

Results at 31 March 2017

PRESS RELEASE

Leonardo: in the first quarter of 2017 higher Orders and improved profitability

- **New Orders** at about EUR 2.6 billion, higher than 1Q2016. Book-to-bill improved at 1.1
- **Solid and continuous improvement of EBITA (+14%) and EBIT (+16%). RoS at 7.6%**
- **Net Result Before Extraordinary Transactions at EUR 78 million, almost 40% higher**
- **Significantly improved Group Net Debt at EUR 3.3 billion, thanks to cash-in of the second installment of the advance payment on the EFA Kuwait contract**
- **2017 Guidance confirmed**

Rome, 3 May 2017 – Leonardo's Board of Directors, convened today under the Chairmanship of Gianni De Gennaro, examined and unanimously approved the results of the first quarter 2017.

The Board of Directors expressed a heartfelt thanks to Leonardo's management and employees, acknowledging in the results achieved their crucial contribution and their active commitment to decisions and actions taken.

Highlights of 1Q2017 results are as follows:

- **New Orders:** amounted to **EUR 2,647 million**, 3% higher than 1Q2016. The book-to-bill ratio reached 1.1 compared to 1 of the same period of 2016.
- **Order Backlog:** amounted to **EUR 34,832 million** (+25% vs. March 2016). This is increasingly solid as it is built on a more rigorous selection of orders. The backlog ensures almost 3 years of equivalent production.
- **Revenues:** amounted to **EUR 2,476 million** -2,4% vs. 1Q2016, mainly because of lower volumes in *Helicopters*, and some negative GBP/€ forex effects.
- **EBITDA:** amounted to **EUR 330 million**, +1.2% compared to 326 million of 1Q2016. Also the *EBITDA margin* was higher at 13.3% compared to 12.9% of 1Q2016.
- **EBITA:** amounted to **EUR 187 million**, 14% higher than the 164 million of 1Q2016, mainly supported by *Aeronautics* and *Electronics*, which more than offset lower *Helicopters*. RoS was at 7.6%, 110 bp higher than the 6.5% of 1Q2016, mainly thanks to *Electronics*.
- **EBIT:** amounted to **EUR 155 million**, 15.7% higher than the 134 million of 1Q2016. Also the *EBIT margin*, at 6.3%, increased by 100 bp compared to 5.3% of 1Q2016.
- **Net Result before extraordinary transactions:** amounted to **EUR 78 million**, 39.3% higher than the 56 million of 1Q2016 thanks to improved EBIT.
- **Net Result:** amounted to **EUR 78 million**, in absence of extraordinary transactions, 21.9% higher than the 64 million of 1Q2016, which benefitted from the capital gain on the disposal of FATA.

- **Free Operating Cash Flow (FOCF):** amounted to **negative EUR 427 million**, 51.3% better than the negative 876 million of 1Q2016 also thanks to the collection of the second advance payment on the EFA Kuwait contract, albeit confirming the usual seasonality of the period.
- **Group Net Debt:** amounted to **EUR 3,254 million**, 958 million lower (-22.7%) than the 4,212 million at 31 March 2016 thanks to a positive cash performance.

Outlook

In consideration of the results achieved in the first quarter of 2017 and of the expectations for the following ones, we confirm the guidance for the entire year that were made at the time of the preparation of the financial statements at 31 December 2016.

Group (Euro million)	1Q 2017	1Q 2016	Chg.	Chg. %	FY 2016
New orders	2,647	2,564	83	3.2%	19,951
Order backlog	34,832	27,863	6,969	25.0%	34,798
Revenues	2,476	2,536	(60)	(2.4%)	12,002
EBITDA	330	326	4	1.2%	1,907
EBITDA Margin	13.3%	12.9%	0.4 p.p.		15.9%
EBITA (*)	187	164	23	14.0%	1,252
ROS	7.6%	6.5%	1.1 p.p.		10.4%
EBIT (**)	155	134	21	15.7%	982
EBIT Margin	6.3%	5.3%	1.0 p.p.		8.2%
Net result before extraordinary transactions	78	56	22	39.3%	545
Net result	78	64	14	21.9%	507
Group Net Debt	3,254	4,212	(958)	(22.7%)	2,845
FOCF	(427)	(876)	449	51.3%	706
ROI	10.0%	8.2%	1.8 p.p.		16.9%
ROE	7.1%	5.3%	1.8 p.p.		12.6%
Workforce (no.)	45,407	46,756	(1,349)	(2.9%)	45,631

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

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

1Q 2017 (Euro million)	New orders	Order backlog	Revenues	EBITDA	EBITDA Margin	EBITA	ROS
Helicopters	459	10,247	711	90	12.7%	73	10.3%
Electronics, Defence and Security Systems	1,039	11,690	1,146	115	10.0%	84	7.3%
Aeronautics	1,237	13,711	656	130	19.8%	46	7.0%
Space	-	-	-	8	n.a.	8	n.a.
Other activities	25	167	79	(13)	(16.5%)	(24)	(30.4%)
Eliminations	(113)	(983)	(116)	-	n.a.	-	n.a.
Total	2,647	34,832	2,476	330	13.3%	187	7.6%

1Q 2016 (Euro million)	New orders	Order backlog at 31.12.2016	Revenues	EBITDA	EBITDA Margin	EBITA	ROS
Helicopters	384	10,622	810	103	12.7%	83	10.2%
Electronics, Defence and Security Systems	1,217	11,840	1,134	117	10.3%	56	4.9%
Aeronautics	993	13,107	638	108	16.9%	41	6.4%
Space	-	-	-	4	n.a.	4	n.a.
Other activities	6	174	67	(6)	(9.0%)	(20)	(29.9%)
Eliminations	(36)	(945)	(113)	-	n.a.	-	n.a.
Total	2,564	34,798	2,536	326	12.9%	164	6.5%

Change %	New orders	Order backlog	Revenues	EBITDA	EBITDA Margin	EBITA	ROS
Helicopters	19.5%	(3.5%)	(12.2%)	(12.6%)	0.0 p.p.	(12.0%)	0.1 p.p.
Electronics, Defence and Security Systems	(14.6%)	(1.3%)	1.1%	(1.7%)	(0.3) p.p.	50.0%	2.4 p.p.
Aeronautics	24.6%	4.6%	2.8%	20.4%	2.9 p.p.	12.2%	0.6 p.p.
Space	n.a.	n.a.	n.a.	100.0%	n.a.	100.0%	n.a.
Other activities	316.7%	(4.0%)	17.9%	(116.7%)	(7.5) p.p.	(20.0%)	(0.5) p.p.
Eliminations	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	3.2%	0.1%	(2.4%)	1.2%	0.4 p.p.	14.0%	1.1 p.p.

	New Orders	Revenues	EBITDA	EBITDA Margin	EBITA	ROS
DRS (\$ mil) 1Q 2017	401	395	34	8.6%	25	6.3%
DRS (\$ mil) 1Q 2016	422	364	26	7.1%	17	4.7%
DRS (€ mil) 1Q 2017	377	371	32	8.6%	24	6.3%
DRS (€ mil) 1Q 2016	503	356	25	7.1%	16	4.7%

Analysis of the main figures of the first quarter of 2017

New orders acquired in the first three months of 2017 highlight a growth especially attributable to **Aeronautics** (+ 25%), which took advantage of new orders for the support services for the EFA aircraft in the **Aircraft** division and the B787 and ATR programmes in the **Aerostructures**. Worth noting is the progress made in **Helicopters** compared to the lower figure posted in 2016 (+20%), despite a context still characterised by uncertainties and difficulties in certain reference markets, as against a drop recorded by **Electronics, Defence & Security Systems**.

The **book-to-bill** is equal to 1.1, an increase from the first quarter of 2016 when it was equal to 1.

Revenues decreased over the corresponding period of 2016 by €mil. 60, mainly attributable to the reduction of volumes in **Helicopters**, in addition to the negative effect from the GBP to EUR exchange rate fluctuations.

The profitability indicators showed an improvement supported by the results recorded in **Aeronautics** and **Electronics** in particular, which more than offset the lower **Helicopters** due to the abovementioned lower volumes, with an **EBITA** and **EBIT** considerably higher (+14% and +16% respectively, with an increase in ROS and the EBIT Margin up by 1.1 p.p. and 1 p.p., respectively).

The **Net Result Before Extraordinary Transactions** shows a marked improvement (€mil. 78 compared with €mil. 64 in the first three months of 2016), due to the mentioned rise in EBIT.

The **Net Result** for the period is equal to the net result before extraordinary transactions on account of the absence of extraordinary transactions. On the contrary, the first quarter of 2016 benefitted from the capital gain from the disposal of Fata (€mil. 8).

The cash flow performance showed a considerable improvement compared to the first three months of 2016, also as a result of the cash-in of the second advance payment on the EFA Kuwait contract. **FOCF** was negative, overall, in the amount of €mil. 427, but considerably improved against the corresponding figure of the previous period (+51.3%), though confirming the usual trend in the first part of the financial year in which the Group reports considerable cash absorptions.

The **Group Net Debt** shows an improvement of 23% as against 31 March 2016. The increase compared to 31 December 2016, was affected by the usual cash absorption characterising the first months of the financial year and by the cash-out for the acquisition of additional shares in Avio.

Workforce at 31 March 2017 was 45,407 with a net reduction of 1,349 employees compared to 46,756 at 31 March 2016.

SECTOR PERFORMANCE

Helicopters

Even in a background that is still characterised by uncertainties and difficulties of some target markets, new orders for the first quarter increased compared to the same period of the prior year, mainly in the governmental segment and for the AW139 aircraft. Financial results were affected by planned slowdowns in the production progress and negative GBP/€ exchange rate effect, albeit confirming a double-digit profitability.

Electronics, Defence & Security Systems

The first quarter of 2017 showed a good commercial performance, with the expected decline in *Land&Naval Defence Electronics* partially offset by higher orders *Airborn & Space Systems*. With Revenues substantially in line with the same period of 2016, despite the negative exchange rate effect, EBITA considerably improved mainly as a result of the benefits arising from efficiency improvement and cost cutting actions within all the Divisions and within DRS, as well as the recovery in the industrial profitability within the *Security & Information Systems* Division.

Aeronautics

From a commercial point of view, the first quarter of 2017 recorded a significant level of new orders in both the Divisions. Despite flat volumes YoY, with the increase in *Aircraft* offsetting the decline in *Aerostructures*, the improvement in the performance of the *Aircraft* Division, led to an higher EBITA.

From a production point of view, deliveries were made for 35 fuselage sections and 20 stabilisers for the B787 programme (30 fuselage sections and 19 stabilisers delivered in the first quarter of 2016) and 10 ATR fuselages (24 delivered in the first quarter of 2016). As regards the production of the M-346 programme, there was the completion of 2 aircraft, one of which for the Italian Air Force and one to the Polish Air Force.

Space

The first three months of 2017 confirm the good performance of the manufacturing segment, which recorded an increase in the volumes of activity compared with the corresponding period of the previous year, in particular as regards telecommunications programmes. All this, together with an improvement of the industrial profitability in the supply of satellite services, determined a considerable growth of the results.

Industrial transactions

In the period the following industrial transactions were carried out:

- **Acquisition of Daylight Solutions.** On 7 March 2017 Leonardo signed, through the US subsidiary DRS Technologies, an agreement for the acquisition of Daylight Solutions Inc, world leader in the development of Quantum Cascade Laser products. DRS will pay USD150 million for 100% of the share capital of Daylight Solutions. The purchase price includes an earn-out to be paid to the shareholders of Daylight Solutions upon the achievement of certain financial and operating targets for the year 2017. This acquisition will enable the expansion of DRS' offer within the advanced solutions for the civil and military market. The closing of the transaction is expected within the end of the second quarter of 2017
- **Completion of the closing 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 MTA/Star Segment of the Italian Stock Exchange which was finalised last 10 April. As a result of this transaction Leonardo now holds about 28% in the company in respect of a payment of approx. €43 million.

Financial transactions

On 13 April 2017 Leonardo renewed the EMTN programme for a further 12 months, keeping unchanged the maximum amount of €bil. 4.

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

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

RECLASSIFIED INCOME STATEMENT

	1Q 2017	1Q 2016	Var. YoY
<i>€mil.</i>			
Revenues	2,476	2,536	(60)
Purchases and personnel expense	(2,158)	(2,253)	95
Other net operating income/(expense)	(4)	36	(40)
Equity-accounted strategic JVs	16	7	9
EBITDA	330	326	4
<i>EBITDA Margin</i>	13.3%	12.9%	0.4 p.p.
Amortisation and depreciation	(143)	(162)	19
EBITA	187	164	23
<i>ROS</i>	7.6%	6.5%	1.1 p.p.
Restructuring costs	(7)	(6)	(1)
Amortisation of intangible assets acquired as part of business combinations	(25)	(24)	(1)
EBIT	155	134	21
<i>EBIT Margin</i>	6.3%	5.3%	1.0 p.p.
Net financial income/ (expense)	(68)	(71)	3
Income taxes	(9)	(7)	(2)
Net result before extraordinary transactions	78	56	22
Net result related to discontinued operations and non- ordinary transactions	-	8	(8)
Net result	78	64	14
<i>attributable to the owners of the parent</i>	78	64	14
<i>attributable to non-controlling interests</i>	-	-	-

RECLASSIFIED BALANCE SHEET			
<i>€mil.</i>	31.03.2017	31.12.2016	31.03.2016
Non-current assets	11,852	12,119	12,051
Non-current liabilities	(3,178)	(3,373)	(3,438)
Capital assets	8,674	8,746	8,613
Inventories	4,179	4,014	4,433
Trade receivables	6,472	5,965	6,635
Trade payables	(9,874)	(9,295)	(9,544)
Working capital	777	684	1,524
Provisions for short-term risks and charges	(763)	(792)	(708)
Other net current assets (liabilities)	(996)	(1,434)	(1,048)
Net working capital	(982)	(1,542)	(232)
Net invested capital	7,692	7,204	8,381
Equity attributable to the Owners of the Parent	4,437	4,357	4,163
Equity attributable to non-controlling interests	15	16	19
Equity	4,452	4,373	4,182
Group Net Debt	3,254	2,845	4,212
Net (assets)/liabilities held for sale	(14)	(14)	(13)

CASH FLOW STATEMENT		
<i>€mil.</i>	1Q 2017	1Q 2016
Cash flows used in operating activities	(449)	(936)
Dividends received	174	177
Cash flow from ordinary investing activities	(152)	(117)
Free operating cash flow (FOCF)	(427)	(876)
Strategic transactions	(43)	-
Change in other investing activities	1	(5)
Net change in loans and borrowings	59	12
Net increase/(decrease) in cash and cash equivalents	(410)	(869)
Cash and cash equivalents at 1 January	2,167	1,771
Exchange rate gain/losses and other movements	(5)	(18)
Cash and cash equivalents at 31 March	1,752	884

FINANCIAL POSITION

	€mil.	31.03.2017	31.12.2016	31.03.2016
Bonds		4,297	4,375	4,256
Bank debt		293	297	353
Cash and cash equivalents		(1,752)	(2,167)	(884)
Net bank debt and bonds		2,838	2,505	3,725
Fair value of the residual portion in portfolio of Ansaldo Energia		(139)	(138)	(133)
Current loans and receivables from related parties		(7)	(40)	(114)
Other current loans and receivables		(48)	(58)	(26)
Current loans and receivables and securities		(194)	(236)	(273)
Non current financial receivables from Superjet		(65)	(65)	0
Hedging derivatives in respect of debt items		21	35	66
Related-party loans and borrowings		542	502	605
Other loans and borrowings		112	104	89
Group net debt		3,254	2,845	4,212

EARNINGS PER SHARE

	1Q 2017	1Q 2016	Var. YoY
Average shares outstanding during the reporting period (in thousands)	574,412	576,042	(1,630)
Earnings/(losses) for the period (excluding non-controlling interests) (€ million)	78	64	14
Earnings/(losses) - continuing operations (excluding non-controlling interests) (€ million)	78	64	14
Earnings/(losses) - discontinued operations (excluding non-controlling interests) (€ million)	-	-	-
BASIC AND DILUTED EPS (EUR)	0.136	0.111	0.025
BASIC AND DILUTED EPS from continuing operations	0.136	0.111	0.025

1Q 2017 (Euro million)	Helicopters	Electronics, Defence and Security Systems	Aeronautics	Space	Other activities	Eliminations	Total
New orders	459	1,039	1,237	-	25	(113)	2,647
Order backlog	10,247	11,690	13,711	-	167	(983)	34,832
Revenues	711	1,146	656	-	79	(116)	2,476
EBITA	73	84	46	8	(24)	-	187
<i>EBITA margin</i>	<i>10.3%</i>	<i>7.3%</i>	<i>7.0%</i>	<i>n.a.</i>	<i>(30.4%)</i>	<i>n.a.</i>	7.6%
EBIT	70	59	44	8	(26)	-	155
Amortisation and depreciation	19	52	83	-	13	-	167
Investments	25	36	23	-	2	-	86
Workforce (no.)	11,806	22,002	10,345	-	1,254	-	45,407

1Q 2016 (Euro million)	Helicopters	Electronics, Defence and Security Systems	Aeronautics	Space	Other activities	Eliminations	Total
New orders	384	1,217	993	-	6	(36)	2,564
Order backlog (31.12.2016)	10,622	11,840	13,107	-	174	(945)	34,798
Revenues	810	1,134	638	-	67	(113)	2,536
EBITA	83	56	41	4	(20)	-	164
<i>EBITA margin</i>	<i>10.2%</i>	<i>4.9%</i>	<i>6.4%</i>	<i>n.a.</i>	<i>(29.9%)</i>	<i>n.a.</i>	6.5%
EBIT	81	30	41	4	(22)	-	134
Amortisation and depreciation	21	79	68	-	13	-	181
Investments	16	36	35	-	3	-	90
Workforce (no.) (31.12.2015)	11,874	22,174	10,367	-	1,216	-	45,631