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Results at 31 December 2018

PRESS RELEASE

Leonardo: 2018 results above the Guidance for New Orders (€15.3 bn, +32%* YoY) and Revenues (€ 12.4 bn, +5%* YoY)
Net Result growing over 80% at € 510 mln
Sustainable growth path continues

2018 results above Guidance for New Orders and Revenues

- New order intake at € 15.3 billon, up 32%(*)
- Record Backlog at € 36.1 billion
- Revenues at € 12.4 billion, up 5%(*)
- Book to bill above 1
- EBITA at € 1.13 billion, up 5.2%(*)
- Profitability (RoS) at 9.2%
- Net Result at € 510 million, up 83%
- FOCF at € 336 million at the top-end of Guidance range, as revised upwards in July

Proposed dividend distribution of € 0.14, in line with 2017

Guidance 2019: growth trends confirmed with further increase in Revenues (€ 12.5-13 bn), EBITA (€ 1,175-1,225 mln) and expected FOCF at ca. € 200 mln, confirming cash conversion rate of more than 50% over the Plan horizon

Profumo (CEO): *"All actions needed in place and delivered on promises. We expect an acceleration to achieve sustainable growth."*

Rome, 13 March 2019 – 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 2018.

Alessandro Profumo, Leonardo CEO commented "*2018 has been a key step forward in the execution of the Industrial Plan: all actions needed are in place and we delivered on what we said we will do. We have met targets and exceeded Guidance. We continue to be confident in being able to achieve all Industrial Plan targets: top line growth with strict cost control, driving Group towards double-digit profitability and strong cash generation from 2020. Over the next years we want further accelerate the path we have taken to achieve sustainable growth".*

* *At constant currency*

The 2018 results are consistent with the priority objective of growth set out in the Industrial Plan. Most notable is a significant increase in New Orders and Revenues, with a Backlog level of over € 36 bn, which will support further growth in the coming years.

Volume growth was accompanied by solid operating profits, a significant increase in the Net Result and a cash generation which confirmed the Guidance revised upwards last July.

2018 results highlights are as follows:

- **New Orders,** amounted to **EUR 15,124 million** showed an increase of c.30% compared to 2017 (€ 11.595 million) mainly due to the acquisition of the NH90 order in Qatar worth € 3 bn.
- **Order Backlog,** amounted to **EUR 36,118 million**, a record high and ensuring a coverage in terms of equivalent production equal to about three years
- **Revenues,** amounted to **EUR 12,240 million**, an increase of 4.3% compared to 2017 (€ 11.734 million), which is even more significant excluding the adverse exchange rate effect, key drivers were of *Electronics, Defence & Security Systems and Helicopters*.
- **EBITA,** amounted to **EUR 1,120 million with RoS of 9.2%**, showed an increase compared to 2017 (€ 1,077 mln, RoS of 9.2%), mainly due to higher volumes and profits recorded in the *Helicopters Division* and to the good performance of the *Aircraft Division* - whose higher contribution more than offset a decline in the result posted by the GIE-ATR Consortium impacted by the mix of deliveries made and the USD/EUR exchange rate – and of the *Electronics, Defence and Security Systems Division.*
- **EBIT,** amounted to **EUR 715 million**; the improvement in EBITA was absorbed by the considerable costs allocated in relation to restructuring costs relating to Law 92/2012 (“Fornero Act”, about € 170 mln), resulting in a reduction of € 129 mln in EBIT compared to the prior year.
- **Net Result before extraordinary transactions,** amounted **to EUR 421 million**, benefitted to a significant extent from much lower financial costs linked to buy-back transactions completed in 2017, which were partially offset by restructuring costs arising from the start of the procedure under Law 92/2012 (Fornero Act - about € 170 mln).
- **Net Result,** amounted to **EUR 510 million**, (€ 279 mln at 31 December 2017), benefitted from this improvement in financial costs, as well as from the release of part of the provision set aside against guarantees given upon the disposal of Ansaldo Energia.
- **Group Net Debt,** amounted to **EUR 2,351 million**, a reduction of 8.8% compared to 31 December 2017 (€ 2.6 bn).
- **Free Operating Cash Flow (FOCF),** amounted to **EUR 336 million**, (€ 537 mln at 31 December 2017), was affected by the cash profile of the EFA Kuwait contract in the two comparative periods, arising from the start of production operations as expected, and which was partially offset by the advance payments relating to the NH 90 Qatar contract.

Dividend

Leonardo's Board of Directors has resolved to propose to the Shareholders' Meeting the distribution of a dividend of €0.14 per share from the profit of the year 2018, gross of any withholding taxes. This dividend would be payable as of May 22, 2019, with the ex-dividend date on May 20, 2019 and the record date (ie the date of entitlement to the dividend payment) on May 21, 2019. The above with reference to each share of common stock that will be outstanding on the ex-dividend date, excluding the own 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 full year 2018 was the first fundamental step in the path outlined last year for the Industrial Plan. The expected performance in 2019 shows a confirmed growth trend, with a further increase in Revenues and improved profitability accompanied by stronger cash flow operations in order to support growth and ensure the balance between investments and cash generation.

Specifically, for 2019 Leonardo expects:

- To confirm high levels of new Orders (€ 12.5 – 13.5 bn) thanks to the finalisation of major export orders underpinned by the full implementation of the new commercial strategy aimed at addressing the Group key markets in a more effective manner and enhancing the One Company potential;
- Revenues in the range of € 12.5 – 13.0 bn, up from 2018 thanks to the contribution from the EFA Kuwait programme, the stable order backlog, which had grown further in 2018, and a good positioning of the Group's products in the more attractive market segments;
- Increased EBITA in the range of € 1,175 - 1,225 mln supported by growth in volumes, improvements in profitability in the various business areas and efficiency actions involving industrial processes and costs;
- FOCF of around € 200 mln which reflects the significant cash absorption of the EFA Kuwait contract due to the production ramp-up ahead of deliveries scheduled from 2020;
- Group Net Debt of around € 2.8 bn including the effect of IFRS 16 (about € 0.5 bn).

Below are estimates for the financial year 2019:

	2018 financial statements figures	***Outlook 2019*** (*)
New Orders (€bn.)	15.1	12.5 – 13.5
Revenues (€bn.)	12.2	12.5 – 13.0
EBITA (€mln.)	1,120	1,175 – 1,225
FOCF (€mln.)	336	ca. 200
Group Net Debt (€bn.)	2.4	ca. 2.3 / 2.8 (**)

(*) Assuming an exchange rate €/USD of 1.25 and €/GBP of 0.9.

(**) *Including IFRS 16 effect*

Group (Euro million)	FY 2018	FY 2017 restated	Chg.	Chg. %
New orders	15,124	11,595	3,529	30.4%
Order backlog	36,118	33,507	2,611	7.8%
Revenues	12,240	11,734	506	4.3%
EBITDA(*)	1,534	1,602	(68)	(4.2%)
EBITA (**)	1,120	1,077	43	4.0%
ROS	9.2%	9.2%	0.0 p.p.	
EBIT (***)	715	844	(129)	(15.3%)
Net result before extraordinary transactions	421	279	142	50.9%
Net result	510	279	231	82.8%
Group Net Debt	2,351	2,579	(228)	(8.8%)
FOCF	336	537	(201)	(37.4%)
ROI	16.4%	15.7%	0.7 p.p.	
ROE	9.7%	6.7%	3.0 p.p.	
Workforce (no.)	46,462	45,134	1,328	2.9%

(*)EBITDA this is given by EBITA before amortisation (excluding amortisation of intangible assets from business combinations), depreciation and impairment losses (net of those relating to goodwill or classified among "non-recurring costs")..

(**)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 2018

Compared to 2017, **New Orders** showed a significant increase (30.4%), essentially due to the Qatar NH 90 order in the *Helicopters Division* (for € 3 mln) and to the significant improvement recorded in the *Electronics, Defence & Security Systems Division*.

The book-to-bill ratio was more than 1, showing an increase compared to 2017. The order backlog ensures a coverage in terms of equivalent production equal to about three years.

Revenues, equal to € 12.2 mln, showed an increase of 4.3% compared to 2017 (€ 11.7 mln), despite unfavourable exchange rates arising from the conversion of revenues in USD and, to a lesser extent, in GBP (equal to about € 135 mln in aggregate).

Key drivers of revenues growth included higher production volumes and deliveries made by the *Helicopters Division*, mainly on the AW 139 and AW 101 programmes, as well the growth recorded by DRS.

EBITA, equal to € 1,120 mln (with a ROS of 9.2%), showed, compared to 2017 (€ 1,077 mln – ROS of 9.2%), an increase mainly due to higher volumes and profits recorded in the *Helicopters Division* and to the good performance of the *Aircraft Division* - whose higher contribution more than offset a decline in the result posted by the GIE-ATR Consortium impacted by the mix of deliveries made and by the effect of the USD/€ exchange rate – and of the *Electronics, Defence and Security Systems Division.*

The improvement in EBITA was absorbed by the considerable costs allocated in relation to the to restructuring costs relating to Law 92/2012 ("Fornero Act", about € 170 mln), thus resulting in a reduction of € 129 mln in **EBIT** compared to the prior year.

The **Net result before extraordinary transactions** (€ 421 mln) benefitted from materially lower financial costs compared to the previous year, as a result of the buy-back operations and the redemption of bond issues that were mainly completed during 2017, as well as from lower tax arising from the effect of the US tax reform recorded in 2017, which had entailed a realignment of deferred tax assets reported by the Group on tax losses and temporary differences.

The **Net Result** (€ 510 mln) is positively influenced by the release of a part of the provision set aside against guarantees given upon the sale of Ansaldo Energia.

FOCF posted a positive value of € 336 mln (€ 537 mln in 2017).

This performance had a positive impact on the overall value of the **Group Net Debt**, equal to € 2,351 mln and decreased by 8.8% compared to 31 December 2017 (€ 2,579 mln), an improvement that was partially offset by the payment of dividends of € 81 mln and by the payment (€ 11 mln classified in strategic transactions), during 2018, of the earn out relating to the acquisition of Daylight Solutions completed in 2017.

"Bonds" showed a decrease as a result of the redemption made in December 2018 out of the bond issue in a nominal amount of € 500 mln. The increase in "Bank debt" reflected instead the execution of the new Term Loan in an amount of € 500 mln.

During the year assignments of receivables without recourse were made in a total amount of € 2,391 mln (€ 1,306 mln in 2017). The increase in the nominal value of the assignments was substantially due to the particular trend in 2018 cash inflows relating to contracts within which Leonardo, in playing the role of a prime contractor, ensured a timely flow down in payments to subcontractors, despite some delays in receipts over the financial year, thus allowing a more linear distribution of cash flows during the year.

To meet the financing needs for ordinary Group activities, Leonardo has a Revolving Credit Facility for a total amount of € 1,800 mln, the terms and conditions of which are described in the section on “Financial Transactions” and unconfirmed short-term lines of credit for a total amount of € 737 mln (both of which were entirely unused at 31 December 2018), in addition to unconfirmed unsecured lines of credit available for a total amount of € 2,590 mln.

Main figures of the fourth quarter 2018

- **New Orders**: amounted to **EUR 5,734 million**, +57.1% compared to fourth quarter 2017.
- **Revenues:** amounted to **EUR 4,000 million**, +8.5% compared to fourth quarter 2017.
- **EBITA:** amounted to **EUR 488 million**, +27.4% compared to fourth quarter 2017.
- **EBIT:** amounted to **EUR 343 million**, +21.6% compared to fourth quarter 2017.
- **Net Result before Extraordinary Transactions**: amounted to **EUR 257 million**, EUR 14 million in fourth quarter 2017.
- **Net Result**: amounted to **EUR 247 million**, EUR 14 million in fourth quarter 2017.
- **Free Operating Cash Flow (FOCF):** amounted to **EUR 1,136 million,** EUR 1,509 in fourth quarter 2017.

SECTOR PERFORMANCE

FY 2018 (*Euro million)*	New orders	Order backlog	Revenues	EBITA	ROS
Helicopters	6,208	12,151	3,810	359	9.4%
Electronics, Defence and Security Systems	6,823	12,572	5,953	522	8.8%
Aeronautics	2,569	12,220	2,896	328	11.3%
Space	-	-	-	58	n.a.
Other activities	102	146	340	(147)	(43.2%)
Eliminations	*(578)*	*(971)*	*(759)*	-	*n.a.*
Total	**15,124**	**36,118**	**12,240**	**1,120**	**9.2%**

FY 2017 restated (*Euro million)*	New orders	Order backlog	Revenues	EBITA	ROS
Helicopters	3,153	9,896	3,438	281	8.2%
Electronics, Defence and Security Systems	6,146	11,780	5,550	537	9.7%
Aeronautics	2,615	12,525	3,093	311	10.1%
Space	-	-	-	72	n.a.
Other activities	216	199	338	(124)	(36.7%)
Eliminations	*(535)*	*(893)*	*(685)*	-	*n.a.*
Total	**11,595**	**33,507**	**11,734**	**1,077**	**9.2%**

Change %	New orders	Order backlog	Revenues	EBITA	ROS
Helicopters	96.9%	22.8%	10.8%	27.8%	1.2 p.p.
Electronics, Defence and Security Systems	11.0%	6.7%	7.3%	(2.8%)	(0.9) p.p.
Aeronautics	(1.8%)	(2.4%)	(6.4%)	5.5%	1.2 p.p.
Space	n.a.	n.a.	n.a.	(19.4%)	n.a.
Other activities	(52.8%)	(26.6%)	0.6%	(18.5%)	(6.5) p.p.
Eliminations	*(8.0%)*	*(8.7%)*	*(10.8%)*	*n.a.*	*n.a.*
Total	**30.4%**	**7.8%**	**4.3%**	**4.0%**	**0.0 p.p.**

	New orders	Revenues	EBITA	ROS %
DRS ($ mln.) 2018	2,880	2,339	151	6.5%
DRS ($ mln.) 2017 *restated*	2,016	1,947	146	7.5%
DRS (€ mln.) 2018	2,438	1,980	128	6.5%
DRS (€ mln.) 2017 *restated*	1,785	1,724	129	7.5%

Helicopters

In 2018 *Helicopters* met its key targets, and saw the confirmation of the recovery expectations in the division's business, highlighting a much higher level of new orders following the acquisition of the Qatar NH90 contract, a significant increase in deliveries (from 149 units in 2017 to 177 in 2018) and in revenues, and a profitability of 9.4%, up around 1% over in 2017.

In the civil sector, the Group confirmed its product leadership in the Intermediate segment of Civil/Dual-use Helicopters. It also have a significant footprint in the Light Intermediate and Medium segments, thanks to the completion of the concept of "product familiy" (including all the main civil platforms: AW169, AW139 and AW189). 2018 also saw the entry into service and the first deliveries of the new AW109 Trekker configuration, which will allow market share to be also strengthened in the Light Twin segment. In the military segment, the implementation of the Dual-Use configuration and the development of variants for military use based on the civil configuration brought important orders on domestic and international markets, as described below.

Furthermore, work continued in 2018 on unmanned products: development continued for the HERO (SD-150) helicopter and the SW-4 Solo prototype carried out its maiden flight in a fully unmanned configuration.

Outlook. In line with the path the Group has embarked on, a further improvement in results is expected in 2019, in accordance with the key objective to move back to double-digit profitability in 2020. The consolidation of actions aimed at streamlining and optimising industrial processes and the gradual implementation of projects aimed at improving competitiveness of the main products will make it possible to fully exploit the potential of the Division's product portfolio, which is positioned in the most attractive segments of the market.

Electronics, Defence & Security Systems

2018 was characterised by a particularly positive business performance, with a book-to-bill of more than 1 for the third consecutive year and by higher revenues compared to 2017 despite the adverse effect of the USD/€ exchange rate.

In December 2018, a resolution was passed to establish the new *Electronics Division*, with the aim of streamlining the organisation in the Defense & Security Electronics segment and addressing more effectively the technology and competitive challenges that characterise a key business for Leonardo showing high potential. The new Division will allow the Group to achieve critical mass and strengthen its footprint in target markets, in addition to bringing the organisational model into line with that of the major market players, thus ensuring an even more integrated future development. The new Division will be added to with the former Land & Naval Defence Electronics, Airborne & Space Systems and Defence Systems Divisions, as well as the two business lines of Traffic Control Systems and Automation pertaining to the former Security & Information Systems Division. A new Division (Cyber Security) was also established, which the two business lines of Cyber Security & ICT Solutions and Homeland Security & Critical Infrastructures pertaining to the former Security & Information Systems Division, will be merged into.

In the Airborne & Space Systems the Group still continued to hold a position of strength in the radar and electronic warfare sector, supported by the constant enhancement of the expertise necessary for new developments in technology. In the segment of Naval and Land Systems and Defence Systems Leonardo benefitted from important measures linked to the Naval Law and to the consequent general increase in the capability of the system, providing valuable opportunities and synergy in international markets in the business segments concerned. In the segment of Security & Information Systems there is strong competitive pressure with the scenarios concerned evolving all the time and operational challenges increasingly faced by means of digital transformation processes. In this area, Leonardo is a prominent producer of security, mobility and connectivity solutions.

Outlook. An increase in revenue volumes is expected in 2019 in relation to all the main business areas with an improvement in profitability, despite a mix of activities are still characterised by programmes under development and increasing portions of "pass-through" revenues.

Aeronautics

In 2018, new orders were gained for an amount of € 2.6 mln, 66% of which relate to the *Aircraft Division*. From a production point of view, 142 deliveries were made for fuselage sections and 85 stabilisers for the B787 programme (compared to 139 fuselages and 80 stabilisers delivered in 2017) and 85 deliveries of fuselages for the ATR programme (62 delivered in 2017, which was affected by some delays in testing operations). For the military programmes, three F-35 aircraft were delivered to Lockheed Martin, intended for the Italian Air Force. Furthermore, it should be noted that the first M345 trainer aircraft successfully performed its maiden flight.

As regards Leonardo's competitive positioning in the military aircraft segment, the Eurofighter gained further ground in export markets after contracts with Kuwait and Qatar and the new developments which help to enhance operational capacity and performance, while the M346 remained the leader in the trainer segment, which saw the launch of new versions and developments (M346 Dual Role, M346 FA) and new models (M345 HET), as well as the expansion of the range to start taking in complete IFTS (International Flight Training School) training systems.

In the tactical air transport segment, production continued to be optimised with a view to greater competitiveness, with interesting prospects of new developments, including dual-use projects. As regards civil aircraft business, ATR reinforced its leadership in the regional transport segment. Here its objective is further to strengthen its position by means of continuous improvement in product and customer support, while aerostructures show good forecasts on medium/long-term volumes linked to projects of more than ten years.

***Outlook*.** In 2019, revenues are expected to be higher compared to 2018 due to an increase in production volumes in the *Aircraft Division*, especially correlated to the EFA Kuwait contract. 2019 profits are expected to be at good levels, supported by strong results in the *Aircraft Division*; even if at unsatisfactory levels, the performance in the *Aerostructures Division* will start to benefit from the industrial process efficiency improvement actions aimed at gradually recovering profitability levels.

Space

Leonardo is present in the Space services sector in markets which, overall, are expanding in certain segments of satellite telecommunications and geo-information services, while the system operation segment is rising at a lower growth rate.

Outlook. Volumes and operating profit are expected to be substantially in line with 2018.

Industrial transactions

On 7 September 2018, the Board of Directors of Leonardo resolved to exercise the right of pre-emption on the acquisition of 98.54% in Vitrociset, in which at 31 December 2018 Leonardo held a stake of 1.46%. This transaction creates value for Leonardo and helps strengthen its services core business, especially Logistics, Simulation & Training and Space Operations, including the Space Surveillance and Tracking segment. Additionally, this initiative enables the consolidation of the Italian allied businesses to the Aerospace, Defense and Security industry, increasing the competitive edge under significant market prospects. The closing of the purchase took place on 31 January 2019, as all required conditions were met, including Golden Power and Antitrust approvals.

At the end of 2018 Leonardo signed an agreement with Boeing for the sale of the share held by Leonardo MW Ltd in the JV ATIL - Aviation Training International Ltd (50:50 LMW and Boeing UK). ATIL deals with training and mission planning for the Apache platforms of the UK Army Air Corps.

Finally, 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 Act") - an 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 executive staff, up to a number of 65 executives. In June 2018 the Company completed taking expressions of interest; subsequently it took steps to submit the 2018/2019 redundancy plan to INPS (Italian Social Security Institute) in order to establish whether the requirements were met for the application of early retirement measures. The first phase of the abovementioned measure was concluded on 30 November 2018, with the exit of 459 employees and 28 executives. Costs for the measure are estimated at about € 170 mln.

Financial transactions

A feature of 2018 was a major series of capital market transactions. More specifically:

- In February there was the execution of a new Revolving Credit Facility (RCF) with a pool of 26 Italian and foreign banks. The new RCF, which replaces that previously in place, provides, if used, for the payment of 75 bps on the Euribor for the period (zero floor), lower by 25 bps than the previous transaction completed in July 2015, with consequent lower financial costs. The amount of the Revolving Credit Facility was also reduced down to € 1.8 mln, compared to the amount of € 2 mln of the previous line, in line with the Group's current cash requirements. The expiry date of the line was extended to 2023, i.e. the year for which no other maturities of the Group's medium/long-term debt are currently envisaged;
- In February there was the on market repurchase of a nominal amount of GBP 10 mln, out of the bond issue launched in 2009, due 2019 (coupon of 8%), thus further reducing the residual nominal amount down to GBP 278 mln;
- In April there was the renewal of the EMTN programme for 12 additional months, leaving the maximum available amount of € 4 mln unchanged;
- In November there was the execution of a new Term Loan line of credit with a pool of national and international banks, to refinance existing debts. The line, amounting to € 500 mln, has a term of 5 years and provides for the payment of a margin of 110 basis points with respect to the 6-month Euribor and the repayment of a single instalment after the end of the five-year period . The amount of the loan was used in full in December;
- In November there was the execution of a loan agreement with the European Investment Bank (EIB) with a term of 12 years (4 of which being a grace period) and a value of € 300 mln, which was aimed at supporting the investment programmes envisaged in the group's Industrial Plan. The loan had not yet been used on the reporting date;
- In December there was the full repayment of the bond issue with a nominal amount of € 500 mln, issued in 2003, upon its natural expiry.

The Group's outstanding 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 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.

Financial covenants are included in the Revolving Credit Facility in place at 31 December 2018 for € 1,800 mln, as well as in the Term Loan of € 500 mln. 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 included in the new EIB loan mentioned above, in the same way as provided for in the EIB loan already in place, the remaining amount of which was € 185 mln at 31 December 2018. Furthermore, these covenants are envisaged in certain loans granted in past years to DRS by US banks totalling USD 75 mln In relation to this Annual Financial Report, there was full compliance with said covenants (the two ratios are 1.1 and 7.8, respectively).

Outstanding bond issues are given a medium/long-term financial credit rating by the international rating agencies: Moody's Investors Service (Moody's), Standard & Poor's and Fitch. In October 2018, following Moody's downgrade of Italy's rating from Baa2 to Baa3, the same agency reviewed Leonardo's outlook changing it from positive to stable, however leaving the rating unchanged. Moody's stated that this review is not due to a deterioration of Leonardo's stand-alone credit rating but is the consequence of Italy's downgrade.

Therefore, on the reporting date, Leonardo's credit ratings, compared to those preceding the last change, were as follows:

Agency	**Last update**	**Updated**		**Previous**	
		Credit Rating	*Outlook*	*Credit Rating*	*Outlook*
Moody's	October 2018	Ba1	stable	Ba1	positive
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 and to the Term Loan as provided for in the related agreements. Finally, for the sake of completeness, 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.

Effects of the new accounting standard IFRS16 "Leasing"

Starting from 1 January 2019 Leonardo will apply the new IFRS 16 accounting standard "Leases", which replaces the previous IAS 17, under which the financial statements at 31 December 2018 are prepared.

The Group has launched a project to analys the main contract types in order to determine the effects deriving from the application of the new standard. The main effects are:

- Recognition of non-current assets equal to the rights of use concerning tangible and intangible assets in consideration of existing lease agreements;
- Recognition of financial liabilities equal to the present value of future rentals;
- Recognition in the income statement of the amortisation of the rights of use and of interest on recognised financial liabilities.

The Group will apply this standard as from 1 January 2019, without restating the 2018 accounting balances for comparative purposes.The impact of IFR16 is still being assessed, but preliminary conclusions are that the impact estimated on the Group's Financial Debt at 1 January 2019 will be about 20%.

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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 on 9 and 16 May 2019, in first and second call respectively; the related agenda will be defined at a following Board's meeting.

At today's meeting the Board also approved the Report on Corporate Governance and the Consolidated non financial statement, which will be published together with the Annual financial report.

The Sustainability and Innovation Report 2018, which represents the Consolidated Non-Financial Statement in accordance with Italian Legislative Decree no. 254/2016, is drawn up according to the GRI Sustainability Reporting Standards by Global Reporting Initiative, adopting the option "core" and it is inspired by the International Integrated Reporting Council (IIRC) framework. By leveraging on its processes for the value creation and by relying on its model for responsible business conduct, the document aims at representing how Leonardo creates shared value and beneficial economic, environmental and social impacts in the long term. Impacts that contribute to the achievement of 4 Sustainable Development Goals (SDGs): the promotion of the scientific citizenship and of the innovation culture, the creation of qualified works, the regional development, the strengthening of the small and medium supply chain and the development of solutions for the society and the environment.

RECLASSIFIED INCOME STATEMENT						
€mln.	**FY 2018**	**FY 2017 restated**	***Var. YoY***	**4Q 2018 (unaudited)**	**4Q 2017 restated (unaudited)**	***Var. YoY***
Revenues	12,240	11,734	506	4,000	3,686	314
Purchases and personnel expense	(10,827)	(10,270)	(557)	(3,420)	(3,222)	(198)
Other net operating income/(expense)	(95)	(118)	23	(115)	(92)	(23)
Equity-accounted strategic JVs	216	256	(40)	136	123	13
Amortisation and depreciation	(414)	(525)	111	(113)	(112)	(1)
EBITA	**1,120**	**1,077**	**43**	**488**	**383**	**105**
ROS	*9.2%*	*9.2%*	*(0.0) p.p.*	*12.2%*	*10.4%*	*1.8 p.p.*
Goodwill Impairment	-	-	-	-	-	-
Non-recurring income/(expenses)	(102)	(79)	(23)	(102)	(65)	(37)
Restructuring costs	(205)	(56)	(149)	(18)	(10)	(8)
Amortisation of intangible assets acquired as part of Business combinations	(98)	(98)	-	(25)	(26)	1
EBIT	**715**	**844**	**(129)**	**343**	**282**	**61**
EBIT Margin	*5.8%*	*7.2%*	*(1.4) p.p.*	*8.6%*	*7.7%*	*0.9 p.p.*
Net financial income/ (expense)	(230)	(436)	206	(53)	(199)	146
Income taxes	(64)	(129)	65	(33)	(69)	36
Net result before extraordinary transactions	**421**	**279**	**142**	**257**	**14**	**243**
Net result related to discontinued operations and non-ordinary transactions	89	-	89	(10)	-	(10)
Net result	**510**	**279**	**231**	**247**	**14**	**233**
attributable to the owners of the parent	*509*	*277*	*232*	*247*	*13*	*234*
attributable to non-controlling interests	*1*	*2*	*(1)*	-	*1*	*(1)*
Earning per share (Euro)						
Basic e diluted	*0.888*	*0.482*	*0.406*	*0.432*	*0.022*	*0.410*
Earning per share of continuing operation (Euro)						
Basic e diluted	*0.733*	*0.482*	*0.251*	*0.277*	*0.022*	*0.255*
Earning per share of discontinuing operation (Euro)						
Basic e diluted	*0.155*	-	*0.155*	*0.155*	-	*0.155*

RECLASSIFIED BALANCE SHEET		
€mln.	31.12.2018	31.12.2017 restated
Non-current assets	11,824	11,724
Non-current liabilities	(2,611)	(2,837)
Capital assets	9,213	8,887
Inventories	(78)	(53)
Trade receivables	2,936	3,179
Trade payables	(3,028)	(2,962)
Working capital	(170)	164
Provisions for short-term risks and charges	(1,125)	(1,265)
Other net current assets (liabilities)	(1,064)	(996)
Net working capital	(2,359)	(2,097)
Net invested capital	6,854	6,790
Equity attributable to the Owners of the Parent	4,499	4,199
Equity attributable to non-controlling interests	11	14
Equity	4,510	4,213
Group Net Debt	2,351	2,579
Net (assets)/liabilities held for sale	(7)	(2)

CASH FLOW STATEMENT		
€mln.	FY 2018	FY 201 restated
Cash flows used in operating activities	**877**	**795**
Dividends received	202	295
Cash flow from ordinary investing activities	(743)	(553)
Free operating cash flow (FOCF)	**336**	**537**
Strategic investments	(11)	(168)
Change in other investing activities	12	12
Shares Buy-back	0	0
Net change in loans and borrowings	(106)	(520)
Dividends paid	(81)	(81)
Net increase/(decrease) in cash and cash equivalents	**150**	**(220)**
Cash and cash equivalents at 1 January	**1,893**	**2,167**
Exchange rate gain/losses and other movements	6	(54)
Cash and cash equivalents at 1 January of discontinued operation	0	0
Increase/(decrease) in cash of discontinued operation	0	0
Cash and cash equivalents at 31 December	**2,049**	**1,893**

FINANCIAL POSITION		
€mln.	**31.12.2018**	**31.12.2017 restated**
Bonds	3,154	3,647
Bank debt	721	246
Cash and cash equivalents	(2,049)	(1,893)
Net bank debt and bonds	1,826	2,000
Fair value of the residual portion in portfolio of Ansaldo Energia	0	0
Stock	-	(3)
Current loans and receivables from related parties	(153)	(110)
Other current loans and receivables	(32)	(47)
Current loans and receivables and securities	(185)	(160)
Hedging derivatives in respect of debt items	(3)	(2)
Non current financial receivables from Superjet	(25)	(48)
Related-party loans and borrowings	669	701
Other loans and borrowings	69	88
Group net debt	2,351	2,579

EARNINGS PER SHARE			
	FY 2018	**FY 2017 restated**	***Var. YoY***
Average shares outstanding during the reporting period (in thousands)	574,605	574,425	(180)
Earnings/(losses) for the period (excluding non-controlling interests) (€ million)	510	277	233
Earnings/(losses) - continuing operations (excluding non-controlling interests) (€ million)	421	277	144
Earnings/(losses) - discontinued operations (excluding non-controlling interests) (€ million)	89	0	89
BASIC AND DILUTED EPS (EUR)	**0.888**	**0.482**	**0.406**
BASIC AND DILUTED EPS from continuing operations	**0.733**	**0.482**	**0.251**
BASIC AND DILUTED EPS from discontinuing operations	**0.155**	**0.000**	**0.155**

FY 2018 (Euro million)	Helicopters	Electronics, Defence and Security Systems	Aeronautics	Space	Other activities	Eliminations	Total
New orders	6,208	6,823	2,569	-	102	(578)	**15,124**
Order backlog	12,151	12,572	12,220	-	146	(971)	**36,118**
Revenues	3,810	5,953	2,896	-	340	(759)	**12,240**
EBITA	**359**	**522**	**328**	**58**	**(147)**	**-**	**1,120**
EBITA margin	*9.4%*	*8.8%*	*11.3%*	*n.a.*	*(43.2%)*	*n.a.*	***9.2%***
EBIT	**324**	**238**	**258**	**58**	**(163)**	**-**	**715**
Amortisation and depreciation	84	213	148	-	56	-	501
Investments	141	197	122	-	48	-	**508**
Workforce (no.)	11,596	22,860	10,659	-	1,347	-	**46,462**

FY 2017 restated (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	9,896	11,780	12,525	-	199	(893)	**33,507**
Revenues	3,438	5,550	3,093	-	338	(685)	**11,734**
EBITA	**281**	**537**	**311**	**72**	**(124)**	**-**	**1,077**
EBITA margin	*8.2%*	*9.7%*	*10.1%*	*n.a.*	*(36.7%)*	*n.a.*	***9.2%***
EBIT	**215**	**413**	**292**	**72**	**(148)**	**-**	**844**
Amortisation and depreciation	90	228	194	-	56	-	**568**
Investments	136	173	127	-	29	-	**465**
Workforce (no.)	11,456	22,090	10,316	-	1,272	-	**45,134**

Q4 2018 (Euro million)	Helicopters	Electronics, Defence and Security Systems	Aeronautics	Space	Other activities	Eliminations	Total
New Orders	1,523	3,254	1,149	-	27	(219)	**5,734**
Revenues	1,154	2,098	871	-	84	(207)	**4,000**
EBITA	**142**	**234**	**161**	**27**	**(76)**	**-**	**488**
EBITA margin	*12.3%*	*11.2%*	*18.5%*	*n.a.*	*(90.5%)*	*n.a.*	***12.2%***
EBIT	**115**	**26**	**91**	**27**	**84**	**-**	**343**
Amortisation and depreciation	16	66	35	-	16	-	133
Investments	54	83	56	-	33	-	**226**

Q4 2017 restated (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	1,025	1,871	918	-	55	(183)	**3,686**
EBITA	**50**	**255**	**116**	**39**	**(77)**	**-**	**383**
EBITA margin	*4.9%*	*13.6%*	*12.6%*	*n.a.*	*(140.0%)*	*n.a.*	***10.4%***
EBIT	**(8)**	**216**	**111**	**39**	**(76)**	**-**	**282**
Amortisation and depreciation	22	65	(5)	-	16	-	**98**
Investments	50	52	41	-	13	-	**156**