

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2023

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 333-253583

Leonardo DRS, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation or Organization)

13-2632319
(I.R.S. Employer
Identification Number)

2345 Crystal Drive
Suite 1000
Arlington, Virginia 22202
(703) 416-8000

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common stock, \$0.01 par value	DRS	Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (\$232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and an emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of August 1, 2023, there were 262 million shares of the registrant's common stock, par value of \$0.01 per share, outstanding.

TABLE OF CONTENTS

	Page
PART I. Financial Information	1
ITEM 1. Financial Statements (Unaudited)	1
Consolidated Statements of Earnings	1
Consolidated Statements of Comprehensive Income	2
Consolidated Balance Sheets	3
Consolidated Statements of Cash Flows	4
Consolidated Statements of Shareholder's Equity	5
Notes to Consolidated Financial Statements	6
ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	22
ITEM 3. Quantitative and Qualitative Disclosures about Market Risk	40
ITEM 4. Controls and Procedures	44
PART II. Other Information	41
ITEM 1. Legal Proceedings	41
ITEM 1A. Risk Factors	42
ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds	43
ITEM 3. Defaults Upon Senior Securities	43
ITEM 4. Mine Safety Disclosures	44
ITEM 5. Other Information	44
ITEM 6. Exhibits	45
Signatures	46

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

In this quarterly report on Form 10-Q (the "Quarterly Report"), when using the terms the "Company", "DRS", "we", "us" and "our," unless otherwise indicated or the context otherwise requires, we are referring to Leonardo DRS, Inc. This Quarterly Report contains forward-looking statements and cautionary statements within the meaning of the Private Securities Litigation Reform Act of 1995. Some of the forward-looking statements can be identified by the use of forward-looking terms such as "believes," "expects," "may," "will," "shall," "should," "would," "could," "seeks," "aims," "strives," "targets," "projects," "intends," "plans," "estimates," "anticipates" or other comparable terms. Forward-looking statements include, without limitation, all matters that are not historical facts. They appear in a number of places throughout this Quarterly Report and include, without limitation, statements regarding our intentions, beliefs, assumptions or current expectations concerning, among other things, financial goals, financial position, results of operations, cash flows, prospects, strategies or expectations, and the impact of prevailing economic conditions.

Forward-looking statements are subject to known and unknown risks and uncertainties, many of which may be beyond our control. We caution you that forward-looking statements are not guarantees of future performance or outcomes and that actual performance and outcomes may differ materially from those made in or suggested by the forward-looking statements contained in this Quarterly Report. In addition, even if future performance and outcomes are consistent with the forward-looking statements contained in this Quarterly Report, those results or developments may not be indicative of results or developments in subsequent periods. New factors emerge from time to time that may cause our business not to develop as we expect, and it is not possible for us to predict all of them. Factors that could cause actual results and outcomes to differ from those reflected in forward-looking statements include, without limitation:

- Disruptions or deteriorations in our relationship with the relevant agencies of the U.S. government, as well as any failure to pass routine audits or otherwise comply with governmental requirements including those related to security clearance or procurement rules, including the False Claims Act;
- Significant delays or reductions in appropriations for our programs and changes in U.S. government priorities and spending levels more broadly;
- Any failure to comply with the proxy agreement with the U.S. Department of Defense (the “DoD”);
- Failure to properly contain a global pandemic in a timely manner could materially affect how we and our business partners operate;
- The effect of inflation on our supply chain and/or our labor costs;
- Our mix of fixed-price, cost-plus and time-and-material type contracts and any resulting impact on our cash flows due to cost overruns;
- Failure to properly comply with various covenants of the agreements governing our debt could negatively impact our business;
- Our dependence on U.S. government contracts, which often are only partially funded and are subject to immediate termination, some of which are classified, and the concentration of our customer base in the U.S. defense industry;
- Our use of estimates in pricing and accounting for many of our programs that are inherently uncertain and which may not prove to be accurate;
- Our ability to realize the full value of our backlog;
- Our ability to predict future capital needs or to obtain additional financing if we need it;
- Our ability to respond to the rapid technological changes in the markets in which we compete;
- The effect of global and regional economic downturns and rising interest rates;
- Our ability to meet the requirements of being a public company;
- Our ability to maintain an effective system of internal control over financial reporting;
- Our inability to appropriately manage our inventory;
- Our inability to fully realize the value of our total estimated contract value or bookings;
- Our ability to compete efficiently, including due to U.S. government organizational conflict of interest rules which may limit new contract opportunities or require us to wind down existing contracts;
- Our relationships with other industry participants, including any contractual disputes or the inability of our key suppliers to timely deliver our components, parts or services;
- Preferences for set-asides for minority-owned, small and small disadvantaged businesses could impact our ability to be a prime contractor;
- Any failure to meet our contractual obligations including due to potential impacts to our business from supply chain risks, such as longer lead times and shortages of electronics and other components;
- Any security breach, including any cyber-attack, cyber intrusion, insider threat, or other significant disruption of our IT networks and related systems as well as any act of terrorism or other threat to our physical security and personnel;

- Our ability to fully exploit or obtain patents or other intellectual property protections necessary to secure our proprietary technology, including our ability to avoid infringing upon the intellectual property of third parties or prevent third parties from infringing upon our own intellectual property;
- The conduct of our employees, agents, affiliates, subcontractors, suppliers, business partners or joint ventures in which we participate which may impact our reputation and ability to do business;
- Our compliance with environmental laws and regulations, and any environmental liabilities that may affect our reputation or financial position;
- The outcome of litigation, arbitration, investigations, claims, disputes, enforcement actions and other legal proceedings in which we are involved;
- Various geopolitical and economic factors, laws and regulations including the Foreign Corrupt Practices Act, the Export Control Act, the International Traffic in Arms Regulations, the Export Administration Regulations, and those that we are exposed to as a result of our international business;
- Our ability to obtain export licenses necessary to conduct certain operations abroad, including any attempts by Congress to prevent proposed sales to certain foreign governments;
- Our ability to attract and retain technical and other key personnel;
- The occurrence of prolonged work stoppages;
- The unavailability or inadequacy of our insurance coverage, customer indemnifications or other liability protections to cover all of our significant risks or to pay for material losses we incur;
- Future changes in U.S. tax laws and regulations or interpretations thereof;
- Certain limitations on our ability to use our net operating losses to offset future taxable income;
- Termination of our leases or our inability to renew our leases on acceptable terms;
- Changes in estimates used in accounting for our pension plans, including in respect of the funding status thereof;
- Changes in future business or other market conditions that could cause business investments and/or recorded goodwill or other long-term assets to become impaired;
- Adverse consequences from any acquisitions such as operating difficulties, dilution and other harmful consequences or any modification, delay or prevention of any future acquisition or investment activity by the Committee on Foreign Investment in the United States;
- Natural disasters or other significant disruptions; or
- Any conflict of interest that may arise because Leonardo US Holding, LLC (“US Holding”), our majority stockholder, or Leonardo S.p.A., our ultimate majority stockholder, may have interests that are different from, or conflict with, those of our other stockholders, including as a result of any ongoing business relationships Leonardo S.p.A. may have with us, and their significant ownership in us may discourage change of control transactions (our amended and restated certificate of incorporation provides that we waive any interest or expectancy in corporate opportunities presented to Leonardo S.p.A.); or
- Our obligations to provide certain services to Leonardo S.p.A., which may divert human and financial resources from our business.

You should read this Quarterly Report completely and with the understanding that actual future results may be materially different from expectations. All forward-looking statements made in this Quarterly Report are qualified by these cautionary statements. These forward-looking statements are made only as of the date of this filing, and we

do not undertake any obligation, other than as may be required by law, to update or revise any forward-looking or cautionary statements to reflect changes in assumptions, the occurrence of events, unanticipated or otherwise, and changes in future operating results over time or otherwise.

Other risks, uncertainties and factors, including those discussed under “Risk Factors” in Part I, Item 1A of our Annual Report on Form 10-K for the year end December 31, 2022, filed with the SEC on March 28, 2023, could cause our actual results to differ materially from those projected in any forward-looking statements we make. Readers should read carefully the discussion of these factors to better understand the risks and uncertainties inherent in our business and underlying any forward-looking statements.

PART I. FINANCIAL INFORMATION

ITEM 1. UNAUDITED FINANCIAL STATEMENTS

Consolidated Statements of Earnings (Unaudited)

(Dollars in millions, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenues:				
Products	\$ 590	\$ 549	\$ 1,110	\$ 1,090
Services	38	78	87	149
Total revenues	628	627	1,197	1,239
Cost of revenues:				
Products	(458)	(445)	(861)	(867)
Services	(25)	(55)	(60)	(111)
Total cost of revenues	(483)	(500)	(921)	(978)
Gross profit	145	127	276	261
General and administrative expenses	(90)	(84)	(190)	(160)
Amortization of intangibles	(5)	(2)	(11)	(4)
Other operating expenses, net	(8)	1	(8)	1
Operating earnings	42	42	67	98
Interest expense	(9)	(10)	(17)	(18)
Other, net	—	—	(1)	—
Earnings before taxes	33	32	49	80
Income tax provision (benefit)	(2)	7	2	19
Net earnings	\$ 35	\$ 25	\$ 47	\$ 61
Net earnings per share from common stock:				
Basic earnings per share:	\$ 0.14	\$ 0.12	0.18	0.29
Diluted earnings per share:	\$ 0.13	\$ 0.12	0.18	0.29

See accompanying Notes to Consolidated Financial Statements.

LEONARDO DRS, INC.

Consolidated Statements of Comprehensive Income (Unaudited)

(Dollars in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net earnings	\$ 35	\$ 25	\$ 47	\$ 61
Other comprehensive income (loss):				
Foreign currency translation gain, net of income taxes	1	(1)	1	—
Gain from pension settlements	—	—	—	3
Net unrecognized gain (loss) on postretirement obligations, net of income taxes	1	(1)	1	1
Other comprehensive income (loss), net of income tax	2	(2)	2	4
Total comprehensive income	<u>\$ 37</u>	<u>\$ 23</u>	<u>\$ 49</u>	<u>\$ 65</u>

See accompanying Notes to Consolidated Financial Statements.

LEONARDO DRS, INC.
Consolidated Balance Sheets

(Dollars in millions, except per share amounts)	(Unaudited)	
	June 30, 2023	December 31, 2022
ASSETS		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 35	\$ 306
Accounts receivable, net	198	166
Contract assets	1,018	872
Inventories	378	319
Prepaid expenses	17	20
Other current assets	51	24
Total current assets	1,697	1,707
<i>Noncurrent assets:</i>		
Property plant and equipment, net	402	404
Intangible assets, net	161	172
Goodwill	1,236	1,236
Deferred tax assets	68	66
Other noncurrent assets	98	92
Total noncurrent assets	1,965	1,970
Total assets	\$ 3,662	\$ 3,677
LIABILITIES AND SHAREHOLDERS' EQUITY		
<i>Current liabilities:</i>		
Short-term borrowings and current portion of long-term debt	\$ 136	\$ 29
Accounts payable	290	457
Contract liabilities	292	233
Other current liabilities	225	323
Total current liabilities	943	1,042
<i>Noncurrent liabilities:</i>		
Long-term debt	357	365
Pension and other postretirement benefit plan liabilities	41	45
Deferred tax liabilities	8	—
Other noncurrent liabilities	124	98
Total noncurrent liabilities	\$ 530	\$ 508
Commitments and contingencies (Note 14)		
<i>Shareholders' equity</i>		
Preferred stock, \$0.01 par value: 10,000,000 shares authorized; none issued	\$ —	\$ —
Common stock, \$0.01 par value: 350,000,000 shares authorized; 261,723,423 issued	3	3
Additional paid-in capital	5,160	5,147
Accumulated deficit	(2,927)	(2,974)
Accumulated other comprehensive loss	(47)	(49)
Total shareholders' equity	2,189	2,127
Total liabilities and shareholders' equity	\$ 3,662	\$ 3,677

See accompanying Notes to Consolidated Financial Statements.

LEONARDO DRS, INC.
Consolidated Statements of Cash Flows (Unaudited)

(Dollars in millions)	Six Months Ended June 30,	
	2023	2022
Operating activities		
Net earnings	\$ 47	\$ 61
Adjustments to reconcile net earnings to net cash used in operating activities:		
Depreciation and amortization	42	31
Deferred income taxes	6	14
Other	8	—
Changes in assets and liabilities:		
Accounts receivable	(32)	24
Contract assets	(146)	(131)
Inventories	(59)	(47)
Prepaid expenses	3	(3)
Other current assets	(25)	(7)
Other noncurrent assets	6	22
Defined benefit obligations	(2)	(3)
Other current liabilities	(91)	(9)
Other noncurrent liabilities	5	(17)
Accounts payable	(167)	(165)
Contract liabilities	59	(12)
Net cash used in operating activities	\$ (346)	\$ (242)
Investing activities		
Capital expenditures	(27)	(22)
Proceeds from sales of assets	1	—
Net cash used in investing activities	\$ (26)	\$ (22)
Financing activities		
Net (decrease) increase in third party borrowings (maturities of 90 days or less)	(4)	(17)
Repayment of third party debt	(291)	—
Borrowings of third party debt	395	—
Repayment of related party debt	—	(335)
Borrowings from related parties	—	445
Proceeds from stock issuance	6	—
Cash outlay to reacquire equity instruments	(1)	—
Other	(4)	—
Net cash provided by financing activities	\$ 101	\$ 93
Effect of exchange rate changes on cash and cash equivalents	—	—
Net decrease in cash and cash equivalents	\$ (271)	\$ (171)
Cash and cash equivalents at beginning of year	306	240
Cash and cash equivalents at end of period	\$ 35	\$ 69

See accompanying Notes to Consolidated Financial Statements.

LEONARDO DRS, INC.

Consolidated Statements of Shareholder's Equity (Unaudited)

(Dollars in millions, except per share amounts)

	Common stock	Additional paid- in capital	Accumulated other comprehensive loss	Accumulated deficit	Total
Balance as of December 31, 2021	\$ 1	\$ 4,633	\$ (58)	\$ (2,983)	\$ 1,593
Total comprehensive income	—	—	4	61	65
Balance as of June 30, 2022	\$ 1	\$ 4,633	\$ (54)	\$ (2,922)	\$ 1,658

Balance as of December 31, 2022	\$ 3	\$ 5,147	\$ (49)	\$ (2,974)	\$ 2,127
Total comprehensive income	—	—	2	47	49
Stock compensation expense	\$ —	\$ 13	\$ —	\$ —	\$ 13
Balance as of June 30, 2023	\$ 3	\$ 5,160	\$ (47)	\$ (2,927)	\$ 2,189

See accompanying Notes to Consolidated Financial Statements.

LEONARDO DRS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Organization

Leonardo DRS, Inc., together with its wholly owned subsidiaries (hereinafter, “DRS,” “the Company,” “us,” “our,” or “we”) is a supplier of defense electronics products, systems and military support services. The Company’s largest shareholder is Leonardo S.p.A (hereinafter, “Leonardo S.p.A.”), an Italian multi-national aerospace, defense and security company headquartered in Rome, Italy, through its ultimate sole ownership of Leonardo US Holding, LLC (“US Holding”). US Holding is the majority stockholder of the Company.

DRS is a provider of defense products and technologies that are used across land, air, sea, space and cyber domains. Our diverse array of defense systems and solutions are offered to all branches of the U.S. military, major aerospace and defense prime contractors, government intelligence agencies, international military customers and industrial markets for deployment on a wide range of military platforms. We focus our capabilities in areas of critical importance to the U.S. military, such as advanced sensing, network computing, force protection and electrical power and propulsion.

These capabilities directly align with our two reportable segments: Advanced Sensing and Computing and Integrated Mission Systems. The U.S. DoD is our largest customer and accounts for approximately 73% and 82% of our total revenues as an end-user for the periods ended June 30, 2023 and June 30, 2022, respectively. Specific international and commercial market opportunities exist within these segments and make up approximately 27% and 18% of our total revenues for the periods ended June 30, 2023 and June 30, 2022, respectively. Our two reportable segments reflect the way performance is assessed and resources are allocated by our Chief Executive Officer, who is our chief operating decision maker (“CODM”).

Advanced Sensing and Computing (“ASC”)

The Advanced Sensing and Computing (“ASC”) segment designs, develops and manufactures sensing and network computing technology that enables real-time situational awareness required for enhanced operational decision making and execution by our customers.

Our leading sensing capabilities span applications including missions requiring advanced detection, precision targeting and surveillance sensing, long range electro-optic/infrared (“EO/IR”), signals intelligence (“SIGINT”) and other intelligence systems, electronic warfare (“EW”), ground vehicle sensing, next generation active electronically scanned array (“AESA”) tactical radars, dismounted soldier sensing and space sensing. Across our offering, we are focused on advancing sensor distance, precision, clarity, definition, spectral depth and effectiveness. Furthermore, we seek to leverage our multi-decade experience to optimize size, weight, power and cost tailored to our customers’ specific mission requirements, including in space-based applications for earth surveillance and missile tracking.

Our sensing capabilities are complemented by our rugged, trusted and cyber resilient network computing products. Our network computing offering is utilized across a broad range of mission applications including platform computing on ground and shipboard (both surface ship and submarine) for advanced battle management, combat systems, radar, command and control (“C2”), tactical networks, tactical computing and communications. Our network computing products support the DoD’s need for greater situational understanding at the tactical edge and permits data to be rapidly transmitted securely from command centers to forward-positioned defense assets.

Integrated Mission Systems (“IMS”)

Our Integrated Mission Systems (“IMS”) segment designs, develops, manufactures and integrates power conversion, control and distribution systems, ship propulsion systems, motors and variable frequency drives, force protection systems, transportation and logistics systems for the U.S. and allied defense customers.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Our naval power and propulsion systems are providing next-generation power capabilities for the future fleet. DRS is currently a leading provider of next-generation electrical propulsion systems for the U.S. Navy. We provide power conversion, control, distribution and propulsion systems for the Navy's top priority shipbuilding programs, including the Columbia Class ballistic missile submarine, the first modern U.S. electric drive submarine. We believe DRS is well positioned to meet the needs of an increasingly electrified fleet with our high-efficiency, power dense permanent magnet motors, energy storage systems and associated efficient, rugged and compact power conversion, electrical actuation systems, and advanced cooling technologies. DRS has a long history of providing a number of other critical products to the U.S. Navy with a significant installed base on submarines, aircraft carriers and other surface ships including motor controllers, instrumentation and control equipment, electrical actuation systems, and thermal management systems for electronics and ship stores refrigeration.

Our technologies and systems help protect U.S. forces and assets against increasingly sophisticated and proliferating threats. DRS is an integrator of systems in ground vehicles for short-range air defense, counter-Unmanned Aerial Systems ("C-UAS"), and vehicle survivability and protection. This integrator role includes utilizing radars, EW equipment, reconnaissance and surveillance systems, modular combat vehicle turrets, and stabilized sensor suites, and kinetic countermeasures for short-range air defense. Our force protection systems, including solutions for C-UAS, short-range air defense systems and active protection systems used to defend ground combat vehicles help protect personnel and defense assets from these growing threats.

Other

The Company separately presents the unallocable costs associated with corporate functions and certain non-operating subsidiaries of the Company as Corporate & Eliminations.

See *Note 16: Segment Information* for further information regarding our business segments.

B. Basis of presentation

The accompanying unaudited Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include the accounts of DRS, its wholly owned subsidiaries and its controlling interests and contain all adjustments, which are of a normal and recurring nature, considered necessary by management to present fairly the financial position, results of operations and cash flows for the periods presented. Interests in ventures that are controlled by the Company, or for which the Company is otherwise deemed to be the primary beneficiary, are consolidated. For joint ventures in which the Company does not have a controlling interest, but exerts significant influence, the Company applies the equity method of accounting. All intercompany transactions and balances have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform to current year presentation.

Interim Financial Statements. The unaudited Consolidated Financial Statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). These rules and regulations permit some of the information and footnote disclosures included in financial statements prepared in accordance with U.S. GAAP to be condensed or omitted.

These unaudited Consolidated Financial Statements should be read in conjunction with our audited Consolidated Financial Statements as of and for the year ended December 31, 2022 included in our Annual Report on Form 10-K for the year end December 31, 2022, filed with the SEC on March 28, 2023.

C. New Accounting Pronouncements*Disclosure of Supplier Finance Program Obligations*

In September 2022, the Financial Accounting Standards Board issued Accounting Standards Update 2022-04, *Liabilities – Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations*, which is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The adoption of this standard did not have a material impact on our financial statements.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 2. Business Acquisitions and Dispositions*Acquisitions*

On June 21, 2022, the Company, entered into an Agreement and Plan of Merger (the “Merger Agreement”) with RADA Electronic Industries, Ltd (“RADA”), a leading Israel-based provider of small-form tactical radar, for an all-stock merger, with RADA surviving as a wholly owned subsidiary of the Company. The Company acquired RADA as part of the Company’s goal to become a market leader in advanced sensing and force protection.

The acquisition of RADA has been accounted for using the acquisition method of accounting in accordance with ASC 805, *Business Combinations*, with the Company as the accounting acquirer, which requires the assets acquired and liabilities assumed be recognized at their acquisition date fair value. The acquisition was completed on November 28, 2022, when each issued and outstanding ordinary share of RADA was converted and exchanged for one share of common stock of the Company.

The total purchase consideration for RADA was \$511 million and is comprised of the Company’s shares of common stock issued in exchange for all issued and outstanding ordinary shares of RADA, as well as \$20 million of replacement stock compensation awards’ fair value attributable to pre-combination services.

The preliminary fair value estimates of the net assets acquired and liabilities assumed are based upon preliminary calculations and valuations, and those estimates and assumptions are subject to change as the Company obtains additional information during the measurement period (up to one year from the acquisition date). The Company has not yet finalized the determination of fair values allocated to the acquired assets and liabilities, including but not limited to the valuation of contract related assets and liabilities and related tax impacts of the opening balance sheet adjustments. The excess of the total consideration over the tangible assets, identifiable intangible assets, and assumed liabilities is recorded as goodwill. Identifiable intangibles assets of \$131 million consist of \$90 million of technology related assets while the remaining \$41 million consists of customer and contractual relationships. The goodwill of \$284 million arising from the acquisition is primarily attributable to the growth opportunities related to the RADA business. None of the goodwill resulting from the acquisition is deductible for tax purposes. All of the goodwill recognized related to the RADA acquisition was assigned to the ASC segment.

Dispositions

On March 21, 2022, the Company entered into a definitive agreement to sell its Global Enterprise Solutions (“GES”) business to SES Government Solutions, Inc., a wholly-owned subsidiary of SES S.A., for \$450 million subject to certain working capital adjustments. The transaction was completed on August 1, 2022 and resulted in cash proceeds of \$427 million after net working capital adjustments.

In February 2022, the Company’s Board of Directors approved the strategic initiative to divest the Company’s interest in Advanced Acoustic Concepts (“AAC”). On April 19, 2022, we entered into a definitive sales agreement to divest our share of our equity investment in AAC for \$56 million to Thales Defense & Security, Inc., the minority partner in AAC. The transaction was completed on July 8, 2022 and resulted in proceeds of \$56 million.

Note 3. Revenue from Contracts with Customers

The Company recognizes revenue for each separately identifiable performance obligation in a contract representing an obligation to transfer a distinct good or service to a customer. In most cases, goods and services provided under the Company’s contracts are accounted for as single performance obligations due to the complex and integrated nature of our products and services. These contracts generally require significant integration of a group of goods and/or services to deliver a combined output. In some contracts, the Company provides multiple distinct goods or services to a customer. In those cases, the Company accounts for the distinct contract deliverables as separate performance obligations and allocates the transaction price to each performance obligation based on its relative standalone selling price, which is generally estimated using cost plus a reasonable margin. We classify

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

revenues as products or services on our Consolidated Statements of Earnings based on the predominant attributes of the performance obligations. While the Company provides warranties on certain contracts, we typically do not provide for services beyond standard assurances and therefore do not consider warranties to be separate performance obligations. Typically we enter into three types of contracts: fixed-price contracts, cost-plus contracts and time and material (“T&M”) contracts (cost-plus contracts and T&M contracts are aggregated below as flexibly priced contracts). The majority of our total revenues are derived from fixed-price contracts; refer to the revenue disaggregation disclosures that follow.

For fixed-price contracts, customers agree to pay a fixed amount, negotiated in advanced for a specified scope of work.

For cost-plus contracts, typically we are reimbursed for allowable or otherwise defined total costs (defined as cost of revenues plus allowable general and administrative expenses) incurred, plus a fee. The contracts may also include incentives for various performance criteria, including quality, timeliness and cost-effectiveness. In addition, costs are generally subject to review by clients and regulatory audit agencies, and such reviews could result in costs being disputed as non-reimbursable under the terms of the contract.

T&M contracts provide for reimbursement of labor hours expended at a contractual fixed labor rate per hour, plus the actual costs of material and other direct non-labor costs. The fixed labor rates on T&M contracts include amounts for the cost of direct labor, indirect contract costs and profit.

Revenue from contracts with customers is recognized when the performance obligations are satisfied through the transfer of control over the good or service to the customer, which may occur either over time or at a point in time.

Revenues for the majority of our contracts are measured using the over time, percentage of completion cost-to-cost method of accounting to calculate percentage of completion. We believe this is an appropriate measure of progress toward satisfaction of performance obligations as this measure most accurately depicts the progress of our work and transfer of control to our customers. Due to the long-term nature of many of our contracts, developing the estimated total cost at completion and total transaction price often requires judgment. Factors that must be considered in estimating the cost of the work to be completed include the nature and complexity of the work to be performed, subcontractor performance and the risk and impact of delayed performance.

After establishing the estimated total cost at completion, we follow a standard Estimate at Completion (“EAC”) process in which we review the progress and performance on our ongoing contracts on a routine basis. Adjustments to original estimates for a contract’s revenue, estimated costs at completion and estimated profit or loss often are required as work progresses under a contract, as experience is gained and as more information is obtained, even though the scope of work required under the contract may not change and are also required if contract modifications occur. When adjustments in estimated total costs at completion or in estimated total transaction price are determined, the related impact on revenue and operating income are recognized using the cumulative catch-up method, which recognizes in the current period the cumulative effect of such adjustments for all prior periods. Any anticipated losses on these contracts are fully recognized in the period in which the losses become evident.

EAC adjustments had the following impacts to revenue for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
<i>(Dollars in millions)</i>				
Revenue	\$ (11)	\$ (10)	\$ (20)	\$ (11)
Total % of Revenue	1.7 %	1.6 %	1.7 %	0.9 %

The impacts noted above are attributed primarily to changes in our firm-fixed-price development type programs. As changes happen in the design required to achieve contractual specifications, those changes often result in the programs’ estimate and related profitability.

Conversely, if the requirements for the recognition of contracts over time are not met, revenue is recognized at a point in time when control transfers to the customer, which is generally upon transfer of title. In such cases, the

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

production that is in progress and costs that will be recognized at a future point in time are reported within “inventories”.

Costs to obtain a contract are incremental direct costs incurred to obtain a contract with a customer, including sales commissions and dealer fees, and are capitalized if material. Costs to fulfill a contract include costs directly related to a contract or specific anticipated contract (e.g., certain design costs) that generate or enhance our ability to satisfy our performance obligations under these contracts. These costs are capitalized to the extent they are expected to be recovered from the associated contract.

Contract Assets and Liabilities

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) on the Consolidated Balance Sheet. Amounts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals (e.g., biweekly or monthly) or upon achievement of contractual milestones. Generally, billing occurs subsequent to revenue recognition, resulting in contract assets. However, we sometimes receive advances or deposits from our customers before revenue is recognized, resulting in contract liabilities.

(Dollars in millions)

	June 30, 2023	December 31, 2022
Contract assets	\$ 1,018	\$ 872
Contract liabilities	292	233
Net contract assets	\$ 726	\$ 639

Revenue recognized in the periods ending June 30, 2023 and June 30, 2022, that was included in the contract liability balance at the beginning of each period was \$129 million and \$107 million, respectively.

Contract assets related to amounts withheld by customers until contract completion are not considered a significant financing component of our contracts because the intent is to protect the customers from our failure to satisfactorily complete our performance obligations. Payments received from customers in advance of revenue recognition (contract liabilities) are not considered a significant financing component of our contracts because they are utilized to pay for contract costs within a one-year period or are requested by us to ensure the customers meet their payment obligations.

Value of Remaining Performance Obligations

The value of remaining performance obligations, which we also refer to as total backlog, includes the following components:

- **Funded** - Funded backlog represents the revenue value of orders for services under existing contracts for which funding is appropriated or otherwise authorized less revenue previously recognized on these contracts.
- **Unfunded** - Unfunded backlog represents the revenue value of firm orders for products and services under existing contracts for which funding has not yet been appropriated less funding previously recognized on these contracts.

LEONARDO DRS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following table summarizes the value of our total backlog as of June 30, 2023, incorporating both funded and unfunded components:

Backlog:		June 30, 2023
<i>(Dollars in millions)</i>		
Funded	\$	3,002
Unfunded	\$	1,355
Total Backlog	\$	4,357

We expect to recognize approximately 31% of our June 30, 2023 backlog as revenue over the next six months, with the remainder to be recognized thereafter.

Disaggregation of Revenue

ASC: ASC revenue is primarily derived from U.S. government development and production contracts and is generally recognized using the over time, percentage of completion cost-to-cost method of accounting. We disaggregate ASC revenue by geographical region, customer relationship and contract type. We believe these categories best depict how the nature, amount, timing and uncertainty of ASC revenue and cash flows are affected by economic factors:

<i>(Dollars in millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue by Geographical Region				
United States	\$ 340	\$ 367	\$ 670	\$ 739
International	62	74	112	96
Intersegment Sales	2	3	13	5
Total	\$ 404	\$ 444	\$ 795	\$ 840
Revenue by Customer Relationship				
Prime contractor	\$ 181	\$ 216	\$ 343	\$ 448
Subcontractor	221	225	439	387
Intersegment Sales	2	3	13	5
Total	\$ 404	\$ 444	\$ 795	\$ 840
Revenue by Contract Type				
Firm Fixed Price	\$ 335	\$ 394	\$ 659	\$ 736
Flexibly Priced ⁽¹⁾	67	47	123	99
Intersegment Sales	2	3	13	5
Total	\$ 404	\$ 444	\$ 795	\$ 840

(1) Includes revenue derived from time-and-materials contracts.

IMS: IMS revenue is primarily derived from U.S. government development and production contracts and is generally recognized over time using the over time, percentage of completion cost-to-cost method of accounting. We disaggregate IMS revenue by geographical region, customer relationship and contract type. We believe these

LEONARDO DRS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

categories best depict how the nature, amount, timing and uncertainty of IMS revenue and cash flows are affected by economic factors:

(Dollars in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue by Geographical Region				
United States	\$ 222	\$ 178	\$ 408	\$ 390
International	4	8	7	14
Intersegment Sales	—	1	—	1
Total	\$ 226	\$ 187	\$ 415	\$ 405
Revenue by Customer Relationship				
Prime contractor	\$ 48	\$ 36	\$ 94	\$ 69
Subcontractor	178	150	321	335
Intersegment Sales	—	1	—	1
Total	\$ 226	\$ 187	\$ 415	\$ 405
Revenue by Contract Type				
Firm Fixed Price	\$ 183	\$ 154	\$ 338	\$ 347
Flexibly Priced ⁽¹⁾	43	32	77	57
Intersegment Sales	—	1	—	1
Total	\$ 226	\$ 187	\$ 415	\$ 405

(1) Includes revenue derived from time-and-materials contracts.

Note 4. Accounts Receivable

Accounts receivable represent amounts billed and currently due from customers. Payment is typically received from our customers either at periodic intervals (e.g., biweekly, or monthly) or upon achievement of contractual milestones.

Accounts receivable consist of the following:

(Dollars in millions)	June 30, 2023	December 31, 2022
Accounts receivable	\$ 199	\$ 168
Less allowance for credit losses	(1)	(2)
Accounts receivable, net	\$ 198	\$ 166

The Company maintains certain agreements with financial institutions to sell certain trade receivables. See Note 5: Sale of Receivables for more information

Note 5. Sale of Receivables

The Company is party to factoring facilities with various financial institutions with an aggregate capacity of \$325 million. Pursuant to the servicing agreements collections on sold receivables that had not yet been remitted to the financial institutions are included within short-term borrowings and current portion of long-term debt in the Consolidated Balance Sheets. See Note 11. Debt for further information.

The receivables sold under the factoring facilities are without recourse for any customer credit risk and result in a true sale. Receivables are derecognized in their entirety when sold, and the Company's continuing involvement is limited to their servicing, for which the Company receives a fee commensurate with the service provided and therefore no servicing asset or liability related to these receivables was recognized for any period presented. The fair

LEONARDO DRS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

value of the sold receivables approximated their book value due to their short-term nature. Proceeds from the sold receivables are reflected in operating cash flows on the statement of cash flows.

During the periods ended June 30, 2023 and June 30, 2022, the Company incurred immaterial purchase discount fees which are presented in other general and administrative expenditures, net on the consolidated statements of earnings.

<i>(Dollars in millions)</i>	Six Months Ended June 30,	
	2023	2022
Beginning balance	\$ 243	\$ 215
Sales of receivables	90	94
Cash returned to purchaser	271	259
Outstanding balance sold to purchasers ⁽¹⁾	62	50
Cash collected, not remitted to purchaser ⁽²⁾	6	1
Remaining sold receivables	\$ (56)	\$ (49)

(1) For the period ended June 30, 2023, the Company recorded a net decrease to cash flows from operating activities of \$181 million and for the period ended June 30, 2022 a decrease to cash flow from operating activities of \$165 million.

(2) Represents cash collected on behalf of purchasers and not yet remitted.

Note 6. Inventories

Inventories consists of the following:

<i>(Dollars in millions)</i>	June 30, 2023	December 31, 2022
Raw materials	\$ 86	\$ 83
Work in progress	281	224
Finished goods	11	12
Total	\$ 378	\$ 319

Note 7. Property, Plant and Equipment

Property, plant and equipment by major asset class consists of the following:

<i>(Dollars in millions)</i>	June 30, 2023	December 31, 2022
Land, buildings and improvements	\$ 339	\$ 321
Plant and machinery	196	190
Equipment and other	335	335
Total property, plant and equipment, at cost	870	846
Less accumulated depreciation	(468)	(442)
Total property, plant and equipment, net	\$ 402	\$ 404

Depreciation expense related to property, plant and equipment was \$31 million and \$27 million for the periods ended June 30, 2023 and June 30, 2022, respectively.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 8. Other Liabilities

A summary of significant other liabilities by balance sheet caption follows:

<i>(Dollars in millions)</i>	June 30, 2023	December 31, 2022
Salaries, wages and accrued bonuses	\$ 53	\$ 63
Fringe benefits	65	76
Litigation	—	10
Restructuring costs	8	4
Provision for contract losses	46	54
Operating lease liabilities	24	25
Taxes Payable	2	31
Other ⁽¹⁾	27	60
Total other current liabilities	\$ 225	\$ 323
Operating lease liabilities	\$ 74	\$ 68
Taxes Payable	28	21
Other ⁽¹⁾	22	9
Total other noncurrent liabilities	\$ 124	\$ 98

(1) Consists primarily of environmental remediation reserves and warranty reserves. See Note 14: *Commitments and Contingencies* for more information regarding the warranty provision.

Note 9. Intangible Assets

Other intangible assets mainly refer to the fair value of existing customer contractual relationships attributable to the acquired business and patents which are being amortized over their respective lives. The fair value of intangible assets typically is determined, as of the date of acquisition, based on estimates and judgments regarding expectations for the estimated future after-tax earnings and cash flows (including cash flows for working capital) arising from backlog and follow-on sales to the customer over their estimated lives, including the probability of expected future contract renewals and sales, less a contributory assets charge, all of which is discounted to present value.

The following disclosure presents certain information regarding the Company's intangible assets as of June 30, 2023 and December 31, 2022. All intangible assets are being amortized over their estimated useful lives, as indicated below, with no estimated residual values.

<i>(Dollars in millions)</i>	June 30, 2023			December 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Acquired Intangible Assets	\$ 1,087	\$ (929)	\$ 158	\$ 1,087	\$ (918)	\$ 169
Patents and licenses	9	(6)	3	9	(6)	3
Total intangible assets	\$ 1,096	\$ (935)	\$ 161	\$ 1,096	\$ (924)	\$ 172

Amortization expense related to intangible assets was \$5 million and \$11 million for the three and six months ended June 30, 2023 and \$2 million and \$4 million for the three and six months ended June 30, 2022.

Customer relationships are amortized on a straight-line basis over their estimated useful lives of 10 to 15 years. Patents and licenses are amortized on a straight-line basis over their estimated useful lives of 5 to 10 years.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 10. Income Taxes

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at June 30, 2023 and December 31, 2022 is as follows:

<i>(Dollars in millions)</i>	June 30, 2023	December 31, 2022
Deferred tax assets	\$ 202	\$ 208
Less valuation allowance	19	17
Deferred tax assets	183	191
Deferred tax liabilities	123	125
Net deferred tax asset	\$ 60	\$ 66

Our deferred tax balance associated with our retirement benefit plans includes a deferred tax asset of \$8 million and \$8 million as June 30, 2023 and December 31, 2022 respectively, that are recorded in accumulated other comprehensive earnings to recognize the funded status of our retirement plans. See *Note 12: Pension and Other Postretirement Benefits* for additional details.

Note 11. Debt

The Company's debt consists of the following:

<i>(Dollars in millions)</i>	June 30, 2023	December 31, 2022
Term loan A	\$ 219	\$ 225
Outstanding revolver	110	—
Finance lease and other	160	161
Short-term borrowings	6	10
Total debt principal	495	396
Less unamortized debt issuance costs and discounts	(2)	(2)
Total debt, net	493	394
Less short-term borrowings and current portion of long-term debt	(136)	(29)
Total long-term debt	\$ 357	\$ 365

Term Loans

In November 2022, the Company entered into a senior unsecured credit agreement with Bank of America in the amount of \$500 million (the "2022 Credit Agreement") with a maturity of November 29, 2027. The 2022 Credit Agreement provides for a term loan of \$225 million bearing interest at a variable rate generally based on the Secured Overnight Financing Rate, ("SOFR"), plus a spread ranging from 1.48% to 2.10% depending on the leverage ratio, as defined in the 2022 Credit Agreement, or an alternative variable rate based on the higher of the Bank of America prime rate, the federal funds rate, or a rate generally based on SOFR, in each case subject to additional basis point spread as defined in the 2022 Credit Agreement, ("2022 Term Loan A"). Interest is payable quarterly in arrears. The outstanding balance of the 2022 Term Loan A at June 30, 2023 was \$219 million. The fair value of Term Loan A at June 30, 2023 was approximately \$219 million, however the Company has the ability to prepay the outstanding principal balance without penalty.

Credit Facilities

The 2022 Credit Agreement provides for a revolving credit facility available for working capital needs of the Company, ("the 2022 Revolving Credit Facility"). As of June 30, 2023 and December 31, 2022, the 2022 Revolving Credit Facility had a limit of \$275 million. Loans under the 2022 Revolving Credit Facility bear interest at a variable rate generally based on the SOFR, plus a spread ranging from 1.48% to 2.10% depending on the leverage ratio, as

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

defined in the 2022 Credit Agreement, or an alternative variable rate based on the higher of the Bank of America prime rate, the federal funds rate, or a rate generally based on SOFR, in each case subject to additional basis point spread as defined in the 2022 Credit Agreement. The Company also pays a commitment fee ranging between 0.20% and 0.35% depending on the Company's leverage ratio applied to the unused balance of the 2022 Revolving Credit Facility. The outstanding balance as of June 30, 2023 was \$110 million and there was no outstanding balance on the 2022 Revolving Credit Facility as of December 31, 2022. The weighted average interest rate on the 2022 Revolving Credit Facility as of June 30, 2023 was 5.68%.

The Company also maintains uncommitted working capital credit facilities with certain financial institutions in an aggregate of \$65 million at June 30, 2023 and December 31, 2022, respectively (the "Financial Institution Credit Facilities"). One of the Financial Institution Credit Facilities in the amount of \$6 million is guaranteed by Leonardo S.p.A.

The primary purpose of the Financial Institution Credit Facilities is to support standby letter of credit issuances on contracts with customers. The Financial Institution Credit Facilities also included a revolving facility with a maximum borrowing limit of \$15 million, which bore interest at LIBOR plus 0.5%. The revolving facility was eliminated from the Financial Institution Credit Facilities as of March 31, 2023. As of December 31, 2022, there was no balance outstanding on the revolving facility of the Financial Institution Credit Facilities. The Company had letters of credit outstanding of approximately \$41 million and \$36 million as of June 30, 2023 and December 31, 2022, which reduces the available capacity of the Financial Institution Credit Facilities by an equal amount.

Short-term Borrowings

As of June 30, 2023 and December 31, 2022, the Company recognized \$6 million and \$10 million, respectively, collected on behalf of the buyers of our trade receivables pursuant to our factoring arrangements as short-term borrowings and current portion of long-term debt in the Consolidated Balance Sheet, which approximates its fair value. *Refer to Note 4: Accounts Receivable and Note 5: Sale of Receivables for more information.*

Note 12. Pension and Other Postretirement Benefits**Retirement Plan Summary Information**

The Company maintains multiple pension plans, both contributory and non-contributory, covering employees at certain locations. Eligibility requirements for participation in the plans vary, and benefits generally are based on the participant's compensation and years of service, as defined in the respective plan. The Company's funding policy generally is to contribute in accordance with cost accounting standards that affect government contractors, subject to the Tax Code and regulations thereunder. For all periods presented, the Company made no discretionary pension contributions. Plan assets are invested primarily in equities, bonds (both corporate and U.S. government), U.S. government-sponsored entity instruments, cash and cash equivalents and real estate.

The Company also provides postretirement medical benefits for certain retired employees and dependents at certain locations. Participants are eligible for these benefits when they retire from active service and meet the eligibility requirements for the Company's postretirement benefit plans. The Company's contractual arrangements with the U.S. government provide for the recovery of contributions to a Voluntary Employees' Beneficiary Association trust and, for non-funded plans, recovery of claims on a pay-as-you-go basis, subject to the Tax Code and regulations thereunder, with the retiree generally paying a portion of the costs through contributions, deductibles and coinsurance provisions.

The Company also maintains certain non-contributory and unfunded supplemental retirement plans. Eligibility for participation in the supplemental retirement plans is limited, and benefits generally are based on the participant's compensation and/or years of service.

LEONARDO DRS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following tables provide certain information regarding the Company's pension, postretirement and supplemental retirement plans as of for the three and six months ended June 30,:

(Dollars in millions)	Defined Benefit Pension Plans		Postretirement Benefit Plan		Supplemental Retirement Plans	
	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022
Service cost	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Interest cost	2	1	—	—	—	—
Less Expected return on plan assets	(2)	(2)	—	—	—	—
Amortization of net actuarial loss (gain)	1	1	—	—	—	—
Amortization of prior service cost	—	—	—	—	—	—
Settlement expense (income)	—	—	—	—	—	—
Net periodic benefit cost	\$ 1	\$ —				

(Dollars in millions)	Defined Benefit Pension Plans		Postretirement Benefit Plan		Supplemental Retirement Plans	
	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Service cost	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Interest cost	\$ 4	\$ 3	\$ —	\$ —	\$ —	\$ —
Less Expected return on plan assets	\$ (3)	\$ (4)	\$ —	\$ —	\$ —	\$ —
Amortization of net actuarial loss (gain)	\$ 1	\$ 1	\$ —	\$ —	\$ —	\$ —
Amortization of prior service cost	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Settlement expense (income)	\$ —	\$ 1	\$ —	\$ —	\$ —	\$ —
Net periodic benefit cost	\$ 2	\$ 1	\$ —	\$ —	\$ —	\$ —

The expected long-term return on plan assets assumption represents the average rate that the Company expects to earn over the long-term on the assets of the Company's benefit plans, including those from dividends, interest income and capital appreciation. The assumption has been determined based on expectations regarding future rates of return for the plans' investment portfolio, with consideration given to the allocation of investments by asset class and historical rates of return for each individual asset class.

Pension related expenses are reflected in the Total costs of revenues and General and administrative expenses on the Consolidated Statement of Earnings (unaudited).

A one percentage increase or decrease in healthcare trend rates in the table above would have an insignificant impact to our service and interest cost and the postretirement medical obligations.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 13. Earnings Per Share

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
<i>(Dollars in millions, except per share amounts; shares in millions)</i>				
Net earnings attributable to common shareholders	\$ 35	\$ 25	\$ 47	\$ 61
Basic weighted average number of shares outstanding	261	210	261	210
Impact of dilutive share-based awards	3	—	2	—
Diluted weighted average number of shares outstanding	264	210	263	210
Earnings per share attributable to common shareholders - basic	\$ 0.14	\$ 0.12	\$ 0.18	\$ 0.29
Earnings per share attributable to common shareholders - diluted	\$ 0.13	\$ 0.12	\$ 0.18	\$ 0.29

For the three months and six months ended June 30, 2023, potential dilutive common shares primarily consisted of employee stock options, restricted stock units (“RSUs”) and performance restricted stock units (“PRSUs”), however, the amount of dilutive securities included in the diluted weighted average number of shares outstanding was immaterial. For the period ended June 30, 2022, the basic and diluted weighted average number of shares outstanding were equal as there were no dilutive securities.

The computation of diluted earnings per share (“EPS”) excludes the effect of the potential exercise of stock awards when the average market price of the common stock is lower than the exercise price of the stock awards during the period because the effect would be anti-dilutive. In addition, the computation of diluted EPS excludes stock awards whose issuance is contingent upon the satisfaction of certain performance vesting conditions. At June 30, 2023, there were \$1.1 million stock awards excluded from the computation. At June 30, 2022 there were no anti-dilutive securities.

Note 14. Commitments and Contingencies**Commitments**

The Company’s commitments are primarily related to our lease agreements, purchase obligations, and credit agreements.

Contingencies

From time to time we are subject to certain legal proceedings and claims in the ordinary course of business. These matters are subject to many uncertainties and it is possible that some of these matters ultimately could be decided, resolved or settled in a manner adverse to us. Although the precise amount of liability that may result from these matters is not ascertainable, the Company believes that any amounts exceeding the Company’s recorded accruals should not materially adversely affect the Company’s financial condition or liquidity. It is possible, however, that the ultimate resolution of those matters could result in a material adverse effect on the Company’s results of operations and/or cash flows from operating activities for a particular reporting period. We establish reserves for specific legal matters when we determine that the likelihood of an unfavorable outcome is probable and the loss is reasonably estimable. The Company reviews the developments in contingencies that could affect the amount of the reserves that have been previously recorded. The Company adjusts provisions and changes to disclosures accordingly to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and updated information. Significant judgment is required to determine both the probability and the estimated amount of any potential losses.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Some environmental laws, such as the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (also known as “CERCLA” or the “Superfund law”) and similar state statutes, can impose liability upon former owners or operators for the entire cost of investigating and remediating contaminated sites regardless of the lawfulness of the original activities that led to the contamination. In July 2000, an entity which later became a subsidiary of the Company received a Section 104(e) Request for Information (“RFI”) from the National Park Service (“NPS”), pursuant to CERCLA, regarding the presence of radioactive material at a site within a national park (“Orphan Mine”), which site was operated by an alleged predecessor to our subsidiary over 50 years ago. Following the subsidiary’s response to the RFI, the NPS directed it and another alleged former operator to perform an Engineering Evaluation and Cost Analysis (“EE/CA”) of a portion of the site. The Company’s subsidiary made a good faith offer to conduct an alternative EE/CA work plan, but the NPS rejected this offer and opted to perform the EE/CA itself. The NPS previously posted its intention to open a formal public comment period regarding the EE/CA at the end of 2019. To the Company’s knowledge, the EE/CA has not been released and a public comment period has yet to be opened.

The Environmental Protection Agency (“EPA”) episodically updates its electronic databases concerning pending Superfund sites. As of June 2023, the entry in EPA’s Superfund database for this site states that this “[s]ite does not qualify for the NPL [National Priorities List] based on existing information. The EPA has determined that no further federal action (NFFA) will be taken at this site.” As a result, DRS has eliminated the Orphan Mine reserve as a liability is no longer probable or estimable. However, it remains possible that the NPS may seek to recover damages, including for remediation and/or loss of use of certain natural resources. The Company believes that it has legitimate defenses to its subsidiary’s potential liability and that there are other potentially responsible parties for the environmental conditions at the site, including the U.S. government as owner, operator and arranger at the site. The potential liability associated with this matter could change substantially due to such factors as additional information on the nature or extent of contamination, methods of remediation that might be recommended or required, changes in the apportionment of costs among the responsible parties, whether the NPS seeks to recover additional damages, whether the NPS’s plans to investigate additional areas to identify a need for further remedial action for which the Company may be identified as a potentially responsible party and other actions by governmental agencies or private parties.

In the performance of our contracts we routinely request contract modifications that require additional funding from the customer. Most often, these requests are due to customer-directed changes in the scope of work. While we are entitled to recovery of these costs under our contracts, the administrative process with our customer may be protracted. Based on the circumstances, we periodically file requests for equitable adjustment (“REAs”) that are sometimes converted into claims. In some cases, these requests are disputed by our customer. We believe our outstanding modifications, REAs and other claims will be resolved without material impact to our results of operations, financial condition or cash flows.

As a government contractor, with customers including the U.S. government as well as various state and local government entities, the Company may be subject to audits, investigations and claims with respect to its contract performance, pricing, costs, cost allocations and procurement practices. Additionally, amounts billed under such contracts, including direct and indirect costs, are subject to potential adjustments before final settlement.

Management believes that adequate provisions for such potential audits, investigations, claims and contract adjustments, if any, have been made in the financial statements.

Product Warranties

Product warranty costs generally are accrued in proportion to product revenue realized in conjunction with our over-time revenue recognition policy. Product warranty expense is recognized based on the term of the product warranty, generally one year to three years, and the related estimated costs, considering historical claims expense. Accrued warranty costs are reduced as these costs are incurred and as the warranty period expires, and otherwise

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

may be modified as specific product performance issues are identified and resolved. The following is a summary of changes in the product warranty balances during the period ended June 30, 2023:

(Dollars in millions)

Balance at December 31, 2022	\$	18
Additional provision		11
Reversal and utilization		(6)
Balance at June 30, 2023		<u>23</u>

Note 15. Related Party Transactions

The Company has related-party sales with the ultimate majority stockholder and its other affiliates that occur in the regular course of business. Related-party sales for these transactions included in revenues were \$13 million and \$54 million for the six months ended June 30, 2023 and June 30, 2022, respectively, and were \$7 million and \$51 million for the three months ended June 30, 2023 and June 30, 2022, respectively. The Company has related-party purchases with the ultimate majority stockholder and its other affiliates that occur in the regular course of business. Related-party purchases for these transactions are included in cost of revenues and were \$1 million and \$18 million for the six months ended June 30, 2023 and June 30, 2022, respectively, and were \$1 million and \$7 million for the three months ended June 30, 2023 and June 30, 2022, respectively. The receivables related to these transactions with the ultimate majority stockholder and its other affiliates of \$14 million and \$14 million, respectively, and payables of \$2 million and \$1 million, respectively, are included in accounts receivable and accounts payable in our Consolidated Balance Sheet as of June 30, 2023 and December 31, 2022. In addition, there was a related-party balance in contract assets of \$1 million and \$5 million at June 30, 2023 and December 31, 2022, respectively.

Note 16. Segment Information

Operating segments represent components of an enterprise for which separate financial information is available that is regularly reviewed by the CODM in determining how to allocate resources and assess performance. Our Chief Executive Officer is our CODM and he uses a variety of measures to assess the performance of the Company as a whole, depending on the nature of the activity. Beginning in the first quarter of 2022, the Company's operating and reportable segments were revised into two reportable segments, ASC and IMS, to align our market strategy and capital allocation decision making with our operating structure. Prior year information was revised to reflect the new segment structure. All other operations, which consists primarily of DRS corporate headquarters and certain non-operating subsidiaries of the Company, are grouped in Corporate & Eliminations.

We primarily use Adjusted EBITDA, a non-GAAP financial measure, to manage the Company and allocate resources. Adjusted EBITDA of our business segments includes our net earnings before income taxes, amortization of acquired intangible assets, depreciation, restructuring costs, interest, transaction costs related to an anticipated offering of securities, acquisition and divestiture related expenses, foreign exchange, the coronavirus pandemic ("COVID-19") response costs, non-service pension expenditures, legal liability accrual reversals, and other one-time non-operational events. Adjusted EBITDA is used to facilitate a comparison of the ordinary, ongoing and customary course of our operations on a consistent basis from period to period and provide an additional understanding of factors and trends affecting our business segments. This measure assists the CODM in assessing segment operating performance consistently over time without the impact of our capital structure, asset base and items outside the control of the management team and expenses that do not relate to our core operations.

Certain information related to our segments for the periods ended June 30, 2023 and June 30, 2022 is presented in the following tables. Consistent accounting policies have been applied by all segments within the Company, within all reporting periods. A description of our reportable segments as of June 30, 2023 and June 30, 2022 has been included in *Note 1: Summary of Significant Accounting Policies*. Intersegment sales are generally transferred at cost to the buying segment, and the sourcing segment does not recognize a profit. Such intercompany operating income is eliminated in consolidation, so that the Company's total revenues and operating earnings reflect only those transactions with external customers.

LEONARDO DRS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Total revenues and intersegment revenues by segment for the periods ended June 30, 2023 and, June 30, 2022 consists of the following:

<i>(Dollars in millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
ASC	\$ 404	\$ 444	\$ 795	\$ 840
IMS	226	187	415	405
Corporate & Eliminations	(2)	(4)	(13)	(6)
Total revenue	\$ 628	\$ 627	\$ 1,197	\$ 1,239

<i>(Dollars in millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
ASC	\$ 2	\$ 3	\$ 13	\$ 5
IMS	—	1	—	1
Total intersegment revenue	\$ 2	\$ 4	\$ 13	\$ 6

Reconciliation of reportable segment Adjusted EBITDA to Net Earnings (loss) consists of the following:

<i>(Dollars in millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Adjusted EBITDA				
ASC	\$ 36	\$ 57	\$ 73	\$ 89
IMS	26	10	38	51
Corporate & Eliminations	—	—	—	—
Total Adjusted EBITDA	62	67	111	140
Amortization of intangibles	(5)	(2)	(11)	(4)
Depreciation	(15)	(14)	(31)	(27)
Restructuring costs	(8)	—	(8)	—
Interest expense	(9)	(10)	(17)	(18)
Deal related transaction costs	(1)	(8)	(3)	(10)
Other one-time non-operational events	9	(1)	8	(1)
Income tax (provision) benefit	2	(7)	(2)	(19)
Net earnings	\$ 35	\$ 25	\$ 47	\$ 61

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read this discussion together with our consolidated financial statements and related notes thereto included elsewhere in this Quarterly Report.

This discussion and other parts of this Quarterly Report include forward-looking statements such as those relating to our plans, objectives, expectations and beliefs, which involve risks, uncertainties and assumptions. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties discussed under "Special Note Regarding Forward-Looking Statements and Information" in this Quarterly Report and under "Risk Factors" in our annual report on Form 10-K, filed with the SEC on March 28, 2023. Actual results may differ materially from those contained in any forward-looking statements.

Business Overview and Considerations

General

DRS is an innovative and agile provider of advanced defense technology to U.S. national security customers and allies around the world. We specialize in the design, development and manufacture of advanced sensing, network computing, force protection, as well as electric power and propulsion. The strength of our market positioning in these technology areas have created a foundational and diverse base of programs across the Department of Defense ("DoD"). We believe these technologies will not only support our customers in today's mission but will also underpin their strategy to migrate towards more autonomous, dynamic, interconnected, and multi-domain capabilities needed to defend against evolving and emerging threats. We view more advanced capabilities in sensing, computing, self-protection and power as necessary to enable these strategic priorities.

Our overall strategy includes being a balanced and diversified company, less vulnerable to any one budgetary platform or service decision with a specific focus on establishing strong technical and market positions in areas of priority for the DoD. The DoD is our largest customer and for the six months ended June 30, 2023, accounted for approximately 73% of our business as an end-user, with revenues principally derived directly or indirectly from contracts with the U.S. Army and U.S. Navy, which represented 28% and 36%, respectively, of our total revenues, which is consistent with historic trends.

Our operations and reporting are structured into the following two technology driven segments based on the capabilities and solutions offered to our customers:

Advanced Sensing and Computing

Our Advanced Sensing and Computing ("ASC") segment designs, develops and manufactures sensing and network computing technology that enables real-time situational awareness required for enhanced operational decision making and execution by our customers.

Our sensing capabilities span numerous applications, including missions requiring advanced detection, precision targeting and surveillance sensing, long range electro-optic/infrared ("EO/IR"), signals intelligence ("SIGINT") and other intelligence systems, electronic warfare ("EW"), ground vehicle sensing, next generation active electronically scanned array ("AESA") tactical radars, dismounted soldier sensing and space sensing. Across our offerings, we are focused on advancing sensor distance and enhancing the precision, clarity, definition, spectral depth and effectiveness of our sensors. We also seek to leverage the knowledge and expertise built through our decades of experience to optimize size, weight, power and cost for our customers' specific mission requirements.

Our sensing capabilities are complemented by our rugged, trusted and cyber resilient network computing products. Our network computing offerings are utilized across a broad range of mission applications including platform computing on ground and shipboard (both surface ship and submarine) for advanced battle management, combat systems, radar, command and control ("C2"), tactical networks, tactical computing and communications. These products help support the DoD's need for greater situational understanding at the tactical edge by rapidly transmitting data securely between command centers and forward-positioned defense assets and personnel.

Integrated Mission Systems

Our Integrated Mission Systems (“IMS”) segment designs, develops, manufactures and integrates power conversion, control and distribution systems, ship propulsion systems, motors and variable frequency drives, force protection systems, and transportation and logistics systems for the U.S. military and allied defense customers.

DRS is currently a leading provider of next-generation electrical propulsion systems for the U.S. Navy. We provide power conversion, control, distribution and propulsion systems for the Navy’s top priority shipbuilding programs, including the Columbia Class ballistic missile submarine, the first modern U.S. electric drive submarine.

We believe DRS is well positioned to meet the needs of an increasingly electrified fleet with our high-efficiency, power dense permanent magnet motors, energy storage systems and associated efficient, rugged and compact power conversion, electrical actuation systems, and advanced cooling technologies.

DRS has a long history of providing a number of other critical products to the U.S. Navy with a significant installed base on submarines, aircraft carriers and other surface ships including motor controllers, instrumentation and control equipment, electrical actuation systems, and thermal management systems for electronics and ship stores refrigeration.

DRS is also an integrator of complex systems in ground vehicles for short-range air defense, counter-unmanned aerial systems (“C-UAS”), and vehicle survivability and protection. Our short-range air defense systems integrate EW equipment, reconnaissance and surveillance systems, modular combat vehicle turrets, and stabilized sensor suites, as well as kinetic countermeasures to protect against evolving threats. Our force protection systems, including solutions for C-UAS and active protection systems on army vehicles help protect personnel and defense assets from enemy combatants.

Focus on Customer and Execution

DRS and its employees focus on our end-customers – the men and women of the armed forces in the U.S. and its allies. We seek to provide high-quality equipment and services to support their mission success. We strive for excellence in everything we do, in every job in our Company, in order to satisfy our customers’ needs embedded in our contractual commitments. We seek to ensure that we learn from every lesson experienced in our Company and insist that these lessons affect all elements of our businesses. This approach permeates through the Company with a focus on continuous improvement at every level.

Part of this learning has resulted in institutionalizing our continuous improvement process through our Operational Excellence initiative called “Always Performing For Excellence,” or “APEX,” program, which is transforming this year from Operational Excellence to Business Excellence. The APEX program’s goal is to strive for continuous improvement through unification of all of our business practices, tools and metrics, ongoing employee training and innovation. We believe that excellence is not a destination, but by constantly challenging ourselves to be better, we will improve, and ultimately approach excellence. We challenge ourselves to exceed our customers’ expectations and we partner with them to work to ensure that our execution meets their needs.

Continuous improvement, through the APEX program also allows us to improve our efficiency, which contributes to increased margins, helps us to remain competitive and allows us to make strategic investments, all while maintaining our focus on customer satisfaction. In these elements, our goals are aligned with those of our customers. We are humbled by the dedication and sacrifice that our ultimate customers have made to serve and we work to perform for them with excellence in everything we do.

Global Events and Business Impacts

COVID-19

The coronavirus pandemic caused certain disruptions to our business, including various adverse supply chain impacts which are anticipated to continue through 2023.

Ukraine Invasion

In February 2022 Russia escalated its war with Ukraine by invading and occupying parts of that country. Since that time, western powers, including the U.S., have pledged support with humanitarian and military aid. Some of that military aid pledged by the U.S. will result in increased efforts to replace equipment and consumables. We have received orders from the U.S. and allies to both provide equipment in support of this effort, and to replace equipment pledged. We expect that these orders will continue until that support is no longer needed and the equipment pledged is replaced.

Business Environment

Revenues derived directly, as a prime contractor, or indirectly, as a subcontractor, from contracts with the U.S. government represented 67% and 73% of our consolidated revenue for the three and six months ended June 30, 2023, respectively, and 78% and 82% of our consolidated revenue for the three and six months ended June 30, 2022, respectively. Of these sales directly to the U.S. government, the Army and Navy are our largest customers. For the three and six months ended June 30, 2023, U.S. government sales with the U.S. Army represented 25% and 28% and U.S. government sales with the U.S. Navy represented 37% and 36%, respectively, of our consolidated revenue. For the three and six months ended June 30, 2022, U.S. government sales with the U.S. Army represented 33% and U.S. government sales with the U.S. Navy represented 29% and 32%, respectively, of our consolidated revenue.

The DoD budget is the largest defense budget in the world.

In March 2023, the U.S. President's fiscal year 2024 budget request was released and included \$842 billion for national defense programs, which marks continued growth from prior years. The most recent National Defense Strategy and annual defense budget request continue to prioritize a strategic focus on China as the pacing threat, countering other near peer adversaries, investing in the nuclear triad, and funding operations in Ukraine. In June 2023, the Fiscal Responsibility Act of 2023 was enacted, which suspends the federal debt ceiling until January 1, 2025, postponing the threat of a federal government default. Pursuant to this law, the President and Congress also agreed upon federal discretionary spending levels for defense and non-defense. For fiscal year 2024, defense spending levels were consistent with the President's March budget request and reflect an approximately 3% increase over prior levels. For fiscal year 2025, the agreed upon defense spending increase is 1% from prior year levels. We believe that the level and growth of the defense budget as well as strategic priorities requiring more advanced and sophisticated defense technology capabilities create a favorable market environment for DRS.

Operating Performance Assessment and Reporting

For the majority of our contracts, revenues are recognized using the over time, percentage of completion cost-to-cost method of accounting, with revenue recognized based on the ratio of cumulative costs incurred to date to estimated total contract costs at completion. For contracts accounted for in this way, our reported revenues may contain amounts which we have not billed to customers if we have incurred costs, and recognized related profits, in excess of billed progress or performance-based payments.

Under U.S. GAAP, contract costs, including allowable general and administrative expenses on certain government contracts, are charged to work-in-progress inventory and are written off to costs and expenses as revenues are recognized. The Federal Acquisition Regulations ("FAR") and the defense supplement ("DFARS"), incorporated by reference in U.S. government contracts, provide that internal research and development costs are allowable general and administrative expenses. Unallowable costs, pursuant to the FAR, are excluded from costs accumulated on U.S. government contracts.

Our defense contracts and subcontracts that require the submission of cost or pricing data are subject to audit, various profit and cost controls, and standard provisions for termination at the convenience of the customer. The Defense Contract Audit Agency ("DCAA") performs these audits on behalf of the U.S. government. The DCAA has the right to perform audits on our incurred costs on cost-type or price redeterminable-type contracts on a yearly basis. Approval of an incurred cost submission can take from one to three years from the date of the submission of the contract cost.

U.S. government contracts are, by their terms, subject to termination by the U.S. government for either convenience or default by the contractor. Fixed-price contracts provide for payment upon termination for items delivered to and accepted by the U.S. government and, if the termination is for convenience, for payment of fair compensation of work performed plus the costs of settling and paying claims by terminated subcontractors, other settlement expenses and a reasonable profit on the costs incurred. Cost-plus contracts provide that, upon termination, the contractor is entitled to reimbursement of its allowable costs and, if the termination is for convenience, a total fee proportionate to the percentage of the work completed under the contract. If a contract termination is for default, however, the contractor is paid an amount agreed upon for completed and partially completed products and services accepted by the U.S. government. In these circumstances, the U.S. government is not liable for excess costs incurred by us in procuring undelivered items from another source.

In addition to the right of the U.S. government to terminate U.S. government contracts, such contracts are conditioned upon the continuing availability of Congressional appropriations. Congress usually appropriates funds for a given program on a September 30 fiscal year basis, even though contract performance may take many years. Consequently, at the outset of a major program, the contract is typically only partially funded, and additional funds normally are committed to the contract by the procuring agency only as appropriations are made by Congress for future fiscal years.

Components of Operations

Revenue

Revenue consists primarily of product related revenue, generating 94% and 93%, of our total revenues for the three and six months ended June 30, 2023. Our remaining revenue is generated from service-related contracts. The percentage of product sales increased from 88% for the three months ended June 30, 2022 to 94% during the current quarter. The increased revenue allocation towards more product based sales is attributed to the disposition of our GES business in August of the 2022 fiscal year. Additionally, 82% and 83% of our revenue is derived from firm-fixed priced contracts for the three and six months ended June 30, 2023. This is consistent with the prior year which realized firm-fixed sales of 87% for the three months ended June 30, 2022.

Under flexibly priced contracts, we are reimbursed for allowable or otherwise defined total costs (defined as cost of revenues plus allowable general and administrative expenses) incurred, plus a fee. The contracts may also include incentives for various performance criteria, including quality, timeliness, cost-effectiveness or other factors. For the three and six months ended June 30, 2023, flexibly priced contracts represented 17% of our total revenues.

Please refer to *Note 3: Revenue from Contracts with Customers* in the Notes to our Consolidated Financial Statements.

Cost of Revenues

Cost of revenues includes materials, labor and overhead costs incurred in the manufacturing, design, and provision of products and services sold in the period as well as warranty costs. Material costs include raw materials, purchased components and sub-assemblies and outside processing and inbound freight. Labor and overhead costs consist of direct and indirect manufacturing costs, including wages and fringe benefits, operating supplies, depreciation and amortization, occupancy costs, and purchasing, receiving, inspection costs and inbound freight costs.

General and Administrative Expenses

General and administrative expenses include general and administrative expenses not included within cost of revenues such as salaries, wages and fringe benefits, facility costs and other costs related to these indirect functions. Additionally, general and administrative expenses include internal research and development costs as well as expenditures related to bid and proposal efforts. We expect general and administrative expenses will be impacted by the costs associated with being a publicly-traded company.

Results from Operations

The following discussion of operating results is intended to help the reader understand the results of operations and financial condition of the Company, for the three and six months ended June 30, 2023, as compared to the three and six months ended June 30, 2022. Given the nature of our business, we believe revenue and earnings from operations are most relevant to an understanding of our performance at a business and segment level. Our operating cycle is lengthy and involves various types of production contracts and varying delivery schedules. Accordingly, operating results in a particular year may not be indicative of future operating results.

	Three Months Ended		June 30, 2023 vs. June 30, 2022	
	June 30, 2023	June 30, 2022	\$	%
<i>(Dollars in millions, except per share amounts)</i>				
Total revenues	\$ 628	\$ 627	\$ 1	0.2 %
Total cost of revenues	(483)	(500)	17	(3.4)%
Gross profit	\$ 145	\$ 127	18	14.4 %
Gross margin	23.1 %	20.3 %	2.9 %	14.2 %
General and administrative expenses	(90)	(84)	(6)	7.1 %
Amortization of intangibles	(5)	(2)	(3)	150.0 %
Other operating expenses, net	(8)	1	(9)	(900.0)%
Operating earnings	\$ 42	\$ 42	—	0.7 %
Interest expense	(9)	(10)	1	(8.5)%
Other, net	—	—	—	NM
Earnings before taxes	\$ 33	\$ 32	1	3.5 %
Income tax provision	(2)	7	(9)	(128.6)%
Net earnings	\$ 35	\$ 25	10	40.3 %
Basic EPS ⁽¹⁾	\$ 0.14	\$ 0.12	0.02	13.1 %
Diluted EPS ⁽¹⁾	0.13	0.12	0.01	12.0 %
Backlog	4,357	3,051	\$ 1,306	42.8 %
Bookings	\$ 698	\$ 683	\$ 15	2.2 %

NM- percentage change not meaningful

(1) Gives effect to a 1,450,000-for-1 forward stock split on our common stock effected on February 25, 2021 and a 1.451345331-for-1 forward stock split on our common stock effected November 23, 2022.

	Six Months Ended		June 30, 2023 vs. June 30, 2022	
	June 30, 2023	June 30, 2022	\$	%
<i>(Dollars in millions, except per share amounts)</i>				
Total revenues	\$ 1,197	\$ 1,239	\$ (42)	(3.4)%
Total cost of revenues	(921)	(978)	57	(5.8)%
Gross profit	\$ 276	\$ 261	15	5.9 %
Gross margin	23.1 %	21.1 %	2.0 %	9.5 %
General and administrative expenses	(190)	(160)	(30)	18.8 %
Amortization of intangibles	(11)	(4)	(7)	175.0 %
Other operating expenses, net	(8)	1	(9)	(900.0)%
Operating earnings	\$ 67	\$ 98	(31)	(31.3)%
Interest expense	(17)	(18)	1	(4.7)%
Other, net	(1)	—	(1)	NM
Earnings before taxes	\$ 49	\$ 80	(31)	(38.5)%
Income tax provision	2	19	(17)	(89.5)%
Net earnings	\$ 47	\$ 61	(14)	(22.7)%
Basic EPS ⁽¹⁾	\$ 0.18	\$ 0.29	(0.11)	(37.6)%
Diluted EPS ⁽¹⁾	0.18	0.29	(0.11)	(38.1)%
Backlog	\$ 4,357	3,051	1,306	42.8 %
Bookings	1,447	1,430	17	1.2 %

NM- percentage change not meaningful

(1) Gives effect to a 1,450,000-for-1 forward stock split on our common stock effected on February 25, 2021 and a 1.451345331-for-1 forward stock split on our common stock effected November 23, 2022.

Revenue

Our revenue generation of \$628 million for the three months ended June 30, 2023 represents an increase of \$1 million or 0.2% as compared to the three months ended June 30, 2022. Our revenue generation of \$1,197 million for the six months ended June 30, 2023 represents a decrease of \$42 million or 3.4% over the six months ended June 30, 2022. The revenue decrease is primarily attributed to the difference in revenue contribution realized from our now disposed Global Enterprise Solutions (“GES”) operating unit as compared to the revenue generated from RADA Electronic Industries, Ltd (“RADA”), the “net divestiture impact” as well as reduced ruggedized computing revenues both within our ASC segment. For the six months ended June 30, 2023, the revenue decline as compared to the prior year was driven by the net divestiture impact as well as the favorable financial impact realized from the 2nd ship-set contract modification on the Columbia program realized in prior year Q1 at our IMS segment.

Cost of Revenues

Cost of revenues decreased by \$17 million or 3.4% from \$500 million to \$483 million for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022. Cost of revenue decreased by \$57 or 6% from 978 million to 921 million for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022. The decrease was primarily due to the reduction of revenue noted above coupled with reduced cost of revenues attributed to favorable program mix and performance within both our IMS and ASC segments highlighted by the continued performance improvements realized on the Columbia Class Submarine efforts. Additionally the higher profit generation of the RADA revenue contribution further drove a reduction in the overall cost of revenues. For the year to date period, this was partially offset by the positive financial contribution realized on the Columbia contract modification realized in Q1 2022.

Gross Profit

Gross profit increased by \$18 million, or 14.4% to \$145 million for the three months ended June 30, 2023 as compared to \$127 million for the three months ended June 30, 2022, and gross profit increased by \$15 million or 5.9% for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022 resulting from the revenue and cost of revenue trends noted above.

General and Administrative Expenses

General and administrative expenses (“G&A”) increased by \$6 million or 7.1% for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022 and increased by \$30 million or 19% for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022. The increase in G&A for the three and six month period ended June 30, 2023 is primarily attributed to increased investment in independent research and development (“IR&D”) expenditures which increased \$5 million and \$15 million respectively. The addition of the RADA commercial business model and increased public operating costs also contributed to the year over year increase in G&A expenditures.

Amortization of Intangibles

Amortization of intangibles of \$5 million for the three months ended June 30, 2023 increased \$3 million from the three months ended June 30, 2022 of \$2 million and increased \$7 million to \$11 million for the six months ended June 30, 2023 as compared to the six-months ended June 30, 2022 attributed to the increased amortization generated from the RADA acquired intangible assets.

Other Operating Expenses, Net

Other operating expenses increased from an income of \$1 million for the three and six months ended June 30, 2022 to an expense of \$8 million for the three and six months ended June 30, 2023. This increase is largely attributed to restructuring efforts implemented in our ASC segment.

Operating Earnings

Operating earnings remained relatively consistent realizing \$42 million for the three months ended June 30, 2022 and 2023. For the six months ended June 30, 2023, operating earnings decreased by \$31 million from \$98 million for six months ended June 30, 2022 to \$67 million for the six months ended June 30, 2023. The decrease was driven by a combination of improved program performance and positive gross profit contribution of the RADA acquisition and the positive impact of the reversal of an aged legal liability reserve related to Orphan Mine offset by a reduction in overall revenues, increased G&A and IR&D costs as noted above as well as the prior year positive impact generated from the contract modification on the Columbia Class program noted above.

Interest Expense

Interest expense remained relatively consistent realizing an expense of \$9 million for three months ended June 30, 2023 and June 30, 2022, respectively. For the six months ended June 30, 2023 interest expense also remained relatively consistent decreasing only 1 million from the prior year to date period ended June 30, 2022.

Other, Net

Other, net remained consistent for the three months ended June 30, 2023 and June 30, 2022, while increasing \$1 million for the six months ended June 30, 2023 when compared to the six months ended June 30, 2022.

Earnings Before Taxes

Earnings before taxes increased by \$1 million and decreased \$31 million to \$33 million and \$49 million for the three and six months ended June 30, 2023, respectively, from \$32 million and \$80 million for the three and six months ended June 30, 2022. This was primarily due to a decrease in operating earnings of \$31 million, and other costs of \$9 million as noted above.

Income Tax Provision

Income tax provision decreased by \$9 million and \$17 million to \$(2) million and \$2 million for the three and six month periods ended June 30, 2023, respectively, from \$7 million and \$19 million for the three and six month periods ended June 30, 2022. This was primarily attributable to federal research and development credits recorded in the three months ended June 30, 2023.

Net Earnings

Net earnings increased by \$10 million to \$35 million for the three months ended June 30, 2023 and decreased \$14 million to \$47 million for the six months ended June 30, 2023, respectively, when compared to the three and six months ended June 30, 2022. This was driven by a decrease in earnings before taxes of \$31 million offset by the income tax provision decreasing \$17 million as noted above.

Backlog

Backlog - We define Backlog to include the following components:

- (1) Funded - Funded backlog represents the revenue value of orders for services under existing contracts for which funding is appropriated or otherwise authorized less revenue previously recognized on these contracts.
- (2) Unfunded - Unfunded backlog represents the revenue value of firm orders for products and services under existing contracts for which funding has not yet been appropriated less funding previously recognized on these contracts.

Backlog increased by \$1,306 million to \$4,357 million for six months ended June 30, 2023, from \$3,051 million for the six months ended June 30, 2022. The backlog increase was driven primarily by the receipt of a multi-boat contract to support the electric propulsion efforts on the Columbia Class submarine program with the U.S. Navy.

Bookings

Bookings - We define bookings as the total value of contract awards received from the U.S. government for which it has appropriated funds and legally obligated such funds to the Company through a contract or purchase order, plus the value of contract awards and orders received from customers other than the U.S. government.

Bookings results for three months ended June 30, 2023 increased to \$698 million as compared to \$683 million for the three month ended June 30, 2022. Bookings for the six months ended June 30, 2023 increased by 1% or \$17 million to \$1,447 million as compared to \$1,430 million for the six months ended June 30, 2022.

Key Non-GAAP Operating Measures**Overview**

We measure our business using both key financial and operating data including key performance indicators (“KPIs”) and non-GAAP financial measures. In addition to the operational analysis detailed above, we also use the following non-GAAP metrics to manage our business, monitor results of operations and ensure proper allocation of capital: (i) Adjusted EBITDA, (ii) Adjusted EBITDA Margin, (iii) Adjusted Diluted Earnings Per Share (“EPS”) and (iv) Free Cash Flow. We believe that these financial performance metrics represent the primary drivers of value enhancement, balancing both short and long-term indicators of increased shareholder value. These are the metrics we use to measure our results and evaluate our business and related contract performance.

(Dollars in millions, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Adjusted EBITDA ⁽¹⁾	62	67	111	140
Adjusted EBITDA Margin ⁽¹⁾	9.9%	10.8%	9.3%	11.3%
Adjusted Diluted EPS ⁽¹⁾⁽²⁾	\$ 0.15	\$ 0.16	\$ 0.22	\$ 0.35
Free Cash Flow ⁽¹⁾			\$ (356)	\$ (254)

(1) Note on non-GAAP financial measures: Throughout the discussion of our results of operations we use non-GAAP financial measures including Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted EPS and Free Cash Flow, as measures of our overall performance. Definitions and reconciliations of these measures to the most directly comparable financial measure calculated and presented in accordance with U.S. GAAP are included below.

(2) Gives effect to a 1,450,000-for-1 forward stock split on our common stock effected on February 25, 2021 and a 1.451345331-for-1 forward stock split on our common stock effected November 23, 2022.

Non-GAAP Financial Measures

We believe the non-GAAP financial measures presented in this document will help investors understand our financial condition and operating results and assess our future prospects. We believe these non-GAAP financial measures, each of which is discussed in greater detail below, are important supplemental measures because they exclude unusual or non-recurring items as well as non-cash items that are unrelated to or may not be indicative of our ongoing operating results. Further, when read in conjunction with our U.S. GAAP results, these non-GAAP financial measures provide a baseline for analyzing trends in our underlying businesses and can be used by management as a tool to help make financial, operational and planning decisions. Finally, these measures are often used by analysts and other interested parties to evaluate companies in our industry by providing more comparable measures that are less affected by factors such as capital structure.

We recognize that these non-GAAP financial measures have limitations, including that they may be calculated differently by other companies or may be used under different circumstances or for different purposes, thereby affecting their comparability from company to company. In order to compensate for these and the other limitations discussed below, management does not consider these measures in isolation from or as alternatives to the comparable financial measures determined in accordance with U.S. GAAP. Readers should review the reconciliations below and should not rely on any single financial measure to evaluate our business.

We define these non-GAAP financial measures as:

Adjusted EBITDA and Adjusted EBITDA Margin

We define Adjusted EBITDA as our net earnings before income taxes, amortization of acquired intangible assets, depreciation, restructuring costs, interest, deal related transaction costs, other non-operating expenses such as foreign exchange, COVID-19 response costs, non-service pension expenditures, legal liability accrual reversals, and other one-time non-operational events as well as gains (losses) on business disposals. Adjusted EBITDA Margin is calculated by dividing Adjusted EBITDA by revenue. Adjusted EBITDA and Adjusted EBITDA Margin are not measures calculated in accordance with U.S. GAAP, and they should not be considered an alternative to any financial measures that were calculated under U.S. GAAP. Adjusted EBITDA and Adjusted EBITDA Margin are used to facilitate a comparison of the ordinary, ongoing and customary course of our operations on a consistent basis from period to period and provide an additional understanding of factors and trends affecting our business. Adjusted EBITDA and Adjusted EBITDA Margin are driven by changes in volume, performance, contract mix and general and administrative expenses and investment levels. Performance, as used in this definition, refers to changes in profitability and is primarily based on adjustments to estimates at completion on individual contracts. These adjustments result from increases or decreases to the estimated value of the contract, the estimated costs to complete the contract, or both. These measures therefore assist management and our board and may be useful to investors in comparing our operating performance consistently over time as they remove the impact of our capital structure, asset base and items outside the control of the management team and expenses that do not relate to our core operations.

Adjusted EBITDA and Adjusted EBITDA Margin may not be comparable to similarly titled non-GAAP measures used by other companies as other companies may have calculated the measures differently. The reconciliation of Adjusted EBITDA to net earnings is provided below:

Consolidated Entity Adjusted EBITDA Reconciliation:

<i>(Dollars in millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net earnings	\$ 35	\$ 25	\$ 47	\$ 61
Income tax provision (benefit)	\$ (2)	\$ 7	\$ 2	\$ 19
Amortization of intangibles	\$ 5	\$ 2	\$ 11	\$ 4
Depreciation	15	14	31	27
Restructuring costs	8	—	8	—
Interest expense	9	10	17	18
Deal related transaction costs	1	8	3	10
Other one-time non-operational events	(9)	1	(8)	1
Adjusted EBITDA	\$ 62	\$ 67	\$ 111	\$ 140
Adjusted EBITDA Margin	9.9%	10.8%	9.3%	11.3%

Adjusted EBITDA

Adjusted EBITDA decreased by \$5 million or 7.6% to \$62 million for the three months ended June 30, 2023 compared to the three months ended June 30, 2022. The decrease in Adjusted EBITDA for the three month period is primarily attributed to increased IR&D investments and the impact of higher public company expenditures both residing in our G&A expense line item. For the six months ended June 30, 2023 Adjusted EBITDA decreased \$29 million or 21% to \$111 million from \$140 million for the six months ended June 30, 2022. This is primarily attributed to the increase in IR&D and public company expenditures as well as the non-recurring increase in profitability on the Columbia Class program experienced in the six months ended June 30, 2022.

Adjusted EBITDA Margin

Adjusted EBITDA Margin decreased from 10.8% and 11.3% for the three and six months ended June 30, 2022 to 9.9% and 9.3% for the three and six months ended June 30, 2023. This was primarily due to the increased G&A expenditures as well as the non-recurring profitability on the Columbia Class program mentioned above.

Adjusted Diluted EPS

Adjusted Diluted EPS – We calculate Adjusted Diluted EPS by excluding deal related transaction costs, and acquisition and divestiture related expenses from our net earnings to arrive at Adjusted Diluted EPS. We believe that Adjusted Diluted EPS allows investors to effectively compare our core performance from period to period by excluding items that are not indicative of, or are unrelated to, results from our ongoing business. Adjusted Diluted EPS has limitations as an analytical tool and does not represent and should not be considered an alternative to basic

or diluted EPS as determined in accordance with U.S. GAAP. The reconciliation of Adjusted Diluted EPS to U.S. GAAP EPS is shown below:

Consolidated Entity Reconciliation of Adjusted Diluted EPS:

<i>(Dollars in millions, except per share amounts)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net earnings	\$ 35	\$ 25	\$ 47	\$ 61
Deal related transaction costs	\$ 1	\$ 8	\$ 3	\$ 10
Amortization of intangibles	\$ 5	\$ 2	\$ 11	\$ 4
Restructuring costs	8	—	8	—
Other one-time non-operational events	(9)	1	(8)	1
Tax effect of adjustments	(1)	(2)	(3)	(3)
Adjusted net earnings	\$ 39	\$ 35	\$ 58	\$ 74
Adjusted diluted EPS ⁽¹⁾	\$0.15	\$0.16	\$0.22	\$0.35

(1) Gives effect to a 1,450,000-for-1 forward stock split on our common stock effected on February 25, 2021 and a 1.451345331-for-1 forward stock split on our common stock effected November 23, 2022.

Adjusted Diluted EPS

For the six months ended June 30, 2023 there were 261,723,423 shares of common stock outstanding, an increase of 51,278,350 shares from the June 30, 2022 shares outstanding of 210,445,073. The increased share count is attributed to shares issued to consummate the RADA merger of 49,788,960 and equity vesting and stock option exercises of 1,489,390. Diluted shares as of June 30, 2023 totaled 3 million and 2 million for the three and six months ended June 30, 2023 increasing from the prior year which predated equity award grants. The diluted shares are attributable to equity grants and unexercised stock options. There were no outstanding equity grants at June 30, 2022. Adjusted diluted EPS of \$0.15 for the three months ended June 30, 2023 was relatively in line with the prior year decreasing \$0.01. The decrease is a product of the increased Adjusted Net Earnings offset by the increased share count as noted above. Adjusted Diluted EPS of \$0.22 for the six months ended June 30, 2023 represents a decrease of \$0.13 from \$0.35 for the six months ended June 30, 2022, which is attributed to the increase in shares outstanding and the net earnings decrease described above.

Free Cash Flow

Free Cash Flow – We define free cash flow as the sum of the cash flows provided by operating activities and the cash flows provided by (used in) investing activities pertaining to capital expenditures and proceeds generated from the sale of capital assets.

We believe that free cash flow provides management and investors with an important measure of our ability to generate cash on a normalized basis. Free cash flow also provides insight into our flexibility to allocate capital and pursue opportunities that may enhance stockholder value. We believe that while expenditures and dispositions of property plant and equipment will fluctuate period to period, we seek to ensure that we have adequate capital on hand to maintain ongoing operations and enable growth of the business. Additionally, free cash flow is of limited usefulness, in that it does not represent residual cash flows available for discretionary expenditures, due to the fact the measures do not deduct the payments required for debt service and other contractual obligations or payments. The reconciliation between free cash flow and net cash provided by operating activities (the most comparable U.S. GAAP measure) is shown below:

Consolidated Entity Reconciliation of Free Cash Flow:

(Dollars in millions)	Six Months Ended June 30,	
	2023	2022
Net cash provided by (used in) operating activities	\$ (346)	\$ (242)
Transaction related expenditures, net of tax	16	10
Capital expenditures	(27)	(22)
Proceeds from sales of assets	1	—
Free cash flow	\$ (356)	\$ (254)

Free Cash Flow

Free cash flow usage increased by \$102 million to \$(356) million for the six months ended June 30, 2023 from \$(254) million for the six months ended June 30, 2022. This was primarily due to cash used to fund working capital for the six months ended June 30, 2023 when compared to six months ended June 30, 2022.

Factors Impacting Our Performance

U.S. Government Spending and Federal Budget Uncertainty

Changes in the volume and relative mix of U.S. government spending as well as areas of spending growth could impact our business and results of operations. In particular, our results can be affected by shifts in strategies and priorities on homeland security, intelligence, defense-related programs, infrastructure and urbanization and continued increased spending on technology and innovation, including cybersecurity, artificial intelligence, connected communities and physical infrastructure (for example, the potential impact for the Russia / Ukraine conflict). Cost-cutting and efficiency initiatives, current and future budget restrictions, spending cuts and other efforts to reduce government spending and shifts in overall priorities could cause our government customers to reduce or delay funding or invest appropriated funds on a less consistent basis or not at all, and demand for our solutions or services could diminish. Furthermore, any disruption in the functioning of government agencies, including as a result of government closures and shutdowns, could have a negative impact on our operations and cause us to lose revenue or incur additional costs due to, among other things, our inability to maintain access and schedules for government testing or deploy our staff to customer locations or facilities as a result of such disruptions.

There is also uncertainty around the timing, extent, nature and effect of Congressional and other U.S. government actions to address budgetary constraints, caps on the discretionary budget for defense and non-defense departments and agencies, and the ability of Congress to determine how to allocate the available budget authority and pass appropriations bills to fund both U.S. government departments and agencies that are, and those that are not, subject to the caps. Additionally, budget deficits and the growing U.S. national debt, may increase pressure on the U.S. government to reduce federal spending across all federal agencies, with uncertainty about the size and timing of those reductions. Furthermore, delays in the completion of future U.S. government budgets could in the future delay procurement of the federal government services we provide. A reduction in the amount of, or reductions, delays, or cancellations of funding for, services that we are contracted to provide to the U.S. government as a result of any of these impacts or related initiatives, legislation or otherwise could have a material adverse effect on our business and results of operations. See Part I, Item 1A, "Risk Factors—Risks Related to Our Business—Significant delays or reductions in appropriations for our programs and changes in U.S. government priorities and spending levels more broadly may negatively impact our business and could have a material adverse impact on our business, financial condition and results of operations" Please see also Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Business Overview and Considerations—Business Environment" in

our Annual Report for the year ended December 31, 2023, filed with the SEC on March 28, 2023 for further details on U.S. government spending's impact on our business.

Operational Performance on Contracts

The Company recognizes revenue for each separately identifiable performance obligation in a contract representing an obligation to transfer a distinct good or service to a customer. In most cases, goods and services provided under the Company's contracts are accounted for as single performance obligations due to the complex and integrated nature of our products and services. These contracts generally require significant integration of a group of goods and/or services to deliver a combined output. In some contracts, the Company provides multiple distinct goods or services to a customer. In those cases, the Company accounts for the distinct contract deliverables as separate performance obligations and allocates the transaction price to each performance obligation based on its relative standalone selling price, which is generally estimated using cost plus a reasonable margin. We classify revenues as products or services on our Consolidated Statements of Earnings based on the predominant attributes of the performance obligations. While the Company provides warranties on certain contracts, we typically do not provide for services beyond standard assurances and therefore do not consider warranties to be separate performance obligations. Typically, we enter into three types of contracts: fixed-price contracts, cost-plus contracts and T&M contracts (cost-plus contracts and T&M contracts are aggregated below as flexibly priced contracts). The majority of our total revenues are derived from fixed-price contracts; refer to the revenue disaggregation disclosures that follow.

For fixed-price contracts, customers agree to pay a fixed amount, negotiated in advanced for a specified scope of work.

For cost-plus contracts typically we are reimbursed for allowable or otherwise defined total costs (defined as cost of revenues plus allowable general and administrative expenses) incurred, plus a fee. The contracts may also include incentives for various performance criteria, including quality, timeliness and cost-effectiveness. In addition, costs are generally subject to review by clients and regulatory audit agencies, and such reviews could result in costs being disputed as non-reimbursable under the terms of the contract.

T&M contracts provide for reimbursement of labor hours expended at a contractual fixed labor rate per hour, plus the actual costs of material and other direct non-labor costs. The fixed labor rates on T&M contracts include amounts for the cost of direct labor, indirect contract costs and profit.

Revenue from contracts with customers is recognized when the performance obligations are satisfied through the transfer of control over the good or service to the customer, which may occur either over time or at a point in time.

Revenues for the majority of our contracts are measured using the over time, percentage of completion cost-to-cost method of accounting to calculate percentage of completion. We believe this is an appropriate measure of progress toward satisfaction of performance obligations as this measure most accurately depicts the progress of our work and transfer of control to our customers. Due to the long-term nature of many of our contracts, developing the estimated total cost at completion and total transaction price often requires judgment. Factors that must be considered in estimating the cost of the work to be completed include the nature and complexity of the work to be performed, subcontractor performance and the risk and impact of delayed performance.

After establishing the estimated total cost at completion, we follow a standard Estimate at Completion ("EAC") process in which we review the progress and performance on our ongoing contracts. The following represents the impact that changes in our estimates, particularly those regarding our fixed-price development programs, have had on our revenues for the three and six months ended June 30, 2023 and 2022 respectively:

Impact of Change in Estimates on our Revenue Results

(Dollars in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue	\$ (11)	\$ (10)	\$ (20)	\$ (11)
Total % of Revenue	1.7 %	1.6 %	1.7 %	0.9 %

Additionally, the timing of our cash flows is impacted by the timing of achievement of billable milestones on contracts. Historically, this has resulted and could continue to result in fluctuations in working capital levels and quarterly free cash flow results. As a result of such quarterly fluctuations in free cash flow results, we believe that quarter-to-quarter comparisons of our results of operations may not necessarily be meaningful and should not be relied upon as indicators of future performance.

Regulations

Increased audit, review, investigation and general scrutiny by U.S. government agencies of performance under government contracts and compliance with the terms of those contracts and applicable laws could affect our operating results. Negative publicity and increased scrutiny of government contractors in general, including us, relating to government expenditures for contractor services and incidents involving the mishandling of sensitive or classified information as well as the increasingly complex requirements of the DoD and the U.S. intelligence community, including those related to cybersecurity, could impact our ability to perform in the markets we serve.

International & Commercial Sales

International revenue, including foreign military sales, foreign military financing, and direct commercial sales, accounted for approximately 33% and 27% of our revenue for the three and six months ended June 30, 2023, respectively, and 22% and 18% of our revenues for the three and six months ended June 30, 2022, respectively. The increase is due in part to increased purchases resulting from continued military aid programs in support of Ukraine in its conflict with Russia. Given that our focus is primarily with the DoD and our investments are focused as such, we anticipate that international sales will continue to account for a similar percentage of revenue in the future. We remain subject to the spending levels, pace and priorities of the U.S. government as well as international governments and commercial customers, and to general economic conditions that could adversely affect us, our customers and our suppliers.

Additionally, some international sales may expose us to foreign exchange fluctuations and changing dynamics of foreign competitiveness based on variations in the value of the U.S. dollar relative to other currencies. The impact of those fluctuations is reflected throughout our Consolidated Financial Statements, but in the aggregate, did not have a material impact on our results of operations for three and six months ended June 30, 2023.

Acquisitions

We consider the acquisition of businesses and investments that we believe will expand or complement our current portfolio and allow access to new customers or technologies. We also may explore the divestiture of businesses that no longer meet our needs or strategy or that could perform better outside of our organization.

On November 28, 2022, the Company announced the successful completion of the all-stock merger between Leonardo DRS and RADA, a leading Israel-based provider of small-form tactical radar, to become a combined public company. As previously disclosed, RADA shareholders retained approximately 19% ownership in the combined Company with Leonardo DRS's parent company, Leonardo S.p.A., (MIL: LDO), owning the remaining 81%. Immediately following the closing, the Company began trading on the Nasdaq Stock Exchange and the Tel Aviv Stock Exchange under the ticker "DRS".

The acquisition of RADA has been accounted for using the acquisition method of accounting in accordance with ASC 805, *Business Combinations*, with the Company as the accounting acquirer, which requires the assets acquired and liabilities assumed be recognized at their acquisition date fair value. The acquisition was completed on

November 28, 2022, when each issued and outstanding ordinary share of RADA was converted and exchanged for one share of common stock of the Company.

The total purchase consideration for RADA was \$511 million and is comprised of Company's shares issued in exchange for all issued and outstanding common shares of RADA, as well as the portion of replacement stock compensation awards' fair value attributable to pre-combination services. See *Note 2: Business Acquisitions and Dispositions* for additional information regarding the transaction.

Dispositions

On March 21, 2022, the Company entered into a definitive agreement to sell its Global Enterprise Solutions ("GES") business to SES Government Solutions, Inc., a wholly-owned subsidiary of SES S.A., for \$450 million subject to certain working capital adjustments. The transaction was completed on August 1, 2022 and resulted in cash proceeds of \$427 million after net working capital adjustments. The transaction netted an aggregate pretax gain net of transaction costs of \$309 million (\$239 million after tax) of which \$323 million, was included in Other Operating income (expense) net partially reduced by aggregate transaction costs of \$14 million included in Selling, General & Administrative costs and tax expenses of \$70 million. GES, which was part of the ASC segment, provides commercial satellite communications to the U.S. Government and delivers satellite communications and security solutions to customers worldwide.

The Company recorded operating income for the GES business of \$13 million and \$29 million for the year ended December 31, 2022 and for the period ended December 31, 2021, respectively.

On April 19, 2022, we entered into a definitive sales agreement to divest our share of our equity investment in Advanced Acoustic Concepts LLC ("AAC") for \$56 million to Thales Defense & Security, Inc., the minority partner in AAC. The transaction was completed on July 8, 2022 and resulted in proceeds of \$56 million. The transaction netted an aggregate pretax gain of \$31 million (\$22 million net of taxes). The aggregate gain of \$31 million is included in Other Operating income (expense) net offset by tax expense of \$9 million.

The proceeds generated from the GES and AAC divestitures resulted in a \$396 million dividend to US Holding, at that time, our sole stockholder. The \$396 million represents the proceeds generated net of our costs to sell and estimated tax obligations. The dividend was issued on August 5, 2022.

Review of Operating Segments

The following is a discussion of operating results for each of our operating segments. We have elected to use Revenue, Adjusted EBITDA, Adjusted EBITDA Margin, and Bookings to provide detailed information on our

segment performance. Additional information regarding our segments can be found in *Note 16: Segment Information* within the unaudited Consolidated Financial Statements.

(Dollars in millions)	Three Months Ended June 30,			June 30, 2023 vs. June 30, 2022	
	2023	2022		Variance	
Revenue:					
ASC	\$ 404	\$ 444	\$ (40)	(9.0 %)	
IMS	226	187	39	20.9 %	
Corporate & Eliminations	(2)	(4)	2	(50.0 %)	
Total revenue	\$ 628	\$ 627	\$ 1	0.2 %	
Adjusted EBITDA:					
ASC	\$ 36	\$ 57	\$ (21)	(36.8 %)	
IMS	26	10	16	168.0 %	
Corporate & Eliminations	—	—	—	NM	
Total Adjusted EBITDA	\$ 62	\$ 67	\$ (5)	(7.6 %)	
Adjusted EBITDA Margin:					
ASC	8.9 %	12.8 %	(3.9 %)	(30.6 %)	
IMS	11.5 %	5.2 %	6.3 %	121.8 %	
Bookings:					
ASC	\$ 469	\$ 485	\$ (16)	(3.3 %)	
IMS	229	197	32	16.2 %	
Total bookings	\$ 698	\$ 683	\$ 15	2.2 %	

(Dollars in millions)	Six Months Ended June 30,			June 30, 2023 vs. June 30, 2022	
	2023	2022		Variance	
Revenue:					
ASC	\$ 795	\$ 840	\$ (45)	(5.4)%	
IMS	415	405	10	2.5 %	
Corporate & Eliminations	(13)	(6)	(7)	116.7 %	
Total revenue	\$ 1,197	\$ 1,239	\$ (42)	(3.4)%	
Adjusted EBITDA:					
ASC	\$ 73	\$ 89	\$ (16)	(18.0)%	
IMS	38	51	(13)	(25.0)%	
Corporate & Eliminations	—	—	—	NM	
Total Adjusted EBITDA	\$ 111	\$ 140	\$ (29)	(20.7)%	
Adjusted EBITDA Margin:					
ASC	9.2 %	10.6 %	(1.4)%	(13.3)%	
IMS	9.2 %	12.5 %	(3.3)%	(26.9)%	
Bookings:					
ASC	\$ 873	\$ 873	\$ —	(0.1)%	
IMS	574	556	18	3.2 %	
Total bookings	\$ 1,447	\$ 1,430	\$ 17	1.2 %	

ASC

Revenue:

The ASC segment reported revenue of \$404 million and \$795 million for the three and six months ended June 30, 2023, decreasing by 9% and 5% or \$40 million and \$45 million, respectively from the three and six months

ended June 30, 2022. This decrease is attributed to the net divestiture impact, in which our disposed assets (GES) provided a higher revenue contribution than the acquired RADA asset for the quarter and year to date period as well as a reduction in revenue generated from tactical computing programs.

Adjusted EBITDA and Adjusted EBITDA Margin:

ASC's Adjusted EBITDA decreased by \$21 million or 37% to \$36 million from \$57 million for the three months ended June 30, 2023 when compared to the three months ended June 30, 2022. The shortfall was driven by increased G&A expenditures attributed to IR&D investments, incremental public costs allocated to the segment, as well as the increased G&A attributed to the RADA commercial business model. Additionally the ASC segment realized a reduction in revenue as compared to the prior three month period ended June 30, 2022. These reductions were offset by increased gross margin contribution attributed in large part to the high margin realized on the RADA revenue contribution.

For the six month period ended June 30, 2023 Adjusted EBITDA decreased \$16 million or 18%, from \$89 million to \$73 million.. The decrease in Adjusted EBITDA was driven by increased G&A expenditures attributed to IR&D investments, incremental public costs allocated to the segment, as well as the increased G&A attributed to the RADA commercial business model. Additionally the ASC segment realized a reduction in revenue as compared to the prior six month period ended June 30, 2022. These reductions were offset by increased gross margin contribution attributed in large part to the high margin realized on the RADA revenue contribution.

The decrease in Adjusted EBITDA drove a decrease in Adjusted EBITDA Margin from 12.8% for the three months ended June 30, 2022 to 8.9% for the three months ended June 30, 2023. The margin reduction is driven by the reduction in revenue realized during the period coupled with the incremental G&A investments detailed above. This was partially offset by the high margin realized on the RADA revenue contribution. Similarly, the decrease in Adjusted EBITDA drove a decrease in Adjusted EBITDA Margin from 11% for the six months ended June 30, 2022 to 9% for six months ended June 30, 2023.

Bookings:

The ASC segment had a slight decrease in bookings for the three months ended June 30, 2023 of \$16 million when compared to the three months ended June 30, 2022, driven entirely to the net divestiture impact of \$97 million. Despite the large inorganic bookings impact year over year, ASC bookings decline was offset by increased demand across our advanced sensing and network computing areas, specifically for the Company's naval network computing (\$45 million), tactical communications and computing of (\$36 million) and other sensing technologies. Bookings continue to exceed the revenue output driving an increase in backlog over the period. For the six months ended June 30, 2023 there was no change as compared to the six months ended June 30, 2022, with booking contribution of \$873 million in each period despite \$90 million of net divestiture impact negatively impacting the current year bookings total.

IMS

Revenue:

IMS segment revenue increased by \$39 million or 21% to \$226 million for the three months ended June 30, 2023 from \$187 million for the three months ended June 30, 2022 with continued momentum in our naval power and propulsion business. Additionally, the trend continued in the six months ended June 30, 2023 with revenue growth of \$10 million or 2% to \$415 million for the six months ended June 30, 2023 from \$405 million for the six months ended June 30, 2022. The growth for the six month period was also attributed to our naval power and propulsion business but was partially offset by the non-recurring impact of the contract modification on the Columbia program realized in the prior year.

Adjusted EBITDA and Adjusted EBITDA Margin:

IMS's Adjusted EBITDA increased by \$16 million or 168% to \$26 million for the three months ended June 30, 2023 from \$10 million for the three months ended June 30, 2022. The increase for the quarter is attributed to

continued program improvement on our Columbia Class submarine program. This drove Adjusted EBITDA margin up 632 bps to 11.5% compared to the 5.2% realized during the three month period ended June 30, 2022.

For the six months ended June 30, 2023 Adjusted EBITDA decreased \$13 million or 25% to \$38 million from \$51 million for the six months ended June 30, 2022. This was primarily due to the favorable financial impact realized from the 2nd ship-set contract modification on the Columbia program realized in prior year Q1 (\$25 million).

Bookings:

Booking contributions increased by \$32 and \$18 million or 16.2% and 3.2% for the three and six months ended June 30, 2023 to \$229 million and \$574 million from \$197 million and \$556 million for the three and six months ended June 30, 2022, respectively. The increase was largely attributed to continued funding progress on our Electronic Power & Propulsion contracts.

Liquidity and Capital Resources

We endeavor to ensure the most efficient conversion of operating income into cash for deployment in our business and to maximize stockholder value through cash deployment activities. In addition to our cash position, we use various financial measures to assist in capital deployment decision-making, including cash provided by operating activities and free cash flow, a non-GAAP measure described in more detail below. We believe that the combination of our existing cash, access to credit facilities as described in *Note 11: Debt* and future cash that we expect to generate from our operations will be sufficient to meet our short and long-term liquidity needs. There can be no assurance, however, that our business will continue to generate cash flow at current levels or that anticipated operational improvements will be achieved. We may also pursue acquisitions or other strategic priorities that will require additional liquidity beyond the liquidity we generate through our operations. Our cash balance as of June 30, 2023, was \$35 million compared to \$306 million as of December 31, 2022.

The following table summarizes our cash flows for the periods presented:

(Dollars in millions)	Six Months Ended June 30,	
	2023	2022
Net cash used in operating activities	\$ (346)	\$ (242)
Net cash used in investing activities	(26)	(22)
Net cash provided by financing activities	101	93
Effect of exchange rate changes on cash and cash equivalents	—	—
Net increase (decrease) in cash and cash equivalents	\$ (271)	\$ (171)
Free cash flow ⁽¹⁾	\$ (356)	\$ (254)

(1) Free cash flow is a Non-GAAP measure. The reasons we use this Non-GAAP financial measure and its reconciliation to the most directly comparable U.S. GAAP financial measure is provided above under “—Key Financial and Operating Measures—Non-GAAP Financial Measures.”

Operating Activities

Cash usage related to the operating activities increased by \$104 million from \$242 million for the six months ended June 30, 2022 to \$346 million for the six months ended June 30, 2023. This was primarily due to cash used to fund working capital for the six months ended June 30, 2023 when compared to six months ended June 30, 2022. The increased working capital was driven by incremental tax payments associated with the R&D capitalization

requirements of section 174 coupled with incremental investments in inventory and contract assets to combat supply chain lead-times.

Investing Activities

Net cash used in investing activities increased by \$4 million for the six months ended June 30, 2023 when compared to the six months ended June 30, 2022 primarily due to increases in capital expenditures.

Financing Activities

Net cash provided by financing activities increased by \$8 million for the six months ended June 30, 2023 versus June 30, 2022. The increase was primarily related to the proceeds from stock issuances related to the exercise of stock options.

Free Cash Flow

Free cash flow usage increased by \$102 million to \$356 million for six months ended June 30, 2023 from \$254 million for the six months ended June 30, 2022. This was primarily due to cash used in operating activities noted above for the six months ended June 30, 2023 when compared to the six months ended June 30, 2022.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISK

Equity Risk

We currently have limited risk related to fluctuations in marketable securities. Outside of pension assets which are disclosed in *Note 12: Pension and Other Postretirement Benefits* to the Consolidated Financial Statements, the only investments the Company holds are overnight money market accounts. Fluctuations are unlikely and would have limited impact on the financial statements of the Company.

Interest Rate Risk

We are exposed to interest rate risk on variable-rate borrowings under our \$225 million Term Loan A and our revolving credit facilities under which we had an outstanding balance of \$219 million and \$110 million respectively as of June 30, 2023. A 0.5% increase or decrease in our weighted average interest rate on our variable debt outstanding as of June 30, 2023 would result in an increase or decrease in our annual interest expense of approximately \$2 million. The carrying values of the Company's borrowings under the 2022 Credit Facility approximate their fair values at June 30, 2023. For additional information please refer to *Note 11: Debt*.

Foreign Currency Risk

In certain circumstances, we may be exposed to foreign currency risk. However, as the overwhelming majority of our revenue is derived from U.S. sources directly as a prime contractor or indirectly as a subcontractor for the U.S. government as end-customer, we have limited foreign currency exposure. Currently, our exposure is primarily with the Canadian dollar and limited to receivables owed of \$47 million as of June 30, 2023. A 10% fluctuation in exchange rates would not have a material impact on our financial statements. We do not enter into or issue derivative instruments for trading purposes.

Inflation Risk

We have generally been able to anticipate increases in costs when pricing our contracts. Bids for longer-term firm fixed-price contracts typically include assumptions for labor and other cost escalations in amounts that historically have been sufficient to cover cost increases over the period of performance. We have seen impacts due to inflation on isolated programs. These have largely been offset with our internal continuous improvement savings initiatives and improved program performance.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

For information relating to legal proceedings, see Note 14 to the unaudited Consolidated Financial Statements in Part 1, Item 1.

ITEM 1A. Risk Factors

Our international business exposes us to additional risks, including risks related to geopolitical and economic factors, laws and regulations.

For the years ended December 31, 2022, 2021, and 2020, approximately 7%, 5% and 8%, respectively, of our revenue was derived from sales to customers located in foreign countries and foreign governments. We cannot assure you that we will maintain significant operations internationally or that any such operations will be successful. International business (including our participation in joint ventures and other joint business arrangements) is subject to numerous political and economic factors, legal requirements, cross-cultural considerations and other risks associated with doing business globally. These risks differ in some respects from those associated with our U.S. business and our exposure to such risks may increase if our international business continues to grow.

Our international business is subject to both U.S. and foreign laws and regulations, which may include, without limitation, laws and regulations relating to import-export controls, (such as the ITAR, EAR, and customs laws), tariffs, embargoes, technology transfer restrictions, government contracts and procurement, data privacy and protection, investment, exchange rates and controls, the FCPA and other anti-corruption laws, including the UK Bribery Act and the Canadian Corruption of Foreign Public Officials Act, Article 5 of the Israeli Penal Law of 1977, the anti-boycott provisions under the EAR, U.S. economic sanctions administered by the Office of Foreign Assets Control and other federal agencies, labor and employment, works councils and other labor groups, anti-human trafficking, taxes, environment, immunity, security restrictions and intellectual property. If we or our employees, affiliates, partners or others with whom we work fail to comply with applicable laws and regulations we may be subject to administrative, civil, commercial or criminal penalties and liabilities, including suspension or debarment from government contracts or suspension of our export privileges. Our international business also exposes us to difficulties associated with repatriating cash generated or held abroad in a tax-efficient manner and changes in tax laws. Our customers outside of the U.S. generally have the ability to terminate contracts for default based on performance. Suspension or debarment, or termination of a contract due to default, in particular, could have a material adverse effect on our reputation, our ability to compete for other contracts and our financial position, results of operations and/or cash flows. New regulations and requirements, or changes to existing ones in the various countries in which we operate can significantly increase our costs and risks of doing business internationally. Any such future violations could have a material adverse impact on our reputation, business, results of operations and financial condition.

Changes in laws, regulations, political leadership and environment, or security risks may significantly affect our ability to conduct or continue to conduct business in international markets. Our international business may be impacted by changes in U.S. and foreign national policies and priorities, and geopolitical relationships, any of which may be influenced by changes in the threat environment, political leadership, geopolitical uncertainties, world events, acts of terrorism, bilateral and multi-lateral relationships, government budgets, and economic and political factors more generally, and any of which could impact funding for programs, alter export authorizations, or delay purchasing decisions or customer payments. These changes may affect the defense spending priorities and procurement policies of foreign governments which may affect our international military sales.

The Company is subject to risks associated with a dynamic geopolitical climate, including nation states that could take action to limit our access to key material and subcomponents used in our products. Recently enacted export controls by foreign governments covering rare elements could have a material adverse impact on our business, financial condition and results of operations.

Global economic conditions and fluctuations in foreign currency exchange rates could further impact our business. For example, the tightening of credit in financial markets outside of the U.S. could adversely affect the ability of our customers and suppliers to obtain financing and could result in a decrease in or cancellation of orders for our products and services or impact the ability of our customers to make payments. In addition, the majority of our foreign costs are denominated in local currencies. Over time, an increasing portion of our contracts with paid customers outside of the United States may be denominated in local currencies. Therefore, fluctuations in the value of the U.S. dollar and foreign currencies may affect our results of operations when translated into U.S. dollars. We do not currently engage in currency-hedging activities to limit the risk of exchange rate fluctuations. However, in the

future, we may use derivative instruments, such as foreign currency forward and option contracts, to hedge certain exposures to fluctuations in foreign currency exchange rates. The use of such hedging activities may not offset any or more than a portion of the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place. Moreover, the use of hedging instruments may introduce additional risks if we are unable to structure effective hedges with such instruments.

Our contracts with non-U.S. customers may also include terms and reflect legal requirements that create additional risks including the risk of non-payment or delayed payment by foreign customers and governments. They may include industrial cooperation agreements requiring specific in-country purchases, investments, manufacturing agreements or other operational or financial obligations, including offset obligations, and provide for significant penalties if we fail to meet such requirements. They may also require us to enter into letters of credit, performance or surety bonds, bank guarantees and/or other financial arrangements to secure our performance obligations. We also increasingly are dependent on in-country suppliers and we face risks related to their failure to perform in accordance with the contracts and applicable laws, particularly where we rely on a sole source supplier. Our ability to sell products outside the U.S. could be adversely affected if we are unable to design our products for export on a cost-effective basis or to obtain and retain all necessary export licenses and authorizations on a timely basis.

Conducting business outside of the U.S. also exposes us to the complexity and necessity of using, and disruptions involving our international dealers, distributors, sales representatives and consultants as well as the difficulties of managing a geographically dispersed organization and culturally diverse workforces, including compliance with applicable U.S. and local laws and practices, such as anti-corruption and anti-trust/competition laws. Contracts with international customers are significantly different than the contracts with our U.S. customers, and some are more complex and require different skills to manage. Our ability to conduct business outside of the U.S. also depends on our ability to attract and retain sufficient qualified personnel with the skills and/or security clearances in the markets in which we do business.

The products and services we provide internationally, including those provided by subsidiaries, subcontractors and joint ventures in which we have an interest, are sometimes in countries with unstable governments, economic or fiscal challenges, military or political conflicts and/or developing legal systems. This may increase the risk to our employees, subcontractors or other third parties, and/or increase the risk of a wide range of liabilities, as well as loss of property or damage to our products.

The occurrence and impact of these factors is difficult to predict, but one or more of them could negatively impact our business, financial condition and results of operations.

As of the date of this Quarterly Report, there have been no other material changes to the risk factors discussed under “Risk Factors” in Part 1, Item 1A of our Annual Report on Form 10-K for the year end December 31, 2022, filed with the SEC on March 28, 2023.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

ITEM 3. Defaults Upon Senior Securities

None.

Item 4. Controls and Procedures***Evaluation of Disclosure Controls and Procedures***

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the quarterly period ended June 30, 2023, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on this evaluation, our principal executive officer and principal financial officer has concluded that during the period covered by this report, our disclosure controls and procedures were effective.

Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the quarterly period ended June 30, 2023 covered by this Quarterly Report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 4. Mine Safety Disclosures

Not Applicable

ITEM 5. Other Information

(c) Furnish the information required by Item 408(a) of Regulation S-K (17 CFR 229.408(a)).

During the three months ended July 1, 2023, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

ITEM 6. Exhibits

Exhibit Number	Exhibit Description
10.1†	Form of Restricted Stock Unit Award Agreement
10.2†	Form of Performance Restricted Stock Unit Award Agreement
10.3†	Form of Director Restricted Stock Unit Award Agreement
31.1	Certification by principal executive officer pursuant to Rule 13A-14(a) or 15D-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification by principal financial officer pursuant to Rule 13A-14(a) or 15D-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification by principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification by principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document – the instance document does not appear on the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

† Identifies each management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 2, 2023

LEONARDO DRS, INC.

By: /s/ William J. Lynn III
Name: William J. Lynn III
Title: Chief Executive Officer

Leonardo DRS, Inc.**2022 OMNIBUS EQUITY COMPENSATION PLAN****RESTRICTED STOCK UNIT AWARD GRANT NOTICE**

Leonardo DRS, Inc., a Delaware corporation (the “Company”), pursuant to its 2022 Omnibus Equity Compensation Plan (the “Plan”), hereby grants to the participant listed below (“Participant”) an award of restricted stock units (“Restricted Stock Units” or “RSUs”) with respect to the number of shares of the Company’s Common Stock (the “Shares”) as indicated below. This award for Restricted Stock Units (this “Award”) is subject to all of the terms and conditions of this Restricted Stock Unit Award Grant Notice (this “Grant Notice”), as well as the terms and conditions of the Restricted Stock Unit Award Agreement attached hereto as Exhibit A (the “Restricted Stock Unit Agreement”) and the Plan, each of which are incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Grant Notice and the Restricted Stock Unit Agreement.

Participant:**Grant Date:****Vesting Commencement
Date:****Total Number of RSUs:**

Distribution Schedule: Subject to the terms of the Restricted Stock Unit Agreement, the RSUs shall be distributable in accordance with Section 1.1 of the Restricted Stock Unit Agreement.

Vesting Schedule: Subject to the terms of the Restricted Stock Unit Agreement, the RSUs shall vest as set forth on Exhibit B to this Grant Notice (the “Vesting Schedule”).

By electronically accepting this Grant Notice, Participant agrees to be bound by the terms and conditions of the Plan, the Restricted Stock Unit Agreement and this Grant Notice. In doing so, Participant explicitly acknowledges and agrees that Participant (i) has reviewed the Restricted Stock Unit Agreement, the Plan and this Grant Notice in their entirety and fully understands the terms of each such document, (ii) has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice, and (iii) agrees to be bound by the restrictive covenants set forth in Section 3.6 of the Restricted Stock Unit Agreement. Participant has been provided with a copy or electronic access to a copy of the prospectus for the Plan. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Board and/or the Committee (or any delegee thereof) upon any questions arising under the Plan, this Grant Notice or the Restricted Stock Unit Agreement. In the event of any inconsistency between the Plan and this Grant Notice or the Restricted Stock Unit Agreement, the terms of the Plan shall control.

Participant acknowledges that his or her acceptance of the terms and conditions of the Plan, the Restricted Stock Unit Agreement and this Grant Notice by his or her signature or electronic acceptance of the Restricted Stock Unit Agreement is a condition to the receipt of this Award. As a result, unless otherwise determined by the Board and/or the Committee (or any delegee thereof), in the event Participant does not sign or electronically accept this Grant Notice within forty-five (45) days of the Grant Date, this Award shall be forfeited and Participant shall have no further rights thereto.

EXHIBIT A

RESTRICTED STOCK UNIT AWARD AGREEMENT

Pursuant to the Restricted Stock Unit Award Grant Notice (the “Grant Notice”) to which this Restricted Stock Unit Award Agreement (this “Agreement”) is attached, the Company has granted to Participant the right to receive the number of RSUs set forth in the Grant Notice, subject to all of the terms and conditions set forth in this Agreement, the Grant Notice and the Plan. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control.

ARTICLE I

AWARD OF RESTRICTED STOCK UNITS

1.1 Award of Restricted Stock Units.

(a) Award. In consideration of Participant’s continued Employment and for other good and valuable consideration, the Company hereby grants to Participant the right to receive the number of RSUs set forth in the Grant Notice, subject to the terms and conditions set forth in this Agreement, the Grant Notice and the Plan. Prior to the actual issuance of any Shares, the Award represents an unsecured obligation of the Company, payable only from the general assets of the Company.

(b) Vesting. The RSUs subject to the Award shall vest in accordance with the Vesting Schedule. Unless and until the RSUs have vested in accordance with the Vesting Schedule and subject to Section 3.2 of this Agreement, Participant will have no right to any distributions or dividends with respect to such RSUs. Unless otherwise provided in Exhibit B to the Grant Notice or in the Participant’s employment agreement or other arrangement of the Company, in the event of Participant’s termination of Employment prior to the vesting of all of the RSUs, any unvested RSUs will terminate automatically without any further action by the Company and will be forfeited without further notice and at no cost to the Company. Notwithstanding anything to the contrary herein or in Exhibit B to the Grant Notice, in the event Participant’s Employment is terminated due to death or Disability, any unvested RSUs shall fully vest on the date of Participant’s death or Disability, as applicable.

(c) Distribution of RSUs.

(i) Shares or cash equivalents, as determined by the Committee, shall be distributed to Participant (or in the event of Participant’s death, to his or her estate) with respect to Participant’s vested RSUs within sixty (60) days following the date on which such RSUs vest as specified in the Vesting Schedule, subject to the terms and provisions of the Plan and this Agreement.

(ii) Neither the time nor form of distribution of Shares with respect to the RSUs may be changed, except as may be permitted by the Board and/or the Committee (or any delegee thereof) in accordance with the Plan and Section 409A and the Treasury Regulations thereunder.

1.2 Tax Withholding.

(a) The Company or any affiliate thereof shall have the right to withhold from any delivery of Shares or cash distributable to Participant hereunder an amount sufficient to satisfy the federal, state or local tax requirements, both foreign and domestic, relating to such transaction, and the Company or such affiliate may defer the payment of cash or issuance of Shares until such requirements are satisfied; provided however that such amount may not exceed the maximum statutory withholding rate. The Company may also satisfy such withholding obligation through any other method contemplated by Section 3.2 of the Plan.

ARTICLE II

[RESERVED.]

ARTICLE III

RESTRICTIONS

3.1 Award and Interests Not Transferable. This Award, including the RSUs awarded hereunder and any rights and obligations thereunder, may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until the Shares issuable pursuant to the Award have been issued, and all restrictions applicable to such Shares have lapsed. This Award and the rights and privileges conferred hereby, including the RSUs awarded hereunder, shall not be liable for the debts, contracts or engagements of Participant or his or her successors in interest and shall not be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means, whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy). Any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by this Section 3.1.

3.2 Rights as Stockholder. Neither Participant nor any person claiming under or through Participant shall have any of the rights or privileges of a stockholder of the Company in respect of any Shares issuable hereunder (including any voting rights or rights to dividends or distributions paid on Shares) unless and until certificates representing such Shares (which may be in uncertificated form) will have been issued and recorded on the books and records of the Company or its transfer agents or registrars and delivered to Participant (including through electronic delivery to a brokerage account). After such issuance, recordation and delivery, Participant shall have all the rights of a stockholder of the Company, including with respect to the right to vote the Shares and the right to receive any cash or share dividends or other distributions paid to or made with respect to the Shares.

3.3 Trading Restrictions. The Committee may establish periods from time to time during which Participant's ability to engage in transactions involving the Shares is subject to specific restrictions ("Restricted Periods"). Participant may be subject to restrictions giving rise to a Restricted Period for any reason that the Committee determines appropriate, including restrictions generally applicable to employees or groups of employees or restrictions applicable to

Participant during an investigation of allegations of misconduct or conduct detrimental to the Company by Participant.

3.4 Award Subject to Company's Policies. This Award, including the RSUs awarded hereunder, and any Shares issuable upon vesting of the RSUs, are subject to any clawback, recoupment or stock ownership policies that are adopted by the Company from time to time. Any portion of the Award is subject to forfeiture, recovery by the Company or other action pursuant to any such policies which the Company may adopt from time to time pursuant to laws, regulations or exchange rules, including without limitation, any such policy which the Company may be required to adopt under applicable law or exchange rule.

3.5 Conditions to Issuance of Shares or Settlement of Award. The Company shall not be required to issue or deliver any Shares issuable upon the vesting of the RSUs prior to the fulfillment of all of the following conditions: (a) the admission of the Shares to listing on all stock exchanges on which such Shares are then listed, (b) the completion of any registration or other qualification of the Shares under any state or federal law or under rulings or regulations of the United States Securities and Exchange Commission or other governmental regulatory body, which the Board or the Committee (or any delegee thereof) shall, in its sole and absolute discretion, deem necessary and advisable, (c) the obtaining of any approval or other clearance from any state or federal governmental agency that the Board or the Committee (or any delegee thereof) shall, in its absolute discretion, determine to be necessary or advisable, (d) the lapse of any such reasonable period of time following the date the RSUs vest as the Board or the Committee (or any delegee thereof) may from time to time establish for reasons of administrative convenience, and (e) the satisfaction of any applicable withholding tax.

3.6 Restrictive Covenants.

(a) Certain Covenants. Participant acknowledges and agrees that, to assist Participant in the performance of Participant's duties, the Company will provide and has provided Participant with Confidential Information (as defined below) and materials. Due to the sensitive nature of this Confidential Information, Participant acknowledges that the Company has legitimate business and competitive interests and legal rights to require non-disclosure of the Confidential Information to other companies and/or individuals and to require that the Confidential Information be used only for the benefit of the Company. Therefore, in order to protect the Confidential Information and the Company's business goodwill and competitive position, and in exchange for the Award, and in order to protect the value of the equity-based compensation provided to Participant in this Agreement, Participant agrees that, regardless of any future changes in Participant's duties, job title, compensation or scope of responsibility or the reason for any termination of Employment:

(i) During Participant's Employment and thereafter for so long as such Confidential Information remains confidential, Participant will not, directly or indirectly, directly or indirectly, either on Participant's own behalf or on behalf of any other Person (as defined below) use, disclose or allow any Confidential Information to be disclosed, unless previously authorized by the Company in writing for use in the pursuit of Company business.

(ii) During Participant's Employment and for a period of twelve (12) months thereafter, Participant will not, directly or indirectly, either on Participant's own behalf or on behalf of any other Person: (i) Solicit (as defined below), induce or assist any Person in Soliciting or inducing any individual or Person who is (or was at any time within the twelve (12) months preceding the termination of Participant's Employment) an employee, consultant, independent contractor, agent, or other individual service provider of the Company (each, a "Covered Employee") to leave the employment or engagement with the Company or cease performing services for the Company; (ii) hire or engage or assist any Person in hiring or engaging any Covered Employee; or (iii) Solicit, induce or assist any Person in Soliciting or inducing any other Person (including, without limitation, any third-party service provider or distributor) to terminate its relationship with the Company or otherwise interfere with such relationship. This Section 3.6(a)(ii) explicitly covers all forms of oral, written, or electronic communication, including, but not limited to, communications by email, regular mail, express mail, telephone, fax, instant message, and social media, including, but not limited to, Facebook, LinkedIn, Instagram, Twitter, and any other social media platform, whether or not in existence at the time of entering into this Agreement. However, it will not be deemed a violation of this section if Participant merely updates Participant's LinkedIn profile or connects with a Covered Employee on Facebook, LinkedIn, or other social media platform without engaging in any other substantive communication, by social media or otherwise, that is prohibited by this Section 3.6(a)(ii).

(iii) During Participant's Employment and for a period of twelve (12) months thereafter, the Participant will not, directly or indirectly, either on Participant's own behalf or on behalf of any other Person: (i) Solicit any Client (as defined below) to transact business with a Competitive Enterprise (as defined below) or to reduce or refrain from doing any business with the Company; (ii) transact business with any Client that would cause Participant to be a Competitive Enterprise; or (iii) interfere with or damage any relationship between the Company and a Client, provided, that this Section 3.6(a)(iii) shall not apply to any non-employee directors.

(b) Return of Company Property. Immediately upon Participant's termination of Employment for any reason, or upon the Company's request at any other time, Participant will deliver to the Company all Company Property (as defined below). Following Participant's termination of Employment, Participant shall not retain, copy, or remove (either physically or electronically) any Company Property from Company premises, computers, or other electronic equipment or storage devices.

(c) Definitions. For purposes of this Agreement:

(i) The term "Client" means, in the past twenty-four (24) months, any actual client or prospective client of the Company to whom Participant directly or indirectly, provided services, or for whom Participant directly or indirectly, transacted business, or whose identity became known to Participant in connection with Participant's Employment with which the Company wanted or intended to do business with.

(ii) The term "Company Group" means the Company, its Subsidiaries and its Affiliates.

(iii) The term “Company Property” means any and all documents, computer and computer-related hardware and software items, disks, telephones, customer and prospect lists, marketing, planning, financial and business strategy materials and all other materials or other things in Participant’s possession, custody or control that (i) were produced by, received by or otherwise submitted to Participant during Participant’s Employment relating to the Company Group’s business or a customer of the Company, (ii) contain Confidential Information or (iii) otherwise are the property of the Company.

(iv) The term “Competitive Enterprise” means any business enterprise that engages in any activity or provides any service that competes anywhere with any activity in which the Company Group is engaged or any service provided by the Company Group.

(v) The term “Confidential Information” means all non-public information of the Company Group’s business and its customers and affiliates of such customers, vendors, and suppliers including but not limited to, whether in existence or under development, the pendency or contemplation of certain transactions, information relating to the Company Group’s business plans and the Company Group’s business as conducted or as anticipated to be conducted, the identity of the Company Group’s customers, client-related records and information (including any compilations thereof), client lists, client preferences, pricing and cost data, the kinds of services provided or offered by the Company Group, nonpublic information concerning suppliers and vendors of the Company Group, computer software applications and security information and other programs, products, processes, systems and services, personnel information, unwritten knowledge and knowhow, tax information, mailing lists, market surveys, marketing plans, strategic plans, Trade Secrets (as defined below), and, any nonpublic and confidential information of third parties entrusted to the Company Group. Notwithstanding the foregoing, “Confidential Information” does not include information that is (i) or becomes available to the public generally prior to the date Participant proposes to disclose or use such information (other than as a result of Participant’s unauthorized disclosure), (ii) already known to Participant without any restriction on its disclosure at the time of disclosure, or (iii) independently developed by Participant, outside of the scope of Participant’s Employment, without the use of Confidential Information or breach of this Agreement. For the avoidance of doubt, this Section 3.6 does not prohibit or restrict Participant (or Participant’s attorney) from responding to any inquiry about this Agreement or its underlying facts and circumstances by the Securities and Exchange Commission, the Financial Industry Regulatory Authority, or any other self-regulatory organization or governmental authority, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation. Participant understands and acknowledges that Participant does not need the prior authorization of the Company to make any such reports or disclosures and that Participant is not required to notify the Company that Participant has made such reports or disclosures.

(vi) The term “Person” means an individual, corporation, partnership, limited liability company, association, trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

(vii) The term “Restrictive Covenants” means the restrictions set forth in Section 3.6(a).

(viii) The term “Solicit” means any direct or indirect communication of any kind, regardless of who initiates it, that in any way invites, advises, encourages or requests any person to take or refrain from taking any action.

(ix) The term “Trade Secret” means any formula, pattern, device or compilation of proprietary information or knowhow that is used in or related to the Company Group’s past, present or anticipated business and gives the Company Group an opportunity to obtain an advantage over competitors who do not know or use such Trade Secret.

(d) Reasonableness of Restrictions. Participant has carefully read and considered the Restrictive Covenants, and, having done so, agrees and acknowledges that the Restrictive Covenants may limit Participant’s ability to engage in competition during the period provided for above. Participant expressly warrants and represents that these restrictions with respect to time and scope of activity are reasonable and necessary to protect the Confidential Information and the Company Group’s business goodwill and competitive position.

(e) Forfeiture for Violation of Restrictive Covenants. The grant of the RSUs provided herein and Participant’s agreement to the Restrictive Covenants are intended to be mutually dependent promises and in the event Participant breaches or threatens to breach the Restrictive Covenants as determined by the Board in its sole discretion, then to the greatest extent permitted by applicable law: (i) RSUs that have not yet been settled (whether vested or unvested) shall immediately be cancelled; (ii) any Shares issued upon settlement of the RSUs during the time period that is twelve (12) months prior to and twelve (12) months following Participant’s termination of Employment that have not yet been sold by Participant shall be forfeited back to the Company for no consideration; and (iii) if Participant received Shares upon settlement of the RSUs during the time period that is twelve (12) months prior to and twelve (12) months following Participant’s termination of Employment and subsequently sold the received Share(s), any gain represented by the Fair Market Value of the Shares issued upon settlement of the RSUs on the settlement date multiplied by the number of Shares issued to Participant upon settlement of the RSUs shall be paid by Participant to the Company, in cash, without regard to any market price decrease or increase subsequent to the settlement of the RSUs.

(f) Remedies for Breach. In the event of a breach or threatened breach of any of the Restrictive Covenants as determined by the Board in its sole discretion, in addition to the forfeiture provisions set forth in Section 3.6(e), the Company shall have the right to seek monetary damages, and equitable relief, including specific performance by means of an injunction against Participant or any and all Persons acting directly or indirectly by or with Participant, to prevent or restrain any such breach.

(g) Blue Penciling. In the event a court of competent jurisdiction determines that the geographic area, duration, or scope of activity of any restriction under this Agreement is more extensive than is necessary to protect the legitimate business interests of the Company Group or are otherwise unenforceable, the Committee may, in its sole discretion, reform and modify the restrictions under this Agreement to the minimum extent required to render them valid and enforceable under applicable law.

ARTICLE IV
OTHER PROVISIONS

4.1 No Right to Continued Employment, Service or Awards.

Nothing in the Plan, the Grant Notice, or this Agreement shall confer upon Participant any right to continue in the employ or service of the Company or shall interfere with or restrict in any way the rights of the Company, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, except to the extent expressly provided otherwise in a written agreement between the Company and Participant.

The grant of the Award is a one-time benefit and does not create any contractual or other right to receive a grant of Awards or benefits in lieu of Awards in the future. Future grants, if any, will be at the sole discretion of the Committee. In addition, the value of the Award is an extraordinary item of compensation outside the scope of any employment contract. As such, the Award is not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments. The future value of the underlying Shares is unknown and cannot be predicted with certainty.

4.2 Adjustments. Participant acknowledges that the Award, including the vesting of the Award and the number of Shares subject to the Award, is subject to adjustment in the discretion of the Committee (or any delegee thereof) upon the occurrence of certain events as provided in this Agreement and the Plan.

4.3 Headings. Headings are provided herein for convenience only and are not intended to define or limit the construction of the provisions hereof.

4.4 Governing Law; Venue. The laws of the Commonwealth of Virginia shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws. The Company and Participant agree that any suit, action, or proceeding arising out of or relating to the Plan or this Agreement shall be brought to the exclusive jurisdiction of the Circuit Court of Arlington County (Virginia) or the United States District Court for the Eastern District of Virginia (Alexandria Division). The Company and Participant each irrevocably waive, to the fullest extent permitted by law, any objection either may have to the laying of venue for any such suit, action or proceeding brought in such court. THE COMPANY AND PARTICIPANT ALSO EACH EXPRESSLY WAIVE ANY RIGHT THEY HAVE OR MAY HAVE TO A JURY TRIAL OF ANY SUCH SUIT, ACTION OR PROCEEDING. If any one or more provisions of this Agreement shall for any reason be held invalid or unenforceable, it is the specific intent of the Company and Participant that such provisions shall be modified to the minimum extent necessary to make it or its application valid and enforceable.

4.5 Conformity to Securities Laws. Participant acknowledges that the Plan, the Grant Notice and this Agreement are intended to comply with all applicable provisions of the Securities Act and the Exchange Act and any and all regulations and rules promulgated thereunder by the

United States Securities and Exchange Commission, including, without limitation, Rule 16b-3 under the Exchange Act. To the extent permitted by applicable law, the Plan, the Grant Notice and this Agreement shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

4.6 Tax Representations. Participant has reviewed with Participant's own tax advisors the federal, state, local and foreign tax consequences of this investment and the transactions contemplated by the Grant Notice and this Agreement. Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents, including the Board and the Committee. Participant understands that Participant (and not the Company) shall be responsible for Participant's own tax liability that may arise as a result of this investment or the transactions contemplated by this Agreement.

4.7 Successors and Assigns. The Company may assign any of its rights under this Agreement, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement shall be binding upon Participant and his or her heirs, executors, administrators, successors and assigns.

4.8 Amendment. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Board (or any delegate thereof); provided that, except as may otherwise be provided by the Plan, no such amendment shall materially adversely impair any rights of Participant under this Agreement without the prior written consent of Participant.

4.9 Paperless Administration. By accepting this Award, Participant hereby agrees to receive documentation related to the Award by electronic delivery, such as a system using an internet website or interactive voice response, maintained by the Company or a third party designated by the Company.

4.10 Severability; Entire Agreement. If any of the provisions of the Plan, the Grant Notice, or this Award Agreement is finally held to be invalid, illegal or unenforceable (whether in whole or in part), such provision will be deemed modified to the extent, but only to the extent, of such invalidity, illegality or unenforceability and the remaining provisions will not be affected thereby; provided that if any of such provisions is finally held to be invalid, illegal, or unenforceable because it exceeds the maximum scope determined to be acceptable to permit such provision to be enforceable, such provision will be deemed to be modified to the minimum extent necessary to modify such scope in order to make such provision enforceable hereunder. The Plan, the Grant Notice, this Agreement and any Award Agreements contain the entire agreement with respect to the subject matter thereof and supersede all prior agreements, promises, covenants, arrangements, communications, representations and warranties, whether written or oral with respect to the subject matter thereof, excluding any restrictive covenant agreement between Participant and a member of the Company Group.

4.11 Section 409A.

(a) This Agreement is not intended to provide for any deferral of compensation subject to Section 409A. Notwithstanding any other provision of the Plan, this Agreement or the

Grant Notice, the Plan, this Agreement and the Grant Notice shall be interpreted in accordance with, and incorporate the terms and conditions required by, Section 409A. The Board and/or the Committee (or any delegee thereof) may, in its discretion, adopt such amendments to the Plan, this Agreement or the Grant Notice or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Board or the Committee (or any delegee thereof) determines are necessary or appropriate to comply with the requirements of Section 409A, subject to Section 3.1 of the Plan.

(b) For purposes of Section 409A (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), each payment that Participant may be eligible to receive under this Agreement shall be treated as a separate and distinct payment.

(c) If Participant is a “specified employee” within the meaning of Treasury Regulation Section 1.409A-1(i) as of the date Participant terminates Employment, Participant shall not be entitled to any payment or benefit pursuant to this Agreement that constitutes “nonqualified deferred compensation” for purposes of Section 409A and that is payable upon a “separation from service” (within the meaning of Section 409A) until the earlier of (A) the date which is six (6) months after such separation from service for any reason other than death, or (B) the date of Participant’s death; provided that this Section 4.11(c) shall only apply if, and to the extent, required to avoid the imputation of any tax, penalty or interest pursuant to Section 409A. Any amounts otherwise payable to Participant upon or in the six (6) month period following Participant’s separation from service that are not so paid by reason of this Section 4.11(c) shall be paid (without interest) as soon as practicable (and in any event within thirty (30) days) after the date that is six (6) months after Participant’s separation from service (provided that in the event of Participant’s death after such separation from service but prior to payment, then such payment shall be made as soon as practicable, and in all events within thirty (30) days, after the date of Participant’s death).

4.12 Shortened Statute of Limitations. Participant agrees to shorten the applicable statute of limitations and agrees that no claims or causes of actions may be brought against the Company, its Subsidiaries or Affiliates, or any of their directors, officers, employees, controlling persons, agents or representatives based upon, directly or indirectly, any claim that arises under this Agreement or the Plan more than twelve (12) months after the date of the action that is the subject of the claim or lawsuit. Participant agrees to waive any statute of limitations to the contrary.

EXHIBIT B
TO RESTRICTED STOCK UNIT AWARD GRANT NOTICE
VESTING SCHEDULE

,

Leonardo DRS, Inc.

2022 OMNIBUS EQUITY COMPENSATION PLAN

PERFORMANCE RESTRICTED STOCK UNIT AWARD GRANT NOTICE

Leonardo DRS, Inc., a Delaware corporation (the “Company”), pursuant to its 2022 Omnibus Equity Compensation Plan (the “Plan”), hereby grants to the participant listed below (“Participant”), an award of performance-based restricted stock units (“Performance Restricted Stock Units” or “PRSUs”) with respect to the number of shares of the Company’s Common Stock (the “Shares”) indicated below. This award for Performance Restricted Stock Units (this “Award”) is subject to all of the terms and conditions as set forth in this grant notice (this “Grant Notice”), as well as the terms and conditions in the Performance Restricted Stock Unit Award Agreement attached hereto as Exhibit A (the “Award Agreement”) and the Plan, each of which are incorporated herein by reference. Unless otherwise defined herein, capitalized terms shall have the same defined meanings in this Grant Notice and the Award Agreement as they do in the Plan.

Participant:**Grant Date:****Vesting Commencement Date:**

Target Number of PRSUs (as may be adjusted from time to time pursuant to Section 4.2 of the Award Agreement):

[total PRSU shares granted] (the “Target PRSU”)

Maximum % of PRSUs (as may be adjusted from time to time pursuant to Section 4.2 of the Award Agreement):

200% of the Target PRSU

Distribution Schedule:

Subject to the terms of the Award Agreement, the PRSUs shall be distributable in accordance with Section 1.1 of the Award Agreement.

Vesting Schedule:

Subject to the terms of the Award Agreement, the PRSUs shall vest as set forth on Exhibit B to this Grant Notice (the “Vesting Schedule”).

By electronically accepting this Grant Notice, Participant agrees to be bound by the terms and conditions of the Plan, the Award Agreement and this Grant Notice. In doing so, Participant explicitly acknowledges and agrees that Participant (i) has reviewed the Award Agreement, the Plan and this Grant Notice in their entirety and fully understands the terms of each such document, (ii) has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice, and (iii) agrees to be bound by the restrictive covenants set forth in Section 3.6 of the Award Agreement. Participant has been provided with a copy or electronic access to a copy of the prospectus for the Plan. Participant hereby agrees to accept as binding, conclusive and final all

decisions or interpretations of the Board and/or the Committee (or any delegee thereof) upon any questions arising under the Plan, this Grant Notice or the Award Agreement. In the event of any inconsistency between the Plan and this Grant Notice or the Award Agreement, the terms of the Plan shall control.

Participant acknowledges that his or her acceptance of the terms and conditions of the Plan, the Award Agreement and this Grant Notice by his or her signature or electronic acceptance of the Award Agreement is a condition to the receipt of this Award. As a result, unless otherwise determined by the Board and/or the Committee (or any delegee thereof), in the event Participant does not sign or electronically accept this Grant Notice within forty-five (45) days of the Grant Date, this Award shall be forfeited and Participant shall have no further rights thereto.



EXHIBIT A

PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT

Pursuant to the Performance Restricted Stock Unit Award Grant Notice (the “Grant Notice”) to which this Performance Restricted Stock Unit Award Agreement (this “Agreement”) is attached, the Company has granted to Participant the right to receive the number of PRSUs set forth in the Grant Notice, subject to all of the terms and conditions set forth in this Agreement, the Grant Notice and the Plan. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control.

ARTICLE I

AWARD OF PERFORMANCE RESTRICTED STOCK UNITS

1.1 Award of Performance Restricted Stock Units.

(a) Award. In consideration of Participant’s continued Employment and for other good and valuable consideration, the Company hereby grants to Participant the right to receive the number of PRSUs set forth in the Grant Notice, subject to the terms and conditions set forth in this Agreement, the Grant Notice and the Plan. Prior to the actual issuance of any Shares, the Award represents an unsecured obligation of the Company, payable only from the general assets of the Company.

(b) Vesting. The PRSUs subject to the Award shall vest in accordance with the Vesting Schedule. Unless and until the PRSUs have vested in accordance with the Vesting Schedule and subject to Section 3.2 of this Agreement, Participant will have no right to any distributions or dividends with respect to such PRSUs. Unless otherwise provided in Exhibit B to the Grant Notice or in the Participant’s employment agreement or other arrangement of the Company, in the event of Participant’s termination of Employment prior to the vesting of all of the PRSUs, any unvested PRSUs will terminate automatically without any further action by the Company and will be forfeited without further notice and at no cost to the Company. Notwithstanding anything to the contrary herein or in Exhibit B to the Grant Notice, in the event Participant’s Employment is terminated due to death or Disability, any unvested PRSUs shall fully vest on the date of Participant’s death or Disability, as applicable, with any applicable performance conditions deemed achieved at 100% of the target performance level (as set forth in Exhibit B).

(c) Distribution of PRSUs.

(i) Shares or cash equivalents, as determined by the Committee, shall be distributed to Participant (or in the event of Participant’s death, to his or her estate) with respect to Participant’s vested PRSUs within sixty (60) days following the date on which such PRSUs vest as specified in the Vesting Schedule, subject to the terms and provisions of the Plan and this Agreement.

(ii) Neither the time nor form of distribution of Shares with respect to the PRSUs may be changed, except as may be permitted by the Board and/or the Committee (or

any delegee thereof) in accordance with the Plan and Section 409A and the Treasury Regulations thereunder.

1.2 Tax Withholding.

(a) The Company or any affiliate thereof shall have the right to withhold from any delivery of Shares or cash distributable to Participant hereunder an amount sufficient to satisfy the federal, state and/or local withholding tax requirements, both foreign and domestic, relating to such transaction, and the Company or such affiliate may defer payment of cash or issuance of Shares until such requirements are satisfied; provided, however, that such amount may not exceed the maximum statutory withholding rate. The Company may also satisfy such withholding obligation through any other method contemplated by Section 3.2 of the Plan.

ARTICLE II

[RESERVED.]

ARTICLE III

RESTRICTIONS

3.1 Award and Interests Not Transferable. This Award, including the PRSUs awarded hereunder and any rights and obligations thereunder, may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until the Shares issuable pursuant to the Award have been issued, and all restrictions applicable to such Shares have lapsed. This Award and the rights and privileges conferred hereby, including the PRSUs awarded hereunder, shall not be liable for the debts, contracts or engagements of Participant or his or her successors in interest and shall not be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy). Any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by this Section 3.1.

3.2 Rights as Stockholder. Neither Participant nor any person claiming under or through Participant shall have any of the rights or privileges of a stockholder of the Company in respect of any Shares issuable hereunder (including any voting rights or rights to dividends or distributions paid on Shares) unless and until certificates representing such Shares (which may be in uncertificated form) will have been issued and recorded on the books and records of the Company or its transfer agents or registrars, and delivered to Participant (including through electronic delivery to a brokerage account). After such issuance, recordation and delivery, Participant shall have all the rights of a stockholder of the Company, including with respect to the right to vote the Shares and the right to receive any cash or share dividends or other distributions paid to or made with respect to the Shares.

3.3 Trading Restrictions. The Committee may establish periods from time to time during which Participant's ability to engage in transactions involving the Shares is subject to

specific restrictions (“Restricted Periods”). Participant may be subject to restrictions giving rise to a Restricted Period for any reason that the Committee determines appropriate, including, restrictions generally applicable to employees or groups of employees or restrictions applicable to Participant during an investigation of allegations of misconduct or conduct detrimental to the Company by Participant.

3.4 Award Subject to Company’s Policies. This Award, including the PRSUs awarded hereunder, and any Shares issuable upon vesting of the PRSUs, are subject to any clawback, recoupment or stock ownership policies, that are adopted by the Company from time to time. Any portion of the Award is subject to forfeiture, recovery by the Company or other action pursuant to any such policies which the Company may adopt from time to time pursuant to laws, regulations or exchange rules, including without limitation, any such policy which the Company may be required to adopt under applicable law or exchange rule.

3.5 Conditions to Issuance of Shares or Settlement of Award. The Company shall not be required to issue or deliver any Shares issuable upon the vesting of the PRSUs prior to the fulfillment of all of the following conditions: (a) the admission of the Shares to listing on all stock exchanges on which such Shares are then listed, (b) the completion of any registration or other qualification of the Shares under any state or federal law or under rulings or regulations of the United States Securities and Exchange Commission or other governmental regulatory body, which the Board or the Committee (or any delegee thereof) shall, in its sole and absolute discretion, deem necessary and advisable, (c) the obtaining of any approval or other clearance from any state or federal governmental agency that the Board or the Committee (or any delegee thereof) shall, in its absolute discretion, determine to be necessary or advisable, (d) the lapse of any such reasonable period of time following the date the PRSUs vest as the Board or the Committee (or any delegee thereof) may from time to time establish for reasons of administrative convenience, and (e) the satisfaction of any applicable withholding tax.

3.6 Restrictive Covenants.

(a) Certain Covenants. Participant acknowledges and agrees that, to assist Participant in the performance of Participant’s duties, the Company will provide and has provided Participant with Confidential Information (as defined below) and materials. Due to the sensitive nature of this Confidential Information, Participant acknowledges that the Company has legitimate business and competitive interests and legal rights to require non-disclosure of the Confidential Information to other companies and/or individuals and to require that the Confidential Information be used only for the benefit of the Company. Therefore, in order to protect the Confidential Information and the Company’s business goodwill and competitive position, and in exchange for the Award, and in order to protect the value of the equity-based compensation provided to Participant in this Agreement, Participant agrees that, regardless of any future changes in Participant’s duties, job title, compensation or scope of responsibility or the reason for any termination of Employment:

(i) During Participant’s Employment and thereafter for so long as such Confidential Information remains confidential, Participant will not, directly or indirectly, directly or indirectly, either on Participant’s own behalf or on behalf of any other Person (as defined below)

use, disclose or allow any Confidential Information to be disclosed, unless previously authorized by the Company in writing for use in the pursuit of Company business.

(ii) During Participant's Employment and for a period of twelve (12) months thereafter, Participant will not, directly or indirectly, either on Participant's own behalf or on behalf of any other Person: (i) Solicit (as defined below), induce or assist any Person in Soliciting or inducing any individual or Person who is (or was at any time within the twelve (12) months preceding the termination of Participant's Employment) an employee, consultant, independent contractor, agent, or other individual service provider of the Company (each, a "Covered Employee") to leave the employment or engagement with the Company or cease performing services for the Company; (ii) hire or engage or assist any Person in hiring or engaging any Covered Employee; or (iii) Solicit, induce or assist any Person in Soliciting or inducing any other Person (including, without limitation, any third-party service provider or distributor) to terminate its relationship with the Company or otherwise interfere with such relationship. This Section 3.6(a)(ii) explicitly covers all forms of oral, written, or electronic communication, including, but not limited to, communications by email, regular mail, express mail, telephone, fax, instant message, and social media, including, but not limited to, Facebook, LinkedIn, Instagram, Twitter, and any other social media platform, whether or not in existence at the time of entering into this Agreement. However, it will not be deemed a violation of this section if Participant merely updates Participant's LinkedIn profile or connects with a Covered Employee on Facebook, LinkedIn, or other social media platform without engaging in any other substantive communication, by social media or otherwise, that is prohibited by this Section 3.6(a)(ii).

(iii) During Participant's Employment and for a period of twelve (12) months thereafter, the Participant will not, directly or indirectly, either on Participant's own behalf or on behalf of any other Person: (i) Solicit any Client (as defined below) to transact business with a Competitive Enterprise (as defined below) or to reduce or refrain from doing any business with the Company; (ii) transact business with any Client that would cause Participant to be a Competitive Enterprise; or (iii) interfere with or damage any relationship between the Company and a Client, provided, that this Section 3.6(a)(iii) shall not apply to any non-employee directors.

(b) Return of Company Property. Immediately upon Participant's termination of Employment for any reason, or upon the Company's request at any other time, Participant will deliver to the Company all Company Property (as defined below). Following Participant's termination of Employment, Participant shall not retain, copy, or remove (either physically or electronically) any Company Property from Company premises, computers, or other electronic equipment or storage devices.

(c) Definitions. For purposes of this Agreement:

(i) The term "Client" means, in the past twenty-four (24) months, any actual client or prospective client of the Company to whom Participant directly or indirectly, provided services, or for whom Participant directly or indirectly, transacted business, or whose identity became known to Participant in connection with Participant's Employment with which the Company wanted or intended to do business with.

(ii) The term “Company Group” means the Company, its Subsidiaries and its Affiliates.

(iii) The term “Company Property” means any and all documents, computer and computer-related hardware and software items, disks, telephones, customer and prospect lists, marketing, planning, financial and business strategy materials and all other materials or other things in Participant’s possession, custody or control that (i) were produced by, received by or otherwise submitted to Participant during Participant’s Employment relating to the Company Group’s business or a customer of the Company, (ii) contain Confidential Information or (iii) otherwise are the property of the Company.

(iv) The term “Competitive Enterprise” means any business enterprise that engages in any activity or provides any service that competes anywhere with any activity in which the Company Group is engaged or any service provided by the Company Group.

(v) The term “Confidential Information” means all non-public information of the Company Group’s business and its customers and affiliates of such customers, vendors, and suppliers including but not limited to, whether in existence or under development, the pendency or contemplation of certain transactions, information relating to the Company Group’s business plans and the Company Group’s business as conducted or as anticipated to be conducted, the identity of the Company Group’s customers, client-related records and information (including any compilations thereof), client lists, client preferences, pricing and cost data, the kinds of services provided or offered by the Company Group, nonpublic information concerning suppliers and vendors of the Company Group, computer software applications and security information and other programs, products, processes, systems and services, personnel information, unwritten knowledge and knowhow, tax information, mailing lists, market surveys, marketing plans, strategic plans, Trade Secrets (as defined below), and, any nonpublic and confidential information of third parties entrusted to the Company Group. Notwithstanding the foregoing, “Confidential Information” does not include information that is (i) or becomes available to the public generally prior to the date Participant proposes to disclose or use such information (other than as a result of Participant’s unauthorized disclosure), (ii) already known to Participant without any restriction on its disclosure at the time of disclosure, or (iii) independently developed by Participant, outside of the scope of Participant’s Employment, without the use of Confidential Information or breach of this Agreement. For the avoidance of doubt, this Section 3.6 does not prohibit or restrict Participant (or Participant’s attorney) from responding to any inquiry about this Agreement or its underlying facts and circumstances by the Securities and Exchange Commission, the Financial Industry Regulatory Authority, or any other self-regulatory organization or governmental authority, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation. Participant understands and acknowledges that Participant does not need the prior authorization of the Company to make any such reports or disclosures and that Participant is not required to notify the Company that Participant has made such reports or disclosures.

(vi) The term “Person” means an individual, corporation, partnership, limited liability company, association, trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

(vii) The term “Restrictive Covenants” means the restrictions set forth in Section 3.6(a).

(viii) The term “Solicit” means any direct or indirect communication of any kind, regardless of who initiates it, that in any way invites, advises, encourages or requests any person to take or refrain from taking any action.

(ix) The term “Trade Secret” means any formula, pattern, device or compilation of proprietary information or knowhow that is used in or related to the Company Group’s past, present or anticipated business and gives the Company Group an opportunity to obtain an advantage over competitors who do not know or use such Trade Secret.

(d) Reasonableness of Restrictions. Participant has carefully read and considered the Restrictive Covenants, and, having done so, agrees and acknowledges that the Restrictive Covenants may limit Participant’s ability to engage in competition during the period provided for above. Participant expressly warrants and represents that these restrictions with respect to time and scope of activity are reasonable and necessary to protect the Confidential Information and the Company Group’s business goodwill and competitive position.

(e) Forfeiture for Violation of Restrictive Covenants. The grant of the PRSUs provided herein and Participant’s agreement to the Restrictive Covenants are intended to be mutually dependent promises and in the event Participant breaches or threatens to breach the Restrictive Covenants as determined by the Board in its sole discretion, then to the greatest extent permitted by applicable law: (i) PRSUs that have not yet been settled (whether vested or unvested) shall immediately be cancelled; (ii) any Shares issued upon settlement of the PRSUs during the time period that is twelve (12) months prior to and twelve (12) months following Participant’s termination of Employment that have not yet been sold by Participant shall be forfeited back to the Company for no consideration; and (iii) if Participant received Shares upon settlement of the PRSUs during the time period that is twelve (12) months prior to and twelve (12) months following Participant’s termination of Employment and subsequently sold the received Share(s), any gain represented by the Fair Market Value of the Shares issued upon settlement of the PRSUs on the settlement date multiplied by the number of Shares issued to Participant upon settlement of the PRSUs shall be paid by Participant to the Company, in cash, without regard to any market price decrease or increase subsequent to the settlement of the PRSUs.

(f) Remedies for Breach. In the event of a breach or threatened breach of any of the Restrictive Covenants as determined by the Board in its sole discretion, in addition to the forfeiture provisions set forth in Section 3.6(e), the Company shall have the right to seek monetary damages, and equitable relief, including specific performance by means of an injunction against Participant or any and all Persons acting directly or indirectly by or with Participant, to prevent or restrain any such breach.

(g) Blue Penciling. In the event a court of competent jurisdiction determines that the geographic area, duration, or scope of activity of any restriction under this Agreement is more extensive than is necessary to protect the legitimate business interests of the Company Group or are otherwise unenforceable, the Committee may, in its sole discretion, reform and modify the

restrictions under this Agreement to the minimum extent required to render them valid and enforceable under applicable law.

ARTICLE IV

OTHER PROVISIONS

4.1 No Right to Continued Employment, Service or Awards.

Nothing in the Plan, the Grant Notice, or this Agreement shall confer upon Participant any right to continue in the employ or service of the Company or shall interfere with or restrict in any way the rights of the Company, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, except to the extent expressly provided otherwise in a written agreement between the Company and Participant.

The grant of the Award is a one-time benefit and does not create any contractual or other right to receive a grant of Awards or benefits in lieu of Awards in the future. Future grants, if any, will be at the sole discretion of the Committee. In addition, the value of the Award is an extraordinary item of compensation outside the scope of any employment contract. As such, the Award is not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments. The future value of the underlying Shares is unknown and cannot be predicted with certainty.

4.2 Adjustments. Participant acknowledges that the Award, including the vesting of the Award and the number of Shares subject to the Award, is subject to adjustment in the discretion of the Committee (or any delegee thereof) upon the occurrence of certain events as provided in this Agreement and the Plan.

4.3 Headings. Headings are provided herein for convenience only and are not intended to define or limit the construction of the provisions hereof.

4.4 Governing Law; Venue. The laws of the Commonwealth of Virginia shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws. The Company and Participant agree that any suit, action, or proceeding arising out of or relating to the Plan or this Agreement shall be brought to the exclusive jurisdiction of the Circuit Court of Arlington County (Virginia) or the United States District Court for the Eastern District of Virginia (Alexandria Division). The Company and Participant each irrevocably waive, to the fullest extent permitted by law, any objection either may have to the laying of venue for any such suit, action or proceeding brought in such court. THE COMPANY AND PARTICIPANT ALSO EACH EXPRESSLY WAIVE ANY RIGHT THEY HAVE OR MAY HAVE TO A JURY TRIAL OF ANY SUCH SUIT, ACTION OR PROCEEDING. If any one or more provisions of this Agreement shall for any reason be held invalid or unenforceable, it is the specific intent of the Company and Participant that such provisions shall be modified to the minimum extent necessary to make it or its application valid and enforceable.

4.5 Conformity to Securities Laws. Participant acknowledges that the Plan, the Grant Notice and this Agreement are intended to comply with all applicable provisions of the Securities Act and the Exchange Act and any and all regulations and rules promulgated thereunder by the United States Securities and Exchange Commission, including, without limitation, Rule 16b-3 under the Exchange Act. To the extent permitted by applicable law, the Plan, the Grant Notice and this Agreement shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

4.6 Tax Representations. Participant has reviewed with Participant's own tax advisors the federal, state, local and foreign tax consequences of this investment and the transactions contemplated by the Grant Notice and this Agreement. Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents, including the Board and the Committee. Participant understands that Participant (and not the Company) shall be responsible for Participant's own tax liability that may arise as a result of this investment or the transactions contemplated by this Agreement.

4.7 Successors and Assigns. The Company may assign any of its rights under this Agreement, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement shall be binding upon Participant and his or her heirs, executors, administrators, successors and assigns.

4.8 Amendment. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Board (or any delegate thereof); provided that, except as may otherwise be provided by the Plan, no such amendment shall materially adversely impair any rights of Participant under this Agreement without the prior written consent of Participant.

4.9 Paperless Administration. By accepting this Award, Participant hereby agrees to receive documentation related to the Award by electronic delivery, such as a system using an internet website or interactive voice response, maintained by the Company or a third party designated by the Company.

4.10 Severability; Entire Agreement. If any of the provisions of the Plan, the Grant Notice, or this Agreement is finally held to be invalid, illegal or unenforceable (whether in whole or in part), such provision will be deemed modified to the extent, but only to the extent, of such invalidity, illegality or unenforceability and the remaining provisions will not be affected thereby; provided that if any of such provisions is finally held to be invalid, illegal, or unenforceable because it exceeds the maximum scope determined to be acceptable to permit such provision to be enforceable, such provision will be deemed to be modified to the minimum extent necessary to modify such scope in order to make such provision enforceable hereunder. The Plan, the Grant Notice and this Agreement contain the entire agreement with respect to the subject matter thereof and supersede all prior agreements, promises, covenants, arrangements, communications, representations and warranties, whether written or oral with respect to the subject matter thereof, excluding any restrictive covenant agreement between Participant and a member of the Company Group.

4.11 Section 409A.

(a) This Agreement is not intended to provide for any deferral of compensation subject to Section 409A. Notwithstanding any other provision of the Plan, this Agreement or the Grant Notice, the Plan, this Agreement and the Grant Notice shall be interpreted in accordance with, and incorporate the terms and conditions required by, Section 409A. The Board and/or the Committee (or any delegee thereof) may, in its discretion, adopt such amendments to the Plan, this Agreement or the Grant Notice or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Board or the Committee (or any delegee thereof) determines are necessary or appropriate to comply with the requirements of Section 409A, subject to Section 3.1 of the Plan.

(b) For purposes of Section 409A (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), each payment that Participant may be eligible to receive under this Agreement shall be treated as a separate and distinct payment.

(c) If Participant is a “specified employee” within the meaning of Treasury Regulation Section 1.409A-1(i) as of the date Participant terminates Employment, Participant shall not be entitled to any payment or benefit pursuant to this Agreement that constitutes “nonqualified deferred compensation” for purposes of Section 409A and that is payable upon a “separation from service” (within the meaning of Section 409A) until the earlier of (A) the date which is six (6) months after such separation from service for any reason other than death, or (B) the date of Participant’s death; provided that this Section 4.11(c) shall only apply if, and to the extent, required to avoid the imputation of any tax, penalty or interest pursuant to Section 409A. Any amounts otherwise payable to Participant upon or in the six (6) month period following Participant’s separation from service that are not so paid by reason of this Section 4.11(c) shall be paid (without interest) as soon as practicable (and in any event within thirty (30) days) after the date that is six (6) months after Participant’s separation from service (provided that in the event of Participant’s death after such separation from service but prior to payment, then such payment shall be made as soon as practicable, and in all events within thirty (30) days, after the date of Participant’s death).

4.12 Shortened Statute of Limitations. Participant agrees to shorten the applicable statute of limitations and agrees that no claims or causes of actions may be brought against the Company, its Subsidiaries or Affiliates or any of their directors, officers, employees, controlling persons, agents or representatives based upon, directly or indirectly, any claim that arises under this Agreement or the Plan more than twelve (12) months after the date of the action that is the subject of the claim or lawsuit. Participant agrees to waive any statute of limitations to the contrary.

EXHIBIT B

**PERFORMANCE RESTRICTED STOCK UNIT AWARD GRANT NOTICE
VESTING SCHEDULE**

Leonardo DRS, Inc.

2022 OMNIBUS EQUITY COMPENSATION PLAN

RESTRICTED STOCK UNIT AWARD GRANT NOTICE

OUTSIDE DIRECTORS

Leonardo DRS, Inc., a Delaware corporation (the “Company”), pursuant to its 2022 Omnibus Equity Compensation Plan (the “Plan”), hereby grants to the participant listed below (“Participant”) an award of restricted stock units (“Restricted Stock Units” or “RSUs”) with respect to the number of shares of the Company’s Common Stock (the “Shares”) as indicated below. This award for Restricted Stock Units (this “Award”) is subject to all of the terms and conditions of this Restricted Stock Unit Award Grant Notice (this “Grant Notice”), as well as the terms and conditions of the Restricted Stock Unit Award Agreement attached hereto as Exhibit A (the “Restricted Stock Unit Agreement”) and the Plan, each of which are incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Grant Notice and the Restricted Stock Unit Agreement.

Participant:**Grant Date:****Vesting Commencement
Date:****Total Number of RSUs:**

Distribution Schedule: Subject to the terms of the Restricted Stock Unit Agreement, the RSUs shall be distributable in accordance with Section 1.1 of the Restricted Stock Unit Agreement.

Vesting Schedule: Subject to the terms of the Restricted Stock Unit Agreement, the RSUs shall vest as set forth on Exhibit B to this Grant Notice (the “Vesting Schedule”).

By electronically accepting this Grant Notice, Participant agrees to be bound by the terms and conditions of the Plan, the Restricted Stock Unit Agreement and this Grant Notice. In doing so, Participant explicitly acknowledges and agrees that Participant (i) has reviewed the Restricted Stock Unit Agreement, the Plan and this Grant Notice in their entirety and fully understands the terms of each such document, (ii) has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice, and (iii) agrees to be bound by the restrictive covenants set forth in Section 3.6 of the Restricted Stock Unit Agreement. Participant has been provided with a copy or electronic access to a copy of the prospectus for the Plan. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Board and/or the Committee (or any delegee thereof) upon any questions arising under the Plan, this Grant Notice or the Restricted Stock Unit Agreement. In the event of any inconsistency between the Plan and this Grant Notice or the Restricted Stock Unit Agreement, the terms of the Plan shall control.

Participant acknowledges that his or her acceptance of the terms and conditions of the Plan, the Restricted Stock Unit Agreement and this Grant Notice by his or her signature or electronic acceptance of the Restricted Stock Unit Agreement is a condition to the receipt of this Award. As a result, unless otherwise determined by the Board and/or the Committee (or any delegee thereof), in the event Participant does not sign or electronically accept this Grant Notice within forty-five (45) days of the Grant Date, this Award shall be forfeited and Participant shall have no further rights thereto.

EXHIBIT A
RESTRICTED STOCK UNIT AWARD AGREEMENT
OUTSIDE DIRECTORS

Pursuant to the Restricted Stock Unit Award Grant Notice (the “Grant Notice”) to which this Restricted Stock Unit Award Agreement (this “Agreement”) is attached, the Company has granted to Participant the right to receive the number of RSUs set forth in the Grant Notice, subject to all of the terms and conditions set forth in this Agreement, the Grant Notice and the Plan. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control.

ARTICLE I
AWARD OF RESTRICTED STOCK UNITS

1.1 Award of Restricted Stock Units.

(a) Award. In consideration of Participant’s continued service as an Outside Director and for other good and valuable consideration, the Company hereby grants to Participant the right to receive the number of RSUs set forth in the Grant Notice, subject to the terms and conditions set forth in this Agreement, the Grant Notice and the Plan. Prior to the actual issuance of any Shares, the Award represents an unsecured obligation of the Company, payable only from the general assets of the Company.

(b) Vesting. The RSUs subject to the Award shall vest in accordance with the Vesting Schedule. Unless and until the RSUs have vested in accordance with the Vesting Schedule and subject to Section 3.2 of this Agreement, Participant will have no right to any distributions or dividends with respect to such RSUs. Unless otherwise provided in Exhibit B to the Grant Notice or in the Participant’s service agreement or other arrangement of the Company, in the event of Participant’s termination of service prior to the vesting of all of the RSUs, any unvested RSUs will terminate automatically without any further action by the Company and will be forfeited without further notice and at no cost to the Company. Notwithstanding anything to the contrary herein or in Exhibit B to the Grant Notice, in the event Participant’s service is terminated due to death or Disability, any unvested RSUs shall fully vest on the date of Participant’s death or Disability, as applicable.

(c) Distribution of RSUs.

(i) Shares or cash equivalents, as determined by the Committee, shall be distributed to Participant (or in the event of Participant’s death, to his or her estate) with respect to Participant’s vested RSUs within sixty (60) days following the date on which such RSUs vest as specified in the Vesting Schedule, subject to the terms and provisions of the Plan and this Agreement.

(ii) Neither the time nor form of distribution of Shares with respect to the RSUs may be changed, except as may be permitted by the Board and/or the Committee (or any

delegee thereof) in accordance with the Plan and Section 409A and the Treasury Regulations thereunder.

1.2 Tax Withholding.

(a) Participant shall be responsible for the payment of all taxes relating to this Award.

ARTICLE II

[RESERVED.]

ARTICLE III

RESTRICTIONS

3.1 Award and Interests Not Transferable. This Award, including the RSUs awarded hereunder and any rights and obligations thereunder, may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until the Shares issuable pursuant to the Award have been issued, and all restrictions applicable to such Shares have lapsed. This Award and the rights and privileges conferred hereby, including the RSUs awarded hereunder, shall not be liable for the debts, contracts or engagements of Participant or his or her successors in interest and shall not be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means, whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy). Any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by this Section 3.1.

3.2 Rights as Stockholder. Neither Participant nor any person claiming under or through Participant shall have any of the rights or privileges of a stockholder of the Company in respect of any Shares issuable hereunder (including any voting rights or rights to dividends or distributions paid on Shares) unless and until certificates representing such Shares (which may be in uncertificated form) will have been issued and recorded on the books and records of the Company or its transfer agents or registrars and delivered to Participant (including through electronic delivery to a brokerage account). After such issuance, recordation and delivery, Participant shall have all the rights of a stockholder of the Company, including with respect to the right to vote the Shares and the right to receive any cash or share dividends or other distributions paid to or made with respect to the Shares.

3.3 Trading Restrictions. The Committee may establish periods from time to time during which Participant's ability to engage in transactions involving the Shares is subject to specific restrictions ("Restricted Periods"). Participant may be subject to restrictions giving rise to a Restricted Period for any reason that the Committee determines appropriate, including restrictions applicable to Participant during an investigation of allegations of misconduct or conduct detrimental to the Company by Participant.

3.4 Award Subject to Company's Policies. This Award, including the RSUs awarded hereunder, and any Shares issuable upon vesting of the RSUs, are subject to any clawback, recoupment or stock ownership policies that are adopted by the Company from time to time. Any portion of the Award is subject to forfeiture, recovery by the Company or other action pursuant to any such policies which the Company may adopt from time to time pursuant to laws, regulations or exchange rules, including without limitation, any such policy which the Company may be required to adopt under applicable law or exchange rule.

3.5 Conditions to Issuance of Shares or Settlement of Award. The Company shall not be required to issue or deliver any Shares issuable upon the vesting of the RSUs prior to the fulfillment of all of the following conditions: (a) the admission of the Shares to listing on all stock exchanges on which such Shares are then listed, (b) the completion of any registration or other qualification of the Shares under any state or federal law or under rulings or regulations of the United States Securities and Exchange Commission or other governmental regulatory body, which the Board or the Committee (or any delegee thereof) shall, in its sole and absolute discretion, deem necessary and advisable, (c) the obtaining of any approval or other clearance from any state or federal governmental agency that the Board or the Committee (or any delegee thereof) shall, in its absolute discretion, determine to be necessary or advisable, (d) the lapse of any such reasonable period of time following the date the RSUs vest as the Board or the Committee (or any delegee thereof) may from time to time establish for reasons of administrative convenience, and (e) the satisfaction of any applicable withholding tax.

3.6 Restrictive Covenants.

(a) Certain Covenants. Participant acknowledges and agrees that, to assist Participant in the performance of Participant's duties, the Company will provide and has provided Participant with Confidential Information (as defined below) and materials. Due to the sensitive nature of this Confidential Information, Participant acknowledges that the Company has legitimate business and competitive interests and legal rights to require non-disclosure of the Confidential Information to other companies and/or individuals and to require that the Confidential Information be used only for the benefit of the Company. Therefore, in order to protect the Confidential Information and the Company's business goodwill and competitive position, and in exchange for the Award, and in order to protect the value of the equity-based compensation provided to Participant in this Agreement, Participant agrees that, regardless of any future changes in Participant's duties, job title, compensation or scope of responsibility or the reason for any termination of service:

(i) During Participant's service to the Company and thereafter for so long as such Confidential Information remains confidential, Participant will not, directly or indirectly, directly or indirectly, either on Participant's own behalf or on behalf of any other Person (as defined below) use, disclose or allow any Confidential Information, unless previously authorized by the Company for use in the pursuit of Company business.

(ii) During Participant's service as an Outside Director and for a period of twelve (12) months thereafter, Participant will not, directly or indirectly, either on Participant's own behalf or on behalf of any other Person: (i) Solicit (as defined below), induce or assist any Person in Soliciting or inducing any individual or Person who is (or was at any time within the

twelve (12) months preceding the termination of Participant's service) an employee, consultant, independent contractor, agent, or other individual service provider of the Company (each, a "Covered Employee") to leave the employment or engagement with the Company or cease performing services for the Company; (ii) hire or engage or assist any Person in hiring or engaging any Covered Employee; or (iii) Solicit, induce or assist any Person in Soliciting or inducing any other Person (including, without limitation, any third-party service provider or distributor) to terminate its relationship with the Company or otherwise interfere with such relationship. This Section 3.6(a)(ii) explicitly covers all forms of oral, written, or electronic communication, including, but not limited to, communications by email, regular mail, express mail, telephone, fax, instant message, and social media, including, but not limited to, Facebook, LinkedIn, Instagram, Twitter, and any other social media platform, whether or not in existence at the time of entering into this Agreement. However, it will not be deemed a violation of this section if Participant merely updates Participant's LinkedIn profile or connects with a Covered Employee or other Participant on Facebook, LinkedIn, or other social media platform without engaging in any other substantive communication, by social media or otherwise, that is prohibited by this Section 3.6(a)(ii).

(iii) During Participant's service and for a period of twelve (12) months thereafter, the Participant will not, directly or indirectly, either on Participant's own behalf or on behalf of any other Person: (i) Solicit any Client (as defined below) to transact business with a Competitive Enterprise (as defined below) or to reduce or refrain from doing any business with the Company; (ii) transact business with any Client that would cause Participant to be a Competitive Enterprise; or (iii) interfere with or damage any relationship between the Company and a Client, provided, that this Section 3.6(a)(iii) shall not apply to any non-employee directors.

(b) Return of Company Property. Immediately upon Participant's termination of service for any reason, or upon the Company's request at any other time, Participant will deliver to the Company all Company Property (as defined below). Following Participant's termination of service, Participant shall not retain, copy, or remove (either physically or electronically) any Company Property from Company premises, computers, or other electronic equipment or storage devices.

(c) Definitions. For purposes of this Agreement:

(i) The term "Client" means, in the past twenty-four (24) months, any actual client or prospective client of the Company whose identity became known to Participant in connection with Participant's services for the Company with which the Company wanted or intended to do business with.

(ii) The term "Company Group" means the Company, its Subsidiaries and its Affiliates.

(iii) The term "Company Property" means any and all documents, computer and computer-related hardware and software items, disks, telephones, customer and prospect lists, marketing, planning, financial and business strategy materials and all other materials or other things in Participant's possession, custody or control that (i) were produced by, received by or otherwise submitted to Participant during Participant's service as an Outside Director, (ii) contain Confidential Information or (iii) otherwise are the property of the Company.

(iv) The term “Competitive Enterprise” means any business enterprise that engages in any activity or provides any service that competes anywhere with any activity in which the Company Group is engaged or any service provided by the Company Group.

(v) The term “Confidential Information” means all non-public information of the Company Group’s business and its customers and affiliates of such customers, vendors, and suppliers including but not limited to, whether in existence or under development, the pendency or contemplation of certain transactions, information relating to the Company Group’s business plans and the Company Group’s business as conducted or as anticipated to be conducted, the identity of the Company Group’s customers, client-related records and information (including any compilations thereof), client lists, client preferences, pricing and cost data, the kinds of services provided or offered by the Company Group, nonpublic information concerning suppliers and vendors of the Company Group, computer software applications and security information and other programs, products, processes, systems and services, personnel information, unwritten knowledge and knowhow, tax information, mailing lists, market surveys, marketing plans, strategic plans, Trade Secrets (as defined below), and, any nonpublic and confidential information of third parties entrusted to the Company Group. Notwithstanding the foregoing, “Confidential Information” does not include information that is (i) or becomes available to the public generally prior to the date Participant proposes to disclose or use such information (other than as a result of Participant’s unauthorized disclosure), (ii) already known to Participant without any restriction on its disclosure at the time of disclosure, or (iii) independently developed by Participant, outside of the scope of Participant’s service, without the use of Confidential Information or breach of this Agreement. For the avoidance of doubt, this Section 3.6 does not prohibit or restrict Participant (or Participant’s attorney) from responding to any inquiry about this Agreement or its underlying facts and circumstances by the Securities and Exchange Commission, the Financial Industry Regulatory Authority, or any other self-regulatory organization or governmental authority, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation. Participant understands and acknowledges that Participant does not need the prior authorization of the Company to make any such reports or disclosures and that Participant is not required to notify the Company that Participant has made such reports or disclosures.

(vi) The term “Person” means an individual, corporation, partnership, limited liability company, association, trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

(vii) The term “Restrictive Covenants” means the restrictions set forth in Section 3.6(a).

(viii) The term “Solicit” means any direct or indirect communication of any kind, regardless of who initiates it, that in any way invites, advises, encourages or requests any person to take or refrain from taking any action.

(ix) The term “Trade Secret” means any formula, pattern, device or compilation of proprietary information or knowhow that is used in or related to the Company Group’s past, present or anticipated business and gives the Company Group an opportunity to obtain an advantage over competitors who do not know or use such Trade Secret.

(d) Reasonableness of Restrictions. Participant has carefully read and considered the Restrictive Covenants, and, having done so, agrees and acknowledges that the Restrictive Covenants may limit Participant's ability to engage in competition during the period provided for above. Participant expressly warrants and represents that these restrictions with respect to time and scope of activity are reasonable and necessary to protect the Confidential Information and the Company Group's business goodwill and competitive position.

(e) Forfeiture for Violation of Restrictive Covenants. The grant of the RSUs provided herein and Participant's agreement to the Restrictive Covenants are intended to be mutually dependent promises and in the event Participant breaches or threatens to breach the Restrictive Covenants as determined by the Board in its sole discretion, then to the greatest extent permitted by applicable law: (i) RSUs that have not yet been settled (whether vested or unvested) shall immediately be cancelled; (ii) any Shares issued upon settlement of the RSUs during the time period that is twelve (12) months prior to and twelve (12) months following Participant's termination of service as an Outside Director that have not yet been sold by Participant shall be forfeited back to the Company for no consideration; and (iii) if Participant received Shares upon settlement of the RSUs during the time period that is twelve (12) months prior to and twelve (12) months following Participant's termination of service and subsequently sold the received Share(s), any gain represented by the Fair Market Value of the Shares issued upon settlement of the RSUs on the settlement date multiplied by the number of Shares issued to Participant upon settlement of the RSUs shall be paid by Participant to the Company, in cash, without regard to any market price decrease or increase subsequent to the settlement of the RSUs.

(f) Remedies for Breach. In the event of a breach or threatened breach of any of the Restrictive Covenants as determined by the Board in its sole discretion, in addition to the forfeiture provisions set forth in Section 3.6(e), the Company shall have the right to seek monetary damages, and equitable relief, including specific performance by means of an injunction against Participant or any and all Persons acting directly or indirectly by or with Participant, to prevent or restrain any such breach.

(g) Blue Penciling. In the event a court of competent jurisdiction determines that the geographic area, duration, or scope of activity of any restriction under this Agreement is more extensive than is necessary to protect the legitimate business interests of the Company Group or are otherwise unenforceable, the Committee may, in its sole discretion, reform and modify the restrictions under this Agreement to the minimum extent required to render them valid and enforceable under applicable law.

ARTICLE IV

OTHER PROVISIONS

4.1 No Right to Continued Service or Awards.

Nothing in the Plan, the Grant Notice, or this Agreement shall confer upon Participant any right to continue in the service of the Company or shall interfere with or restrict in any way the rights of the Company, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, except to the extent expressly

provided otherwise in a written agreement between the Company and Participant or any documents governing Participant's service as an Outside Director.

The grant of the Award is a one-time benefit and does not create any contractual or other right to receive a grant of Awards or benefits in lieu of Awards in the future. Future grants, if any, will be at the sole discretion of the Committee. The future value of the underlying Shares is unknown and cannot be predicted with certainty.

4.2 Adjustments. Participant acknowledges that the Award, including the vesting of the Award and the number of Shares subject to the Award, is subject to adjustment in the discretion of the Committee (or any delegee thereof) upon the occurrence of certain events as provided in this Agreement and the Plan.

4.3 Headings. Headings are provided herein for convenience only and are not intended to define or limit the construction of the provisions hereof.

4.4 Governing Law; Venue. The laws of the Commonwealth of Virginia shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws. The Company and Participant agree that any suit, action, or proceeding arising out of or relating to the Plan or this Agreement shall be brought to the exclusive jurisdiction of the Circuit Court of Arlington County (Virginia) or the United States District Court for the Eastern District of Virginia (Alexandria Division). The Company and Participant each irrevocably waive, to the fullest extent permitted by law, any objection either may have to the laying of venue for any such suit, action or proceeding brought in such court. THE COMPANY AND PARTICIPANT ALSO EACH EXPRESSLY WAIVE ANY RIGHT THEY HAVE OR MAY HAVE TO A JURY TRIAL OF ANY SUCH SUIT, ACTION OR PROCEEDING. If any one or more provisions of this Agreement shall for any reason be held invalid or unenforceable, it is the specific intent of the Company and Participant that such provisions shall be modified to the minimum extent necessary to make it or its application valid and enforceable.

4.5 Conformity to Securities Laws. Participant acknowledges that the Plan, the Grant Notice and this Agreement are intended to comply with all applicable provisions of the Securities Act and the Exchange Act and any and all regulations and rules promulgated thereunder by the United States Securities and Exchange Commission, including, without limitation, Rule 16b-3 under the Exchange Act. To the extent permitted by applicable law, the Plan, the Grant Notice and this Agreement shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

4.6 Tax Representations. Participant has reviewed with Participant's own tax advisors the federal, state, local and foreign tax consequences of this investment and the transactions contemplated by the Grant Notice and this Agreement. Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents, including the Board and the Committee. Participant understands that Participant (and not the Company) shall be responsible for Participant's own tax liability that may arise as a result of this investment or the transactions contemplated by this Agreement.

4.7 Successors and Assigns. The Company may assign any of its rights under this Agreement, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement shall be binding upon Participant and his or her heirs, executors, administrators, successors and assigns.

4.8 Amendment. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Board (or any delegee thereof); provided that, except as may otherwise be provided by the Plan, no such amendment shall materially adversely impair any rights of Participant under this Agreement without the prior written consent of Participant.

4.9 Paperless Administration. By accepting this Award, Participant hereby agrees to receive documentation related to the Award by electronic delivery, such as a system using an internet website or interactive voice response, maintained by the Company or a third party designated by the Company.

4.10 Severability; Entire Agreement. If any of the provisions of the Plan, the Grant Notice, or this Award Agreement is finally held to be invalid, illegal or unenforceable (whether in whole or in part), such provision will be deemed modified to the extent, but only to the extent, of such invalidity, illegality or unenforceability and the remaining provisions will not be affected thereby; provided that if any of such provisions is finally held to be invalid, illegal, or unenforceable because it exceeds the maximum scope determined to be acceptable to permit such provision to be enforceable, such provision will be deemed to be modified to the minimum extent necessary to modify such scope in order to make such provision enforceable hereunder. The Plan, the Grant Notice, this Agreement and any Award Agreements contain the entire agreement with respect to the subject matter thereof and supersede all prior agreements, promises, covenants, arrangements, communications, representations and warranties, whether written or oral with respect to the subject matter thereof, excluding any restrictive covenant agreement between Participant and a member of the Company Group.

4.11 Section 409A.

(a) This Agreement is not intended to provide for any deferral of compensation subject to Section 409A. Notwithstanding any other provision of the Plan, this Agreement or the Grant Notice, the Plan, this Agreement and the Grant Notice shall be interpreted in accordance with, and incorporate the terms and conditions required by, Section 409A. The Board and/or the Committee (or any delegee thereof) may, in its discretion, adopt such amendments to the Plan, this Agreement or the Grant Notice or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Board or the Committee (or any delegee thereof) determines are necessary or appropriate to comply with the requirements of Section 409A, subject to Section 3.1 of the Plan.

(b) For purposes of Section 409A (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), each payment that Participant may be eligible to receive under this Agreement shall be treated as a separate and distinct payment.

(c) If Participant is a “specified employee” within the meaning of Treasury Regulation Section 1.409A-1(i) as of the date Participant terminates service as an Outside Director, Participant shall not be entitled to any payment or benefit pursuant to this Agreement that constitutes “nonqualified deferred compensation” for purposes of Section 409A and that is payable upon a “separation from service” (within the meaning of Section 409A) until the earlier of (A) the date which is six (6) months after such separation from service for any reason other than death, or (B) the date of Participant’s death; provided that this Section 4.11(c) shall only apply if, and to the extent, required to avoid the imputation of any tax, penalty or interest pursuant to Section 409A. Any amounts otherwise payable to Participant upon or in the six (6) month period following Participant’s separation from service that are not so paid by reason of this Section 4.11(c) shall be paid (without interest) as soon as practicable (and in any event within thirty (30) days) after the date that is six (6) months after Participant’s separation from service (provided that in the event of Participant’s death after such separation from service but prior to payment, then such payment shall be made as soon as practicable, and in all events within thirty (30) days, after the date of Participant’s death).

4.12 Shortened Statute of Limitations. Participant agrees to shorten the applicable statute of limitations and agrees that no claims or causes of actions may be brought against the Company, its Subsidiaries or Affiliates, or any of their directors, officers, employees, controlling persons, agents or representatives based upon, directly or indirectly, any claim that arises under this Agreement or the Plan more than twelve (12) months after the date of the action that is the subject of the claim or lawsuit. Participant agrees to waive any statute of limitations to the contrary.

EXHIBIT B
TO OUTSIDE DIRECTORS RESTRICTED STOCK UNIT AWARD GRANT NOTICE
VESTING SCHEDULE

**Certification of Principal Executive Officer
Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) as
Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, William J. Lynn III, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 of Leonardo DRS, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designated such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's second fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2023

/s/ William J. Lynn III

William J. Lynn III
Chief Executive Officer
(Principal Executive Officer)

**Certification of Principal Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) as
Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Michael D. Dippold, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 of Leonardo DRS, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designated such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's second fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2023

/s/ Michael D. Dippold

Michael D. Dippold
Chief Financial Officer
(Principal Financial Officer)

**Certification of Principal Executive Officer
Pursuant to 18 U.S.C. Section 1350 as
Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Leonardo DRS, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2023, as filed with the Securities and Exchange Commission (the "Report"), the undersigned, as the Chief Executive Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report, which this statement accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 1, 2023

/s/ William J. Lynn III

William J. Lynn III

Chief Executive Officer

(Principal Executive Officer)

This written statement accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934.

**Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 as
Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Leonardo DRS, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2023, as filed with the Securities and Exchange Commission (the "Report"), the undersigned, as the Chief Financial Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report, which this statement accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 1, 2023

/s/ Michael D. Dippold

Michael D. Dippold
Chief Financial Officer
(Principal Financial Officer)

This written statement accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934.