



Ordinary Shareholders' Meeting
10 and 15 May 2018
(first and second call)

Explanatory reports pursuant to Article 125-ter of Legislative Decree no. 58/98

Agenda:

1. Financial Statements at 31 December 2017 and relevant Report of the Board of Directors, Report of the Board of Statutory Auditors and Report of the Independent Auditors. Resolutions related thereto. Presentation of the Consolidated Financial Statements at 31 December 2017;
2. Appointment of the Board of Statutory Auditors for the three-year period 2018-2020;
3. Appointment of the Chairman of the Board of Statutory Auditors;
4. Determination of the remuneration of the members of the Board of Statutory Auditors;
5. Long-Term Incentive Plan for the management of Leonardo Group. Resolutions related thereto;
6. Remuneration Report: resolution pursuant to Article 123-ter, paragraph 6, of Legislative Decree no. 58/98;
7. Integration, on the basis of a well-grounded proposal of the Board of Statutory Auditors, of the fees of the independent Auditing Firm KPMG S.p.A., appointed to audit the financial statements for the financial years 2012-2020. Resolutions related thereto.

Disclaimer

These Explanatory Reports 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 Explanatory Reports and the English version, the Italian version shall prevail, as the Italian version constitutes the official document.

Explanatory Report of the Board of Directors on Item 1 on the Agenda

Financial Statements at 31 December 2017 and relevant Report of the Board of Directors, Report of the Board of Statutory Auditors and Report of the Independent Auditors. Resolutions related thereto. Presentation of the Consolidated Financial Statements at 31 December 2017.

Dear Shareholders,

The 2017 financial statements, which we submit for your approval, close with a net profit of € 356,115,445.38.

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 2017;*
- *having acknowledged the report of KPMG S.p.A.*

resolves

- *to approve the Directors’ Report on operations and the financial statements of Leonardo - Società per azioni at 31 December 2017;*
- *to approve the proposal posed by the Board of Directors of allocating the 2017 net profit of Euro 356,115,445.38 as follows:*
 - *Euro 17,805,772.27 equal to 5% of the net profit, to legal reserve;*
 - *Euro 0.14 as the dividend to be paid - before tax, if any – starting from 23 May 2018, with the ex-dividend date of coupon no. 9 falling on 21 May 2018 and the record date (i.e., the date in which shareholders are entitled to receive the dividend payment, pursuant to article 83-terdecies of Legislative Decree no. 58 of 24 February, 1998 and article 2.6.6, paragraph 2, of the Rules of the markets organised and managed by Borsa Italiana S.p.A.) falling on 22 May 2018; the foregoing is with reference to each ordinary share held and outstanding at the ex-dividend date, excluding own shares held in portfolio at that date, without prejudice to the regime of those actually assigned in the current financial year based on the incentive plans in force;*

- *the residual as retained earnings.*”

The documents pertaining to the Financial Statements are made available to the public - within the terms provided by the existing provisions of law - at the Company's registered office, at Borsa Italiana S.p.A., on the Company's website (www.leonardocompany.com section "Corporate Governance/Meeting 2018"), and on the website of the authorized storage mechanism eMarket STORAGE (www.emarketstorage.com).

Explanatory Report of the Board of Directors on Item 2 on the Agenda

Appointment of the Board of Statutory Auditors for the three-year period 2018-2020.

Dear Shareholders,

at the Ordinary Shareholders' Meeting called to approve the Financial Statements at 31 December 2017, convened on 10 May and 15 May 2018, in first and second call respectively, the Board of Statutory Auditors of the Company, appointed by the Ordinary Shareholders' Meeting on 11 May 2015 for the three-year period 2015-2017, will expire. You were therefore convened in order to resolve on the appointment of the new Board of Statutory Auditors for the three-year period 2018-2020.

Pursuant to Article 28 of the Articles of Association the Board of Statutory Auditors is composed of five Regular Statutory Auditors and two Alternate Statutory Auditors, appointed by the Shareholders' Meeting based on lists submitted by Shareholders.

As for the manner of presentation, filing and publication of the lists submitted by Shareholders, please refer to the provisions of Article 28.3 of the Articles of Association as well as to the principles laid down by Consob with own regulation.

In particular, in this respect it is recalled what follows.

The right to submit lists is granted only to those Shareholders who, either individually or jointly with other Shareholders, hold at least 1% of the share capital entitled to vote at the Ordinary Shareholders' Meeting, as established by Consob with Resolution no. 20273 of 24 January 2018.

Each shareholder may submit or participate in the submission of only one list and each candidate may appear on one list only under penalty of ineligibility.

Each list, in which candidates are listed in consecutive order, is divided into two sub-lists: one for candidates to be elected to the office of Regular Statutory Auditor and the other for candidates to be elected to the office of Alternate Statutory Auditor.

At least the first candidate in each sub-list must be entered in the official Register of legal auditors and must have been performing statutory audits of accounts for a period of no less than three years.

Furthermore, in compliance with the regulations in force regarding the balance between genders, pursuant to Article 28.3 and Article 28.3bis of the Company's Articles of Association at least one third of the Statutory Auditors must be elected from the less represented gender.

Therefore the lists that, considering both sub-lists, present a number of candidates equal to or greater than three must include, in the sub-list of the Statutory Auditors, candidates of different genders, considering that the number of representatives of the less-represented gender in the Board of Statutory Auditors of Leonardo must be - by law - equal to two (inasmuch where the application of the provisions in force in terms of gender balance does not allow to appoint a whole number of members of the Board of Statutory Auditors of the less represented gender, this number shall be rounded up to the next whole number).

If the sub-list of Alternate Auditors of such lists shows two candidates, they must belong to different genders.

The lists of candidates, signed by the Shareholder or the Shareholders submitting them, must be filed at the registered office of the Company, in the manner provided in the notice of call of the Meeting and not later than twenty five days prior to the date of the Meeting on first call (and therefore by 16 April 2018, first business day subsequent the termination of the deadline), together with information about the Shareholders who have submitted the list, including the percentage of share capital held by the same, and the following documentation:

- a) declarations by each candidate accepting their nomination and stating, under their own personal responsibility, that there are no causes of ineligibility and incompatibility, and the possession of the requirements prescribed by law and by the Articles of Association. In this regard, in particular, please note that each candidate must possess the independence requirements provided for Auditors in Article 148, paragraph 3 of the Legislative Decree no. 58/98, in addition to the requirements of integrity and professionalism as set out in the Italian Minister of Justice Decree no. 162 of 30 March 2000, pursuant to Article 148, paragraph 4, of

the Legislative Decree no. 58/98; each candidate must also declare himself/herself as independent also according to the criteria laid down, with regard to directors, in Article 3 of the Corporate Governance Code for listed companies;

- b) a "curriculum vitae" containing detailed information on the personal and professional characteristics of each candidate which will be published on the Company's website (www.leonardocompany.com, section "Corporate Governance/Meeting 2018") pursuant to Article 144-octies of the Consob Regulation no. 11971/99;
- c) taking into account the provisions of Article 2400, last paragraph, of the Italian Civil Code, a list of the administrative and managerial positions held in other companies by the candidates, with the recommendation to ensure the update until the date on which the Shareholders' Meeting is actually held. In this regard it is recalled that Auditors may not be appointed if they hold the office of Statutory Auditor in five issuers, or hold other administrative or managerial positions in other companies which together exceed the limit set by current legislation (Article 144-terdecies of Consob Regulation no. 11971/99);
- d) a statement of the Shareholder, other than those who hold, even jointly, a controlling or majority interest, certifying the absence of any relationship even indirect with the latter, in compliance with Article 147-ter, paragraph 3, of Legislative Decree no. 58/98 and Article 144-quinquies of Consob Regulation no. 11971/99; with reference to the contents of such statement, Shareholders' attention is drawn on recommendations contained in the Consob Communication no. DEM/9017893 of 26 February 2009.

In addition, note that under Article 19, paragraph 3, of Legislative Decree no. 39 of January 27, 2010, as amended by Legislative Decree no. 135 of July 17, 2016, the members of the Board of Statutory Auditors, which serves as the Internal Control and Audit Committee as required by that legislation, are as a whole competent in the sector in which the Company operates.

The ownership of the minimum shareholding for submission of lists is determined considering the shares registered in the name of Shareholders on the day that the lists are filed with the Company. Shareholders must file at the registered office, in the manner provided for the filing of lists, the certification proving ownership of the number of shares

represented, even after the filing of the list but in any case by the deadline provided for the publication of the lists by the Company (i.e. by 19 April 2018).

In the event that by 16 April 2018 only one list has been submitted, or lists have been submitted only by shareholders who are connected with each other under the aforementioned Article 144-quinquies of Consob Regulation no. 11971/99, the Company shall promptly give notice thereof in accordance with applicable law. In such event, lists may be submitted within the subsequent three days (i.e. by 19 April 2018, by 6:00 p.m. CET), bearing in mind that the minimum shareholding required for submission of lists is reduced by half and will be equal to 0.5% of the share capital with voting rights in the Ordinary Meeting. Compliance with said deadline is necessary in order to enable the Company to publish the lists submitted by the shareholders by the time limit provided for by Article 144-octies of Consob Regulation no. 11971/99, which also expires on 19 April 2018).

With regard to the mechanism for the appointment of auditors elected by “list mechanism”, please refer to what is stated in the notice on call of the Shareholders’ Meeting and Article 28.3 of the Articles of Association, which provides *inter alia* as follows:

- each person entitled to vote may vote at the Meeting only one list;
- at least two of the Statutory Auditors and at least one of Alternate Auditors will be chosen among those registered in the register of auditors and possessing at least three years’ experience as a statutory account auditor;
- auditors that do not meet these requirements will be chosen among those who have at least three years’ experience in the activities or duties listed in Article 28.1 of the Articles of Association, with reference to matters and sectors that are useful for the activities listed in Article 4 of the Articles of Association (corporate purpose);
- three Statutory Auditors and one Alternate Auditor shall be taken from the list that obtains the majority of votes of Shareholders attending the Meeting;
- two Statutory Auditors and one Alternate Auditor will be taken from the minority lists, in accordance with the provisions of Article 28.3, paragraph 11 letter b), of the Articles of Association.

Finally, please note that, pursuant to Article 28.3bis of the Articles of Association, for the appointment of one or more Statutory Auditor and Alternate Auditor that, for any reason,

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are not elected with the above procedures, the Shareholders' Meeting shall resolve with the majorities provided by law in compliance with the principle of representation of minorities and the applicable laws on balance between genders.

The Company adopted a policy concerning the diversity of the controlling body aimed at identifying profiles and requirements suitable to promote an optimum composition of the Body, including in terms of diversity, even in order to offer a useful tool in favour of those shareholders who will submit a list for the appointment of the Board of Statutory Auditors. Aforesaid policy (in compliance with the new provision in Art. 123-bis, paragraph 2, lett. d-bis of Legislative Decree n. 58/98) is illustrated in the Report on Corporate Governance and Shareholder Structure 2018 of Leonardo, made available to the public on the Company website (www.leonardocompany.com, section "Corporate Governance/Meeting 2018"), to which reference should be made.

The lists of candidates properly submitted, together with the above mentioned information and documentation, are made available to the public at the registered office, at Borsa Italiana S.p.A., on the Company's website (www.leonardocompany.com, section "Corporate Governance/Meeting 2018") and on the authorized storage mechanism eMarket STORAGE (www.emarketstorage.com), within twenty-one days before the date of the first call (i.e. not later than 19 April 2018).

The Statutory Auditors are appointed for a three-year term, ending, in any event, on the date of the Shareholders' Meeting called to approve the financial statements at 31 December 2020.

In relation to the above, we invite you to vote at the Shareholders' Meeting for one of the lists of candidates for the position of Statutory Auditor and for the position of Alternate Auditor, among those that will be submitted, filed and published in accordance with the provisions set out above.

Explanatory Report of the Board of Directors on Item 3 on the Agenda

Appointment of the Chairman of the Board of Statutory Auditors.

Dear Shareholders,

It is recalled that - in accordance with Article 148, paragraph 2-bis, of Legislative Decree no. 58/98 and with Article 28.3, paragraph 15, of the Articles of Association - the Chairman of the Board of Statutory Auditors is appointed by the Ordinary Shareholders' Meeting among the Statutory Auditors elected by the minority list.

We therefore invite you to vote at the Shareholders' Meeting the appointment of the Chairman of the Board of the Statutory Auditors from among those elected by the minority list.

Explanatory Report of the Board of Directors on Item 4 on the Agenda

Determination of the remuneration of the members of the Board of Statutory Auditors.

Dear Shareholders,

it is recalled that - in accordance with Article 2402 of the Italian Civil Code and Article 28.1 of the Articles of Association - the remuneration of the Statutory Auditors shall be determined by the Ordinary Shareholders' Meeting at the time of their appointment, for the entire term of their office.

It is recalled, in this regard, that the Ordinary Shareholders' Meeting of 28 April 2016 redetermined, for the remaining period of the office, the remuneration of the Board of Statutory Auditors about to expire as follows: (a) Euro 70,000.00 gross per year for each of the Statutory Auditors; (b) Euro 80,000.00 gross per year for the Chairman of the Board of Statutory Auditors.

You are therefore invited to determine the remuneration of the members of the Board of Statutory Auditors on the basis of the proposals that may be submitted by the Shareholders.

Explanatory Report of the Board of Directors on Item 5 on the Agenda

Long-Term Incentive Plan for the management of Leonardo Group. Resolutions related thereto.

Dear Shareholders,

we submit for your approval a proposal for a Long-Term Incentive Plan based on financial instruments (hereinafter the "Incentive Plan") for the management of Leonardo Group, defined by the Board of Directors upon proposal of the Remuneration Committee of the Company.

The characteristics of the Plan are described in the Disclosure Document drawn up by the Company pursuant to Article 84-bis of the Consob Regulation no. 11971/99 ("Issuers Regulations"), that is made available to the public - within the terms provided by the existing provisions of law - at the Company's registered office, at Borsa Italiana S.p.A., on the Company's website (www.leonardocompany.com, section "Corporate Governance/Meeting 2018"), as well as on the website of the authorized storage mechanism eMarket STORAGE (www.emarketstorage.com).

You are therefore invited to read the Disclosure Document.

In light of the above, we submit the following proposed resolution for your approval:

"The Ordinary Shareholders' meeting of LEONARDO - Società per azioni:

- *having regard to the provisions of Article 114-bis of Legislative Decree 58/98 and Article 84-bis of the Issuers' Regulation;*
- *taking due account of the own shares held by the Company,*

resolves

- *to approve the Long-Term Incentive Plan for the management of Leonardo Group, in accordance with the time and the conditions discussed in the Disclosure Document prepared by the Company pursuant to Article 114-bis of Legislative Decree 58/98 and Article 84-bis of the Consob Regulation 11971/99, granting the Board of Directors all the powers necessary for the implementation of the Plan including the power of sub-delegation to the Chief Executive Officer subject to approval or proposal of the Remuneration Committee;*

- *to authorize the availability, at any time, in whole or in part and in one or more times, of the own shares already held time by time by the Company, for their use, in compliance with the provisions of law, for the purposes of the Incentive Plans that the Company has already approved and may approve in the future, in accordance with time, procedures and conditions established in the Disclosure Documents themselves and/or in the associated implementing rules.”*

Explanatory Report of the Board of Directors on Item 6 on the Agenda

Remuneration Report: resolution pursuant to Article 123-ter, paragraph 6, of Legislative Decree no. 58/98.

Dear Shareholders,

Pursuant to Article 123-ter, paragraph 6, of Legislative Decree no. 58/98, you are invited to express your vote, in the form of a non-binding resolution, regarding the first section of the Remuneration Report referred to in Article 123-ter, paragraph 3, of Legislative Decree no. 58/98, illustrating the Company's policy on the remuneration of the members of the management bodies and other executives with strategic responsibilities, as well as the procedures adopted for the implementation of such policy.

The Remuneration Report is made available to the public - within the terms provided by the existing provisions of law - at the Company's registered office, at Borsa Italiana S.p.A., on the Company's website (www.leonardocompany.com, section "Corporate Governance/Meeting 2018"), as well as on the website of the authorized storage mechanism eMarket STORAGE (www.emarketstorage.com).

In light of the forgoing, the Board of Directors submits to the Shareholders' Meeting the following proposal of non-binding resolution regarding the sixth item on the agenda:

“The Ordinary Shareholders' Meeting of Leonardo – Società per azioni

- *having regard to Article 123-ter of Legislative Decree no. 58/98 and Article 84-quater of CONSOB Regulation no. 11971/99;*
- *having acknowledged the Remuneration Report approved by the Board of Directors on 27 March 2018, drafted pursuant to Article 123-ter of Legislative Decree no. 58/98 and Article 84-quater of CONSOB Regulation no. 11971/99 and in compliance with the provisions of the Corporate Governance Code for listed companies, to which the Company adheres, as well as published within the deadline of twenty-one days before the date of the first call of the Shareholders' Meeting convened to approve the Financial Statements at 31 December 2017;*

- *having examined, in particular, the first section of the aforementioned Report, illustrating the Company's policy on the remuneration of the members of the management bodies and other executives with strategic responsibilities, as well as the procedures adopted for the implementation of such policy;*
- *having considered the non-binding nature of this resolution, pursuant to Article 123-ter, paragraph 6, of Legislative Decree no. 58/98*

resolves

to vote in favour of the first section of the Remuneration Report drafted and approved by the Board of Directors pursuant to Article 123-ter of Legislative Decree no. 58/98 and Article 84-quater of CONSOB Regulation no. 11971/99.”

Explanatory Report of the Board of Directors on Item 7 on the Agenda

Integration, on the basis of a well-grounded proposal of the Board of Statutory Auditors, of the fees of the Independent Auditing Firm KPMG S.p.A, appointed to audit the financial Statements for the financial years 2012-2020. Resolutions related thereto.

Dear Shareholders,

the Board of Statutory Auditors, upon motion by the Independent Auditing Firm, KPMG S.p.A., requested the Board of Directors to include on the agenda of the Ordinary Shareholders' Meeting a specific item concerning the integration of the fees for the Independent Auditors.

In this regard, it is submitted to the Shareholders' Meeting the well-grounded proposal of the Board of Statutory Auditors, to which the Board of Directors refers, that is made available to the public - within the terms provided by the existing provisions of law - at the Company's registered office, at Borsa Italiana S.p.A., on the Company's website (www.leonardocompany.com section "Corporate Governance/Meeting 2018"), as well as on the website of the authorized storage mechanism eMarket STORAGE (www.emarketstorage.com).

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