

## **Leonardo's Shareholders' Meeting approves 2016 Financial Statements, the distribution of a € 14 cent. dividend p.s. for the first time after six years and appoints the new Board of Directors for the 2017-2019 mandate**

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- Approved the Company Financial Statements for 2016
- Approved Sirio Panel S.p.A. Financial Statements at 31 December 2016
- Approved the distribution of a € 14 cent. Dividend
- Appointed the new Board of Directors
- Approved the Remuneration Report
- Authorized the purchase and dispose of treasury shares at the service of the current Incentive/Coinvestments Plans
- Authorised the amendment of Art. 18.3 of the Bylaws
- Presented the Sustainability and Innovation Report 2016
- Relevant attendance by institutional shareholders, mostly international, representing approx 35% of the share capital

**Rome, 16 May 2017** – The Shareholders' Meeting of Leonardo Spa, which convened today in Rome, has resolved on the followings:

### **Financial Statements for 2016**

The Shareholders' Meeting approved the Company's Financial Statements for 2016 and examined the Consolidated Financial Statements

### **Key economic and financial data**

The 2016 results, which were particularly significant from the commercial, economic and financial point of view, confirm the validity of the guidelines set out in the Industrial Plan prepared in 2014, which have led Leonardo to focus on its core business and have made it definitely stronger, despite the challenging situation of some target markets, including civil Helicopters segments. The actions taken in the implementation of this plan have allowed the successful completion of the first phase of the Plan aimed at reorganising and relaunching the Group. Leonardo is now a "new" Group, with a new brand, focused on its core business, with a more effective and efficient governance and characterised by an increasingly growing cash generation, and, consequently, by a debt level that is most appropriate to its size. Finally, the Group is now able to achieve relevant economic and financial results, in line with the main competitors, thanks to the first significant benefits coming from the actions aimed at reducing costs and improving industrial processes. These actions were combined with successful commercial results, while continuing to be strictly selective in acquiring new orders, mainly in *Electronics* sector, that has reached a book-to-bill higher than 1.2 during the two-year period from 2015 to 2016, and the EFA Kuwait contract, worth approximately 8 billion euro.

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**Leonardo** is among the top ten global players in Aerospace, Defence and Security and Italy's main industrial company. As a single entity from January 2016, organised into seven business divisions (Helicopters; Aircraft; Aero-structures; Airborne & Space Systems; Land & Naval Defence Electronics; Defence Systems; Security & Information Systems), Leonardo operates in the most competitive international markets by leveraging its areas of technology and product leadership. Listed on the Milan Stock Exchange (LDO), at 31 December 2016 Leonardo recorded consolidated revenues of 12 billion Euros and has a significant industrial presence in Italy, the UK and the U.S.

2016 results highlights are as follows:

- **New Orders:** amounted to **EUR 19,951 million**, materially higher (+61%) than 2015, mainly due to the acquisition of the contract for the supply of 28 Eurofighter Typhoon aircraft to the Kuwaiti Ministry of Defence, for an overall value of approx. €bil. 7.95, and despite a negative impact from the GBP/€ exchange rate for approximately 400 million. Consequently, the book-to-bill ratio reached 1.7.
- **Order Backlog:** amounted to **EUR 34,798 million** (+21% vs. 2015). 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 12,002 million** (-7,6% vs. 2015). This is due to the reduction in Helicopters, affected by some weakness in civil markets caused by though market conditions in Oil&Gas, to the change in perimeter namely in DRS and FATA and to the negative impact of the GBP/€ exchange rate (ca. 300 million).
- **EBITDA:** amounted to **EUR 1,907 million**, 2.2% higher than the 1,866 million of 2015. Also the *EBITDA margin*, at 15.9%, increased by 150 bp compared to 14.4% of 2015.
- **EBITA:** amounted to **EUR 1,252 million**, 3.6% higher than the 1,208 million of 2015, despite softer revenues and the negative impact of the GBP/€ exchange rate for about 30 million. RoS was at 10.4%, 110 bp higher than the 9.3% of 2015 thanks to improvements reported in all sectors and stable results in *Helicopters*, despite the difficulties encountered in target markets.
- **EBIT:** amounted to **EUR 982 million**, 11.1% higher than the 884 million of 2015. Also the *EBIT margin*, at 8.2%, increased by 140 bp compared to 6.8% of 2015.
- **Net Result before extraordinary transactions:** amounted to **EUR 545 million**, 115.4% higher than the 253 million of 2015 thanks to improved EBITA, a reduced volatility of below-the-line items and a reduction in financial costs and a lower tax impact
- **Net Result:** amounted to **EUR 507 million**, 20 million lower than the 527 million of 2015 mainly due to a lower contribution of Extraordinary Transactions compared to 2015, which benefited from significant capital gain from the disposal of the Transportation sector to Hitachi (€ mil. 274). 2016 also reflects the effects of the reorganization of assets with Sukhoi in *Aeronautics* and the sale of the *Environmental* business of DRS, net of the capital gain on the disposal of FATA.
- **Free Operating Cash Flow (FOCF):** amounted to **EUR 706 million**, more than double (+130%) the 307 million of 2015. The figure for 2016 also reflects the net impact of the first advance payment for the Eurofighter Kuwait, higher compared than initially expected. However, the total cumulated 2016 and 2017 net impact is still expected to amount to approx. EUR 600 million is reconfirmed.
- **Group Net Debt:** amounted to **EUR 2,845 million**, 433 million lower (-13.2%) than the 3,278 million at 31 December 2015 thanks to an improved cash performance and despite significantly negative exchange differences impacting over 200 million. This improvement and a more solid financial structure allowed a further reduction in the debt-to-equity ratio to 0.65 in 2016, already below 1 from 2015.

## Outlook

The new 2017–2021 Industrial Plan forecasts progressive growth of the Group, based on a more effective focus on markets – to be achieved through a unified and integrated presence and more competitive offerings – and a growth, both organic and external, in its core business areas.

These initiatives will be accompanied by additional strong actions aimed to improve industrial efficiency, through a continuous improvement in Leonardo key industrial processes (manufacturing, engineering and supply chain), with increasing efficiency and effectiveness.

In 2017 Leonardo forecasts:

- Revenues in line with 2016, confirming that the Group, after the disposal of its non-core activities, is increasingly focused on businesses able to ensure adequate levels of profitability and cash generation;
- Further progress in profitability, mainly driven by efficiency actions and by the continuous improvement of the industrial performance in *Electronics, Defence & Security Systems* and *Aeronautics*, still supported by the strong profitability of *Helicopters*
- A confirmation of its ability to generate cash, as already highlighted in 2016, driven by increasing operating profits combined with careful management of working capital and constant selectivity in investments. 2017 FOCF also includes the net financial impact from the EFA Kuwait contract which, although in 2016 was higher than the original forecast, is forecasted to remain, on a 2016 – 2017 cumulative basis, in line with expectations.

The FY 2017 guidance are summarised below:

	2016 figures	Outlook 2017*
New Orders (€bn.)	20.0	12.0 – 12.5
Revenues (€bn)	12.0	ca. 12
EBITA (€mln)	1,252	1,250 – 1,300
FOCF (€mln)	706	500 – 600
Group Net Debt (€bn)	2.8	ca. 2.5

(\*) Exchange rate assumptions: €/USD 1,15 and €/GBP 0,85

## **Sirio Panel S.p.A. Financial Statements at 31 December 2016**

The Shareholders resolved to approve Sirio Panel S.p.A. financial statements at 31 December 2016

### **Dividend**

The Shareholders' Meeting approved the proposal to distribute a dividend on the profit for the year 2016 equal to 0.14 euros, gross of any statutory suspended payments, for each ordinary share outstanding at the coupon date, excluding its treasury shares at that date. The dividend will be paid as of May 24, 2017, with record date May 23, 2017, after detachment of coupon no. 8 on May 22, 2017.

### **Board of Directors' appointment**

The Shareholders' Meeting, having determined the number of its members in 12 and fixing the duration of the relevant mandate in three years, appointed the new Board of Directors of the Company for the three-year period 2017-2019, which will end with the Shareholders' Meeting Convened for approval of the financial statements at 31 December 2019.

The new Board of Directors is composed as follows:

- Giovanni De Gennaro (1)
- Alessandro Profumo (1) (\*)
- Marta Dassù (1) (\*)
- Marina Elvira Calderone (1) (\*)
- Luca Bader (1) (\*)
- Guido Alpa (1) (\*)
- Fabrizio Landi (1) (\*)
- Antonino Turicchi (1)
- Paolo Cantarella (2) (\*)
- Dario Frigerio (2) (\*)
- Marina Rubini (2) (\*)
- Silvia Merlo (2) (\*)

(1) Taken from the list submitted by the shareholder Ministry of the Economy and Finance, which owns about 30,204% of the share capital, which, at the vote, has obtained the voting majority (about 62% of the share capital represented at the Shareholders' Meeting)

(2) Taken from the list submitted by a group of savings management companies and institutional investors, holding altogether about 1,910% of the share capital, which, at the vote, has obtained the voting minority (about 37% of the share capital represented at the Shareholders' Meeting).

(\*) Candidate who has declared that the requirements of independence, laid down by law (Article 147-ter, paragraph 4 and Article 148, paragraph 3 of Legislative Decree 58/1998) and Art. 3 of the Corporate Governance Code, have been met.

The new Directors' curricula are available on the Company's website ([www.leonardocompany.com](http://www.leonardocompany.com)).

The Shareholders' Meeting also appointed Giovanni De Gennaro Chairman of the Company's Board of Directors, also determining the remuneration of the Board of Directors (euro 90,000.00 per year gross for the Chairman of the Board of Directors, Euro 80,000.00 per year gross for each of the other Directors).

The new Board of Directors will proceed, at the first helpful meeting, to the assessment of the existence of independence requirements for its members in accordance with the law and the Corporate Governance Code, as well as to the appointment of members of the internal Committees to the Board.

## **Remuneration Report**

The Shareholders' Meeting expressed a favorable vote (with ca. 73% of the share capital represented in the Shareholders' Meeting) on the first section of the Remuneration Report, which illustrates the Company's policy on remuneration of the members Board of directors, general managers and managers with strategic responsibilities, as well as the procedures for the adoption and implementation of such policy.

## **Purchase and dispose of treasury shares**

The Shareholders' Meeting also approved the proposal to renew the authorization to purchase and dispose of treasury shares at the service of the current Incentive / Coinvestment Plans

(simultaneously revoking the prior approval for acquisition on 28 April 2016, as for not already used), up to a maximum of n. 2,000,000 ordinary shares, for a period of time - as of the acquisition - of eighteen months from the Shareholders' Meeting resolution, as well as - regarding the disposal of the shares purchased as well as those already in the portfolio - within the time limits necessary for the implementation of the Plans .

It is recalled that the purchase of treasury shares can be carried out, with appropriate steps and through purchase on the market, at a maximum and minimum unit price equal to the reference price recorded on the Telematic Stock Exchange on the day before the purchase (plus or less 5%, respectively, for the maximum price and the minimum price).

Currently the Company holds no. 3,738,696 treasury shares, equal to about 0.646% of the share capital.

### **Amendment of the Bylaws**

The Meeting finally approved, in extraordinary session, the proposal to amend art. 18.3 of the Articles of Association concerning the integration of the voting list rules for the appointment of the Board of Directors, provided that the list that has obtained the highest number of votes does not have enough candidates to ensure the achievement of the number of candidates to be elected.

### **Sustainability and Innovation Report 2016**

On the occasion of the Shareholders' Meeting, the Company presented the Sustainability and Innovation Report 2016, the first with the brand Leonardo. It shows the first results of the One Company model and the journey of sustainable growth undertaken to create long term value for all Group stakeholders.

### **Attendance at the Shareholders' Meeting**

The Meeting recorded a considerable attendance by institutional shareholders – mostly foreign – who were present with approx. 35% of the share capital, significantly more than the 31% share capital represented during last year's Shareholders' Meeting.

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A summary report of the voting will be made available on the Company's Website ([www.leonardocompany.com](http://www.leonardocompany.com)), in compliance with Art. 125-quater of the Consolidated Law on Finance, within the prescribed term of five days after the Shareholders' Meeting.

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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.