

Results at 31 March 2019

PRESS RELEASE

**Leonardo: Orders and Revenues up YoY. Results in line with Industrial Plan targets. 2019 Guidance confirmed****Solid start to the year****All main business delivering and progress in international markets****Growing results in the first quarter**

- New orders at € 2.5 billion, up 16.4%
- Backlog at € 36.6 billion, ensuring coverage for ca. 3 years
- Revenues at € 2.7 billion, up 11.2%
- EBITA at € 163 million, up 6.5%
- Net Result at € 77 million, up 54%
- FOCF negative for € 1.1 billion, in line with the usual seasonal trend

**2019 Guidance confirmed**

**Rome, 8 May 2019** – Leonardo's Board of Directors, convened today under the Chairmanship of Gianni De Gennaro, examined and unanimously approved the results of the first quarter 2019.

Alessandro Profumo, Leonardo CEO stated *“First quarter 2019 results are solid and growing, in line with expectations. We confirm our 2019 Guidance and we are focused on the execution of the Industrial Plan aimed at Group sustainable growth”*.

The results were up for the first quarter of 2019 over the comparative period. Key highlights:

- **New Orders**, amounted to **EUR 2,518 million** and showed, compared to the first three months of 2018 (€ 2,164 mln), an increase of 16.4%, mainly due to *Defence Electronics & Security*
- **Order Backlog**, amounted to **EUR 36,575 million**, increasing 9.6% compared to € 33,360 mln in 2018 and ensuring a coverage in terms of equivalent production equal to about three years
- **Revenues**, amounted to **EUR 2,725 million**, an increase of 11.2% compared to the first quarter of 2018 (€ 2,451 mln), mainly in relation to *Defence Electronics & Security* and, to a lesser extent, to *Helicopters*
- **EBITA**, amounted to **EUR 163 million**, an increase of 6.5% compared to € 153 mln in the first quarter of 2018
- **ROS**: equal to 6%, substantially in line with the first quarter of 2018
- **EBIT**, amounted to **EUR 156 million**; showing an improvement of € 35 mln (+29%), compared to the first quarter of 2018 (€ 121 mln), due to an improved EBITA and also to the decrease in restructuring costs and lower amortisation of assets deriving from the business combination of *Leonardo DRS*

**Leonardo**, a global high-technology company, is among the top ten world players in Aerospace, Defence and Security and Italy's main industrial company. Organized into five business divisions, Leonardo has a significant industrial presence in Italy, the United Kingdom, Poland and the USA, where it also operates through subsidiaries such as Leonardo Leonardo DRS (defense electronics), and joint ventures and partnerships: ATR, MBDA, Telespazio, Thales Alenia Space and Avio. Leonardo competes in the most important international markets by leveraging its areas of technological and product leadership (Helicopters, Aircraft, Aerostructures, Electronics, Cyber Security and Space). Listed on the Milan Stock Exchange (LDO), in 2017 Leonardo recorded consolidated restated revenues of €11.7 billion and invested €1.5 billion in Research and Development. The Group has been part of the Dow Jones Sustainability Index since 2010.

- **Net Result before extraordinary transactions**, amounted to **EUR 77 million**, (€ 50 mln in the first quarter of 2018) and benefitted from both an improved operating result and from lower restructuring costs and lower amortisation of assets deriving from Purchase Price Allocation, as well as financial expenses
- **Group Net Debt**, amounted to **EUR 4,016 million**, and increased, compared to 31 December 2018 (€ 2,351 mln) and to 31 March 2018 (€ 3,595 mln), due to the usual cash flow trend in the first part of the year as well as to the adoption of IFRS 16 “Leases” (the effect as at the 1<sup>st</sup> of January 2019 amounted to € 458 mln)
- **Free Operating Cash Flow (FOCF)**, negative for **EUR 1,114 million**, was substantially in line with the first quarter of 2018 (negative for € 1,057 mln)

## Outlook

In consideration of the results achieved in the first quarter of 2019 and of the expectations for the following ones, we confirm the Guidance for the entire year that was made at the time of the preparation of the financial statements at 31 December 2018.

	<b>2018 financial statements figures</b>	<b>Outlook 2019 (*)</b>
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)	1Q 2019	1Q 2018	Chg.	Chg. %	FY 2018
<b>New orders</b>	2,518	2,164	354	16.4%	15,124
<b>Order backlog</b>	36,575	33,360	3,215	9.6%	36,118
<b>Revenues</b>	2,725	2,451	274	11.2%	12,240
<b>EBITDA(*)</b>	280	251	29	11.6%	1,534
<b>EBITA (**)</b>	163	153	10	6.5%	1,120
<b>ROS</b>	6.0%	6.2%	(0.2) p.p.		9.2%
<b>EBIT (***)</b>	156	121	35	28.9%	715
<b>EBIT Margin</b>	5.7%	4.9%	0.8 p.p.		5.8%
<b>Net result before extraordinary transactions</b>	77	50	27	54.0%	421
<b>Net result</b>	77	50	27	54.0%	510
<b>Group Net Debt</b>	4,016	3,595	421	11.7%	2,351
<b>FOCF</b>	(1,114)	(1,057)	(57)	(5.4%)	336
<b>ROI</b>	8.4%	8.4%	0.0 p.p.		16.4%
<b>ROE</b>	6.7%	4.8%	1.9 p.p.		9.7%
<b>Workforce (no.)</b>	48,040	45,606	2,434	5.3%	46,462

(\*) EBITDA this is EBITA before amortisation, 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 the first quarter 2019

Compared to the first quarter of 2018, **new orders** showed a significant increase (16.4%) essentially in relation to *Defence Electronics & Security*, which benefitted from important new orders mainly in *Leonardo DRS*, as well as in *Helicopters*.

The book to bill ratio is slightly lower than 1. The order backlog ensures a coverage in terms of equivalent production equal to about three years.

**Revenues** showed an increase (+11.2%), compared to the first quarter of 2018. The main driver was *Defence Electronics & Security*, with higher activities in *Leonardo DRS* and within the *Airborne Systems*, in addition to the higher activities on government programmes of *Helicopters*.

**EBITA** equal to € 163 mln (with a ROS of 6.0%) showed an improvement compared to the first quarter of 2018 (€ 153 mln - ROS of 6.2%) despite a lower contribution from the *GIE-ATR* Consortium, caused by lower deliveries.

**EBIT**, equal to € 156 mln showed, compared to the first quarter of 2018 (€ 121 mln), an improvement of € 35 mln (+29%), due to an improved EBITA and also to the decrease in restructuring costs and lower amortisation of assets associated with the business combination of *Leonardo DRS*.

The **Net result before extraordinary transactions**, equal to the Net Result (€ 77 mln) benefitted, compared to the first quarter of 2018, from an improved operating result and reduced financial expenses, partially offset by the different tax level.

**FOCF** in the first quarter of 2019 was negative € 1,114 mln (negative € 1,057 mln in the first quarter of 2018), in line with the usual trend to record significant cash absorptions in the first part of the year. Strategic transactions of the period include the financial effects of the completion of the Vitrociset transaction, net of the cash acquired.

The **Group Net Debt**, equal to € 4,016 mln, increased compared to 31 December 2018 (€ 2,351 mln) as a result of recognition of financial liabilities deriving from the application of IFRS 16 starting from 1 January 2019 equal to € 458 mln, as well as the negative FOCF performance and the impact on the Net Financial Position of the Vitrociset transaction.

**Net invested capital** showed, compared to 31 December 2018, a significant increase that, in addition to the seasonal trend of the cash flows, was caused by adoption of IFRS 16 "Leases", starting from 1 January 2019.

## SECTOR PERFORMANCE

<b>1Q 2019</b> (Euro million)	<b>New orders</b>	<b>Order backlog</b>	<b>Revenues</b>	<b>EBITA</b>	<b>ROS</b>
Helicopters	688	12,141	813	56	6.9%
Defence Electronics & Security	1,507	12,944	1,329	100	7.5%
Aeronautics	454	12,037	644	37	5.7%
Space	-	-	-	1	n.a.
Other activities	58	489	112	(31)	(27.7%)
<i>Eliminations</i>	<i>(189)</i>	<i>(1,036)</i>	<i>(173)</i>	-	<i>n.a.</i>
<b>Total</b>	<b>2,518</b>	<b>36,575</b>	<b>2,725</b>	<b>163</b>	<b>6.0%</b>

<b>1Q 2018</b> (Euro million)	<b>New orders</b>	<b>Order backlog</b>	<b>Revenues</b>	<b>EBITA</b>	<b>ROS</b>
Helicopters	611	12,151	750	53	7.1%
Defence Electronics & Security	965	12,572	1,149	73	6.4%
Aeronautics	723	12,220	639	47	7.4%
Space	-	-	-	7	n.a.
Other activities	20	146	81	(27)	(33.3%)
<i>Eliminations</i>	<i>(155)</i>	<i>(971)</i>	<i>(168)</i>	-	<i>n.a.</i>
<b>Total</b>	<b>2,164</b>	<b>36,118</b>	<b>2,451</b>	<b>153</b>	<b>6.2%</b>

<b>Change %</b>	<b>New orders</b>	<b>Order backlog</b>	<b>Revenues</b>	<b>EBITA</b>	<b>ROS</b>
Helicopters	12.6%	(0.1%)	8.4%	5.7%	(0.2) p.p.
Defence Electronics & Security	56.2%	3.0%	15.7%	37.0%	1.1 p.p.
Aeronautics	(37.2%)	(1.5%)	0.8%	(21.3%)	(1.7) p.p.
Space	n.a.	n.a.	n.a.	(85.7%)	n.a.
Other activities	190.0%	234.9%	38.3%	(14.8%)	5.6 p.p.
<i>Eliminations</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
<b>Total</b>	<b>16.4%</b>	<b>1.3%</b>	<b>11.2%</b>	<b>6.5%</b>	<b>(0.2) p.p.</b>

<b>1Q 2019</b> (Euro million)	<b>New orders</b>	<b>Revenues</b>	<b>EBITA</b>	<b>ROS %</b>
Electronics – Europe	823	874	76	8.7%
Leonardo DRS	687	461	24	5.2%
<i>Eliminations</i>	<i>(3)</i>	<i>(6)</i>	<i>-</i>	<i>n.a.</i>
<b>Total</b>	<b>1,507</b>	<b>1,329</b>	<b>100</b>	<b>7.5%</b>

<b>1Q 2018</b> (Euro million)	<b>New orders</b>	<b>Revenues</b>	<b>EBITA</b>	<b>ROS %</b>
Electronics – Europe	622	789	55	7.0%
Leonardo DRS	345	370	18	4.9%
<i>Eliminations</i>	<i>(2)</i>	<i>(10)</i>	<i>-</i>	<i>n.a.</i>
<b>Total</b>	<b>965</b>	<b>1,149</b>	<b>73</b>	<b>6.4%</b>

<b>Change %</b>	<b>New orders</b>	<b>Revenues</b>	<b>EBITA</b>	<b>ROS %</b>
Electronics – Europe	32.3%	10.8%	38.2%	1.7 p.p.
Leonardo DRS	99.1%	24.6%	33.3%	0.3 p.p.
<i>Eliminations</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
<b>Total</b>	<b>56.2%</b>	<b>15.7%</b>	<b>37.0%</b>	<b>1.1 p.p.</b>

	<b>New orders</b>	<b>Revenues</b>	<b>EBITA</b>	<b>ROS %</b>
Leonardo DRS (\$ mln.) 1Q 2019	780	524	27	5.2%
Leonardo DRS (\$ mln.) 1Q 2018	420	455	22	4.9%
Leonardo DRS (€ mln.) 1Q 2019	687	461	24	5.2%
Leonardo DRS (€ mln.) 1Q 2018	345	370	18	4.9%

## Helicopters

The performance of the first quarter of 2019 confirmed the progress in the path taken last year, highlighting, in comparison with the same period of the prior year, an increase in New Orders mainly for the acquisition of the contract related to the supply of 23 NH90 tactical helicopters for the Spanish Ministry of Defence, and Revenues as a result of the higher activities on governmental programmes and a profitability in line with the first quarter of 2018 and with the 2019 expectations.

## Defence Electronics & Security

The first quarter of 2019 showed a good performance both in commercial and financial terms. Compared to the first quarter of 2018, orders increased in particular thanks to higher orders recorded by *Leonardo DRS* and *Electronics Division*. Revenues increased driven by higher activities in *Leonardo DRS* and *Airborne Systems*, and profitability increased as a result of higher volumes and improved profitability recorded in all the business areas.

## Aeronautics

During the first quarter of 2019, new orders were gained for € 454 mln, mainly related to the Aircraft Division.

From a production point of view, 40 deliveries were made for fuselage sections and 16 stabilisers for the B787 programme (compared to 35 fuselages and 20 stabilisers delivered in the first quarter of 2018) and also 17 deliveries of fuselages for the ATR programme (20 delivered in the first quarter of 2018). For the military programmes, 8 wings were delivered to Lockheed Martin for the F-35 programme.

## Space

The lower result of the first quarter of 2019 was attributable to the lower activities in Manufacturing, in particular for satellite telecommunications, and to higher costs for the development of new generation satellite platforms.

## Industrial transactions

On 31 January 2019 Leonardo, as all required conditions were met including Golden Power and Antitrust approvals, signed the closing of the acquisition of 98.54% in Vitrociset.

Furthermore, on 25 March 2019, Leonardo signed an arrangement with the Algerian Ministry of National Defence for the establishment of a joint venture for the local assembly of Leonardo helicopters, their sale and the supply of various related services.

## Financial transactions

During the first quarter of 2019, the Group did not finalise any new transactions on the capital markets.

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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.

CONSOLIDATED INCOME STATEMENT			
	1Q 2019 (unaudited)	1Q 2018 (unaudited)	Var. YoY
€mln.			
Revenues	2,725	2,451	274
Purchases and personnel expense	(2,423)	(2,223)	(200)
Other net operating income/(expense)	(12)	4	(16)
Equity-accounted strategic JVs	(10)	19	(29)
Amortisation and depreciation	(117)	(98)	(19)
<b>EBITA</b>	<b>163</b>	<b>153</b>	<b>10</b>
<i>ROS</i>	<i>6.0%</i>	<i>6.2%</i>	<i>(0.2) p.p.</i>
Goodwill Impairment	-	-	-
Non-recurring income/(expenses)	-	-	-
Restructuring costs	-	(8)	8
Amortisation of intangible assets acquired as part of Business combinations	(7)	(24)	17
<b>EBIT</b>	<b>156</b>	<b>121</b>	<b>35</b>
<i>EBIT Margin</i>	<i>5.7%</i>	<i>4.9%</i>	<i>0.8 p.p.</i>
Net financial income/ (expense)	(51)	(66)	15
Income taxes	(28)	(5)	(23)
<b>Net result before extraordinary transactions</b>	<b>77</b>	<b>50</b>	<b>27</b>
Net result related to discontinued operations and non-ordinary transactions	-	-	-
<b>Net result</b>	<b>77</b>	<b>50</b>	<b>27</b>
<i>attributable to the owners of the parent</i>	<i>77</i>	<i>50</i>	<i>27</i>
<i>attributable to non-controlling interests</i>	<i>-</i>	<i>-</i>	<i>-</i>
<b>Earning per share (Euro)</b>			
<i>Basic e diluted</i>	<i>0.134</i>	<i>0.087</i>	<i>0.047</i>
<b>Earning per share of continuing operation (Euro)</b>			
<i>Basic e diluted</i>	<i>0.134</i>	<i>0.087</i>	<i>0.047</i>

### CONSOLIDATED BALANCE SHEET

	31.3.2019	31.12.2018	31.3.2018
<i>€mln.</i>			
Non-current assets	12,369	11,824	11,559
Non-current liabilities	(2,595)	(2,611)	(2,714)
<b>Capital assets</b>	<b>9,774</b>	<b>9,213</b>	<b>8,845</b>
Inventories	862	(78)	207
Trade receivables	3,054	2,936	3,061
Trade payables	(3,016)	(3,028)	(2,861)
<b>Working capital</b>	<b>900</b>	<b>(170)</b>	<b>407</b>
Provisions for short-term risks and charges	(1,107)	(1,125)	(753)
Other net current assets (liabilities)	(849)	(1,064)	(724)
<b>Net working capital</b>	<b>(1,056)</b>	<b>(2,359)</b>	<b>(1,070)</b>
<b>Net invested capital</b>	<b>8,718</b>	<b>6,854</b>	<b>7,775</b>
Equity attributable to the Owners of the Parent	4,699	4,499	4,165
Equity attributable to non-controlling interests	10	11	15
<b>Equity</b>	<b>4,709</b>	<b>4,510</b>	<b>4,180</b>
<b>Group Net Debt</b>	<b>4,016</b>	<b>2,351</b>	<b>3,595</b>
<b>Net (assets)/liabilities held for sale</b>	<b>(7)</b>	<b>(7)</b>	<b>-</b>

### CONSOLIDATED CASH FLOW STATEMENT

	1Q 2019	1Q 2018
<i>€mln.</i>		
Cash flows used in operating activities	(1,079)	(1,017)
Dividends received	90	125
Cash flow from ordinary investing activities	(125)	(165)
<b>Free operating cash flow (FOCF)</b>	<b>(1,114)</b>	<b>(1,057)</b>
Strategic investments	(34)	(10)
Change in other investing activities	(24)	(5)
Shares Buy-back	-	-
Net change in loans and borrowings	128	10
Dividends paid	0	0
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(1,044)</b>	<b>(1,062)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>2,049</b>	<b>1,893</b>
Exchange rate gain/losses and other movements	6	(6)
Cash and cash equivalents at 1 January of discontinued operation	-	-
Increase/(decrease) in cash of discontinued operation	-	-
<b>Cash and cash equivalents at 31 December</b>	<b>1,011</b>	<b>825</b>

### CONSOLIDATED FINANCIAL POSITION

	31.3.2019	31.12.2018	31.3.2018
<i>€mln.</i>			
Bonds	3,112	3,154	3,576
Bank debt	755	721	270
Cash and cash equivalents	(1,011)	(2,049)	(825)
<b>Net bank debt and bonds</b>	<b>2,856</b>	<b>1,826</b>	<b>3,021</b>
Stock	-	-	(3)
Current loans and receivables from related parties	(111)	(153)	(83)
Other current loans and receivables	(39)	(32)	(42)
<b>Current loans and receivables and securities</b>	<b>(150)</b>	<b>(185)</b>	<b>(128)</b>
Non current financial receivables from Superjet	(25)	(25)	(48)
Hedging derivatives in respect of debt items	(13)	(3)	(4)
Related-party loans and borrowings	740	669	679
Other loans and borrowings	608	69	75
<b>Group net debt</b>	<b>4,016</b>	<b>2,351</b>	<b>3,595</b>

### EARNINGS PER SHARE

	1Q 2019	1Q 2018	Var. YoY
Average shares outstanding during the reporting period (in thousands)	574,605	574,441	164
Earnings/(losses) for the period (excluding non-controlling interests) (€ million)	77	50	27
Earnings/(losses) - continuing operations (excluding non-controlling interests) (€ million)	77	50	27
Earnings/(losses) - discontinued operations (excluding non-controlling interests) (€ million)	-	-	-
<b>BASIC AND DILUTED EPS (EUR)</b>	<b>0.134</b>	<b>0.087</b>	<b>0.047</b>
<b>BASIC AND DILUTED EPS from continuing operations</b>	<b>0.134</b>	<b>0.087</b>	<b>0.047</b>

3 months 2019 (Euro million)	Helicopters	Defence Electronics & Security	Aeronautics	Space	Other activities	Eliminations	Total
New orders	688	1,507	454	-	58	(189)	<b>2,518</b>
Order backlog	12,141	12,944	12,037	-	489	(1,036)	<b>36,575</b>
Revenues	813	1,329	644	-	112	(173)	<b>2,725</b>
<b>EBITA</b>	<b>56</b>	<b>100</b>	<b>37</b>	<b>1</b>	<b>(31)</b>	-	<b>163</b>
<i>EBITA margin</i>	<i>6.9%</i>	<i>7.5%</i>	<i>5.7%</i>	<i>n.a.</i>	<i>(27.7%)</i>	<i>n.a.</i>	<b>6.0%</b>
<b>EBIT</b>	<b>53</b>	<b>95</b>	<b>37</b>	<b>1</b>	<b>(30)</b>	-	<b>156</b>
Amortisation	24	53	51	-	20	(24)	<b>124</b>
Investments	181	71	15	-	30	(154)	<b>143</b>
Workforce (no.)	11,744	22,957	10,843	-	2,496	-	<b>48,040</b>

3 months 2018 (Euro million)	Helicopters	Defence Electronics & Security	Aeronautics	Space	Other activities	Eliminations	Total
New orders	611	965	723	-	20	(155)	<b>2,164</b>
Order backlog	12,151	12,572	12,220	-	146	(971)	<b>36,118</b>
Revenues	750	1,149	639	-	81	(168)	<b>2,451</b>
<b>EBITA</b>	<b>53</b>	<b>73</b>	<b>47</b>	<b>7</b>	<b>(27)</b>	-	<b>153</b>
<i>EBITA margin</i>	<i>7.1%</i>	<i>6.4%</i>	<i>7.4%</i>	<i>n.a.</i>	<i>(33.3%)</i>	<i>n.a.</i>	<b>6.2%</b>
<b>EBIT</b>	<b>50</b>	<b>46</b>	<b>47</b>	<b>7</b>	<b>(29)</b>	-	<b>121</b>
Amortisation	20	47	40	-	13	-	<b>120</b>
Investments	24	29	30	-	2	-	<b>85</b>
Workforce (no.) 31.12.2018	11,596	22,860	10,659	-	1,347	-	<b>46,462</b>