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Testo del comunicato

Vedi allegato.

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PRESS RELEASE

Leonardo's Shareholders' Meeting approves 2017 Financial Statements, the distribution of a € 14 cent. dividend p.s. and appoints the new Board of Statutory Auditors for the 2018-2020 mandate

- **Company Financial Statements for 2017 approved**
- **Distribution of a € 14 cent. dividend approved**
- **New Board of Statutory Auditors appointed**
- **Remuneration Report and Long Term Incentive Plan approved**
- **Sustainability and Innovation Report 2017, which represents the Consolidated Non-Financial Statement for 2017, presented**
- **Relevant attendance by institutional shareholders, mostly international, representing approx 33% of the share capital**

Rome, 15 May 2018 – The Shareholders' Meeting of Leonardo Spa, which convened today in Rome, has resolved on the followings:

Financial Statements for 2017

The Shareholders' Meeting approved the Company's Financial Statements for 2017 and examined the Consolidated Financial Statements

Key economic and financial data

2017 full year results are in line with the Guidance revised and, as expected, were affected by some non-structural issues in *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 € 33.6 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. The critical issues in 2017 were clearly understood and faced promptly, taking corrective actions in terms of changes in the organisation, processes and governance.
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 *Helicopters* and to the decline recorded in *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. 2016). 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.). *Electronics* and *Aeronautics* (the latter began to benefit from revenues arising from the EFA Kuwait programme) posted revenues in line with 2016. *Helicopters* revenues felt because of delayed production on some product lines, as well as by the abovementioned exchange rate effect. 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 *Helicopters*, as well as, to a lesser extent, by the results achieved in *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 restructuring costs (- € 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; 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**, 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.

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

2017 dividend

The Shareholders' Meeting approved the proposal to distribute a dividend on the profit for the year 2017 equal to 0.14 euros, before tax, if any, 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.

The dividend will be paid as of May 23, 2018, with record date May 22, 2018, after detachment of coupon no. 9 on May 21, 2018.

Appointment of the Board of Statutory Auditors

The Shareholders' Meeting also appointed the new Board of Statutory Auditors, which will remain in office for the period 2018-2020 and, therefore, until the approval of the financial statements for financial year 2020. The Board of Statutory Auditors is composed as follows:

Regular Auditors: Riccardo Raul Bauer, Sara Fornasiero, Francesco Perrini, Leonardo Quagliata and Daniela Savi. Alternate Auditors: Marina Monassi and Luca Rossi.

Riccardo Raul Bauer, Sara Fornasiero and Luca Rossi were presented in the list submitted by a group of asset management and institutional investors, together holding around 1.731% of the Leonardo's share capital, voted by about 9.5% of the capital represented at the Meeting.

Francesco Perrini, Leonardo Quagliata, Daniela Savi and Marina Monassi were presented in the list submitted by the Ministry of Economy and Finance, holding around 30.204% of the Leonardo's share capital, voted by about 89.6% of the capital represented at the Meeting.

The Shareholders' Meeting also appointed Riccardo Raul Bauer Chairman of the Board of Statutory Auditors, from the Statutory Auditors elected by the minority, as required by art. 148, paragraph 2-bis of the Consolidated Law on Finance, also proceeding to determine the remuneration due to the control body (euro 80,000 gross per annum for the Chairman; euro 70,000 gross per annum for each Auditor).

The curricula of the new Auditors are available on the Company's website (www.leonardocompany.com).

The new Board of Statutory Auditors will proceed to the assessment of the existence of independence requirements for its members, in accordance with the Corporate Governance Code.

Remuneration Report and Long Term Incentive Plan

The Shareholders' Meeting expressed a favorable vote (with 84.96% of the share capital represented at the Meeting) on the first section of the Remuneration Report, drawn up pursuant to Article 123-ter of the Consolidated Law on Finance, also resolving to approve the Long Term Incentive Plan for the management of the Leonardo Group, in accordance with the terms and conditions described in the Information Document already made available to the public.

Sustainability and Innovation Report 2017

The Company presented to its Shareholders the Sustainability and Innovation Report 2017, approved by the Board of Directors on the 14th of March 2018, which represents the Consolidated Non-Financial Statement for 2017 in compliance with the Legislative Decree 254/2016. The document 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.

Integration of fees for KPMG

Finally, the Meeting resolved favorably about the integration, upon well-grounded proposal of the Board of Statutory Auditors, of the fees for the Independent Auditing Firm KPMG S.p.A., for the years 2017-2020, considering the additional audit activities with reference to the financial statements, made necessary due to the regulatory amendments introduced by the Legislative Decree no. 135/2016.

Attendance at the Shareholders’ Meeting

The Shareholders’ Meeting recorded a considerable attendance by institutional shareholders – mostly foreign – who were present with more than 33% of the share capital.

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A summary report of the voting will be made available on the Company’s Website (www.leonardocompany.com), in compliance with Art. 125-quater of the Consolidated Law on Finance, within the prescribed term of five days after the Shareholders’ Meeting.

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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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