

# Results at 31 March 2019

## *Disclaimer*

*This Interim Reporting at 31 March 2019 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")

	March 2019	March 2018	Change	2018
New orders	2,518	2,164	16.4%	15,124
Order backlog	36,575	33,360	9.6%	36,118
Revenue	2,725	2,451	11.2%	12,240
EBITDA	280	251	11.6%	1,534
EBITA	163	153	6.5%	1,120
ROS	6.0%	6.2%	(0.2) p.p.	9.2%
EBIT	156	121	28.9%	715
EBIT Margin	5.7%	4.9%	0.8 p.p.	5.8%
Net Result before extraordinary transactions	77	50	54.0%	421
Net result	77	50	54.0%	510
Group Net Debt	4,016	3,595	11.7%	2,351
FOCF	(1,114)	(1,057)	(5.4%)	336
ROI	8.4%	8.4%	0.0 p.p.	16.4%
ROE	6.7%	4.8%	1.9 p.p.	9.7%
Workforce	48,040	45,606	5.3%	46,462

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

The results were up for the first quarter of 2019 over the comparative period and in particular:

- New orders equal to €bil. 2.5 showed, compared to the first three months of 2018 (€bil. 2.2), an increase equal to 16.4%, mainly due to the *Defense Electronics & Security* sector;
- Revenues equal to €bil. 2.7 increased by 11.2% compared to the first quarter of 2018 (€bil. 2.5), mainly in relation to the *Defense Electronics & Security* sector and, to a lesser extent, to *Helicopters*;
- EBITA equal to €mil. 163 showed an increase of 6.5% compared to the first quarter of 2018 (€mil. 153);
- Operating profits, equal to 6%, are substantially in line with the comparative period (6.2% in the first quarter of 2018);
- Net result before extraordinary transactions equal to €mil. 77 (€mil. 50 in the first quarter of 2018) benefitted, compared to the first quarter of 2018, in addition to an improved operating result, from lower restructuring costs and from a reduction in the amortisation of assets deriving from Purchase Price Allocation and in financial expense;

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- Group Net Debt equal to €bil. 4.0 worsened, compared to 31 December 2018 (€bil. 2.4) and to 31 March 2018 (€bil. 3.6) 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 cash flow for the period, negative for €mil. 1,114, was substantially in line with the first quarter of 2018 (negative for €mil. 1,057).

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

	31 March 2019				
	New orders	Order backlog	Revenues	EBITA	ROS
Helicopters	688	12,141	813	56	6.9%
Defense 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%)
Eliminations	(189)	(1,036)	(173)	-	n.a.
<b>Total</b>	<b>2,518</b>	<b>36,575</b>	<b>2,725</b>	<b>163</b>	<b>6.0%</b>

	31 March 2018				
	New orders	Order backlog at 31 Dec. 2018	Revenues	EBITA	ROS
Helicopters	611	12,151	750	53	7.1%
Defense 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%)
Eliminations	(155)	(971)	(168)	-	n.a.
<b>Total</b>	<b>2,164</b>	<b>36,118</b>	<b>2,451</b>	<b>153</b>	<b>6.2%</b>

	Change %				
	New orders	Order backlog	Revenues	EBITA	ROS
Helicopters	12.6%	(0.1%)	8.4%	5.7%	(0.2) p.p.
Defense 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.
Eliminations	n.a.	n.a.	n.a.	n.a.	n.a.
<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>

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### Commercial performance

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

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.

\* \* \* \* \*

### Business performance.

( <i>€ millions</i> )	For the three months ended 31 March		Change	% Change
	2019	2018		
Revenues	2,725	2,451	274	11.2%
Purchases and personnel expenses	(2,423)	(2,223)		
Other net operating income/(expenses)	(12)	4		
Equity-accounted strategic JVs	(10)	19		
Amortisation, depreciation and write-offs	(117)	(98)		
<b>EBITA</b>	<b>163</b>	<b>153</b>	<b>10</b>	<b>6.5%</b>
<i>ROS</i>	6.0%	6.2%	(0.2) p.p.	
Restructuring costs	-	(8)		
Amortisation of intangible assets acquired as part of business combinations	(7)	(24)		
<b>EBIT</b>	<b>156</b>	<b>121</b>	<b>35</b>	<b>28.9%</b>
<i>EBIT Margin</i>	5.7%	4.9%	0.8 p.p.	
Net financial income/(expenses)	(51)	(66)		
Income taxes	(28)	(5)		
<b>Net Result before extraordinary transactions</b>	<b>77</b>	<b>50</b>	<b>27</b>	<b>54.0%</b>
Net result related to discontinued operations and extraordinary transactions	-	-		
<b>Net profit/(loss) for the period attributable to:</b>	<b>77</b>	<b>50</b>	<b>27</b>	<b>54.0%</b>
- owners of the parent	77	50		
- non-controlling interests	-	-		

**Revenues** showed, compared to the first quarter of 2018, an increase (+11.2%) mainly related to the *Defense Electronics & Security* sector, for higher activities in Leonardo DRS and within the *Airborne Systems*, in addition to the higher activities on government programmes of the *Helicopters* sector.

**EBITA** equal to €mil. 163 (with a ROS of 6.0%) showed an improvement compared to the first quarter of 2018 (€mil. 153 - ROS of 6.2%), despite the decline in the result posted by the GIE-ATR Consortium, penalised by lower deliveries.

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

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

\* \* \* \* \*

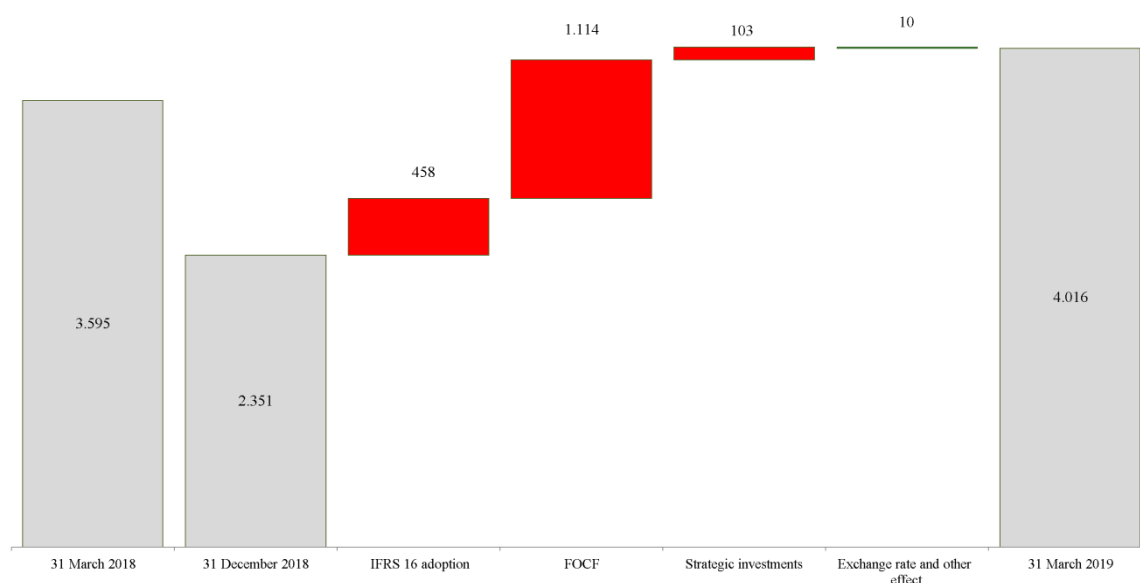
### *Financial performance*

<i>(€ millions)</i>	<b>For the three months ended 31 March</b>		<b>Change</b>	<b>% Change</b>
	<b>2019</b>	<b>2018</b>		
Cash flows used in operating activities	(1,079)	(1,017)		
Dividends received	90	125		
Cash flows from ordinary investing activities	(125)	(165)		
<b>Free Operating Cash Flow (FOCF)</b>	<b>(1,114)</b>	<b>(1,057)</b>	<b>(57)</b>	<b>(5.4%)</b>
Strategic investments	(34)	(10)		
Change in other investing activities	(24)	(5)		
Net change in loans and borrowings	128	10		
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,044)</b>	<b>(1,062)</b>		
Cash and cash equivalents at 1 January	2,049	1,893		
Exchange rate differences and other changes	6	(6)		
<b>Cash and cash equivalents at 31 March</b>	<b>1,011</b>	<b>825</b>		

**FOCF** in the first quarter of 2019 was negative for €mil. 1,114 (negative for €mil. 1,057 in the first quarter of 2018), in line with the usual interim trend that is characterised by significant cash absorptions in the first part of the year. Strategic transactions of the period reflected the cash out linked to the closing of the transaction regarding Vitrociset, net of the cash acquired.

The **Group Net Debt**, equal to €mil. 4,016, increased compared to 31 December 2018 (€mil. 2,351) mainly as a result of the recognition at 1 January 2019 of financial liabilities deriving from the application of IFRS 16, of the negative FOCF performance and of the impact on the net financial position of the transaction regarding Vitrociset. Changes in the Group Net Debt are shown below:

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

	<u>31 March 2019</u>	<u>31 December 2018</u>	<u>31 March 2018</u>
<i>(€ millions)</i>			
Non-current assets	12,369	11,824	11,559
Non-current liabilities	(2,595)	(2,611)	(2,714)
<b>Capital assets</b>	<u><b>9,774</b></u>	<u><b>9,213</b></u>	<u><b>8,845</b></u>
Inventories	862	(78)	207
Trade receivables	3,054	2,936	3,061
Trade payables	(3,016)	(3,028)	(2,861)
<b>Working capital</b>	<u><b>900</b></u>	<u><b>(170)</b></u>	<u><b>407</b></u>
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>	<u><b>(1,056)</b></u>	<u><b>(2,359)</b></u>	<u><b>(1,070)</b></u>
<b>Net invested capital</b>	<u><u><b>8,718</b></u></u>	<u><u><b>6,854</b></u></u>	<u><u><b>7,775</b></u></u>
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>	<u><u><b>4,709</b></u></u>	<u><u><b>4,510</b></u></u>	<u><u><b>4,180</b></u></u>
<b>Group Net Debt</b>	<u><u><b>4,016</b></u></u>	<u><u><b>2,351</b></u></u>	<u><u><b>3,595</b></u></u>
<b>Net (assets)/liabilities held for sale</b>	<u><u><b>(7)</b></u></u>	<u><u><b>(7)</b></u></u>	<u><u><b>-</b></u></u>

\* \* \* \* \*

Below are the key performance indicators by sector:

### **Helicopters**

The performance of the first quarter of 2019 confirmed the efficacy of the path taken last year, highlighting, in comparison with the same period of the prior year, an increase in New Orders and Revenues and a profitability in line with the first quarter of 2018 and with the 2019 expectations.

New orders. These increased compared to the first quarter of 2018, mainly for the acquisition of the contract related to the supply of 23 NH90 tactical helicopters for the Spanish Ministry of Defence. Among the other acquisitions in this quarter, note the various orders related to the Customer Support and Training activities.

Revenues. They increased as a result of the higher activities on governmental programmes that more than offset the effect deriving from the postponement of some deliveries of helicopters for civil customers (in the first quarter of 2019 a total of 19 deliveries of new helicopters were recorded compared to 29 of the first quarter of 2018).

EBITA. The increase compared to the first quarter of 2018 was due to higher revenues achieved.

### **Defense Electronics & Security**

The first quarter of 2019 was characterised by a good performance both from a business and results of operations point of view, with increasing orders, revenues and profits compared to the same period of the prior year.

Below is a breakdown of the Key Performance Indicators of the sector:



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<b>31 March 2019</b>	<b>New orders</b>	<b>Revenues</b>	<b>EBITA</b>	<b>ROS</b>
DES Europe	823	874	76	8.7%
Leonardo DRS	687	461	24	5.2%
<i>Eliminations</i>	<i>(3)</i>	<i>(6)</i>	-	<i>n.a.</i>
<b>Total</b>	<b>1,507</b>	<b>1,329</b>	<b>100</b>	<b>7.5%</b>
<b>31 March 2018</b>	<b>New orders</b>	<b>Revenues</b>	<b>EBITA</b>	<b>ROS</b>
DES Europe	622	789	55	7.0%
Leonardo DRS	345	370	18	4.9%
<i>Eliminations</i>	<i>(2)</i>	<i>(10)</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>
DES 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>

Average €/USD exchange rate: 1.1357 (first quarter of 2019) and 1.2295 (first quarter of 2018).

**New Orders:** These increased considerably compared to the first quarter of 2018, in particular thanks to higher orders recorded by the subsidiary Leonardo DRS and by some businesses within the Defense Electronics & Security sector. Among the main orders in the period, note the order of Leonardo DRS within the Land Electronics business, for the production of new generation US Army mission command computing systems named Mounted Family of Computer Systems (MFoCS) II. As regards the Automation business, note the orders for the renewal of the baggage handling system for the international airport of Geneva and for that of Athens.

**Revenues.** These increased compared to 2018, mainly for higher activities in Leonardo DRS and within the Airborne Systems.

**EBITA.** It increased compared to the first quarter of 2018 as a result of higher volumes and improved profitability recorded in all the business areas.

Below are Leonardo DRS Key Performance Indicators in USD:

	<b>New orders</b>	<b>Revenues</b>	<b>EBITA</b>	<b>ROS</b>
DRS (\$mil.) March 2019	780	524	27	5.2%
DRS (\$mil.) March 2018	424	455	22	4.9%

### **Aeronautics**

During the first quarter of 2019 new orders were gained for €mil. 454, 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.

New orders. These decreased compared to the first quarter of 2018 due to the decline reported in the *Aerostructures* Division, which had benefitted from the acquisition of considerable orders for the B787 and ATR programmes. Among the main acquisitions in the first quarter of 2019 note:

- in the *Aircraft* Division, the orders received from the Eurofighter consortium for the supply of engineering services and support to the EFA aircraft fleet, from Lockheed Martin in relation to the F-35 programme and also other orders related to the logistic support to the C27J and ATR Maritime Patrol aircraft and trainers;
- in the *Aerostructures* Division, the orders received from Airbus in relation to the production on the A321 and A220 programmes.

Revenues. They were in line with the first quarter of 2018 as a whole.

EBITA. The decrease compared to the first quarter of 2018 was mainly due to the effect of the lower result of the GIE-ATR consortium, penalised by the lower deliveries made in the period and by the different mix, partially offset by the improvement recorded in the *Aircraft* Division, which confirmed excellent profitability levels, and in the *Aerostructures* Division, whose performance has started to benefit from the industrial process efficiency actions.

### **Space**

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

\* \* \* \* \*

### ***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.

\* \* \* \* \*

### **Main transactions of the first three months of 2019 significant events occurred after the period-end**

***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 the Leonardo helicopters, their sale and the supply of related services for various applications.

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

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### **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/Results and Reports), as well as on the website of the authorised storage mechanism NIS-Storage ([www.emarketstorage.com](http://www.emarketstorage.com)).

As previously indicated, note that starting from 1 January 2019 the Group adopted IFRS 16 “Leases”, the effects of which are reported in Annex 3. Except for such standards, the accounting policies, measurement criteria and consolidation methods used for this interim reporting at 31 March 2019, which should be read in conjunction with the 2018 annual consolidated financial statements,

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are unchanged from those of the 2018 annual consolidated financial statements (except for those specifically applicable to interim financial reports) and the interim reporting at 31 March 2018.

This interim reporting, approved by the Board of Directors on 8 May 2019, was not subject to any statutory review.

### 1. FINANCIAL INCOME AND EXPENSES

	For the three months ended 31 March	
	2019	2018
Interest	(43)	(45)
Commissions	(3)	(10)
Fair value gains (losses) through profit or loss	4	(4)
Premiums (paid) received on forwards	(8)	(2)
Exchange rate differences	3	(2)
Other financial income and expenses	(8)	(10)
Share of profits/(losses) of equity-accounted investees	4	7
	<b>(51)</b>	<b>(66)</b>

### 2. LOANS AND BORROWINGS

The Group Net Debt breaks down as follows:

(€ millions)	31 March 2019	of which current	31 December 2018	of which current	31 March 2018	of which current
Bonds	3,112	356	3,154	408	3,576	541
Bank debt	755	116	721	70	270	82
Cash and cash equivalents	(1,011)	(1,011)	(2,049)	(2,049)	(825)	(825)
<b>Net bank debt and bonds</b>	<b>2,856</b>		<b>1,826</b>		<b>3,021</b>	
Securities	-	-	-	-	(3)	-
Current loans and receivables from related parties	(111)	(111)	(153)	(153)	(83)	(83)
Other current loans and receivables	(39)	(39)	(32)	(32)	(42)	(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)	(13)	(3)	(3)	(4)	(4)
Related-party loans and borrowings	740	703	669	669	679	679
Other loans and borrowings	608	177	69	43	75	46
<b>Group Net Debt</b>	<b>4,016</b>		<b>2,351</b>		<b>3,595</b>	

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

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 consolidated financial statements as at 31 December 2018.

### **3. CONTINGENT LIABILITIES**

For details reference should be made to the information provided in the Annual Financial Report at 31 December 2018.

Note that in the first quarter 2019, with reference to the criminal proceedings relating to the accident that occurred in Santhià on 30 October 2015, which are pending before the Vercelli Public Prosecutor's Office 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, on 16 April 2019 the Judge for Pre-trial Hearing ordered the committal for trial of all the individuals involved.

For the Board of Directors  
The Chairman  
Giovanni De Gennaro

## Annex 1: Scope of consolidation

Below are the changes in the scope of consolidation at 31 March 2019 in comparison with 31 March 2018:

<b>COMPANY</b>	<b>EVENT</b>	<b>MONTH</b>
<b><u>Companies which entered the scope of consolidation:</u></b>		
Torpedo South Africa (PTY) Ltd	purchase	April 2018
Leonardo International Spa	incorporation	May 2018
Vitrociset Group	purchase	January 2019
LEONARDO Poland SP. Z O.O.	incorporation	March 2019
UTM Systems & Services S.r.l.	become operational	February 2019
<b><u>Companies which left the scope of consolidation:</u></b>		
ZAO Artetra	deconsolidated	April 2018
Indian Rotorcraft Ltd	sold	May 2018
AgustaWestland Politecnico Advanced Rotorcraft Center S.C. a R.L. (in liq.)	deconsolidated	June 2018
Zakład Obrobki Plastycznej SP. Z O.O.	sold	December 2018
Aviation Training International Ltd	sold	December 2018

### **Companies which changed their name:**

<b>Old name</b>	<b>New name</b>	<b>Month</b>
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
Alenia North America-Canada Co.	LEONARDO Canada Co.	November 2018
Oto Melara Iberica S.A.U.	LEONARDO Hispania S.A.U.	November 2018
AgustaWestland Portugal S.A.	LEONARDO Portugal S.A.	December 2018
Agusta Aerospace Services A.A.S. S.A.	LEONARDO Belgium S.A.	January 2019

\* \* \* \* \*

### 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 analyse 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 in the period, 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.
- **EBITDA:** this is given by EBITA, as defined below, before amortisation, depreciation, impairment losses (net of those relating to goodwill or classified among "non-recurring costs") and value adjustments.
- **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 three months ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
Income before tax and financial expenses	166	102
Equity-accounted strategic JVs	(10)	19
<b>EBIT</b>	<b>156</b>	<b>121</b>
Amortisation of intangible assets acquired as part of business combinations	7	24
Restructuring costs	-	8
Non-recurring (income) expense	-	-
<b>EBITA</b>	<b>163</b>	<b>153</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).

## Results at 31 March 2019

- 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 which will be repaid within 2020 based on the arrangements for the rescheduling of the Group's participation in this programme. The reconciliation with the net financial position required by the Consob communication no. DEM/6064293 of 28 July 2006 is reported below:

	<u>31 March 2019</u>	<u>31 December 2018</u>
Net financial debt com. CONSOB no. DEM/6064293	4,054	2,379
Hedging derivatives in respect of debt items	(13)	(3)
Non current financial receivables from Superjet	(25)	(25)
<b>Group net debt (KPI)</b>	<b>4,016</b>	<b>2,351</b>

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

	<u>31 March 2019</u>	<i>of which with related parties</i>	<u>31 December 2018</u>	<i>of which with related parties</i>
<b>Liquidity</b>	<b>(1,011)</b>		<b>(2,049)</b>	
<b>Current loans and receivables</b>	<b>(150)</b>	<i>(111)</i>	<b>(185)</b>	<i>(153)</i>
Current bank loans and borrowings	116		70	
Current portion of non-current loans and borrowings	356		408	
Other current loans and borrowings	880	703	712	669
<b>Current financial debt</b>	<b>1,352</b>		<b>1,190</b>	
<b>Net current financial debt (funds)</b>	<b>191</b>		<b>(1,044)</b>	
Non-current bank loans and borrowings	639		651	
Bonds issued	2,756		2,746	
Other non-current loans and borrowings	468	37	26	-
<b>Non-current financial debt</b>	<b>3,863</b>		<b>3,423</b>	
<b>Net financial debt</b>	<b>4,054</b>		<b>2,379</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.



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### **Annex 3: Application of the new accounting standard IFRS 16 (“Leases”)**

Starting from 1 January 2019 the Group has adopted IFRS 16 “Leases”, which redefines the recognition methods in the lessees financial statements, requiring a single accounting method for all types of contracts. The impacts on the lessees deriving from the application of the new standard are as follows:

- the recognition of non-current assets equal to the rights of use of tangible and intangible assets under existing lease agreements;
- the recognition of financial liabilities equal to the present value of future lease payments;

The Group has adopted this accounting standard using, during the first-time adoption, the “modified” approach, which does not provide for the redetermination of the comparative values. The effects deriving from the adoption of the new standard on the situation at 1 January 2019 were:

	<u>1 January 2019</u>
Rights of use	445
Financial liabilities for leases	458
Liabilities for deferred lease payments	(13)

**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 31 March 2019 corresponds to the related accounting records, books and supporting documentation.

Rome, 8 May 2019

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Officer in charge of Financial  
Reporting  
(Alessandra Genco)