected cost to the Company at the date of the relative grant, as can be determined based upon the terms and conditions already defined, by total amount and in relation to each Plan instrument	14
- Indication of any dilutive effects on share capital caused by the compensation plan	14
- Any restrictions on the exercise of voting rights or on the attribution of property rights	14
- If the shares are not traded on regulated markets, all information that will help to fully assess the value that can be assigned to them	14
- Number of financial instruments underlying each option	14
- Option expiry	14
- Method (American/European), timing (e.g. exercise periods) and exercise clauses (e.g. knock-in and knock-out clauses)	14
- The price for the exercise of the option or method and criteria for its determination	15
- If the exercise price is not the same as the market price determined as specified in section 4.19.b ("fair market value"), state the reasons for the difference	15
- Criteria upon which the different exercise prices for the various persons or categories of participants is determined	15
- If the financial instruments underlying the options are not traded on regulated markets, indication of the value that can be assigned to the underlying instruments or criteria used to determine said value	15
- Criteria for adjustments required following extraordinary capital operations and other operations entailing a change in the number of underlying instruments (capital increases, extraordinary dividends, groupings and splitting of the underlying shares, mergers and spin-offs, conversions into other share categories, etc.)	15
- Attachment	15/16

This Disclosure Document has been prepared by Leonardo S.p.a. (the “Company”) to provide information to its shareholders and the market on the proposal to adopt the Long-Term Incentive Plan (the “Plan”) that, on 27 March 2018, the Board of Directors of the Company, acting on a proposal of the Remuneration Committee at its meeting of xx March 2018, voted to submit for approval by the Ordinary Shareholders’ Meeting called to meet on 10 and 15 May 2018, at first and second call respectively. The Plan is structured around rolling three-year cycles, which will begin as from the years 2018, 2019 and 2020. The Plan is also based on financial instruments.

More specifically, the Disclosure Document was prepared in accordance with Article 84-bis of Issuer Regulation no. 11971/1999 (the Issuers Regulation) to explain the terms and conditions of the Plan. The Plan was also prepared in accordance with the recommendations contained in Article 6 of the Corporate Governance Code. In view of its Beneficiaries, the Plan can be considered to be “of major importance” pursuant to Article 114-bis, paragraph 3, of the Consolidated Law on Financial Intermediation (Legislative Decree 58/98) and Article 84-bis, paragraph 2, of the Issuers Regulation.

Any information currently not available concerning the implementation phase of the Plan, to be determined by the Board of Directors of the Company, acting on a proposal by the Remuneration Committee, following approval by the Shareholders’ Meeting, will be made available, pursuant to Article 84-bis, paragraph 5a) of the Issuers Regulation, within the time limits and in the manner provided for by applicable regulations.


The Company’s long-term monetary incentive plan confirms the company’s will and the need for a tool to incentivise management to achieve the medium and long-term objectives set out in the Group Industrial Plan and to better align management compensation with the creation of value for shareholders.

The Plan consists in the grant of bonus Shares to senior management and a combination of Shares and cash to the remainder of the Beneficiaries for reaching specific, pre-set Performance Targets measured at the end of a three-year period.

This Disclosure Document is available to the public at the Company’s registered office located at Piazza Monte Grappa no. 4 in Rome, as well as on the Company’s website ([www.leonardocompany.com](http://www.leonardocompany.com)) and through the market regulator, Borsa Italiana SpA, as well as on the website of the authorised storage device ([www.emarketstorage.com](http://www.emarketstorage.com)).

The following definitions apply:

- “Grant”: the potential right to receive a sum of cash and/or Shares under the Plan.
- “Shares”: the ordinary Shares of the Company listed on the electronic stock market (*Mercato Telematico Azionario*) organised by Borsa Italiana.
- “Beneficiaries”: refers to the participants in the Plan, who the Board of Directors shall identify by name.
- “Board of Directors” or “Board”: refers to the Board of Directors of the Company.
- “Remuneration Committee” or “Committee”: refers to the Leonardo’s Committee established by the Company in implementation of the Corporate Governance Code for listed companies approved by the Corporate Governance Committee, to which the company adheres.
- “Group”: refers to Leonardo S.p.a. and its direct and indirect subsidiaries, pursuant to the applicable law.
- “Performance Targets”: refers to the targets for the Plan the degree of achievement of which determines the value of the incentive in cash and/or in Shares to be paid to each Beneficiary at the end of the Vesting Period.

- 
- “Plan”: refers to the Long-Term Incentive Plan of the Company for selected key managers of the Group.
  - “Vesting Period”: refers to the three-year period from the date of award to the Beneficiaries under the Plan.
  - “Relationship”: refers to the relationship of employment and/or administration and/or other association between the Beneficiary and the Group.
  - “Rules”: refer to the document that establishes the terms and conditions applicable to the Plan and that implements it. The Rules will be established by the Board of Directors, acting on a proposal of the Committee, following the approval of the Plan by the Shareholders’ Meeting.
  - “Company”: refers to Leonardo S.p.a., having its registered office at Piazza Monte Grappa no. 4, Rome (RM), Italy.
  - “Subsidiaries”: refer to the Italian and/or foreign subsidiaries of the Company pursuant to Article 2359 of the Italian Civil Code.

## **1. Beneficiaries**

The Plan is open to a part of the Group's management, as identified by the Board of Directors following the approval of the Plan by the Shareholders' Meeting.

### **1.1. Identification by name of Beneficiaries who are members of the Board of Directors of the Issuer, its parent companies and its direct and indirect subsidiaries**

The Beneficiaries of the Plan include the Chief Executive Officer, Alessandro Profumo. Following the approval of the Plan by the Shareholders' Meeting, the Board of Directors will identify the other Beneficiaries from among the executive directors, employees and/or associates of the Company and Group companies holding positions that have a decisive impact on the achievement of business results. At its meeting of 27 March 2018, the Board of Directors, acting on a proposal of the Remuneration Committee, approved the criterion for identifying potential Beneficiaries, who shall be persons holding positions with the greatest impact on the Group's business in the medium term.

The Board also approved the general structure of the Plan, deferring the specific resolutions concerning the implementing details to a subsequent Board meeting to be held after the Plan is approved by the Shareholders' Meeting. Please see the disclosures that will be provided under Article 84-bis, paragraph 5a) of the Issuers Regulation.

### **1.2. Categories of employees or associates of the Issuer and of the parent companies or subsidiaries of said Issuer**

The Plan is open to a maximum of 210 managers, who have not yet been identified by name. More specifically, they comprise persons in an employment relationship with the Group in Italy and/or abroad, in one of the following categories:

- (a) those classified as managers (*dirigente*) of the Company;
- (b) those classified as managers (*dirigente*) of the Subsidiaries having their registered offices in Italy;
- (c) those classified as managers (*dirigente*) or the equivalent of the Subsidiaries having their registered offices abroad;
- (d) associates that hold positions as corporate officers or other management positions with the Company or the Subsidiaries.

Beneficiaries will be selected by the Board of Directors from among the managers who hold the most important strategic positions in the Company and the Subsidiaries and who have a significant impact on the creation of value for the Company and the shareholders. Please see the disclosures that will be provided under Article 84-bis, paragraph 5a) of the Issuers Regulation.

### **1.3. Identification by name of the Beneficiaries belonging to the groups indicated in section 1.3, letters a), b) and c) of Annex 3A, Scheme 7 of the Issuers Regulation**

The Beneficiaries will be selected from among the executive directors and employees and/or associates of the Company and Group companies holding strategically important positions and having a greater impact on the Group's business in the medium term. It will be possible to indicate the names of the Beneficiaries, with the exception of the information already provided in section 1.1, at the time of the Implementation of the Plan by the Board of Directors. Please see the disclosures that will be provided under Article 84-bis, paragraph 5a) of the Issuers Regulation.

## **1.4 Description and number of Beneficiaries, divided into the categories indicated in section 1.4, letters a), b), and c) of Annex 3A, Scheme 7 of the Issuers Regulation**

The Plan is open to a maximum of 210 Beneficiaries, including persons identified as key management personnel. The Beneficiaries will be selected by the Board of Directors following approval of the Plan by the Shareholders' Meeting. Please see the disclosures that will be provided under Article 84-bis, paragraph 5a) of the Issuers Regulation.

## **2. Reasons for adopting the Plan**

### **2.1. Objectives to be achieved by means of the attribution of the Plan**

By adopting the Plan, the Company is pursuing the goal of encouraging key Group employees to improve medium/long-term performance, both in terms of business and financial performance and the creation of value for shareholders.

More specifically, the Plan seeks to achieve the following objectives:

- focusing management on medium/long-term targets from the viewpoint of the sustainable business and financial performance of the Group;
- laying the foundations for closer convergence of the interests of management and the shareholders;
- ensuring that the remuneration package is better aligned with market practice.

### **2.2. Key variables, including performance indicators, considered in order to attribute the Plan**

The effective award of the bonus in Shares and/or cash is subject to specified conditions precedent, represented by:

- the performance of Total Shareholder Return (TSR) for Leonardo compared with the TSR of a select panel of companies in the three-year reference period;
- the Group Net Debt at the end of the three-year reference period;
- Return On Sales of the Group at the end of the three-year reference period.

The Board, acting on a proposal of the Remuneration Committee, has selected the above performance indicators as appropriate for measuring the industrial performance of the Company and of its capacity to create value for shareholders. The Plan is a rolling arrangement and each cycle lasts three years in a manner consistent with the business planning approach adopted by the Company.

### **2.3. Factors underlying the determination of the amount of compensation based on financial instruments, i.e. the criteria for its determination**

The Plan assigns an incentive based entirely in Leonardo shares to Top Management, Key Management Personnel and other Top Executives; other Beneficiaries, the company reserves the right to define the incentive in a different combination of Shares and cash (70% shares and 30% cash or vice versa) taking account of the differing levels of responsibility, the contribution to performance and the position within the organization of the company involved.

Each Beneficiary is notified, upon being made a participant of the Plan, of the amount of Shares and cash that constitutes his or her individual Grant.

The levels of incentive offered by the Plan are consistent with the principles underlying the remuneration policies of the Company. For more information on those principles and the overall structure of the remuneration policy, please see the Remuneration Report published in accordance with the applicable regulations on the Company website ([www.leonardocompany.com](http://www.leonardocompany.com)). For any information not currently available, please see the information that will be provided under Article 84-bis, paragraph 5a) of the Issuers Regulation.

**2.4. Reasons for any decision to attribute compensation Plans based upon financial instruments not issued by the Issuer, such as financial instruments issued by subsidiaries or parent companies or third party companies with respect to the group of origin; in the event that said instruments are not traded on regulated markets, information on the criteria used to determine the value assigned to them.**

Not applicable.

**2.5. Evaluations with regards to significant tax and accounting implications that have affected the definition of the Plan**

The structure of the Plan has not been affected by applicable tax regulations or accounting implications.

**2.6. Any support of the Plan by the special Fund to encourage workers to participate in businesses, pursuant to Article 4, paragraph 112 of Law 350 of 24 December 2003**

The Plan does not receive any support from the special Fund to encourage workers to participate in businesses, pursuant to Article 4, paragraph 112 of Law 350 of 24 December 2003.

**3. Approval procedure and the timing of the granting of instruments**

**3.1 Scope of powers and functions delegated by the Shareholders' Meeting to the Board of Directors in order to implement the Plan**

On 27 March 2018 the Board of Directors, on the basis of the preliminary work of the Remuneration Committee, approved the general framework for the Plan and voted to submit it for approval to the Shareholders' Meeting called for 10 and 15 May 2018 at first and second call, respectively.

The Shareholders' Meeting, in conjunction with its resolution approving the Plan, will authorise the Board to implement and manage the Plan. The range of powers delegated to the Board of Directors, which may be exercised subject to having received a favourable opinion or proposal from the Remuneration Committee, include:

- determining in detail how the Plan will be implemented;
- approving the Rules of the Plan and any updates;
- identifying the Beneficiaries by name;
- determining the bonus in Shares, or in a combination of Shares and cash, awarded to each Beneficiaries.



### **3.2 Identification of the persons responsible for administering the Plan and their function and competence**

The body responsible for decisions concerning the Plan, without prejudice to the powers of the Shareholders' Meeting, is the Board of Directors of the Company, which supervises the operational administration of the Plan, applying the rules set out in the Implementing Rules.

The Board of Directors may also delegate the Chief Executive Officer to implement the Plan Rules, make any amendments and administer the Plan; from the operational point of view the management of the plan will be implemented by the organizational unit Chief People, Organization and Transformation Officer.

More specifically, the Chief Executive Officer may:

- (i) identify any other Plan Beneficiaries in compliance with the criteria and limits set out by the Plan itself;
- (ii) award the bonus, specifying the Performance Targets to which the award is subject and the criteria for measuring those targets;
- (iii) verify, during the course of the period of the Plan, continued compliance with the requirements for participation in the Plan;
- (iv) verify achievement of the Performance Targets and determine, for each Beneficiary, the number of Shares and/or the cash amount due to them following such verification.

These activities, where delegated, shall be carried out on the basis of the preparatory work or advice of the Remuneration Committee.

### **3.3 Any procedures in place for the review of the Plan, including in relation to any change in the basic objectives**

During the implementation phase, the Board, acting on a proposal of the Remuneration Committee, will draft the Plan Rules, which will include, among other things, any procedures, terms and conditions for reviewing the Plan. These procedures will give the Board the power to modify the Performance Targets in the event that extraordinary and/or unforeseeable situations or circumstances arise that could significantly impact the results and/or the scope of the Group.

In the case of extraordinary operations involving Company equity, extraordinary situations not envisaged in the Plan Rules or any changes to current pension and tax legislation or to any other applicable legislation or regulation (including governance rules) or in their interpretation and application, the Board of Directors will have the power to make any changes to the Plan, autonomously and without the need for further approval from the Shareholders' Meeting, deemed necessary or appropriate to maintain the substantive and financial content of the Plan the same with respect to regulations that may come into effect from time to time.

### **3.4 Description of the procedures for determining the availability and assignment of the financial instruments on which the Plan is based**

To implement the Plan, ordinary Shares of the Company and/or a cash amount will be awarded to the Beneficiaries, the number of which will vary based upon the individual Grant and the degree to which the Plan targets are achieved. These Shares will consist of own Shares held by the Company.

If, at the time it becomes necessary to award the Shares, the requirements for the purchase of treasury shares should not be met, the award of Shares may be replaced, in part or in full, by the award of a cash amount equivalent to the value of the Shares to which each of the Beneficiaries would have been entitled under the Plan.

### **3.5 The role played by each director in determining the characteristics of the Plan, any conflicts of interest concerning the relevant directors**

The entire process of determining the characteristics of the Plan was carried out collectively, with the advice and recommendations of the Remuneration Committee, in accordance with the recommendations of the Corporate Governance Code for listed companies prepared by Borsa Italiana SpA and with best corporate practice in this field. The resolution with which the Board of Directors adopts the Plan Rules will be approved in accordance with the applicable regulations.

### **3.6 Date of the resolution of the Board of Directors proposing that the Shareholders' Meeting approve the Plan and any proposals of the Remuneration Committees**

At its meeting of 27 March 2018, the Board of Directors of Leonardo S.p.a., acting on the proposal of the Remuneration Committee (meeting on 26 March 2018), approved the general architecture of the Plan and the proposal to submit the Plan to the Shareholders' Meeting of Leonardo S.p.a. for approval.

### **3.7 Date of the decision made by the Board of Directors concerning the granting of the instruments and any proposal to the Board made by the Remuneration Committees**

The Plan and the financial instruments servicing shall be submitted for approval to the Shareholders' Meeting called for 10 and 15 May 2018 at first and second call, respectively. If the Shareholders' Meeting approves the Plan, following the Meeting the Board of Directors will meet to make decisions concerning the implementation of said Plan.

### **3.8 The market price, recorded on said dates, for the financial instruments on which the Plan is based**

On 26 and 27 March 2018, respectively, when the Remuneration Committee and the Board of Directors met to define the proposed Plan to submit to the Shareholders' Meeting called for 10 and 15 May 2018 at first and second call, respectively, the official stock market price of Leonardo Shares was € 9,34 and € 9,52 respectively.

The price of the Shares at the time of the decision of the Board of Directors concerning the Award will be announced in the manner specified in Article 84-bis, paragraph 5a) of the Issuers Regulation.

### **3.9 Deadlines and procedures which the Issuer takes into account in determining the timing of the granting of the instruments in implementation of the Plan, of the possible timing coincidence of: (i) said grant or any decisions taken in this regard by the Remuneration Committee, and (ii) the circulation of any significant information pursuant to Article 114, paragraph 1, of the Consolidated Law on Financial Intermediation**

The decisions concerning the Award of the Plan will be made in one or more meetings by the Board of Directors, the Plan having received the prior approval of the Shareholders' Meeting, having received the opinion of the Remuneration Committee and having heard the Board of Statutory Auditors, in accordance with applicable regulations. It should be specified that the right of Beneficiaries to receive the Shares and/or cash incentive will accrue after a three-year Vesting Period and only after achievement of the performance targets. Accordingly it was not necessary to make any specific provision in this regard.

## 4. The characteristics of the instruments assigned

### 4.1 Description of the ways in which the compensation plans based on financial instruments are structured.

The Plan calls for the payment of a bonus in the form of Shares or a combination of Shares and cash based upon the degree to which the targets defined in sections 2.2 and 4.5 are achieved as verified at the end of the Vesting Period.

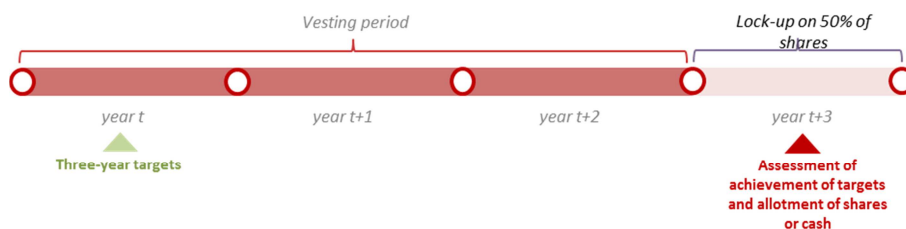
### 4.2 Indication of the period of effective implementation of the Plan, including with reference to any different cycles envisaged.

The Plan is organized around rolling three-year cycles, which will begin in 2018, 2019 and 2020.

For the first cycle, the Plan implementation period runs from 2018 (award of the Plan) to 2021 (end of the lock-up period for 50% of the Shares, which is only applicable to certain Beneficiaries).

For the second cycle, the Plan implementation period runs from 2019 (award of the Plan) to 2022 (end of the lock-up period for 50% of the shares, which is only applicable to certain Beneficiaries).

For the third cycle, the Plan implementation period runs from 2020 (award of the Plan) to 2023 (end of the lock-up period for 50% of the shares, which is only applicable to certain Beneficiaries).



### 4.3 Termination of the Plan.

Please see section 4.2 above.

### 4.4 Maximum number of financial instruments, including options, granted in each tax year in relation to the individual persons named or the given categories.

The Board of Directors has set the maximum number of Shares for the first implementation period of the incentive plans at 2.000.000. Any Shares serving the Plan for subsequent periods will be subject to approval by the competent bodies in accordance with the applicable regulations.

### 4.5 The methods and clauses for the implementation of the Plan, specifying if the effective granting of the instruments is subject to conditions being met or certain results, including performance results, being achieved; description of such conditions and results.

The effective award of the bonus to the Beneficiaries is subject to achievement of specified Performance Targets at the end of the three-year reference period, namely:

- the performance of Total Shareholder Return for Leonardo compared with the Total Shareholder Return of a select panel of companies, accounts for 50% of the bonus;
- the Net Financial Position of the Group, accounts for 25% of the bonus;

- Return On Sales of the Group, accounts for 25% of the bonus.

For both the Return on Sales and Group Net Debt a three-year target is set.

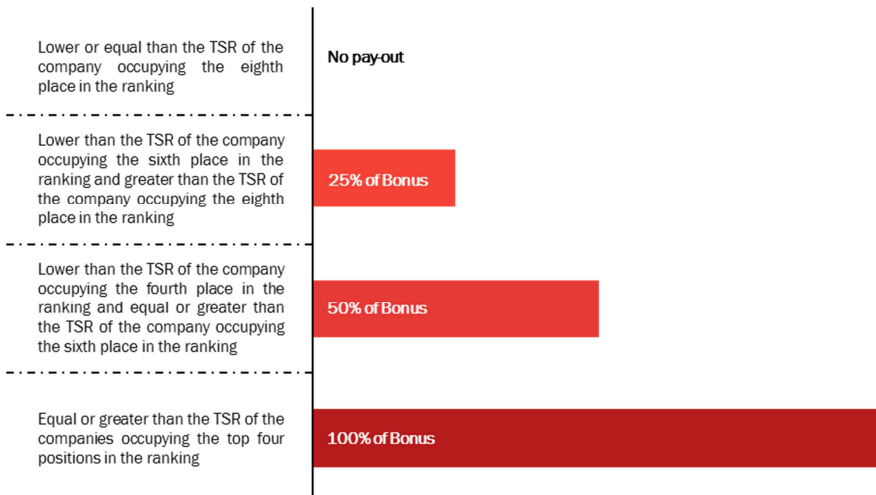
The Return on Sales will be measured on the average of the final values of each financial year during the vesting period of the Plan.

The Group Net Debt will be measured on the final value at the end of the vesting period and for which the following performance conditions have been set:

- a maximum threshold equal to the budget that determines the achievement of 100% of the bonus.
- a minimum threshold of 5% below budget that determines the achievement of 50% of the bonus.
- for the values below the minimum threshold no bonus will be paid out.

For results falling between the minimum, and maximum threshold of performance are calculated through the method of linear interpolation.

With regard to the relative Total Shareholder Return, the degree of achievement of the target will be measured on the basis of the position of the Leonardo Total Shareholder Return with respect to that of a select panel of international companies operating in the aerospace and defence industry and Italian industrial companies as described in the following diagram:



The panel is composed of the following companies:

- Saab
- Bae Systems
- Thales
- Cobham
- Meggitt
- L-3
- Textron
- Huntington Ingalls
- CNH
- Prysmian
- Saipem
- Fincantieri

For the Long Term Incentive Plan, it has been put in place a claw-back clause whereby the Board of Directors is entitled, through the competent corporate functions, to request the beneficiaries to return the bonuses they have received (in the form of cash or the value of the shares allocated to them) if the Board finds that the degree to which their performance objectives have been achieved has been determined on the basis of clearly erroneous or falsified calculations. This clause applies if the difference between the data utilised and the data rectified has led to a Bonus in cash and/or in Shares being granted in excess of the amount to which the beneficiaries are actually entitled to and places an obligation on the beneficiaries to return the bonuses that have been unduly paid.

**4.6 Indication of any restrictions on availability affecting the instruments granted or the instruments arising from the exercise of the options, with specific reference to the terms within which the subsequent transfer to the company or third parties is permitted or prohibited.**

Of the total shares granted to the Beneficiaries who will have the assigned bonus expressed entirely in shares, including the Chief Executive Officer and Executives with Strategic Responsibilities, 50% may not be transferred or be subject to encumbrances or constitute the object of any other *inter vivos* disposal of any kind for a period of 12 months from the 1<sup>st</sup> of January of the year where the consolidated financial statement of the third year of the plan is approved.

**4.7 Description of any conditions for termination of the attribution of the Plan in the event the participants engage in hedging operations that would allow them to neutralise any prohibitions on the sale of the financial instruments awarded, including in the form of options, or of financial instruments arising from the exercise of such options.**

Not applicable.

**4.8 Description of the effects of the termination of the employment relationship.**

In awarding cash amount and/or Shares that represent the bonus, it is assumed that an ongoing Relationship exists and that work is actually performed. The termination of the Relationship during the Vesting Period, prior to the actual payment of the Bonus, with the exceptions in case of transfer of the working relationship within the Group, causes the rights to the granting of the Plan to be lost, except in the case of good leavers.

A Beneficiary is considered to be a good leaver in any case where the Relationship is terminated due to:

- (a) the death or total permanent disability of the Beneficiary;
- (b) termination of the Relationship by the Company for reasons other than (A) just cause, or (B) any other cause justifying the termination of the relationship due to the Beneficiary's conduct;
- (c) resignation of the Beneficiary for cause.

In the event the termination of the Relationship qualifies as a good leaver termination, the Beneficiary shall retain the right to receive the Bonus in an amount that shall be recalculated on a pro-rata basis up to the date of termination of the Relationship subject to the achievement of the Performance Condition. The Bonus actually granted shall be calculated and delivered in accordance with the timetable and procedures provided for in the Plan's Regulations.

**4.9 Indication of any other reasons for cancellation of the Plan**

Any reasons for cancellation of the Plan will be specified during the Plan implementation phase.

**4.10** The reasons for any potential provision for “redemption” by the company of the financial instruments underlying the plans, arranged in accordance with Articles 2357 *et seq.* of the Italian Civil Code; the beneficiaries of the redemption, indicating whether the redemption is intended just for certain categories of employees; effects of termination of the employment relationship on such redemption.

Not applicable.

**4.11** Any loans or other benefits to be granted for the purchase of the shares in accordance with Article 2358 of the Italian Civil Code.

Not applicable.

**4.12** Indication of the assessment of the expected cost to the Company at the date of the relative grant, as can be determined based upon the terms and conditions already defined, by total amount and in relation to each Plan instrument.

As currently stands, under the terms and conditions already defined, the cost to the Company will amount to €6,5 million in bonuses distributable in cash, as well as contribution costs estimated at €2 million, and up to a maximum of 2.000.000 Shares for the part of the bonus distributable in shares.

**4.13** Indication of any dilutive effects on share capital caused by the compensation plan.

In view of the fact that the company's ordinary shares, to be attributed to the beneficiaries on the basis of the plan, will consist of treasury shares held by the company, no dilutive effects are expected

**4.14** Any restrictions on the exercise of voting rights or on the attribution of property rights.

The Shares will bear full rights, as no restrictions on the exercise of the voting rights or property rights attaching to the Shares are envisaged.

**4.15** If the shares are not traded on regulated markets, all information that will help to fully assess the value that can be assigned to them.

Not applicable.

**4.16** Number of financial instruments underlying each option.

Not applicable.

**4.17** Option expiry.

Not applicable.

**4.18** Method (American/European), timing (e.g. exercise periods) and exercise clauses (e.g. knock-in and knock-out clauses).

Not applicable.

**4.19** The price for the exercise of the option or method and criteria for its determination, with specific regard to:

a) the formula for calculating the exercise price in relation to a given market price (the "fair market value") (e.g. exercise price equal to 90%, 100% or 110% of market price) and

b) the method used to determine the market price taken as reference for the determination of the exercise price (e.g. last price of the day prior to grant, daily average, average for the last 30 days, etc.).

Not applicable.

**4.20** If the exercise price is not the same as the market price determined as specified in section 4.19.b ("fair market value"), state the reasons for the difference

Not applicable.

**4.21** Criteria upon which the different exercise prices for the various persons or categories of participants is determined

Not applicable.

**4.22** If the financial instruments underlying the options are not traded on regulated markets, indication of the value that can be assigned to the underlying instruments or criteria used to determine said value;

Not applicable.

**4.23** Criteria for adjustments required following extraordinary capital operations and other operations entailing a change in the number of underlying instruments (capital increases, extraordinary dividends, groupings and splitting of the underlying shares, mergers and spin-offs, conversions into other share categories, etc.).

Not applicable.

#### **4.24 Attachment**

The table attached to this Disclosure Document reports the information required under Section 2, Box 1, of the Table under Scheme 7 of attachment 3A to the Issuers Regulation, on the basis of the features already defined by the Company's Board of Directors. Additional information will be provided in accordance with the procedures provided for under Article 84-bis, paragraph 5, of the Issuers Regulation.

LAST AND FIRST NAME OR CATEGORY	ROLE	LONG-TERM INCENTIVE PLAN - CYCLE 2018 - 2020						
		AWARDED INSTRUMENTS FY 2018						
		FINANCIAL INSTRUMENTS OTHER THAN STOCK OPTIONS (STOCK GRANT)						
		SECTION 2						
		DATE OF SHAREHOLDERS' RESOLUTION	TYPE OF FINANCIAL INSTRUMENTS	NUMBER OF FINANCIAL INSTRUMENTS	AWARD DATE	ANY PURCHASE PRICE FOR THE INSTRUMENTS	MARKET PRICE AT AWARD DATE	VESTING PERIOD
Profumo Alessandro	Chief Executive Officer Leonardo	10/5/2018 first call 15/5/2018 second call	Shares of Leonardo S.p.a.	T.B.D.	T.B.D.	-	N.D.	Three years
Executives with Strategic Responsibilities	-----	10/5/2018 first call 15/5/2018 second call	Shares of Leonardo S.p.a.	T.B.D.	T.B.D.	-	N.D.	Three years
Other managers, employees or associates	-----	10/5/2018 first call 15/5/2018 second call	Shares of Leonardo S.p.a.	T.B.D.	T.B.D.	-	N.D.	Three years



