

Leonardo: 1Q 2018 Revenues up 4%
Clear signs of recovery in *Helicopters*
FY 2018 Guidance confirmed
Steps forward in the execution of the Industrial Plan to strengthening commercial approach: «Leonardo International»

First quarter results in line with expectations

- New order intake at € 2.2 billion
- Revenues at € 2.5 billion
- EBITA at € 153 million and Profitability (RoS) at 6.2%
- FOCF amounted to negative € 1.1 billion, in line with the usual seasonal trend
- Group Net Debt at € 3.6 billion

Rome, 3 May 2018 – Leonardo's Board of Directors, convened today under the Chairmanship of Gianni De Gennaro, examined and unanimously approved the results of the first quarter 2018.

Alessandro Profumo, Leonardo CEO, commented: *“First quarter 2018 results are in line with expectations. Our Helicopters business is on track showing clear signs of recovery. We are fully focused on executing the Industrial Plan: we have approved the «Leonardo International» creation with the aim of strengthening our presence across international markets, leveraging the «One Company» model, ensuring a unified presence towards customers and stakeholders”.*

The results for the first quarter were substantially in line with those recorded in the same period of the previous year, as restated to take into account the application of the new accounting standard on revenue (IFRS 15) from 1 January 2018.

Highlights of 1Q 2018 results are as follows:

- **New Orders:** amounted to **EUR 2,164 million**, showed a decline of 18.2%, mainly due to major contracts booked in 2017 in *Aeronautics* for activities in support to the EFA aircraft fleet for the period from 2017 to 2021
- **Order Backlog:** amounted to **EUR 33,360 million** compared to EUR 33,637 million at 31 December 2017
- **Revenues:** amounted to **EUR 2,451 million** +3.8% vs. 1Q 2017, higher mainly due to the growth reported in *Helicopters*, which had been affected by a lower number of deliveries in 2017 made in the civil segment
- **EBITA:** amounted to **EUR 153 million**, compared to EUR 155 million in 1Q 2017
- **EBIT:** amounted to **EUR 121 million**, compared to EUR 123 million in 1Q 2017

Leonardo is among the top ten global players in Aerospace, Defence and Security and Italy's main industrial company. As a single entity from January 2016, organised into seven business divisions (Helicopters; Aircraft; Aero-structures; Airborne & Space Systems; Land & Naval Defence Electronics; Defence Systems; Security & Information Systems), Leonardo operates in the most competitive international markets by leveraging its areas of technology and product leadership. Listed on the Milan Stock Exchange (LDO), in 2016 Leonardo recorded consolidated revenues of 12 billion Euros and has a significant industrial presence in Italy, the UK, the U.S. and Poland.

- **Net Result before extraordinary transactions:** amounted to **EUR 50 million**, compared to EUR 49 million in 1Q 2017
- **Net Result:** amounted to **EUR 50 million**, equal to the net result before extraordinary transactions on account of the absence of extraordinary transactions.
- **Free Operating Cash Flow (FOCF):** amounted to **negative EUR 1,057 million**, in line with the Group's seasonal trend to record considerable cash outflows during the first quarters, while the value for the first quarter of 2017 had benefitted from the substantial contribution from the EFA Kuwait contract, as a result of the collection of the second advance payment during the quarter
- **Group Net Debt:** amounted to **EUR 3,595 million** mainly as a result of cash outflows for the period

Outlook

In consideration of the results achieved in the first quarter of 2018 and of the expectations for the following ones, we confirm the Guidance for the full year that was made at the time of the preparation of the financial statements at 31 December 2017.

Group (Euro million)	1Q 2018	1Q 2017 restated	Chg.	Chg. %	FY 2017 restated
New orders	2,164	2,647	(483)	(18.2%)	11,595
Order backlog	33,360	35,189	(1,829)	(5.2%)	33,637
Revenues	2,451	2,361	90	3.8%	11,734
EBITDA(*)	251	298	(47)	(15.8%)	1,602
EBITA (**)	153	155	(2)	(1.3%)	1,077
ROS	6.2%	6.6%	(0.4) p.p.		9.2%
EBIT (***)	121	123	(2)	(1.6%)	844
EBIT Margin	4.9%	5.2%	(0.3) p.p.		7.2%
Net result before extraordinary transactions	50	49	1	2.0%	279
Net result	50	49	1	2.0%	279
Group Net Debt	3,595	3,254	341	10.5%	2,579
FOCF	(1,057)	(427)	(630)	(147.5%)	537
ROI	8.4%	8.5%	(0.1) p.p.		15.4%
ROE	4.8%	4.6%	0.2 p.p.		6.5%
Workforce (no.)	45,606	45,407	199	0.4%	45,134

(*)EBITDA is obtained eliminating from EBITA the amortization and depreciation of the portion of the purchase price allocated to intangible assets as part of business combinations, restructuring costs that are a part of defined and significant plans, other exceptional costs or income, i.e. connected to particularly significant events that are not related to the ordinary performance of the business.

(**)EBITA is obtained by eliminating from EBIT the following items: any impairment in goodwill; amortisation and impairment, if any, of the portion of the purchase price allocated to intangible assets as part of business combinations, restructuring costs that are a part of defined and significant plans; other exceptional costs or income, i.e. connected to particularly significant events that are not related to the ordinary performance of the business.

(***) EBIT is obtained by adding to earnings before financial income and expense and taxes the Group's share of profit in the results of its strategic Joint Ventures (ATR, MBDA, Thales Alenia Space and Telespazio).

1Q 2018 <i>(Euro million)</i>	New orders	Order backlog	Revenues	EBITA	ROS
Helicopters	611	9,649	750	53	7,1%
Electronics, Defence and Security Systems	965	11,863	1,149	73	6,4%
Aeronautics	723	12,595	639	47	7,4%
Space	-	-	-	7	n.a.
Other activities	20	186	81	(27)	(33.3%)
Eliminations	(155)	(933)	(168)	-	n.a.
Total	2,164	33,360	2,451	153	6.2%

1Q 2017 restated <i>(Euro million)</i>	New orders	Order backlog at December 31 restated	Revenues	EBITA	ROS
Helicopters	459	9,766	587	34	5.8%
Electronics, Defence and Security Systems	1,039	12,040	1,156	88	7.6%
Aeronautics	1,237	12,525	656	46	7.0%
Space	-	-	-	12	n.a.
Other activities	25	199	79	(25)	(31.6%)
Eliminations	(113)	(893)	(117)	-	n.a.
Total	2,647	33,637	2,361	155	6.6%

Change %	New orders	Order backlog	Revenues	EBITA	ROS
Helicopters	33.1%	(1.2%)	27.8%	55.9%	1.3 p.p.
Electronics, Defence and Security Systems	(7.1%)	(1.5%)	(0.6%)	(17.0%)	(1.2) p.p.
Aeronautics	(41.6%)	0.6%	(2.6%)	2.2%	0.4 p.p.
Space	n.a.	n.a.	n.a.	(41.7%)	n.a.
Other activities	(20.0%)	(6.5%)	2.5%	(8.0%)	(1.7) p.p.
Eliminations	n.a.	n.a.	n.a.	n.a.	n.a.
Total	(18.2%)	(0.8%)	3.8%	(1.3%)	(0.4) p.p.

	New Orders	Revenues	EBITA	ROS
DRS (\$ mil) 1Q 2018	424	455	21	4.6%
DRS (\$ mil) 1Q 2017 restated	401	395	25	6.3%
DRS (€ mil) 1Q 2018	345	370	18	4.6%
DRS (€ mil) 1Q 2017 restated	377	371	24	6.3%

Analysis of the main figures of the first quarter of 2018

Regarding **orders**, first quarter showed an increase (+33% compared to the first quarter of 2017) in *Helicopters* as regards the business lines AW109/AW119, AW169 and AW189, against the decrease recorded in *Aeronautics* attributable due to the particularly positive performance reported during the comparative period. First quarter of 2018 also showed a good order intake for AW139 in *Helicopters*.

The increase in **revenues** was attributable to lower deliveries made during the first quarter of 2017 in the civil aircraft segment of *Helicopters*. The data of deliveries also impacted on **EBITA** for the division, which showed an improvement of 56%, offset by a reduction in *Electronics* and *Space*. **EBIT** and **Net Result** remained in line with 2017.

Cash-flows posted a negative value for € 1,057 million, in line with the Group's normal trend to record considerable cash outflows during the first quarters, while the value for the first quarter of 2017 had benefitted from the substantial contribution given by the EFA Kuwait contract, as a result of the collection of the second advance payment during the quarter.

Net capital invested rose compared with the figure for 31 December 2017 due to the increase in net working capital, resulting from the seasonal fluctuation in cash flows.

SECTOR PERFORMANCE

Helicopters

The performance in the first quarter of 2018 showed the first positive signs of recovery in the Division's business, putting it on the right path to growth, and recorded an improvement in all metrics compared to the same period in the previous year, which had been affected by a performance that was not particularly excellent in manufacturing terms.

Electronics, Defence & Security Systems

The first quarter of 2018 was characterised by revenues in line with the same period of 2017 and by lower profits, mainly as a result of a different mix of business developed in the period.

Aeronautics

From a commercial point of view, some major orders were gained, during the first quarter of 2018, both in the *Aircraft* Division, including the contract for the supply of 4 additional M346 Advanced Jet Trainers to the Polish Ministry of Defence, to which must be added the 8 aircraft already in service with the Polish Air Force, and in the *Aerostructures* Division, which received orders for the supply of 100 fuselage sections for the B787 aircraft and 21 fuselages for the ATR aircraft.

During the first quarter of 2018, from a production point of view, deliveries were made for 35 fuselage sections and 22 stabilisers for the B787 programme (35 fuselage sections and 20 stabilisers delivered in the first quarter of 2017) and 20 ATR fuselages (10 delivered in the first quarter of 2017). As regards the production of the C-27J programme, there was the completion of 1 aircraft intended for the Slovak Air Force.

Space

The lower result posted in the quarter compared to the corresponding period of 2017 is due to higher costs for research and development activities recorded in the period, related in particular to new-generation satellite platforms.

Industrial transactions

In the period no significant transactions were carried out. It should be noted that in April 2018, in implementation of a memorandum of intent signed with national trade unions relating to early retirements in accordance with Article 4 of Italian Employment Law 92/2012 (also known as the "Fornero Law") - a trade-union agreement was signed involving up to 1,100 employees who will be eligible for retirement in the four years following the scheduled 2018-2019 two-year period, while defining the specific eligibility requirements. A similar arrangement was subsequently signed with the trade unions of executives, up to a number of 65 executives. The effects of these arrangements will be reflected in the half-year financial report at 30 June 2018

Financial transactions

It should be noted that in February 2018 Leonardo entered into a new Revolving Credit Facility (RCF) line with a pool of 26 Italian and foreign banks. The new RCF provides for the payment of a 75 bp spread over EURIBOR, lower by 25 bps than the 100 bp margin of the previous transaction completed in July 2015, with consequent lower financial costs. Furthermore, there was a reduction in the line to € 1.8 billion from the € 2 billion of the previous line, in order to align it to the Group's cash requirements and the extension of the expiry date to February 2023, i.e. the year for which no repayment commitments are currently envisaged on financial markets. On 18 April 2018 Leonardo renewed the EMTN programme for a further 12 months, keeping unchanged the maximum amount of € 4 billion.

Further steps in Leonardo's internationalisation project through the creation of "Leonardo International"

In line with the «One Company» approach, Leonardo is transforming its international network through the reorganization and consolidation of its international subsidiaries – excluding domestic markets (Italy, United Kingdom, United States and Poland) - with the aim of creating a one single legal entity in each Country, able to represent Leonardo offer, promoting in markets the appropriate agreements with third-party companies, supporting the customer throughout the entire life cycle of programmes and further developing Leonardo business globally.

The officer in charge of the company's financial reporting, Alessandra Genco, hereby declares, in accordance with the provisions of Article 154-bis, paragraph 2, of the Consolidated Law on Finance, that the accounting information included in this press release corresponds to the accounting records, books and supporting documentation.

The interim results, approved today by the Board of Directors, are made available to the public at the Company's registered office, at Borsa Italiana S.p.A., on the Company's website (www.leonardocompany.com, section Investors/Financial Reports), as well as on the website of the authorised storage mechanism eMarket Storage (www.emarketstorage.com).

RECLASSIFIED INCOME STATE			
€mil.	3 months 2018	3 months 2017 restated	Var. YoY
Revenues	2,451	2,361	90
Purchases and personnel expense	(2,223)	(2,084)	(139)
Other net operating income/(expense)	4	(1)	5
Equity-accounted strategic JVs	19	22	(3)
Amortisation and depreciation	(98)	(143)	45
EBITA	153	155	(2)
<i>ROS</i>	6.2%	6.6%	(0.4) p.p.
Goodwill Impairment	-	-	-
Non-recurring income/(expenses)	-	-	-
Restructuring costs	(8)	(7)	(1)
Amortisation of intangible assets acquired as part of business combinations	(24)	(25)	1
EBIT	121	123	(2)
<i>EBIT Margin</i>	4.9%	5.2%	(0.3) p.p.
Net financial income/ (expense)	(66)	(68)	2
Income taxes	(5)	(6)	1
Net result before extraordinary transactions	50	49	1
Net result related to discontinued operations and non- ordinary transactions	-	-	-
Net result	50	49	1
<i>attributable to the owners of the parent</i>	50	49	1
<i>attributable to non-controlling interests</i>	-	-	-
Earning per share (Euro)			
<i>Basic and diluted</i>	0,087	0,085	0,002
Earning per share of continuing operation (Euro)			
<i>Basic and diluted</i>	0,087	0,085	0,002

RECLASSIFIED BALANCE SHEET			
	31.03.2018	31.12.2017 restated	31.03.2017 restated
	<i>€mil.</i>		
Non-current assets	11,559	11,714	11,911
Non-current liabilities	(2,714)	(2,837)	(3,020)
Capital assets	8,845	8,877	8,891
Inventories	5,127	4,747	4,794
Trade receivables	5,513	5,390	5,403
Trade payables	(10,233)	(10,443)	(10,091)
Working capital	407	(306)	106
Provisions for short-term risks and charges	(753)	(783)	(751)
Other net current assets (liabilities)	(724)	(996)	(856)
Net working capital	(1,070)	(2,085)	(1,501)
Net invested capital	7,775	6,792	7,390
Equity attributable to the Owners of the Parent	4,165	4,199	4,135
Equity attributable to non-controlling interests	15	16	15
Equity	4,180	4,215	4,150
Group Net Debt	3,595	2,579	3,254
Net (assets)/liabilities held for sale	-	(2)	(14)

CASH FLOW STATEMENT		
	1Q 2018	1Q 2017 restated
	<i>€mil.</i>	
Cash flows used in operating activities	(1,017)	(449)
Dividends received	125	174
Cash flow from ordinary investing activities	(165)	(152)
Free operating cash flow (FOCF)	(1,057)	(427)
Strategic transactions	(10)	(43)
Change in other investing activities	(5)	1
Shares Buy-back	-	-
Net change in loans and borrowings	10	59
Dividends paid	-	-
Net increase/(decrease) in cash and cash equivalents	(1,062)	(410)
Cash and cash equivalents at 1 January	1,893	2,167
Exchange rate gain/losses and other movements	(6)	(5)
Cash and cash equivalents at 1 January of discontinued operations	-	-
Net increase/(decrease) in cash and cash equivalents of discontinued operations	-	-
Cash and cash equivalents at 31 March	825	1,752

FINANCIAL POSITION

<i>€mil.</i>	31.03.2018	31.12.2017 restated	31.03.2017 restated
Bonds	3,576	3,647	4,297
Bank debt	270	246	293
Cash and cash equivalents	(825)	(1,893)	(1,752)
Net bank debt and bonds	3,021	2,000	2,838
Fair value of the residual portion in portfolio of Ansaldo Energia Shares	-	-	(139)
Current loans and receivables from related parties	(83)	(110)	(7)
Other current loans and receivables	(42)	(47)	(48)
Current loans and receivables and securities	(128)	(160)	(194)
Non current financial receivables from Superjet	(48)	(48)	(65)
Hedging derivatives in respect of debt items	(4)	(2)	21
Related-party loans and borrowings	679	701	542
Other loans and borrowings	75	88	112
Group net debt	3,595	2,579	3,254

EARNINGS PER SHARE

	1Q 2018	1Q 2017	Var. YoY
Average shares outstanding during the reporting period (in thousands)	574,441	574,412	-
Earnings/(losses) for the period (excluding non-controlling interests) (€ million)	50	49	1
Earnings/(losses) - continuing operations (excluding non-controlling interests) (€ million)	50	49	1
Earnings/(losses) - discontinued operations (excluding non-controlling interests) (€ million)	-	-	-
BASIC AND DILUTED EPS (EUR)	0.087	0.085	0.002
BASIC AND DILUTED EPS from continuing operations	0.087	0.085	0.002

3 months 2018 (Euro million)	Helicopters	Electronics, Defence and Security Systems	Aeronautics	Space	Other activities	Eliminations	Total
New orders	611	965	723	-	20	(155)	2,164
Order backlog	9,649	11,863	12,595	-	186	(933)	33,360
Revenues	750	1,149	639	-	81	(168)	2,451
EBITA	53	73	47	7	(27)	-	153
ROS	7.1%	6.4%	7.4%	<i>n.a.</i>	(33.3%)	<i>n.a.</i>	6.2%
EBIT	50	46	47	7	(29)	-	121
Amortisation and depreciation	20	47	40	-	13	-	120
Investments	24	29	30	-	2	-	85
Workforce	11,543	22,286	10,491	-	1,286	-	45,606

3 months 2017 restated (Euro million)	Helicopters	Electronics, Defence and Security Systems	Aeronautics	Space	Other activities	Eliminations	Total
New orders	459	1,039	1,237	-	25	(113)	2,647
Order backlog (31.12.2017 restated)	9,766	12,040	12,525	-	199	(893)	33,637
Revenues	587	1,156	656	-	79	(117)	2,361
EBITA	34	88	46	12	(25)	-	155
ROS	5.8%	7.6%	7.0%	<i>n.a.</i>	(31.6%)	<i>n.a.</i>	6.6%
EBIT	32	63	44	12	(28)	-	123
Amortisation and depreciation	19	52	83	-	13	-	167
Investments	25	36	23	-	2	-	86
Workforce (no.) (31.12.2017)	11,456	22,090	10,316	-	1,272	-	45,134