

# RESULTS

## AT 30 SEPTEMBER 2018

*Disclaimer*

*This Interim Reporting at 31 September 2018 has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document*



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## Group results and financial position

### Key performance indicators ("KPI")

	September 2018	September 2017 restated	Change	2017 restated
New orders	9,390	7,945	18.2%	11,595
Order backlog	34,501	34,032	1.4%	33,507
Revenue	8,240	8,048	2.4%	11,734
EBITDA	933	1,107	(15.7%)	1,602
EBITA	632	694	(8.9%)	1,077
ROS	7.7%	8.6%	(0.9) p.p.	9.2%
EBIT	372	562	(33.8%)	844
EBIT Margin	4.5%	7.0%	(2.5) p.p.	7.2%
Net Result before extraordinary transactions	164	265	(38.1%)	279
Net result	263	265	(0.8%)	279
Group Net Debt	3,503	4,004	(12.5%)	2,579
FOCF	(800)	(972)	17.7%	537
ROI	11.5%	12.0%	(0.5) p.p.	15.4%
ROE	5.1%	8.3%	(3.2) p.p.	6.5%
Workforce	46,413	45,737	1.5%	45,134

The data relating to the first nine months and to the entire 2017 financial year have been restated to take account of the effects arising from the application of IFRS 15 concerning the recognition of revenue, which became applicable as from 1 January 2018. For an analysis of the effects arising from the adoption of the two new accounting standards, reference should be made to Annex 3.

Please refer to Annex 2 on "Non-GAAP performance indicators" for definitions.

The results relating to the first nine months of 2018 are compared to the same period of the previous year, as restated to take account of the application of the new accounting standard concerning revenues (IFRS 15) from 1 January 2018. Specifically:

- New orders, equal to €bil. 9.4, showed an increase of 18.2% compared with the first nine months of 2017 (€bil. 7.9) mainly thanks to the acquisition of the new NH90 order in Qatar worth €bil. 3;
- Revenues, amounting to €bil. 8.2, showed an increase of 2.4% over the same period of 2017 - which is even more significant if we exclude the negative exchange rate effect - , chiefly attributable to the *Helicopters* sector and, to a lesser extent, to *Electronics, Defence & Security Systems*;

## Results at 30 September 2018

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- operating profits, in line with period forecasts, came to 7.7%, showing a decrease compared to the previous year, which had benefitted from a particularly positive trend in the *Helicopters* segment;
- the Net Result before Extraordinary Transactions of €mil. 164 (€mil. 265 at 30 September 2017) was affected by the significant impact (€mil. 170) of restructuring costs arising from the start of the procedure under Law 92/2012 (Fornero Act);
- the Net Result of €mil. 263 (€mil. 265 at 30 September 2017) benefitted from the release of a part of the provision set aside against the guarantees given upon the disposal of the equity interest in Ansaldo Energia;
- the Group Net Debt showed an improvement compared to 30 September 2017, while the figure showed an increase compared to 31 December 2017, which was due to the seasonal trend in cash flows and to the payment of dividends (€mil. 81);
- the cash flow for the period (€mil. -800 vs €mil. -972 at 30 September 2017) benefitted from the net impact of the advances on the NH 90 Qatar contract, which more than compensated for the different financial terms and conditions of the EFA Kuwait contract in the two comparative periods together with the start of production operations, a circumstance that was largely expected.

The primary changes that marked the Group's performance compared to the previous year are described below. A more thorough analysis can be found in the section covering the trends in each business segment.

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	30 September 2018				
	New orders	Order backlog	Revenues	EBITA	ROS
Helicopters	4,685	11,831	2,656	217	8.2%
Electronics, Defence & Security Systems	3,569	11,507	3,855	288	7.5%
Aeronautics	1,420	11,957	2,025	167	8.2%
Space	-	-	-	31	n.a.
Other activities	75	164	256	(71)	(27.7%)
<i>Eliminations</i>	<i>(359)</i>	<i>(958)</i>	<i>(552)</i>	-	<i>n.a.</i>
<b>Total</b>	<b>9,390</b>	<b>34,501</b>	<b>8,240</b>	<b>632</b>	<b>7.7%</b>

	30 September 2017 restated				
	New orders	Order backlog at 31 Dec. 2017 restated	Revenues	EBITA	ROS
Helicopters	1,710	9,896	2,413	231	9.6%
Electronics, Defence & Security Systems	4,400	11,780	3,679	282	7.7%
Aeronautics	1,963	12,525	2,175	195	9.0%
Space	-	-	-	33	n.a.
Other activities	197	199	283	(47)	(16.6%)
<i>Eliminations</i>	<i>(325)</i>	<i>(893)</i>	<i>(502)</i>	-	<i>n.a.</i>
<b>Total</b>	<b>7,945</b>	<b>33,507</b>	<b>8,048</b>	<b>694</b>	<b>8.6%</b>

	Change %				
	New orders	Order backlog	Revenues	EBITA	ROS
Helicopters	174.0%	19.6%	10.1%	(6.1%)	(1.4) p.p.
Electronics, Defence & Security Systems	(18.9%)	(2.3%)	4.8%	2.1%	(0.2) p.p.
Aeronautics	(27.7%)	(4.5%)	(6.9%)	(14.4%)	(0.8) p.p.
Space	n.a.	n.a.	n.a.	(6.1%)	n.a.
Other activities	(61.9%)	(17.6%)	(9.5%)	(51.1%)	(11.1) 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>18.2%</b>	<b>3.0%</b>	<b>2.4%</b>	<b>(8.9%)</b>	<b>(0.9) p.p.</b>

### *Commercial performance*

Compared to the first nine months of 2017 **new orders** showed a significant increase of 18.2% essentially due to the above-mentioned Qatari NH 90 order in *Helicopters*. The good performance of the *Helicopters* sector more than offset the reduction in the *Electronics, Defence & Security Systems* and *Aeronautics* segments, which had benefitted in the comparative period, respectively, of the orders for naval units for the Qatari Navy and for the support services for the EFA aircraft fleet, in addition to higher B787 orders.

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

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### *Business performance.*

<i>(€ millions)</i>	<i>For the nine months ended 30 September</i>		<i>Change</i>	<i>% Change</i>
	<i>2018</i>	<i>2017 restated</i>		
Revenues	8,240	8,048	192	2.4%
Purchases and personnel expenses	(7,407)	(7,048)		
Other net operating income/(expenses)	20	(26)		
Equity-accounted strategic JVs	80	133		
Amortisation, depreciation and impairment losses	(301)	(413)		
<b>EBITA</b>	<b>632</b>	<b>694</b>	<b>(62)</b>	<b>(8.9%)</b>
<i>ROS</i>	<i>7.7%</i>	<i>8.6%</i>	<i>(0.9)</i>	<i>p.p.</i>
Non-recurring income/(expenses)	-	(14)		
Restructuring costs	(187)	(46)		
Amortisation of intangible assets acquired as part of business combinations	(73)	(72)		
<b>EBIT</b>	<b>372</b>	<b>562</b>	<b>(190)</b>	<b>(33.8%)</b>
<i>EBIT Margin</i>	<i>4.5%</i>	<i>7.0%</i>	<i>(2.5)</i>	<i>p.p.</i>
Net financial income/(expenses)	(177)	(237)		
Income taxes	(31)	(60)		
<b>Net Result before extraordinary transactions</b>	<b>164</b>	<b>265</b>	<b>(101)</b>	<b>(38.1%)</b>
Net result related to discontinued operations and extraordinary transactions	99	-		
<b>Net profit/(loss) for the period attributable to:</b>	<b>263</b>	<b>265</b>	<b>(2)</b>	<b>(0.8%)</b>
- owners of the parent	262	264		
- non-controlling interests	1	1		

**Revenues** showed an increase compared to the first nine months of 2017 (+2.4%) – which is even more evident if we exclude the negative exchange rate effect (arising from the conversion of revenues in USD and, to a lesser extent, in GBP for about €mil. 130) -, which was mainly attributable to *Helicopters*, as a result of higher production volumes within certain projects, as well as to higher deliveries by DRS which confirms the growth trend recorded in the previous period. **EBITA**, equal to €mil. 632 (with a ROS of 7.7%), showed, compared to the first nine months of 2017 (€mil. 694 – ROS of 8.6%), a decrease mainly attributable to the reduction in the result posted by the GIE-ATR Consortium especially penalized by lower deliveries and the effect of the USD/€ exchange rate, and to *Helicopters*; both segments, even if they recorded results in line with forecasts, in the previous year saw a particularly positive second quarter in terms of mix of operations.

The reduction recorded in **EBIT** compared to the first nine months of the previous year was due to the performance of EBITA, to considerable costs allocated in relation to the measures under Law 92/2012 (“Fornero Act”, €mil. 170), partially offset by lower restructuring costs. The **Net result before extraordinary transactions** (€mil. 164) benefitted from lower financial costs compared to

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the previous year, as a result of the buy-back operations and the redemption of bond issues that were mainly completed during the last quarter of 2017.

The **Net Result** (€mil. 263) is affected by the release of a part of the provision set aside against the guarantees given upon the sale of the equity interest in Ansaldo Energia, as commented on in Note 3.

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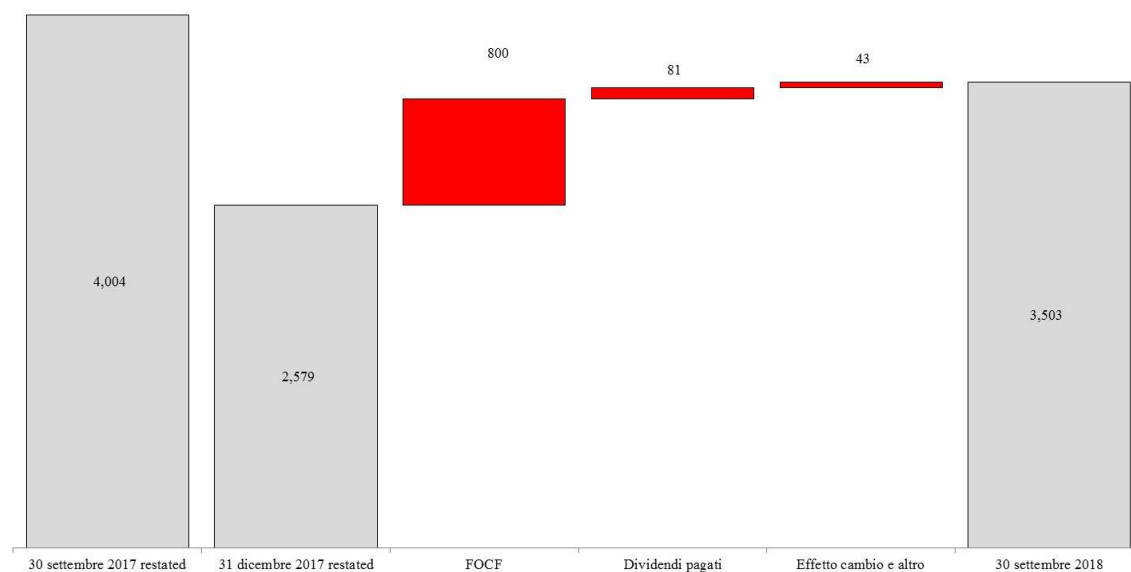
### *Financial performance*

	For the nine months ended 30 September		Change	% Change
	2018	2017 restated		
<i>(€ millions)</i>				
Cash flows used in operating activities	(537)	(850)		
Dividends received	182	267		
Cash flows from ordinary investing activities	(445)	(389)		
<b>Free Operating Cash Flow (FOCF)</b>	<b>(800)</b>	<b>(972)</b>	<b>172</b>	<b>17.7%</b>
Strategic investments	(10)	(168)		
Change in other investing activities	(1)	9		
Net change in loans and borrowings	5	659		
Dividends paid	(81)	(81)		
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(887)</b>	<b>(553)</b>		
Cash and cash equivalents at 1 January	1,893	2,167		
Exchange rate differences and other changes	1	(40)		
<b>Cash and cash equivalents at 30 September</b>	<b>1,007</b>	<b>1,574</b>		

In the first nine months of 2018 the **Free Operating Cash Flow** showed a negative result of €mil. 800, in line with the Group's usual trend marked by significant outflows of cash in the first quarters of each year, even if with an improvement over the previous year figure, thanks to the net effect from the advances on the Qatari order and the different terms and conditions of the EFA Kuwait order in the two comparative periods associated with the beginning of the related production activity during 2018.

The Group Net Debt showed an improvement compared to 30 September 2017, from €mil. 4,004 to €mil. 3,503. Compared to 31 December 2017 (€mil. 2,579), the figure was affected by the usual cash absorption, as well as by the payment of dividends of €mil. 81.

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**Net invested capital** rose compared with the figure for 31 December 2017 due to the increase in net working capital, in line with the seasonal fluctuation in cash flows.

	<b>30 September 2018</b>	<b>31 December 2017 restated</b>	<b>30 September 2017 restated</b>
<i>(€ millions)</i>			
Non-current assets	11,714	11,724	11,713
Non-current liabilities	(2,733)	(2,837)	(2,931)
<b>Capital assets</b>	<b>8,981</b>	<b>8,887</b>	<b>8,782</b>
Inventories	90	(535)	191
Trade receivables	2,981	3,179	3,324
Trade payables	(2,798)	(2,962)	(2,654)
<b>Working capital</b>	<b>273</b>	<b>(318)</b>	<b>861</b>
Provisions for short-term risks and charges	(604)	(783)	(726)
Other net current assets (liabilities)	(801)	(996)	(749)
<b>Net working capital</b>	<b>(1,132)</b>	<b>(2,097)</b>	<b>(614)</b>
<b>Net invested capital</b>	<b>7,849</b>	<b>6,790</b>	<b>8,168</b>
Equity attributable to the Owners of the Parent	4,344	4,199	4,164
Equity attributable to non-controlling interests	10	14	14
<b>Equity</b>	<b>4,354</b>	<b>4,213</b>	<b>4,178</b>
<b>Group Net Debt</b>	<b>3,503</b>	<b>2,579</b>	<b>4,004</b>
<b>Net (assets)/liabilities held for sale</b>	<b>(8)</b>	<b>(2)</b>	<b>(14)</b>

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Below are the key performance indicators by sector:

### Helicopters

The first nine months of 2018 confirm the positive signs of recovery in the division's business, highlighting a very high level of new orders thanks also to the acquisition of the NH90 contract to



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Qatar, an increase in deliveries and in revenues compared to the previous year, with a profitability of 8.2%, in line with the targets forecast for 2018.

New orders. The increase was due to the acquisition of the NH90 Qatar order, worth €3 billion. New orders were also recorded in relation to the AW189 line and for customer support operations, vis-à-vis a slight decrease in other product lines. The first nine months of 2018 also confirmed a good level of new orders for the AW139 line, a fact that excludes the effects of the recent award of the tender relating to the supply of a militarized version of the AW139 helicopters to the US Airforce.

Revenues. There was an increase attributable to a better performance in production specifically for line AW101 and to higher deliveries for the AW139 line. These facts broadly offset lower deliveries in the AW109/119 line and the expected reduction in operations on the T129 Atak and CH47 programmes under completion.

EBITA. Despite results in line with the expected recovery plan and the good trend in the last quarter, profits were lower than those posted in the previous year which had benefitted from particularly positive results recorded in the second quarter in terms of mix of activities.

### **Electronics, Defence & Security Systems**

The first nine months of 2018 confirm the positive trend recorded in the first part of the year and highlight revenues and profitability higher than the figure posted in the same period of 2017, even more remarkable if we exclude the adverse effect of the USD/€ exchange rate.

New orders: These were lower than the previous year, which had taken advantage within the *Land & Naval Defence Electronics* division, of the major order for combat and logistic support systems for 7 naval units for the Qatari Navy.

In the first nine months of 2018 DRS confirmed the same growth trend as in the previous year and the excellent positioning on a number of programmes of the US Ministry of Defense. Among the main new orders we highlight those received from the US Army relating to the supply of active defense systems for tanks within the *Land Systems* business and the supply of computers and portable electronic devices under the MFoCS (Mounted Family of Computer Systems) contract (*Land Electronics* business).

Worth noting are also the orders relating to the first tranche of the contract with the Italian Ministry of Defence for logistic support related to the new Centauro II armoured vehicle within the *Defence*

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*Systems* division and for the supply of a baggage handling system at the Zurich airport within the *Security and Information Systems* division.

Revenues. The increase compared to the first nine months of 2017 – despite the unfavourable USD/€ exchange rate – was mainly due to higher production volumes at DRS and in the *Airborne and Space Systems* division.

EBITA. This showed an increase compared to the first nine months of 2017 despite the abovementioned exchange rate effect. Higher revenues and cost containment actions more than offset the expected lower contribution from programmes with higher profitability, the greater contribution from the development projects with lower margins, in addition to the tendering costs for participation in the tender for the US trainer at DRS.

The key performance indicators of DRS are provided below in US dollars and euros:

	<u>New orders</u>	<u>Revenues</u>	<u>EBITA</u>	<u>ROS</u>
DRS (\$mil.) September 2018	1,950	1,541	84	5.5%
DRS (\$mil.) September 2017 restated	1,541	1,318	85	6.4%
DRS (€mil.) September 2018	1,632	1,290	70	5.5%
DRS (€mil.) September 2017 restated	1,384	1,184	77	6.4%

*Average €/USD exchange rate: 1.1949 (first nine months of 2018) and 1, 1.1132 (first nine months of 2017)*

### **Aeronautics**

In the first nine months of 2018 new orders were acquired for an amount of € 1.4 billion evenly distributed between the *Aerostructures* division and the *Aircraft* division; major commercial negotiations continued within the latter division, both on domestic and export markets.

Furthermore, from a production point of view, deliveries were made for 105 fuselage sections and 63 stabilisers for the B787 programme (104 fuselage sections and 60 stabilisers delivered in the first nine months of 2017) and 64 ATR fuselages (40 delivered in the first nine months of 2017). As regards the special versions of the ATR 72 aircraft, work commenced for the supply of the first Maritime Patrol Aircraft to the Italian Financial Police and 20 wings were delivered for the F-35 aircraft.

New orders. They showed a reduction compared to the period ended 30 September 2017, which had benefitted from the order for the provision of support to the EFA aircraft fleet for the period from 2017 to 2021. Among the major orders gained as at 30 September 2018 we note:

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- in the *Aerostructures* Division the order for the supply of 155 fuselage sections of B787 and 21 ATR fuselage sections, as well as orders related to the B767, A220, A321 and A380 programmes;
- in the *Aircraft* Division the order for the supply of 4 additional M346 Advanced Jet Trainers aircraft to the Polish Ministry of National Defence, the order for the first ATR Maritime Patrol aircraft with the Italian Financial Police, the orders received from Lockheed Martin in relation to the F-35 programme, as well as orders for logistical support to the C27J aircraft, B707 Awacs, C130J, trainers and Nacelles.

Revenues. These were decreasing compared with the first nine months of 2017. The growth of the F-35 and EFA-Kuwait programmes partially offset the reduction within the *Aircraft* Division in the activities on the other *Eurofighter* contracts and on the M346 and C27J programmes and the expected decrease in revenues of the *Aerostructures* Division.

EBITA. The growth of the *Aircraft* Division marked by high profitability levels partially offset the reduction in the result posted by the GIE-ATR Consortium which was penalized by lower deliveries and the effect of the USD/€ exchange rate. The industrial performance of the *Aerostructures* Division continues to be affected by the critical issues reported during the previous year.

### Space

The first nine months of 2018 recorded production volumes substantially in line with those recorded during the previous year. The slight decrease in revenues from satellite services was offset by an increase in the manufacturing segment. In respect to this, we note the continuation of operations for delivering the Iridium Next constellation satellites manufactured by Thales Alenia Space into orbit, with three additional launches conducted during the nine months of 2018 against four launches in 2017, which brought the satellites currently in orbit to 65.

Notwithstanding the improved operating performance in both the manufacturing and satellite service segments, the result was affected by the restructuring charges due to the beginning of the procedure under Law 92/2012 (Fornero Act) with reference to the Italian component of the Space Alliance.

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### ***Outlook***

In consideration of the results achieved in the first nine months of 2018 and of the expectations for the final quarter, we confirm the guidance for the full year that was made at the time of the preparation of the half-year financial report at 30 June 2018.

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### **Main transactions occurred in the first nine months of 2018 and significant post-period events**

***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 Leonardo currently holds a stake of 1.46%. This transaction aims at strengthening Leonardo in the core business of services, especially Logistics, Simulation & Training and Space Operations, including in 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.

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 executives, 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 costs to be incurred for these measures have been preliminarily estimated at €mil. 170: this estimate will be confirmed at the time of the preparation of the consolidated financial statements at 31 December 2018, on the basis of the final results.

***Financial transactions.*** During the first nine months of 2018 and, more specifically, in February Leonardo entered into a new Revolving Credit Facility (RCF) with a pool of 26 Italian and foreign banks. The new RCF provides, if used, for the payment of 75 bps on the Euribor for the period (zero floor), lower by 25 bps than the 100 bp margin of the previous transaction completed in July 2015,

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with consequent lower financial costs. The amount of the Revolving Credit Facility was also reduced down to €bil. 1.8, compared to the amount of €bil. 2 of the previous line, in line with the Group's current cash requirements. The expiry date of the line was extended to February 2023, i.e. the year for which no other maturities of the Group's medium/long-term debt are currently envisaged.

In February 2018 Leonardo repurchased a nominal amount of GBPmil. 10 on the market, out of the bond issue launched in 2009, due 2019 (coupon of 8%), thus reducing the residual nominal amount down to GBPmil. 278.

On 18 April 2018 Leonardo renewed its EMTN programme for 12 additional months, leaving the maximum available amount of €bil. 4 unchanged.

After the closing of the reporting period, in October, 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.

With reference to the events occurred after the period-end, it should be noted that the Milan Court of Appeal handed down its final acquittal judgment in relation to Ansaldo Energia which had been previously sentenced for having committed the crime under Article 25 of Legislative Decree 231/01, to the administrative penalties of €mil. 150,000 and to the confiscation of €mil. 98.7 (proceedings described in Note 3, to which reference is made). Upon the sale of the equity interest in Ansaldo Energia, Leonardo set aside a risk provision to cover the amount of the guarantees given, equal to the sum liable to confiscation and related monetary penalties. Following the acquittal judgment established pursuant to final ruling, the Company released an amount of €mil. 99 of the risk provision, the impact of which is classified within Discontinued Operations in line with the presentation provided in previous years in connection with the recognition of the effects of the afore-said disposal transaction.

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### The results of the third quarter

#### Condensed consolidated separate income statement

<i>(€ millions)</i>	<i>For the three months ended 30 September</i>	
	<i>2018</i>	<i>2017 restated</i>
Revenues	2,651	2,552
Purchases and personnel expenses	(2,404)	(2,258)
Other net operating income/(expenses)	(6)	(5)
Equity-accounted strategic JVs	21	38
Amortisation, depreciation and impairment losses	(100)	(138)
<b>EBITA</b>	<b>162</b>	<b>189</b>
	<i>6.1%</i>	<i>7.4%</i>
Non-recurring income/(expenses)	-	(14)
Restructuring costs	(5)	(14)
Amortisation of intangible assets acquired as part of business combinations	(25)	(22)
<b>EBIT</b>	<b>132</b>	<b>139</b>
	<i>5.0%</i>	<i>5.4%</i>
Net financial income/(expenses)	(59)	(82)
Income taxes	(15)	(5)
<b>Net Result before extraordinary transactions</b>	<b>58</b>	<b>52</b>
Net result related to discontinued operations and extraordinary transactions	99	-
<b>Net result</b>	<b>157</b>	<b>52</b>

Below is the breakdown of the ratios for the third quarter by segment:

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<b>Third quarter 2018</b>	<b>New orders</b>	<b>Revenues</b>	<b>EBITA</b>	<b>ROS</b>
Helicopters	3,356	826	64	7.7%
Electronics, Defence & Security Systems	1,214	1,334	81	6.1%
Aeronautics	291	599	44	7.3%
Space	-	-	10	<i>n.a.</i>
Other activities	30	80	(37)	(46.3%)
<i>Eliminations</i>	<i>(105)</i>	<i>(188)</i>	-	<i>n.a.</i>
<b>Total</b>	<b>4,786</b>	<b>2,651</b>	<b>162</b>	<b>6.1%</b>
<b>Third quarter 2017 restated</b>	<b>New orders</b>	<b>Revenues</b>	<b>EBITA</b>	<b>ROS</b>
Helicopters	568	659	44	6.7%
Electronics, Defence & Security Systems	2,040	1,205	74	6.1%
Aeronautics	183	731	67	9.2%
Space	-	-	5	<i>n.a.</i>
Other activities	163	124	(1)	(0.8%)
<i>Eliminations</i>	<i>(70)</i>	<i>(167)</i>	-	<i>n.a.</i>
<b>Total</b>	<b>2,884</b>	<b>2,552</b>	<b>189</b>	<b>7.4%</b>
<b>Change %</b>	<b>New orders</b>	<b>Revenues</b>	<b>EBITA</b>	<b>ROS</b>
Helicopters	490.8%	25.3%	45.5%	1.0 p.p.
Electronics, Defence & Security Systems	(40.4%)	10.7%	9.5%	0.0 p.p.
Aeronautics	59.0%	(18.1%)	(34.3%)	(1.9) p.p.
Space	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
Other activities	(81.6%)	(35.5%)	(3,600.0%)	(45.5) 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>66.0%</b>	<b>3.9%</b>	<b>(14.3%)</b>	<b>(1.3) p.p.</b>

\* \* \* \* \*

### Explanatory notes

This interim reporting that has been approved today by the Board of Directors, was made available to the public at the registered office, with Borsa Italiana S.p.A., on the Company website ([www.leonardocompany.com](http://www.leonardocompany.com), in the section Investors/Financial Reports), as well as on the website of the authorised storage mechanism NIS-Storage ([www.emarketstorage.com](http://www.emarketstorage.com)).

We note that starting from 1 January 2018 the Group adopted IFRS 15 “Revenue from contracts with customers” and IFRS 9 “Financial instruments”. Except for such standards, the accounting policies, measurement criteria and consolidation methods used for this interim reporting at 30 September 2018 which should be read in conjunction with the 2017 annual consolidated financial statements are unchanged from those of the 2017 annual consolidated financial statements (except for those specifically applicable to interim financial reports) and the interim reporting at 30 September 2017.

## Results at 30 September 2018

This interim reporting, approved by the Board of Directors on 8 November 2018, was not subject to any statutory review.

### 1. FINANCIAL INCOME AND EXPENSES

	For the nine months ended 30 September	
	2018	2017 restated
Interest	(140)	(190)
Commissions	(17)	(11)
Fair value gains (losses) through profit or loss	10	11
Premiums (paid) received on forwards	(13)	(8)
Exchange rate differences	-	(9)
Other financial income and expenses	(31)	(36)
Share of profits/(losses) of equity-accounted investees	14	7
	<b>(177)</b>	<b>(236)</b>

The improvement in net financial expense for the period is mainly attributable to lower interest deriving from the closing and buy back of part of the existing bond issues that were mainly completed during the last quarter of 2017.

### 2. LOANS AND BORROWINGS

The Group Net Debt breaks down as follows:

<i>(€ millions)</i>	30	<i>of</i>	31	<i>of</i>	30	<i>of which</i>
	September 2018	<i>which</i> <i>current</i>	December 2017 <b>restated</b>	<i>which</i> <i>current</i>	September 2017 <b>restated</b>	<i>current</i>
Bonds	3,650	596	3,647	599	4,816	644
Bank debt	243	92	246	60	283	97
Cash and cash equivalents	(1,007)	(1,007)	(1,893)	(1,893)	(1,574)	(1,574)
<b>Net bank debt and bonds</b>	<b>2,886</b>		<b>2,000</b>		<b>3,525</b>	
Securities	-	-	(3)	(3)	-	-
Current loans and receivables from related parties	(142)	(142)	(110)	(110)	(86)	(86)
Other current loans and receivables	(32)	(32)	(47)	(47)	(48)	(48)
<b>Current loans and receivables and securities</b>	<b>(174)</b>		<b>(160)</b>		<b>(134)</b>	
Non current financial receivables from Superjet	(37)	-	(48)	-	(58)	-
Hedging derivatives in respect of debt items	(1)	(1)	(2)	(2)	(10)	10
Related-party loans and borrowings	753	753	701	701	579	579
Other loans and borrowings	76	50	88	58	102	72
<b>Group Net Debt</b>	<b>3,503</b>		<b>2,579</b>		<b>4,004</b>	

The reconciliation with the net financial position required by Consob Communication no. DEM/6064293 of 28 July 2006 is provided in Annex 2.



To meet the financing needs for ordinary activities, the Leonardo Group obtained the Revolving Credit Facility for a total of €mil. 1,800, as well as additional unconfirmed short-term lines of credit for a total of €mil. 727. All the lines of credit were entirely unused at 30 September 2018 and unconfirmed unsecured lines of credit are available for approximately €mil. 3,061.

For an analysis on the clauses related to the existing bonds (financial covenant, negative pledge and cross default) reference is made to what reported in the 2017 consolidated financial statements.

### 3. CONTINGENT LIABILITIES

Compared to the situation at 30 June 2018, commented on in the Half-year Financial Report to which reference is made, we highlight the following updates:

- with reference to the proceedings brought by Mr Pio Maria Deiana in order to ask the Court to rule the invalidity of the settlement agreement signed in December 2000 by Janua Dei S.r.l., Progetto Cina S.r.l. and the then-Ansaldo Industria, in relation to which on 31 May 2018 the Court of Rome rejected the claims submitted by the opposing party, on 10 August the latter served notice of appeal against the judgement before the Rome Court of Appeal.
- with reference to the investigation which resulted in a ruling against Ansaldo Energia issued by the Court of Milan for having committed the crime under art. 25 of Legislative Decree 231/01 providing for the confiscation of an equivalent amount of €mil. 98.7 and imposing also administrative penalties of €150,000, with a ruling of 20 September 2011, which was also confirmed by the Court of Appeal of Milan with a ruling of 24 October 2013, the Company lodged an appeal against this ruling with the Supreme Court which quashed this previous ruling on 10 November 2015 referring the case to another division of the same Court of Appeal of Milan. The latter acquitted Ansaldo Energia by a ruling of 28 November 2017 setting the time limit of ninety days for filing the related reasons.

In respect of the guarantee granted for the lawsuit at issue, at the time of the disposal of the investment, Leonardo recorded in previous financial years a risk provision covering the amount being confiscated in 2011 and the amount of the administrative penalties (€mil. 99). This provision has been maintained in the 2017 financial statements pending the outcome of the proceedings. Since the acquittal judgment handed down by the Court of Appeal of Milan became definitive on 28 November 2017 as regards Ansaldo Energia, the relevant share of the above provision was released.

## Results at 30 September 2018

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With reference to criminal proceedings pending against some Group companies or Leonardo, and some former directors, as well as executives for actions committed in the performance of their duties at Group companies or at Leonardo, we highlight the following updates compared to the situation at 30 June 2018 commented on in the Half-year Financial Report to which reference is made:

- with reference to the proceedings brought by the Rome Public Prosecutor's Office against one former executive of Leonardo, three former executives and an executive of the Company (in relation to the position as director held in the then Finmeccanica Finance SA) for crimes under Article 110 of the Italian Criminal Code and Article 5 of Legislative Decree 74/2000, as well as against various employees and executives of the company, for the crime under Articles 110, 646 and 61 no.11 of the Italian Criminal Code in relation, among other things, to personal loans requested to the company in the period 2008-2014, on 11 August 2018 the order of the dismissal of the case was issued;
- with reference to the immediate trial before the Court of Busto Arsizio in relation to the supply of 12 AW 101 VIP/VVIP helicopters to the Indian Government, it should be noted that on 9 October 2014 the Court sentenced the former Chairman and Chief Executive Officer of Leonardo S.p.A. (in relation to the position held in AgustaWestland) and the former Chief Executive Officer of AgustaWestland S.p.A. for having committed crimes under Article 2 of Legislative Decree 74/2000 (having submitted fraudulent tax returns using invoices or other documents from non-existent transactions) – limited to the May 2009 – June 2010 tax period, while also ordering that the amount equivalent to such non-payment of taxes (on a taxable income of €mil. 3.4) be confiscated from AgustaWestland S.p.A., considered in determining the provisions for risks. In the same decision, the Court found the defendants not guilty of having committed the crimes under Articles 110, 112, paragraph 1, 319, 321 and 322-bis, paragraph 2(2) of the Italian Criminal Code (corruption of foreign public officials), due to lack of evidence. An appeal was filed against the decision.

On 7 April 2016, the Milan Court of Appeal sentenced the former Chairman and Chief Executive Officer of Leonardo, and the former Chief Executive Officer of AgustaWestland S.p.A., for crimes under Articles 110, 112, paragraph 1, 318, 321 and 322-bis, paragraph 2(2) of the Italian Criminal Code and Article 2 of Legislative Decree 74/2000. Subsequently, on 16 December 2016 the Supreme Court repealed the judgment appealed against and referred it to another division of the Milan Court of Appeal for consideration of new proceedings. On 8 January 2018 the Milan Court of Appeal acquitted the defendants of the charges, setting the

time limit for filing the related reasons at ninety days. Following the filing of the reasons, a petition was lodged with the Supreme Court against the afore-mentioned judgement.

In respect of these companies, it is recalled that on 25 July 2014, pursuant to Article 58 of Legislative Decree 231/2001, the Public Prosecutor dismissed the proceedings against Leonardo, holding groundless, following the conclusion of investigations, the Company's involvement from both a factual and legal point of view. The Prosecutor also acknowledged that since 2003 the Company has adopted, actually implemented and regularly updated an Organisational, Management and Control Model that is conceptually suitable to prevent offences like the ones in question and is also focused on compliance processes as to guarantee adequate standards of fairness and ethical conduct. In addition, on 28 August 2014 the Judge for Preliminary Investigations (*GIP*) of the Court of Busto Arsizio – in granting the motions put forth by the companies – imposed administrative penalties pursuant to Article 63 of Legislative Decree 231/2001 and Article 444 and ff. of the Italian Code of Criminal Procedure, amounting to € 80,000 for AgustaWestland S.p.A. and € 300,000 for AgustaWestland Ltd, and ordered the confiscation of the equivalent of €mil. 7.5. As regards the investigations started by the Indian Judicial Authority (CBI) in February 2013 for the same facts referred to above, it should be noted that on 2 February 2018 a notice was served on AgustaWestland International Ltd., whereby the latter was invited to appear at the hearing to be held on 30 May 2018 before the Patiala House Court in New Delhi within the criminal proceedings brought therein against the aforesaid company and other entities and persons, including Leonardo S.p.A.. On 13 April 2018 the Milan Public Prosecutor's Office served on Leonardo S.p.A. a notice of invitation to appear before court. The Company filed an application for enforcement review (*incidente di esecuzione*) with the Judge for Preliminary Investigations (*GIP*), before the Court of Milan, which was rejected on 22 May 2018, as well as an appeal with the Lazio Regional Administrative Court. After the completion of the phase concerning precautionary measures, the proceedings are now continuing in order to discuss the merits. It should be also noted that, in relation to the same procedure, the Company has filed an appeal with the Supreme Court against the order issued by the Judge for Preliminary Investigations at the Court of Milan. The Company took the same legal actions before the Administrative Court and the Judge for Preliminary Investigations before the Court of Milan, also with reference to the notice of invitation to appear before the Court at the hearing set for 10 September 2018.

## Results at 30 September 2018

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Finally, it should be noted that AgustaWestland International Ltd. appeared before court at the hearing held on 30 May 2018 within the Indian proceedings described above; the next hearing has been scheduled on 20 December 2018;

- with reference to the criminal proceedings brought by the Public Prosecutor's Office of Vercelli against three former employees of AgustaWestland S.p.A. (who are currently working for Leonardo – Helicopters Division) and an employee of AgustaWestland Philadelphia Corporation for the crime referred to in Article 449 of the Italian Criminal Code in relation to Articles 428 and 589 of the Italian Criminal Code, with reference to the accident that occurred in Santhià on 30 October 2015, on 16 April 2018 the notice was served which notified the completion of the preliminary investigations. Following the request for committal for trial submitted by the Public Prosecutor, the pre-trial hearing was set for 22 January 2019.

Finally, with reference to the Sistri five-year contract signed between the Ministry for the Environment, Land and Sea and Selex Service Management in relation to the design, operation and maintenance of the system for waste tracking we note that, compared to the situation at 30 June 2018 commented on in the Half-year Financial Report to which reference is made, following the filing by Selex Service Management of the documentation proving further medium-term receivables accrued from the Ministry, the Court, by an order dated 18 July 2018, referred the case to the investigating judge. The next hearing to specify conclusions is set for 28 February 2019.

For the Board of Directors  
The Chairman  
Giovanni De Gennaro

## Results at 30 September 2018

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### Annex 1: Scope of consolidation

Below are the changes in the scope of consolidation at 30 September 2018 in comparison with 30 September 2017:

COMPANY	EVENT	MONTH
<b><u>Companies which entered the scope of consolidation:</u></b>		
Leonardo Aerospace Defense & Security India Private Ltd	incorporation	October 2017
Leonardo Futureplanner (Trustee) Limited	incorporation	January 2018
Torpedo South Africa (PTY) Ltd	purchase	April 2018
Leonardo International Spa	incorporation	May 2018
<b><u>Companies which left the scope of consolidation:</u></b>		
Atitech Spa	sold	October 2017
Atitech Manufacturing Srl	sold	October 2017
Abu Dhabi Systems Integration LLC	sold	November 2017
ZAO Artetra	deconsolidation	April 2018
Indian Rotorcraft Ltd	sold	May 2018
AgustaWestland Politecnico Advanced Rotorcraft Center S.C. a R.L. (in liq.)	deconsolidation	June 2018
<b><u>Companies which changed their name:</u></b>		
SELEX ES for Trading of Machinery Equipment and Devices WLL	<b><u>New name:</u></b> Leonardo for Trading of Machinery Equipment and Devices WLL	February 2018
PCA Electronic Test Ltd	LEONARDO International Ltd	April 2018
S.C. Elettra Communications S.A.	LEONARDO Romania Aerospace, Defence & Security S.A.	May 2018
SELEX ES Technologies Ltd	LEONARDO Technologies & Services Ltd	August 2018
SELEX ES GmbH	LEONARDO Germany GmbH	September 2018

\* \* \* \* \*

### Annex 2: "Non-GAAP" performance indicators

Leonardo Management assesses the Group's performance and that of its business segments based on a number of indicators that are not envisaged by the IFRSs. Specifically, EBITA is used as the primary indicator of profitability, since it allows us to analyze the Group's marginality by eliminating the impact of the volatility associated with non-recurring items or items unrelated to ordinary operations.

As required by CESR/05-178b Recommendation, below is a description of the components of each of these indicators:

- **New orders:** this includes sales contracts signed with customers, which provide for the counterparties' obligation to comply therewith.
- **Order backlog:** this figure is the sum of the order backlog for the preceding period and new orders, less revenues during the reference period.

## Results at 30 September 2018

- **EBITDA:** this is given by EBITA, as defined below, before amortisation, depreciation and impairment losses (net of those related to goodwill or classified under “non-recurring expenses”).
- **EBITA:** it is arrived at by eliminating from EBIT, as defined below, 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, as required by IFRS 3;
  - restructuring costs that are a part of defined and significant plans. This item includes personnel costs as well as any and all other costs deriving from the reorganisation (e.g. impairment of assets, costs for the closure of sites, relocation costs, etc.);
  - 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 then used to calculate return on sales (ROS) and return on investment (ROI).

A reconciliation of Income before tax and financial expense, EBIT and EBITA is shown below:

<i>(€ millions)</i>	<b>For the nine months ended 30</b>	
	<b>September</b>	
	<b>2018</b>	<b>2017 restated</b>
Income before tax and financial expenses	292	429
Equity-accounted strategic JVs	80	133
<b>EBIT</b>	<b>372</b>	<b>562</b>
Amortisation of intangible assets acquired as part of business combinations	73	72
Restructuring costs	187	46
Non-recurring (income) expense	-	14
<b>EBITA</b>	<b>632</b>	<b>694</b>

- **Return on Sales (ROS):** this is calculated as the ratio of EBITA to revenue.
- **EBIT:** this is obtained by adding to EBIT (defined as earnings before “financial income and expense”, “share of profit (loss) of equity-accounted investees”, “income taxes” and “result from discontinued operations”) the Group’s share of profit in the results of its strategic Joint Ventures (ATR, MBDA, Thales Alenia Space and Telespazio), reported in the “share of profits (losses) of equity-accounted investees”.
- **Net result before extraordinary transactions:** this is the Net Result before the result from discontinued operations and the effects of the extraordinary transactions (acquisitions and disposals). Below is the reconciliation:

<i>(€ millions)</i>	<b>For the nine months ended 30</b>	
	<b>September</b>	
	<b>2018</b>	<b>2017 restated</b>
Net result	263	265
Effect of discontinued operations	(99)	-
<b>Net result before extraordinary transactions</b>	<b>164</b>	<b>265</b>

- **Group Net Debt:** this includes cash, financial receivables and current securities, net of (current and non-current) loans and borrowings and of the fair value of derivatives covering financial debt items, as well as the main non-current receivables. In particular, the Group Net Debt included the financial receivable (backed by bank guarantees) from SuperJet – that starting from 2016 was recorded within non-current receivables– which will be repaid in 3 years based on the arrangements for the rescheduling of the Group’s participation in this programme.

## Results at 30 September 2018

Below is the financial information required under Consob communication DEM/6064293 of 28 July 2006:

	<b>30 September 2018</b>	<i>of which with related parties</i>	<b>31 December 2017 restated</b>	<i>of which with related parties</i>
Cash and cash equivalents	(1,007)		(1,893)	
Securities held for trading	-		(3)	
<b>Liquidity</b>	<b>(1,007)</b>		<b>(1,896)</b>	
<b>Current loans and receivables</b>	<b>(174)</b>	<i>(142)</i>	<b>(157)</b>	<i>(110)</i>
Current bank loans and borrowings	92		60	
Current portion of non-current loans and borrowings	596		599	
Other current loans and borrowings	803	<i>753</i>	758	<i>701</i>
<b>Current financial debt</b>	<b>1,491</b>		<b>1,417</b>	
<b>Net current financial debt (funds)</b>	<b>310</b>		<b>(636)</b>	
Non-current bank loans and borrowings	151		186	
Bonds issued	3,054		3,048	
Other non-current loans and borrowings	26	-	31	-
<b>Non-current financial debt</b>	<b>3,231</b>		<b>3,265</b>	
<b>Net financial debt</b>	<b>3,541</b>		<b>2,629</b>	

The reconciliation with the net financial position required by the Consob communication no. DEM/6064293 of 28 July 2006 is reported below:

	<b>30 September 2018</b>	<b>31 December 2017 restated</b>
Net financial debt com. CONSOB no. DEM/6064293	<b>3,541</b>	<b>2,629</b>
Hedging derivatives in respect of debt items	(1)	(2)
Non current financial receivables from Superjet	(37)	(48)
<b>Group net debt (KPI)</b>	<b>3,503</b>	<b>2,579</b>

- **Free Operating Cash-Flow (FOCF):** this is the sum of the cash flows generated by (used in) operating activities (excluding the changes in the Group Net Debt), the cash flows generated by (used in) ordinary investing activities (investment and divestment of intangible assets, property, plant and equipment, and equity investments, net of cash flows from the purchase or sale of equity investments that, due to their nature or significance, are considered “strategic investments”) and dividends. The calculation of FOCF is presented in the reclassified statement of cash flows shown in the section “Group results and financial position”.
- **Return on Investments (ROI):** this is calculated as the ratio of EBITA to the average net capital invested in the two comparative periods.
- **Return on Equity (ROE):** this is calculated as the ratio of the Net Result before extraordinary transactions for the financial period to the average value of equity in the two comparative periods.
- **Workforce:** the number of employees recorded in the register on the last day of the period.

\* \* \* \* \*

### **Annex 3: Application of the new accounting standards IFRS 15 (“Revenue from Contracts with Customers”) and IFRS 9 (“Financial Instruments”)**

With effect from 1 January 2018 the Group adopted accounting standards IFRS 15 “Revenue From Contracts with Customers” and IFRS 9 “Financial Instruments”.

IFRS 15 sets out new rules to recognise revenues, as well as to provide additional disclosures in the notes to the financial statements. In general the new model provides for revenues to be recognised when control over goods or services is transferred to customers, in lieu of the previous analysis based on “risks and rewards”. The Group applied the standard from 1 January 2018, restating the 2017 accounting positions for comparative purposes. 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 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 in mass-supply 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, with consequent effects on the remeasurement of margins;
- new criteria on contract cost recognition;
- more defined criteria to be applied to mass productions with the consequent remeasurement of the margins of this kind of productions.

The application of the new standard has also entailed changes in the Order Backlog to take account of any adjustment made to those revenues that were recognised until the date of application of the new standard (these adjustments impact on the amount still to be worked, accounted for by the Backlog), as well as to exclude those orders that do not meet the requirements set out in IFRS 15.

Below are the effects arising from the application of IFRS 15 on the comparative statements reported:



## Results at 30 September 2018

<i>Reclassified statement of financial position</i>	<i>31 december 2017 reported</i>	<i>restatement</i>	<i>31 december 2017 restated</i>
<i>(€mil.)</i>			
Non-current assets	11.694	30	11.724
Non-current liabilities	(2.972)	135	(2.837)
<b>Capital assets</b>	<b>8.722</b>	<b>165</b>	<b>8.887</b>
Inventories	52	(587)	(535)
Trade receivables	3.187	(8)	3.179
Trade payables	(2.955)	(7)	(2.962)
<b>Working capital</b>	<b>284</b>	<b>(602)</b>	<b>(318)</b>
Provisions for short-term risks and charges	(793)	10	(783)
Other net current assets (liabilities)	(1.152)	156	(996)
<b>Net working capital</b>	<b>(1.661)</b>	<b>(436)</b>	<b>(2.097)</b>
<b>Net invested capital</b>	<b>7.061</b>	<b>(271)</b>	<b>6.790</b>
Equity attributable to the Owners of the Parent	4.468	(269)	4.199
Equity attributable to non-controlling interests	16	(2)	14
<b>Equity</b>	<b>4.484</b>	<b>(271)</b>	<b>4.213</b>
<b>Group Net Debt</b>	<b>2.579</b>	<b>-</b>	<b>2.579</b>
<b>Net (assets)/liabilities held for sale</b>	<b>(2)</b>	<b>-</b>	<b>(2)</b>

<i>Reclassified income statement</i> <i>(€mil.)</i>	<i>For the nine months ended 30 September</i>		
	<i>2017 reported</i>	<i>restatement</i>	<i>2017 restated</i>
Revenues	7.984	64	8.048
Purchases and personnel expenses	(6.977)	(71)	(7.048)
Other net operating income/(expenses)	(26)		(26)
Equity-accounted strategic JVs	134	(1)	133
Amortisation, depreciation and impairment losses	(412)	(1)	(413)
<b>EBITA</b>	<b>703</b>	<b>(9)</b>	<b>694</b>
<i>ROS</i>	8,8%	(0,2%)	8,6%
Non-recurring income/(expenses)	(14)	-	(14)
Restructuring costs	(46)	-	(46)
Amortisation of intangible assets acquired as part of business combinations	(72)	-	(72)
<b>EBIT</b>	<b>571</b>	<b>(9)</b>	<b>562</b>
<i>EBIT Margin</i>	7,2%	(0,2%)	7,0%
Net financial income/(expenses)	(237)	-	(237)
Income taxes	(62)	2	(60)
<b>Net Result before extraordinary transactions</b>	<b>272</b>	<b>(7)</b>	<b>265</b>
Net result related to discontinued operations and extraordinary transactions	-	-	-
<b>Net result</b>	<b>272</b>	<b>(7)</b>	<b>265</b>

## Results at 30 September 2018

<i>Reclassified statement of financial position</i>	<u>30 September</u> <u>2017 reported</u>	<u>restatement</u>	<u>30 September</u> <u>2017 restated</u>
<i>(€mil.)</i>			
Non-current assets	11.621	92	11.713
Non-current liabilities	(3.091)	160	(2.931)
<b>Capital assets</b>	<b>8.530</b>	<b>252</b>	<b>8.782</b>
Inventories	864	(673)	191
Trade receivables	3.329	(5)	3.324
Trade payables	(2.649)	(5)	(2.654)
<b>Working capital</b>	<b>1.544</b>	<b>(683)</b>	<b>861</b>
Provisions for short-term risks and charges	(738)	12	(726)
Other net current assets (liabilities)	(886)	137	(749)
<b>Net working capital</b>	<b>(80)</b>	<b>(534)</b>	<b>(614)</b>
<b>Net invested capital</b>	<b>8.450</b>	<b>(282)</b>	<b>8.168</b>
Equity attributable to the Owners of the Parent	4.444	(280)	4.164
Equity attributable to non-controlling interests	16	(2)	14
<b>Equity</b>	<b>4.460</b>	<b>(282)</b>	<b>4.178</b>
<b>Group Net Debt</b>	<b>4.004</b>	<b>-</b>	<b>4.004</b>
<b>Net (assets)/liabilities held for sale</b>	<b>(14)</b>	<b>-</b>	<b>(14)</b>

IFRS 9 significantly amends the accounting treatment of financial instruments, introducing a new classification based on the characteristics of the entity's business model and cash flows and provides for the application of a structured impairment model for financial assets based on lifetime expected losses. Finally, it also introduces new general hedge accounting criteria which enable a more flexible and integrated approach to risk management. Considering the type of financial assets and liabilities of the Group, no particular criticalities arise from the new classification model of financial instruments, while the main impact area has been the definition of a new loan impairment model, to take account of the specific cases of the Group's target customers. For this purpose the simplified impairment model has been adopted, according to which the value of financial assets also reflects the probability of the counterparty's default ("Probability of Default", "PD") and the ability to recover the asset in the event that this default occurs ("Loss Given Default", "LGD"). Finally, a simplified approach has been adopted for some clusters of customers, which are characterised by a higher degree of segmentation, which is based on a "provision matrix" that reports a breakdown of loans into homogenous sub-sets by nature and maturity.

The Group adopted the standard from 1 January 2018 (excluding hedge accounting provisions which may be applied at a later time). Upon first-time adoption, the effects of the adoption of the new accounting standard on impairment issues were reported in the equity at 1 January 2018, in consideration of the complexity of remeasuring comparative values without reflecting any information that can be gathered afterwards. The effects on equity arising from the adoption of the new standard reported in the situation at 30 September 2018 are negative for an amount of €mil. 147.

**Declaration of the officer in charge of financial reporting pursuant to Art. 154-bis, paragraph 2 of Legislative Decree no. 58/98 as amended**

In accordance with the provisions of article 154-bis, paragraph 2 of Legislative Decree no. 58/1998 and subsequent amendments and integrations, the undersigned, Alessandra Genco, the officer in charge of financial reporting of Leonardo Società per azioni certifies that this interim reporting at 30 September 2018 corresponds to the related accounting records, books and supporting documentation.

Rome, 8 November 2018

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Officer in charge of Financial  
Reporting  
(Alessandra Genco)