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Testo del comunicato

Vedi allegato.

External Relations, Communication, Italian Institutional Affairs,
Investor Relations and Sustainability
Ph. +39 0632473313 (Press Office)
Ph. +39 0632473512 (Investor Relations)

leonardocompany.com
pressoffice@leonardocompany.com
ir@leonardocompany.com

Results at 31 December 2017

PRESS RELEASE

Leonardo: the Board of Directors approves 2017 results in line with expectations
2018 Guidance reconfirmed, planting the seeds for growth
€ 14 cent. dividend distribution proposed
Signed today a contract with Qatar for more than € 3 billion in the *Helicopters*

FY2017 results delivered in line with Guidance revised in January
- New order intake at € 11.6 billion
- Revenues at € 11.5 billion
- Book to bill at 1
- EBITA at € 1.07 billion and Profitability (RoS) at 9.2%
- FOCF at € 537 million

Proposed dividend distribution of € 14 cent., unchanged compared to 2016

2018 expected to be a consolidation year: 2018 Guidance presented in January confirmed
- Entering 2018 with strong order backlog of € 33.6 billion
- Planting the seeds and investing for sustainable growth
- Exploiting major benefits from *Aircraft* business including Eurofighter programme
- Building steady improvement in world class *Helicopters* business
- Building on solid progress within *Electronics, Defence and Security Systems*

Now fully focussed on executing Industrial Plan to drive long term solid and sustainable growth
- Well positioned in more positive international markets expected to growth
- Able to leverage *«One Company»* model and enhanced commercial strategy
- Exploit market opportunities to drive top line growth and higher profitability
- Investment plan targeted on technologies and products with the best commercial opportunities
- Strict cost control and disciplined financial strategy
- Stepping up cash generation from 2020

Rome, 14 March 2018 – Leonardo's Board of Directors, convened today under the Chairmanship of Gianni De Gennaro, examined and unanimously approved the draft of Group consolidated and Leonardo S.p.A. financial statements at 31 December 2017.

Alessandro Profumo, Leonardo CEO commented "*2017 results are in line with expectations; 2018 will be a consolidation year and we are entering a new phase of solid and sustainable growth in the longer term based on top-line and profitability improvement and also on an increasing cash-flow generation from 2020. We are focused on achieving all targets of the 2018-2022 Industrial Plan with the key objective of creating value for all our stakeholders. This year we are proposing the distribution of the dividend as a fundamental element of the remuneration of the shareholder".*

2017 full year results are in line with the Guidance revised and, as expected, were affected by some non-structural issues in the *Helicopters*. This sector represents an outstanding business with leading product ranges in reference markets, increasing market shares in the most attractive segments and relevant growth opportunities, as highlighted in the 2018-2022 Industrial Plan. The Plan is based on solid and sustainable long-term growth of all the Group's key businesses; Leonardo will be able to exploit its favorable market positioning, the solid order portfolio (over € 33.5 bn as at 31 December 2017) and the *«One Company»* model through the application of a new commercial strategy combined with a rigorous cost control and selection of investments and a disciplined financial strategy focused on cash generation, all aimed at achieving long-term and sustainable growth.

2017 results highlights are as follows:

- **New Orders:** amounted to **EUR 11,595 million** (-3% vs 2016 after adjusting for the effecting of the major EFA Kuwait contract of € 7.95 bn. In 2016). The overall slight decrease was mainly attributable to the abovementioned difficulties that affected the sector of *Helicopters* and to the decline recorded in the sector of *Electronics*, the results of which were also affected by the negative exchange rate effect, in particular on the pound sterling.
- **Order Backlog:** amounted to **EUR 33,578 million** (-3.5% vs. 2015). The order backlog ensures coverage of production of just under 3 years (based on 2017 revenues).
- **Revenues:** amounted to **EUR 11,527 million**, a slight decrease (-4%) compared to 2016, also due to the effect of an unfavourable exchange rate arising from the conversion of revenues into GBP and, to a lesser extent, into USD (about € 160 mln.). Helicopters revenues felt because of delayed production on some product lines, as well as by the abovementioned exchange rate effect. *Electronics* and *Aeronautics* (the latter began to benefit from revenues arising from the EFA Kuwait programme) posted revenues in line with 2016. The book-to-bill ratio was equal to 1, in line (excluding the effect of the EFA Kuwait contract) with 2016.
- **EBITA:** amounted to **EUR 1,066 million**, showed a decrease of 14.9% compared to 2016, with a decline of 1.2% in ROS, affected by lower volumes and profits in the sector of *Helicopters*, as well as, to a lesser extent, by the results achieved in the sectors of *Aeronautics* and *Electronics*, against a lower loss recorded in the segment of other activities compared to 2016.
- **EBIT:** amounted to **EUR 833 million**; the decline in EBITA was partly absorbed by a reduction in non-recurring costs and costs for restructuring (- € 47 mln.), thus entailing a decrease of € 149 mln. in EBIT compared to 2016.
- **Net Result before extraordinary transactions:** amounted **to EUR 274 million**, showed a decline compared to 2016, which was due to the performance of EBIT, as well as to higher financial costs. The increase in financial costs of € 157 mln. compared to 2016 was attributable to costs (€ 97 mln.) arising from the buy-back transactions on a portion of the Group's bond issues (these transactions are largely dealt with in the section on "Financial transactions"); 2016 financial year also benefitted from positive exchange differences which were also reflected in the fair values of the derivatives, with a delta of + € 75 mln. compared to 2017. The Group's tax position was affected by the US taxation system reform launched by Trump's government, as a result of which deferred tax assets recorded in the United States of America were redetermined on the basis of the new federal tax rate (decreased from 35% to 21%), with a charge of about € 50 mln. accrued in the 2017 financial year. While excluding this effect, the tax rate showed an improvement in 2017, which was attributable to a reduction in the IRES (Corporate Income) tax rate from 27.5% to 24% in Italy.

- **Net Result:** amounted to **EUR 274 million**, equal to the net result before extraordinary transactions, in the absence of extraordinary transactions (on the contrary, the 2016 financial year was affected the transfer of operations carried out with Sukhoi on the Superjet programme in the *Aeronautics* sector and from the disposal of the Environmental business of DRS, net of the capital gain from the disposal of FATA).
- **Free Operating Cash Flow (FOCF):** amounted to **EUR 537 million**, posted a positive result of € 537 mln., showing a deterioration compared to 2016 (€ 706 mln.), which had benefitted from a lower level of investment spending.
- **Group Net Debt:** amounted to **EUR 2,579 million**, an improvement of 9% compared to 2016, despite the outlays arising from the acquisition of Daylight Solutions and of the additional stakes of Avio (for a total of € 168 mln.), as well as of the payment of dividends (€ 81 mln.). The negative change in loans and borrowings was attributable to the repayment of the debenture loan due December and to the repurchases of bonds made in 2017, net of the placement of new bonds of € 600 mln.

Dividend

Leonardo's Board of Directors has resolved to propose to the Shareholders' Meeting the distribution of a dividend of € 14 cent, from the profit of the year 2017, gross of any withholding taxes. This dividend would be payable as of May 23, 2018, with ex-dividend date on May 21, 2018 and record date (ie the date of entitlement to the dividend payment) May 22, 2018.

The above with reference to each share of common stock that will be outstanding on the ex-dividend date, excluding the treasury shares held on that date, without prejudice to the regime of those that will be effectively assigned, pursuant to the current incentive plans, during the current year.

Outlook

The new Industrial Plan approved by the Board of Directors in January is expected to deliver sustainable growth over the period 2018 – 2022. This reflects the Group's strong position in products and solutions for attractive market segments, a robust backlog and a new commercial strategy fully leveraging «*One Company*» model.

Actions taken to grow the business will be accompanied by a strict control of costs and investments, within a disciplined financial strategy to balance business growth and cash-generation.

Therefore, Leonardo expects to deliver for the full-year 2018 results in line with the Guidance presented on 30 January 2018:

- Growing Orders, supported by significant export contracts, a return to growth in the *Helicopter* segment, and the first results of the commercial actions taken by new management.
- Stable revenue compared to full-year 2017.
- A lower FOCF, reflecting the EFA Kuwait contract cash profile – with a significant cash absorption due to the production ramp-up with the reversal of customer advances received in 2016 and 2017 – and other customer advances winding down. In 2018 cash flow will continue to be negatively affected by *Aerostructure* Division and by higher investments to support the growth.

Guidance for the full-year 2018 are as follows:

	2017 figures	*2017 figures restated (*)*	*2018 Outlook (**)*
Orders (€bn.)	11.6	11.6	12.5 – 13.0
Revenue (€bn.)	11.5	11.7	11.5 – 12.0
EBITA (€mln.)	1,066	1,080	1,075 – 1,125
FOCF (€mln.)	537	537	ca 100
Group Net Debt (€bn.)	2.6	2.6	ca. 2.6

(*) IFRS15 preliminary effect on 2017 Group KPI

(**) Exchange rate assumptions: €/USD 1.2 and €/GBP 0.9

Effects of the new accounting principle IFRS15 "Revenue Recognition"

Starting from 1 January 2018 Leonardo will apply the new accounting principle IFRS 15 "Revenues recognition", which replaces the previous IAS11 and IAS18 under which the financial statements at 31 December 2017 are prepared.

Considering the effective date of this new standard, the Group has launched a complex project to review the main contract types in order to determine the effects of the new standard and new rules of revenue recognition to be applied beginning from 2018.

Given the high complexity of the analysis, the activity is still underway.

The main impact areas deriving from the application of the new standard are:

- Introduction of new criteria for revenue recognition during the execution of the contract; if those criteria are not met, then revenue is recognised solely at the completion of the contract. This required a review of the ongoing contracts, which are normally medium/long-term. Such analysis highlighted the necessity to change the margin recognition methods in relation to certain contracts (passing from the previous recognition of the margins of certain contracts "over time" to "at a point in time" and vice versa).
- New specific requirements to establish if goods and services included into contracts have to be recognised as a single performance obligation or as a separate performance obligation. In respect of certain contracts entered into by the Group it was necessary to unbundle the contracts into two or more performance obligations (so called bundling/unbundling).
- New criteria on contract cost recognition and related margin acquisition.
- More defined criteria to be applied to mass productions with the consequent remeasurement of the margins of this kind of productions.
- New and in-depth additional qualitative and quantitative information to disclose.

The Group will apply this standard as from 1 January 2018 with a restatement of the 2017 accounting balances for comparative purposes. However, at the current stage of analyses we can conclude that, subject to the conclusion of such analysis, the impact on the Group's main indicators is not material in size.

In the following table there is the preliminary effect on 2017 Group KPI:

€bn	***2017 Actual***	***IFRS15 effect***	***IFRS15 effect %***	***2017 Restated***
Revenues	11.5	0.2	2%	11.7
EBITA	1.07	0.01	1%	1.08
Net results	0.27	0.01	4%	0.28

Group *(Euro million)*	FY 2017	FY 2016	Chg.	Chg. %
New orders	11,595	19,951	(8,356)	(41.9%)
Order backlog	33,578	34,798	(1,220)	(3.5%)
Revenues	11,527	12,002	(475)	(4.0%)
EBITDA(*)	1,588	1,907	(319)	(16.7%)
EBITA (**)	1,066	1,252	(186)	(14.9%)
ROS	*9.2%*	10.4%	(1.2) p.p.	
EBIT (***)	833	982	(149)	(15.2%)
EBIT Margin	7.2%	8.2%	(1.0) p.p.	
Net result before extraordinary transactions	274	545	(271)	(49.7%)
Net result	274	507	(233)	(46.0%)
Group Net Debt	2,579	2,845	(266)	(9.3%)
FOCF	537	706	(169)	(23.9%)
ROI	*14.9%*	16.9%	(2.0) p.p.	
ROE	6.2%	12.6%	(6.4) p.p.	
Workforce (no.)	45,134	45,631	(497)	(1.1%)

(*)EBITDA is obtained eliminating from EBITA the amortization and depretiation 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).

Analysis of the main figures of 2017

Commercial performance

In 2017 new orders, net of the contract for the EFA supply to Kuwait signed in June 2016, showed a slight decrease (about 3%), which was also due to the effect of an unfavourable GBP/Euro exchange rate. This was attributable in particular to the sectors of *Helicopters* (-16% compared to 2016) and *Electronics* (in particular as a result of the significant acquisitions that had characterised 2016 in the segment of airborne systems on the Typhoon aircraft). The segment of *Aeronautics*, again net of the EFA contract, showed a significant improvement of 18%, as a result of the orders gained for support services to be provided to the fleet of EFA aircraft and on the B787 in the *Aerostructures* division.

The book-to-bill ratio was equal to 1, in line (excluding the effect of the EFA Kuwait contract) with 2016. The order backlog ensures coverage of production of just under 3 years (based on 2017 revenues).

Business performance

Revenues recorded a slight decrease of 4% compared to 2016, also due to the effect of an unfavourable exchange rate arising from the conversion of revenues into GBP and, to a lesser extent, into USD (about € 160 mln.). Helicopters revenues fell because of delayed production on some product lines, as well as by the abovementioned exchange rate effect, the sector of *Aeronautics* began to benefit from revenues arising from the EFA Kuwait programme.

EBITA showed a decrease of 14.9% compared to 2016, with a decline of 1.2% in ROS, and was strongly affected by lower volumes and profits in the sector of *Helicopters*, as well as, to a lesser extent, by the results achieved in the sectors of *Aeronautics* and *Electronics*, against a lower loss recorded in the segment of other activities compared to 2016. The decline in EBITA was partly absorbed by a reduction in non-recurring costs and costs for restructuring (- €47 mln.), thus leading to a decrease of € 149 mln. in EBIT compared to 2016.

The net result before extraordinary transactions showed a decline compared to 2016, which was due to the performance of EBIT, as well as to higher financial costs. The fall of € 157 mln. compared to 2016 was attributable to costs (€ 97 mln.) arising from the buy-back transactions on a portion of the Group's bond issues (these transactions are largely dealt with in the section on "Financial transactions"); the 2016 financial year had also benefitted from positive exchange differences which were also reflected in the fair values of the derivatives, with a delta of + € 75 mln. compared to 2017. The Group's tax position was affected by the US taxation system reform launched by Trump's government, as a result of which deferred tax assets recorded in the United States of America were redetermined on the basis of the new federal tax rate (decreased from 35% to 21%), with a charge of about € 50 mln. accrued in the 2017 financial year. While excluding this effect, the tax rate showed an improvement in 2017, which was attributable to a reduction in the IRES (Corporate Income) tax rate from 27.5% to 24% in Italy.

The net result for the period was equal to the net result before extraordinary transactions, in the absence of extraordinary transactions

Financial performance

FOCF posted a positive result of € 537 mln., compared to 2016 (€ 706 mln.), which had benefitted from a lower level of investment spending. Strategic transactions included the cash-out arising from the acquisition of Daylight Solutions (€ 123 mln.) and of the additional stakes of Avio (€ 45 mln.). The negative change in loans and borrowings was attributable to the repayment of the debenture loan due December and to the repurchases of bonds made in 2017, net of the placement of new bonds of € 600 mln.

This performance had a positive impact on the overall value of the Group Net Debt, which decreased by 9% compared to 31 December 2016, despite the cash-out arising from the abovementioned strategic transactions (€ 168 mln.) and the payment of dividends (€ 81 mln.).

Net invested capital and fixed assets remained substantially in line with 2016, with a slight decrease arising from the translation of assets denominated in GBP, which also impacted on equity.

As noted above, "Bonds" reported a reduction as a result of the redemptions made in December and of the early repurchase of debentures (these transactions are largely dealt with in the section on "Financial transactions"), net of the placement of new bonds on the market for a nominal amount of € 600 mln.

During the period the remaining 15% held in Ansaldo Energia was sold to CDP Equity, which had already been the object of put&call option rights whereby the item had been taken as a reduction in the Group Net Debt (€ 138 mln. at 31 December 2016).

In the course of the financial year the Group factored receivables without recourse for a total carrying value of approximately € 1,306 mln. (€ 1,586 mln. in 2016).

To meet the financing needs for ordinary Group activities, at 31 December 2017 Leonardo had a revolving credit facility for a total amount of € 2,000 mln. The terms and conditions of this agreement are described in the section "Financial Transactions". At 31 December 2017, in the same way as at 31 December 2016, the credit line was entirely unused. This credit line has been replaced by a new Revolving Credit Facility negotiated in February 2018 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 bn. from the € 2 bn. of the previous line and the extension of the expiry date to February 2023.

Leonardo had additional unconfirmed short-term lines of credit of € 735 mln., which also were entirely unused at 31 December 2017, as well as unconfirmed, unsecured lines of credit of approximately € 3.7 bn. at such date.

Main figures of the fourth quarter 2016

- **New Orders**: amounted to **EUR 3,650 million**, -17.9% compared to fourth quarter 2016.
- **Revenues:** amounted to **EUR 3,543 million**, -10.7% compared to fourth quarter 2016.
- **EBITA:** amounted to **EUR 363 million**, -28.3% compared to fourth quarter 2016.
- **EBIT:** amounted to **EUR 262 million**, -25.4% compared to fourth quarter 2016.
- **Net Result before Extraordinary Transactions**: amounted to **EUR 2 million**, -99% compared to fourth quarter 2016.
- **Free Operating Cash Flow (FOCF):** amounted to **EUR 1,509 million,** +37.9% compared to fourth quarter 2016.

SECTOR PERFORMANCE

FY 2017 (*Euro million*)	New orders	Order backlog	Revenues	EBITA	ROS
Helicopters	3,153	9,706	3,262	260	8.0%
Electronics, Defence and Security Systems	6,146	12,053	5,506	537	9.8%
Aeronautics	2,615	12,513	3,107	324	10.4%
Space	-	-	-	79	n.a.
Other activities	216	199	338	(134)	(39.6%)
Eliminations	(535)	(893)	(686)	-	n.a.
Total	**11,595**	**33,578**	**11,527**	**1,066**	**9.2%**

FY 2016 (*Euro million*)	New orders	Order backlog	Revenues	EBITA	ROS
Helicopters	3,737	10,622	3,639	430	11.8%
Electronics, Defence and Security Systems	6,726	11,840	5,468	558	10.2%
Aeronautics	10,158	13,107	3,130	347	11.1%
Space	-	-	-	77	n.a.
Other activities	88	174	327	(160)	(48.9%)
Eliminations	(758)	(945)	(562)	-	n.a.
Total	**19,951**	**34,798**	**12,002**	**1,252**	**10.4%**

Change %	New orders	Order backlog	Revenues	EBITA	ROS
Helicopters	(15.6%)	(8.6%)	(10.4%)	(39.5%)	(3.8) p.p.
Electronics, Defence and Security Systems	(8.6%)	1.8%	0.7%	(3.8%)	(0.4) p.p.
Aeronautics	(74.3%)	(4.5%)	(0.7%)	(6.6%)	(0.7) p.p.
Space	n.a.	n.a.	n.a.	2.6%	n.a.
Other activities	145.5%	14.4%	3.4%	16.3%	9.3 p.p.
Eliminations	29.4%	5.5%	(22.1%)	n.a.	n.a.
Total	**(41.9%)**	**(3.5%)**	**(4.0%)**	**(14.9%)**	**(1.2) p.p.**

	New Orders	Revenues	EBITA	ROS
DRS ($ mln.) FY 2017	2,016	1,914	143	7.5%
DRS ($ mln.) FY 2016	1,923	1,753	128	7.3%
DRS (€ mln.) FY 2017	1,785	1,695	127	7.5%
DRS (€ mln.) FY 2016	1,737	1,584	116	7.3%

Helicopters

The 2017 performance was strongly affected by uncertainty and the difficulties experienced by some target markets, as well as by poor flexibility in adapting production systems and planning processes to meet demand trends and requirements arising from reduced visibility on final configurations, in addition to, among other things, a limited industrial maturity of some new products. As a result, there was a fall in all indicators.

Outlook. In a market scenario that is showing signs of recovery, despite continuing to be characterised by some uncertainties, production volumes are expected to increase in 2018, thus overcoming the production difficulties encountered in 2017; this will allow the full exploitation of the potential of the Division's excellent range of products, which are well placed in the most attractive segments. In line with the objective to move back to double-digit margins in 2020, profits are also expected to gradually improve during the year, benefitting from the review of the Group's processes and organisation, as well as from specific actions aimed at improving the industrial performance and competitiveness of its leading products.

Electronics, Defence & Security Systems

2017 was characterised by a good commercial performance, with a book-to-bill ratio that was still higher than 1, revenues in line with 2016 and profits that once again achieved good results, despite being affected by unfavourable exchange rates and a less favourable mix of work on activities

Outlook. In 2018 it is expected that production volumes and profitability will remain substantially stable compared to 2017, thus confirming the upward trend in some business areas and the effects of efficiency improvement actions on industrial processes, capable of also offsetting pressures on margins due to a reduced contribution from major and profitable programmes being completed and to the growing contribution from programmes with high pass-through supply rates, and the challenges associated with contracts being performed, against a background of high competition in the target markets.

Aeronautics

The 2017 financial year recorded a good commercial performance both for the Aircraft and for the Aerostructures Divisions, with new orders higher than those reported in the previous year, excluding the impact of the major ca. € 8 bn. EFA Kuwait contract acquired in June 2016.

From a production point of view, in 2017 deliveries were made for 139 fuselage sections and 80 stabilisers for the B787 programme (compared to 121 fuselages and 88 stabilisers delivered in 2016), and 62 fuselages for the ATR programme (95 delivered in 2016), due to the reduced production rates and by some delays in testing operations. For the M-346 programme, 6 aircraft were delivered to the Italian Air Force and there was the completion of the supply of 8 aircraft ordered by the Polish Air Force.

***Outlook*.** In 2018 revenues are expected to remain substantially in line with 2017, with an increase in production volumes in the *Aircraft* Division due to the EFA Kuwait contract and to export programmes, which would largely offset a decline in the volumes of operations on certain programmes in the *Aerostructures* Division, such as the A380 programme. 2018 profits are confirmed to be at the good levels recorded in 2017, supported by additional industrial efficiency improvement actions and by the good performance of the *Aircraft* Division, which would be able to set off the effect of a lower contribution from ATR and an industrial performance in the *Aerostructures* Division which is not yet satisfactory.

Space

The 2017 performance showed revenues and operating profits that remained substantially stable compared to 2016, in the segments of both manufacturing and satellite services. The results of operations showed a slight increase, mainly due to lower taxes recorded in the segment of satellite services.

As regards the latter segment, 2017 was marked by the launch in August of the high resolution optical satellite Opsat 3000 for the Italian Ministry of Defence, for which Telespazio, as the prime contractor of the programme, created the control centre, in addition to the supply of the satellite and launch services. Among the other significant events of 2017, we highlight the beginning of the execution phase of the new contract for the operating management of Galileo, the European navigation satellite system. Within the Galileo programme, the creation of the global data distribution network was completed in July 2017.

In 2017 work also continued on the activities following the launch, which occurred on 5 December 2016, of the Turkish earth-observation satellite GÖKTÜRK-1 used by the Turkish Air Force, with the entry of the system into "pre-operation", and the subsequent formalisation of the transfer of ownership to the customer for the assembly centre and satellite trials. The system qualification is expected during the first quarter of 2018.

Finally, of particular significance were the four launches carried out by Space X in 2017 for a total of 40 satellites of the Iridium Next constellation created by Thales Alenia Space, which will provide unparalleled capacity in mobile telecommunications, thus ensuring full coverage all over the world.

Outlook. Revenues and profits achieved in 2017 are expected to remain substantially stable in 2018.

Industrial transactions

In 2017 the following industrial transactions were carried out:

- **Acquisition of additional stakes of Avio**. 31 March 2017 marked the closing of the acquisition by Space2, Leonardo and In Orbit (a company held by certain managers of Avio) of the entire share capital of Avio not yet owned by Leonardo, with the subsequent merger into Space2 and concurrent listing of Avio on the Electronic Stock Market (MTA)/Star segment of the Italian Stock Exchange, which was finalised on 10 April 2017. The swap ratio was set at 0.0402 Space 2 shares for each Avio share, taking account of the Space 2's contribution of a capital endowment of about € 64 mln. As a result of this transaction and of subsequent minor acquisition transactions, Leonardo now holds about 26% in the company in respect of a payment, for the portion acquired in the period, of about € 4 mln.;
- **Acquisition of Daylight Solutions**. On 23 June 2017 Leonardo completed, through the US subsidiary Leonardo DRS, the acquisition of Daylight Solutions, Inc., a leading company in the development of Quantum Cascade Laser Products. The payment for the purchase of the shares was equal to USD 140 mln. for the entire share capital of Daylight Solutions. In addition, the purchase contract envisaged an earn-out mechanism by virtue of which the payment will be increased by a further USD 13 mln. as a result of the achievement of certain financial and operating targets for the year 2017. This acquisition enabled the expansion of DRS' offer within the advanced solutions for the civil and military market;
- **Put option exercised on Ansaldo Energia**. In July Leonardo exercised the put option on 15% of the interest in Ansaldo Energia, which was the remaining stake still held by the Group after the sale to Cassa Depositi e Prestiti which ended in 2013. The exercise of this option allowed

Leonardo to collect an amount of € 144 mln. from CDP Equity. This transaction did not affect the Group Net Debt, since the measurement of the put&call rights related to the residual portion of interest in Ansaldo Energia was already considered in its calculation.

Financial transactions

On 7 June 2017, within the EMTN (Euro Medium Term Notes) Programme, which was renewed in April 2017, Leonardo placed new 7-year listed bonds, while leaving the maximum amount of € 4 bn. unchanged, on the Luxembourg Stock Exchange on the Euromarket in an amount of € 600 mln., with an annual coupon of 1.50%. In accordance with its financial strategy regulated and aimed at going back to the Investment Grade Credit Rating, the Company (which had already been obtained from Fitch on 25 October 2017), the Company has deemed it appropriate to take advantage of particularly favourable market conditions in order to meet its refinancing requirements and reduce the average cost of its own debt. The issue was reserved for Italian and international institutional investors only.

With reference to the bond issues in place, note the following transactions:

- In June Leonardo repurchased on the market a nominal amount of GBP 30 mln. in relation to the bond issue launched in 2009, due 2019, in an initial nominal amount of GBP 400 mln. (coupon of 8%), thus reducing the remaining nominal amount to GBP 288 mln. The total acquisition value was equal to 117% of the nominal value;

- In December Leonardo and its subsidiary Leonardo US Holding announced and successfully completed take-over bids on the market, concerning additional portions of bonds due 2039 and 2040 (with a coupon of 7.375% and 6.25%, respectively) in initial nominal amounts of USD 300 mln. and USD 500 mln. issued by Leonardo US Holding and guaranteed by Leonardo S.p.A.. The offer was successfully completed with a total nominal amount repurchased for USD 300 mln. The total average acquisition value was equal to 122.7% of the nominal value. Furthermore, again in December, Leonardo US Holding exercised the option for the full redemption of the entire remaining nominal amount of its bonds due 2019 (coupon of 6.25%), totalling USD 434 mln. The total acquisition value was equal to 106.17% of the nominal value. In both cases the bonds were cancelled.

  The overall cost of the abovementioned transactions, which was fully charged to the accounts of the 2017 financial year, was equal to € 97 mln. The transaction will allow the Group's future financial costs to be reduced by a total amount of about USD 480 mln., with a net present value (NPV) of about USD 200 mln., net of the transaction cost sustained in 2017. The restated nominal value of the issues involved in the transaction is reported in the table below:

Year of issue	**Maturity**	**Currency**	**Nominal amount outstanding before *buy back* (mln.)**	**Annual coupon**	**Nominal amount outstanding after *buy back* (mln.)**
2009	2019	GBP	318	8.000%	288
2009	2019	USD	434	6.250%	-
2009	2039	USD	275	7.375%	169
2009	2040	USD	457	6.25%	262

- Finally, the bond issue launched in 2012 (coupon of 4.375) became due and was duly repaid in December for a residual amount of € 520 mln.

It should be noted that the Group's bonds are governed by rules with standard legal clauses for these types of corporate transactions on institutional markets that do not require any undertaking with regard to compliance with specific financial parameters (financial covenants) but they do require negative pledge and cross-default clauses. Based on negative pledge clauses, Group issuers, Leonardo and their "Material Subsidiaries" (companies in which Leonardo owns more than 50% of the share capital and the gross revenues and total assets of which represent at least 10% of Leonardo's consolidated gross revenues and total assets) are expressly prohibited from pledging collateral security or other obligations to secure their debt in the form of bonds or listed financial instruments or financial instruments that qualify for listing, unless these guarantees are extended to all bondholders. Exceptions to this prohibition are securitisation and, starting from July 2006, the establishment of assets for the use indicated in Article 2447-bis et seq. of the Italian Civil Code. On the contrary, the cross-default clauses give the bondholders the right to request early redemption of the bonds in their possession in the event of default by the Group issuers and/or Leonardo and/or any "Material Subsidiary" that results in a failure to make payment beyond pre-set limits.

The € 2,000 mln. Revolving Credit Facility in place at 31 December 2017 contains financial covenants. More specifically, the covenants require Leonardo to comply with two Financial ratios: (the ratio of Group net debt - excluding payables to the joint ventures MBDA and Thales Alenia Space)/EBITDA must be no higher than 3.75 and the ratio of EBITDA to net interest must be no lower than 3.25, tested annually based upon the consolidated data at the end of the year. These covenants, in accordance with contractual provisions providing for this option, have also been extended to the EIB loan, currently outstanding in the amount of about € 271 mln., in addition to certain loans recently granted to DRS by US banks totalling USD75. mln. In relation to this Annual Financial Report, there was full compliance with said covenants (the two ratios are 1.2 and 6.0, respectively).

Outstanding bond issues are given a medium/long-term financial credit rating by the three international rating agencies: Moody's Investors Service (Moody's), Standard & Poor's and Fitch. At the date of presentation of this report, Leonardo's credit ratings, compared to those preceding the last change, were as follows (it should be noted that Fitch upgraded Leonardo's rating back to the Investment Grade level during the second half of 2017):

Agency	**Last update**	**Updated**		**Previous**	
		Credit Rating	*Outlook*	*Credit Rating*	*Outlook*
Moody's	May 2017	Ba1	positive	Ba1	stable
Standard&Poor's	April 2015	BB+	stable	BB+	negative
Fitch	October 2017	BBB-	stable	BB+	positive

With regard to the impact of positive or negative changes in Leonardo's credit ratings, there are no default clauses linked to the credit ratings. The only possible effects deriving from further changes, if any, to the credit ratings refer to higher or lower finance costs on certain payables of the Group, especially with reference to the Revolving Credit Facility. The interest rates applied to the utilisations of such credit line, in fact, are based upon the EURIBOR plus a margin of 100 bps. This margin could be reduced down to a minimum of 50 bps if Leonardo returns to an investment grade rating or increased up to a maximum of 220 bps if Leonardo's debt is given a rating below BB or if it is given no rating at all. Finally, it should be noted that the Funding Agreement between MBDA and its shareholders provides, inter alia, that any downgrade of the rating assigned to the shareholders will result in a gradual increase in the margins. Additionally, under a pre-set rating limit (for at least two out of three rating agencies: BB- from Standards & Poor's, BB- from Fitch and

Ba3 from Moody's) MBDA is entitled to determine the applicable margin each time. Finally, the agreement provides for rating limits the achievement of which allows MBDA to request the issue of a bank guarantee of its own liking from its shareholders, without which MBDA can suspend the subsequent disbursement of funds.

Finally, 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 bn. from the € 2 bn. 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. Furthermore, there was the confirmation of the financial covenants that are already provided for in the RCF which has been largely described above.

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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.

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The Board of Directors determined that the Shareholders' Meeting will be called in Ordinary session on 10 and 15 May 2018, in first and second call respectively.

At today's meeting the Board also approved the Report on Corporate Governance and the Consolidated non financial statement, in accordance with Italian Legislative Decree No. 254/2016, which will be published together with the Annual financial report.

The Sustainability and Innovation Report 2017, which represents the Consolidated Non-Financial Statement for 2017, is drawn up according to the "G4 - Sustainability Reporting Guidelines" by GRI, adopting the option "in accordance core", and it is inspired by the International Integrated Reporting Council (IIRC) framework, in order to represent Leonardo's capacity of creating economic, environmental and social value through its business model and the responsible business conduct. Furthermore, the document highlights the sustainability path undertaken by Leonardo over the last years and it describes the capitals, the main value-added processes and the innovative solutions developed by the Group for the society and the environment.

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At today's meeting the Board also resolved to renew the bond issue program EMTN (Euro Medium Term Note) for additional 12 months, leaving at 4 billion Euro the maximum amount (already used for a nominal amount of approximately EUR 3,25 billion). The renewal is performed by Leonardo Group on a yearly basis, as part of its ordinary activities of financial management. As usual, credit rating will be assigned to the Program by Moody's, Standard & Poor's and Fitch.

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The notice of call of the Meeting, as well as the documentation drawn up, in compliance with current regulation, with reference to the items on the agenda of the Shareholders' Meeting being convened, will be available to the public within the terms provided by the existing provisions of law.

RECLASSIFIED INCOME STATEMENT						
€mln.	**FY 2017**	**FY 2016**	***Var. YoY***	**4Q 2017 (unaudited)**	**4Q 2016 (unaudited)**	***Var. YoY***
Revenues	11,527	12,002	(475)	3,543	**3,968**	(425)
Purchases and personnel expense	(10,093)	(10,396)	303	(3,116)	(3,337)	221
Other net operating income/(expense)	(117)	6	(123)	(91)	(60)	(31)
Equity-accounted strategic JVs	271	295	(24)	137	143	(6)
Amortisation and depreciation	(522)	(655)	133	(110)	(208)	98
EBITA	**1,066**	**1,252**	**(186)**	**363**	**506**	**(143)**
ROS	*9.2%*	*10.4%*	*(1.2)p.p.*	*10.2%*	*12.8%*	*(2.6)p.p.*
Non-recurring income/(expenses)	(79)	(71)	(8)	(65)	(66)	1
Restructuring costs	(56)	(102)	46	(10)	(64)	54
Amortisation of intangible assets acquired as part of Business combinations	(98)	(97)	(1)	(26)	(25)	(1)
EBIT	**833**	**982**	**(149)**	**262**	**351**	**(89)**
EBIT Margin	*7.2%*	*8.2%*	*(1.0) p.p.*	*7.4%*	*8.8%*	*(1.4) p.p.*
Net financial income/ (expense)	(436)	(279)	(157)	(199)	(99)	(100)
Income taxes	(123)	(158)	35	(61)	(50)	(11)
Net result before extraordinary transactions	**274**	**545**	**(271)**	**2**	**202**	**(200)**
Net result related to discontinued operations and non-ordinary transactions	-	(38)	38	-	(48)	48
Net result	**274**	***507***	**(233)**	**2**	**154**	**(152)**
attributable to the owners of the parent	*272*	*505*	*(233)*	*1*	*153*	(152)
attributable to non-controlling interests	*2*	*2*	-	*1*	*1*	-
Earning per share (Euro)						
Basic e diluted	*0.474*	*0.879*	*(0.405)*	*0.002*	*0.267*	*(0.265)*
Earning per share of continuing operation (Euro)						
Basic e diluted	*0.474*	*0.879*	*(0.405)*	*0.002*	*0.267*	*(0.265)*
Earning per share of continuing operation (Euro)						
Basic e diluted	-	-	-	-	-	-

RECLASSIFIED BALANCE SHEET		
€mln.	31.12.2017	31.12.2016
Non-current assets	11,694	12,119
Non-current liabilities	(2,972)	(3,373)
Capital assets	**8,722**	**8,746**
Inventories	4,381	4,014
Trade receivables	6,072	5,965
Trade payables	(10,169)	(9,295)
Working capital	**284**	**684**
Provisions for short-term risks and charges	(793)	(792)
Other net current assets (liabilities)	(1,152)	(1,434)
Net working capital	**(1,661)**	**(1,542)**
Net invested capital	**7,061**	**7,204**
Equity attributable to the Owners of the Parent	4,468	4,357
Equity attributable to non-controlling interests	16	16
Equity	**4,484**	**4,373**
Group Net Debt	**2,579**	**2,845**
Net (assets)/liabilities held for sale	**(2)**	**(14)**

CASH FLOW STATEMENT		
€mln.	FY 2017	FY 2016
Cash flows used in operating activities	**795**	**892**
Dividends received	295	241
Cash flow from ordinary investing activities	(553)	(427)
Free operating cash flow (FOCF)	**537**	**706**
Strategic investments	(168)	-
Shares Buy-back	12	(10)
Change in other investing activities	-	(35)
Net change in loans and borrowings	(520)	(237)
Dividends paid	(81)	(4)
Net increase/(decrease) in cash and cash equivalents	**(220)**	**420**
Cash and cash equivalents at 1 January	2,167	1,771
Exchange rate gain/losses and other movements	(54)	(24)
Cash and cash equivalents at 1 January of discontinued operation	-	-
Increase/(decrease) in cash of discontinued operation	-	-
Cash and cash equivalents at 31 December	**1,893**	**2,167**

FINANCIAL POSITION		
€mln.	**31.12.2017**	**31.12.2016**
Bonds	3,647	4,375
Bank debt	246	297
Cash and cash equivalents	(1,893)	(2,167)
Net bank debt and bonds	**2,000**	**2,505**
Fair value of the residual portion in portfolio of Ansaldo Energia	-	(138)
Stock	(3)	-
Current loans and receivables from related parties	(110)	(40)
Other current loans and receivables	(47)	(58)
Current loans and receivables and securities	**(160)**	**(236)**
Non current financial receivables from Superjet	(48)	(65)
Hedging derivatives in respect of debt items	(2)	35
Related-party loans and borrowings	701	502
Other loans and borrowings	88	104
Group net debt	**2,579**	**2,845**

EARNINGS PER SHARE			
	FY 2017	**FY 2016**	***Var. YoY***
Average shares outstanding during the reporting period (in thousands)	574,425	574,543	*(118)*
Earnings/(losses) for the period (excluding non-controlling interests) (€ million)	272	505	*(233)*
Earnings/(losses) - continuing operations (excluding non-controlling interests) (€ million)	272	505	*(233)*
Earnings/(losses) - discontinued operations (excluding non-controlling interests) (€ million)	-	-	-
BASIC AND DILUTED EPS (EUR)	**0.474**	**0.879**	***(0.405)***
BASIC AND DILUTED EPS from continuing operations	**0.474**	**0.879**	***(0.405)***
BASIC AND DILUTED EPS from discontinuing operations	**-**	**-**	**-**

FY 2017 (Euro million)	**Helicopters**	**Electronics, Defence and Security Systems**	**Aeronautics**	**Space**	**Other activities**	**Eliminations**	**Total**
New orders	3,153	6,146	2,615	-	216	(535)	**11,595**
Order backlog	9,706	12,053	12,513	-	199	(893)	**33,578**
Revenues	3,262	5,506	3,107	-	338	(686)	**11,527**
EBITA	**260**	**537**	**324**	**79**	**(134)**	**-**	**1,066**
EBITA margin	8.0%	9.8%	10.4%	n.a.	(39.6%)	n.a.	**9.2%**
EBIT	**195**	**413**	**305**	**79**	**(159)**	**-**	**833**
Amortisation and depreciation	87	228	194	-	57	-	**566**
Investments	136	173	127	-	29	-	**465**
Workforce (no.)	11,456	22,090	10,316	-	1,272	-	**45,134**

FY 2016 (Euro million)	**Helicopters**	**Electronics, Defence and Security Systems**	**Aeronautics**	**Space**	**Other activities**	**Eliminations**	**Total**
New orders	3,737	6,726	10,158	-	88	(758)	**19,951**
Order backlog	10,622	11,840	13,107	-	174	(945)	**34,798**
Revenues	3,639	5,468	3,130	-	327	(562)	**12,002**
EBITA	**430**	**558**	**347**	**77**	**(160)**	**-**	**1,252**
EBITA margin	11.8%	10.2%	11.1%	*n.a.*	(48.9%)	n.a.	**10.4%**
EBIT	**389**	**376**	**311**	**77**	**(171)**	**-**	**982**
Amortisation and depreciation	97	277	271	-	55	-	**700**
Investments	134	191	113	-	36	-	**474**
Workforce (no.)	11,874	22,174	10,367	-	1,216	-	**45,631**

Q4 2017 (Euro million)	**Helicopters**	**Electronics, Defence and Security Systems**	**Aeronautics**	**Space**	**Other activities**	**Eliminations**	**Total**
New Orders	1,443	1,746	652	-	19	(210)	**3,650**
Revenues	907	1,846	920	-	55	(185)	**3,543**
EBITA	**22**	**262**	**117**	**42**	**(80)**	**-**	**363**
EBITA margin	2.4%	14.2%	12.7%	*n.a.*	(145.5%)	*n.a.*	**10.2%**
EBIT	**(35)**	**223**	**112**	**42**	**(80)**	**-**	**262**
Amortisation and depreciation	20	65	(5)	-	17	-	**97**
Investments	46	51	41	-	18	-	**156**

Q4 2016 (Euro million)	**Helicopters**	**Electronics, Defence and Security Systems**	**Aeronautics**	**Space**	**Other activities**	**Eliminations**	**Total**
New Orders	2,199	2,487	368	-	64	(671)	**4,447**
Revenues	1,074	1,901	1,070	-	104	(181)	**3,968**
EBITA	**145**	**289**	**149**	**34**	**(111)**	**-**	**506**
EBITA margin	13.5%	15.2%	13.9%	*n.a.*	(106.7%)	*n.a.*	**12.8%**
EBIT	**112**	**196**	**126**	**34**	**(117)**	**-**	**351**
Amortisation and depreciation	28	86	72	-	15	-	**201**
Investments	42	71	(8)	-	19	-	**124**

Fine Comunicato n.0131-27	Numero di Pagine: 19