HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2018

Disclaimer

This Half-Year Financial Report for 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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Boards and Committees

BOARD OF DIRECTORS
(for the three-year period 2017 - 2019)

GIOVANNI DE GENNARO
Chairman

ALESSANDRO PROFUMO
Chief Executive Officer

GUIDO ALPA
Director (a, c)

LUCA BADER
Director (a, d)

MARINA ELVIRA CALDERONE
Director (b, c)

PAOLO CANTARELLA
Director (a, c)

MARTA DASSU'
Director (c, d)

DARIO FRIGERIO
Director (b, c)

FABRIZIO LANDI
Director (a, d)

SILVIA MERLO
Director (a, d)

MARINA RUBINI
Director (b, c)

ANTONINO TURICCHI
Director (b, c)

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LUCIANO ACCIARI
Secretary of the Board of Directors

BOARD OF STATUTORY AUDITORS *
(for the three-year period 2018 - 2020)

Regular Statutory Auditors

RICCARDO RAUL BAUER
Chairman

SARA FORNASIERO

FRANCESCO PERRINI

LEONARDO QUAGLIATA

DANIELA SAVI

Alternate Statutory Auditors

MARINA MONASSI

LUCA ROSSI

INDEPENDENT LEGAL AUDITORS
KPMG S.p.A.
(for the period 2012 - 2020)

* The former Board of Statutory Auditors, the term of office of which expired at the Shareholders' Meeting held on 15 May 2018, was composed as follows: Riccardo Raul Bauer (Chairman), Niccolò Abriani, Luigi Corsi, Francesco Perrini and Daniela Savi (Regular Statutory Auditors), Maria Teresa Cuomo and Stefano Fiorini (Alternate Statutory Auditors)

a. Member of the Control and Risks Committee
b. Member of the Remuneration Committee
c. Member of the Nomination, Governance and Sustainability Committee
d. Member of the Analysis of International Scenarios Committee

Report on operations at 30 June 2018

Group results and financial position

Key Performance Indicator ("KPI")

	June 2018	June 2017 restated	Change	2017 restated
New orders	4,604	5,061	(9.0%)	11,595
Order backlog	32,611	33,918	(3.9%)	33,507
Revenue	5,589	5,496	1.7%	11,734
EBITDA	671	780	(14.0%)	1,602
EBITA	470	505	(6.9%)	1,077
ROS	*8.4%*	*9.2%*	*(0.8) p.p.*	*9.2%*
EBIT	240	423	(43.3%)	844
EBIT Margin	4.3%	7.7%	(3.4) p.p.	7.2%
Net Result before extraordinary transactions	106	213	(50.2%)	279
Net result	106	213	(50.2%)	279
Group Net Debt	3,474	3,577	(2.9%)	2,579
FOCF	(809)	(531)	(52.4%)	537
ROI	*13.0%*	*13.5%*	*(0.5) p.p.*	*15.4%*
ROE	*5.0%*	*10.0%*	*(5.0) p.p.*	*6.5%*
Research and development expenses	708	601	17.8%	1,539
Workforce	45,989	45,655	0.7%	45,134

The data relating to the first half-year 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 Note 4.

Please refer to the section on "Non-GAAP performance indicators" for definitions.

The results relating to the first half 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. 4.6, showed a decrease of about 9% compared to the first half of 2017 (€bil. 5.1), due to the postponement of the completion of some major acquisitions to the second half-year and to unfavourable exchange rates;
- revenues, equal to €bil. 5.6, showed a slight increase compared to the first half of 2017 (+2%) – which is even more significant if we exclude the negative exchange rate effect – mainly attributable to *Helicopters* and, to a lesser extent, to *Electronics, Defence & Security Systems*;
- operating profits, in line with forecasts, came to 8.4%, showing a decrease compared to the first half of 2017, which had benefitted from a particularly positive second quarter in the *Helicopters* segment;

- the net result before extraordinary transactions of €mil. 106 (€mil. 213 at 30 June 2017) was affected by the significant impact of restructuring costs (€mil. 170) arising from the start of the procedure under Law 92/2012 (Fornero Act);
- the Group Net Debt showed an improvement compared to the first half of 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. -809) showed a change in comparison with the first half of 2017 (€mil. -531) chiefly due to different financial profile 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 first half of 2017 are described below. A more thorough analysis can be found in the section covering the trends in each business segment.

	30 June 2018				
	New orders	**Order backlog**	**Revenues**	**EBITA**	**ROS**
Helicopters	1,329	9,341	1,830	153	8.4%
Electronics, Defence & Security Systems	2,355	11,765	2,521	207	8.2%
Aeronautics	1,129	12,234	1,426	123	8.6%
Space	-	-	-	21	n.a.
Other activities	45	165	176	(34)	(19.3%)
Eliminations	*(254)*	*(894)*	*(364)*	-	*n.a.*
Total	**4,604**	**32,611**	**5,589**	**470**	**8.4%**

	30 June 2017 restated				
	New orders	**Order backlog at 31 Dec. 2017 restated**	**Revenues**	**EBITA**	**ROS**
Helicopters	1,142	9,896	1,754	187	10.7%
Electronics, Defence & Security Systems	2,360	11,780	2,474	208	8.4%
Aeronautics	1,780	12,525	1,444	128	8.9%
Space	-	-	-	28	n.a.
Other activities	34	199	159	(46)	(28.9%)
Eliminations	*(255)*	*(893)*	*(335)*	-	*n.a.*
Total	**5,061**	**33,507**	**5,496**	**505**	**9.2%**

	Change %				
	New orders	Order backlog	Revenues	EBITA	ROS
Helicopters	16.4%	(5.6%)	4.3%	(18.2%)	(2.3) p.p.
Electronics, Defence & Security Systems	(0.2%)	(0.1%)	1.9%	(0.5%)	(0.2) p.p.
Aeronautics	(36.6%)	(2.3%)	(1.2%)	(3.9%)	(0.3) p.p.
Space	n.a.	n.a.	n.a.	(25.0%)	n.a.
Other activities	32.4%	(17.1%)	10.7%	26.1%	9.6 p.p.
Eliminations	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Total	**(9.0%)**	**(2.7%)**	**1.7%**	**(6.9%)**	**(0.8) p.p.**

Commercial performance

New orders showed a decrease of about 9% compared to the first half of 2017, which was due to the postponement of the completion of major acquisitions to the second half-year, to unfavourable USD/€ exchange rates and to the significant acquisitions recorded in the *Aeronautics* segment during the first half of 2017 for the support services for the EFA aircraft fleet for the period from 2017 to 2021, which were partially offset by a good performance of *Helicopters* during the first half of 2018.

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

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Business performance.

(€ millions)	Note	For the six months ended 30 June 2018	For the six months ended 30 June 2017 restated	*Change*	*% Change*
Revenues		5,589	5,496		1.7%
Purchases and personnel expenses	*(*)*	(5,003)	(4,790)		
Other net operating income/(expenses)	*(**)*	26	(21)		
Equity-accounted strategic JVs		59	95		
Amortisation, depreciation and impairment losses	*(***)*	(201)	(275)		
EBITA		**470**	**505**	**(35)**	**(6.9%)**
ROS		*8.4%*	*9.2%*	*(0.8) p.p.*	
Restructuring costs		(182)	(32)		
Amortisation of intangible assets acquired as part of business combinations		(48)	(50)		
EBIT		**240**	**423**	**(183)**	**(43.3%)**
EBIT Margin		*4.3%*	*7.7%*	*(3.4) p.p.*	
Net financial income/(expenses)	*(****)*	(118)	(155)		
Income taxes		(16)	(55)		
Net Result before extraordinary transactions		**106**	**213**	**(107)**	**(50.2%)**
Net result related to discontinued operations and extraordinary transactions	*(*****)*	-	-		
Net result		**106**	**213**	**(107)**	**(50.2%)**

Notes to the reconciliation between the reclassified and the statutory income statement:

(*) Includes "Purchases and Personnel expense" (net of restructuring costs and non-recurring income and costs) and "Accruals (reversals) for final losses on orders".

(**) Includes "Other operating income/(expenses)", net of restructuring costs, non-recurring income/(costs) and accruals (reversals) for final losses on orders.

(***) Includes "Amortisation, depreciation and impairment losses", net of impairment, of goodwill, amortisation referable to intangible assets acquired as part of business combinations and of impairment considered as "non-recurring costs".

(****) Includes "Financial income/(expense)" and "Share of profits (losses) of equity-accounted investees" (net of the results of strategic JVs);

(*****) Includes "Profit (loss) from discontinued operations" and gains (losses) and costs relating to extraordinary transactions (acquisitions and disposals)".

Revenues showed a slight increase compared to the first half of 2017 (+2%) – which is even more significant 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 for AW101 and higher deliveries on the lines AW139 and AW189, as well as to higher DRS production volumes which confirms the growth trend recorded in the previous period. **EBITA,** equal to €mil. 470 (with a ROS of 8.4%), showed, compared to the first half of 2017 (€mil. 505 – ROS of 9.2%), a reduction that was mainly attributable to *Helicopters*: even if it recorded results in line with forecasts, the segment saw a particularly positive second quarter of 2017 in terms of mix of operations. The reduction recorded in **EBIT** compared to the first half of the previous year was due to the performance of EBITA, as well as to considerable restructuring costs (€mil. 170) allocated in relation to the measures under Law 92/2012 ("Fornero Act").

Net result before extraordinary transactions, equal to the **Net Result**, amounting to €mil. 106, benefitted from lower financial costs compared to the first half of 2017, as a result of the buy-back operations and the redemption of bond issues that were completed during 2017.

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Financial performance

(€ millions)	*Note*	For the six months ended 30 June 2018	2017 restated	Change	% Change
Cash flows used in operating activities	*(*)*	(684)	(465)		
Dividends received		178	206		
Cash flows from ordinary investing activities	*(**)*	(303)	(272)		
Free Operating Cash Flow (FOCF)		**(809)**	**(531)**	**(278)**	**(52.4%)**
Strategic investments	*(***)*	(10)	(168)		
Change in other investing activities	*(****)*	(5)	9		
Net change in loans and borrowings		(12)	480		
Dividends paid		(81)	(81)		
Net increase (decrease) in cash and cash equivalents		**(917)**	**(291)**		
Cash and cash equivalents at 1 January		1,893	2,167		
Exchange rate differences and other changes		-	(34)		
Cash and cash equivalents at 30 June		**976**	**1,842**		

Notes on the reconciliation between the reclassified and the statutory cash flow:

(*) *Includes "Cash flows generated from (used in) in operating activities", excluding debt payments pursuant to Law 808/1985;*

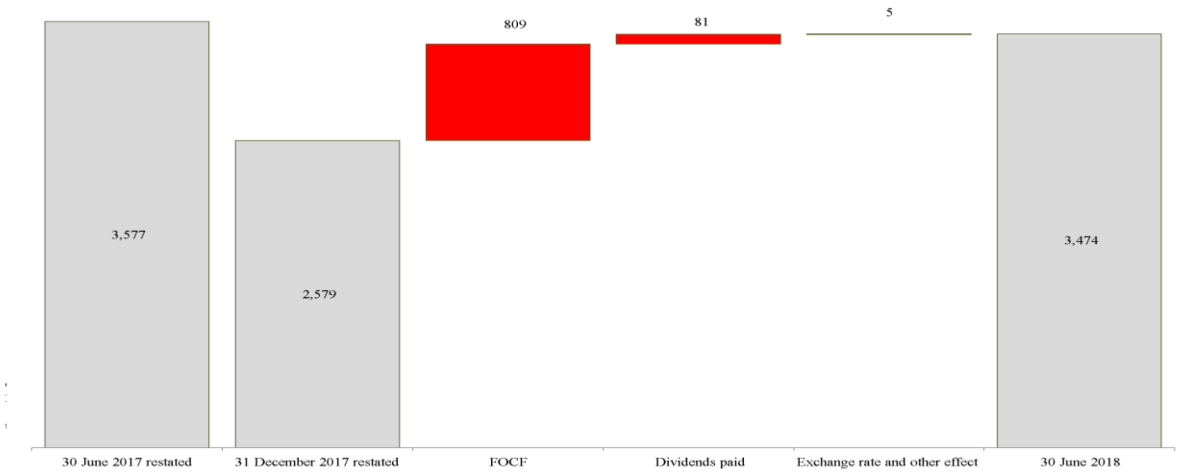
(**) *Includes "Cash flow generated from (used in) investing activities", net of debt payments pursuant to Law 808/1985 and dividends collected;*

(***) *Includes the portion of "Other investing activities" classified as "Strategic investments";*

(****) *Includes "Other investing activities", excluding dividends collected and the effects of operations classified as "Strategic transactions".*

In the first half of 2018 the cash flow performance posted a value of €mil. -809, in line with the cash absorption trend in the business operations expected during the first half of the year.

The Net Debt showed a reduction compared to 30 June 2017, from €mil. 3,577 to €mil. 3,474. 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.



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

	Note	30 June 2018	31 December 2017 restated	30 June 2017 restated
(€ millions)				
Non-current assets		11,671	11,724	11,873
Non-current liabilities		(2,795)	(2,837)	(2,955)
Capital assets	*(*)*	**8,876**	**8,887**	**8,918**
Inventories	*(**)*	281	(535)	(120)
Trade receivables	*(***)*	3,033	3,179	3,407
Trade payables	*(****)*	(2,930)	(2,962)	(2,774)
Working capital		384	(318)	513
Provisions for short-term risks and charges		(728)	(783)	(760)
Other net current assets (liabilities)	*(*****)*	(869)	(996)	(935)
Net working capital		**(1,213)**	**(2,097)**	**(1,182)**
Net invested capital		**7,663**	**6,790**	**7,736**
Equity attributable to the Owners of the Parent		4,187	4,199	4,158
Equity attributable to non-controlling interests		10	14	15
Equity		**4,197**	**4,213**	**4,173**
Group Net Debt		**3,474**	**2,579**	**3,577**
Net (assets)/liabilities held for sale	*(******)*	**(8)**	**(2)**	**(14)**

Notes to the reconciliation between the reclassified and the statutory statement of financial position:

(*) *Includes all non-current assets and all non-current liabilities, net of the main non-current financial receivables and of "Non-current loans and borrowings".*

(**) *Includes "Inventories", in addition to contract assets and liabilities and provisions for onerous contracts;*

(***) *Includes "Trade receivables, including contract assets", net of contract assets;*

(****) *Includes "Trade payables, including contract liabilities and provisions for onerous contracts", net of contract liabilities and provisions for onerous contracts;*

(*****) *Includes "Other current assets" (excluding "Hedging derivatives in respect of debt items"), net of "Income tax payables" and "Other current liabilities" (excluding "Hedging derivatives in respect of debt items").*

(******) *Includes the net amount of "Non-current assets held for sale" and "Liabilities associated with assets held for sale".*

The Group Net Debt breaks down as follows:

(€ millions)	30 June 2018	*of which current*	31 December 2017 restated	*of which current*	30 June 2017 restated	*of which current*
Bonds	3,615	*564*	3,647	*599*	4,822	*617*
Bank debt	295	*107*	246	*60*	294	*70*
Cash and cash equivalents	(976)	*(976)*	(1,893)	*(1,893)*	(1,842)	*(1,842)*
Net bank debt and bonds	**2,934**		**2,000**		**3,274**	
Fair value of the residual portion in portfolio of Ansaldo Energia	-		-		(143)	
Securities	-	-	(3)	*(3)*	-	-
Current loans and receivables from related parties	(132)	*(132)*	(110)	*(110)*	(59)	*(59)*
Other current loans and receivables	(36)	*(36)*	(47)	*(47)*	(54)	*(54)*
Current loans and receivables and securities	**(168)**		**(160)**		**(256)**	
Non current financial receivables from Superjet	(37)	-	(48)	-	(58)	-
Hedging derivatives in respect of debt items	9	*9*	(2)	*(2)*	8	*8*
Related-party loans and borrowings	660	*660*	701	*701*	510	*510*
Other loans and borrowings	76	*51*	88	*58*	99	*68*
Group Net Debt	**3,474**		**2,579**		**3,577**	

The reconciliation with the net financial position required by Consob Communication no. DEM/6064293 of 28 July 2006 is provided in Note 14

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Below are the key performance indicators by sector:

Helicopters

During the first half of 2018 results were recorded in line with forecasts and there was confirmation of positive signs of recovery in the division's business, showing an increase in New Orders and Revenues compared to the same period in the previous year, and a profitability of 8.4%.

<u>New orders</u>. The increase was due to higher new orders gained for a total of 19 helicopters, specifically for lines AW169 and AW189, and for Customer Support operations. The half-year also confirmed a good level of new orders for AW139.

<u>Revenues</u>. There was a slight increase, to be attributed to an improved production performance, specifically for line AW101 and to higher deliveries for lines AW139 and AW189, which also offset the lower deliveries for lines AW109/119 as well as the expected reduction in operations on the T129 Atak and the CH47 programmes under completion.

<u>EBITA</u>. Despite results in line with the recovery plan defined at the beginning of the year, profits were lower than those posted for the previous year, which had benefitted from exceptionally positive results recorded during the second quarter in terms of mix of activities performed and margins arising from the deliveries made during the period.

Electronics, Defence & Security Systems

The first half of 2018 was characterised by a good performance, both commercial and business, showing an increase in the results compared to those posted during the same period of 2017, if we exclude the adverse effect of the USD/€ exchange rate.

New Orders: they were in line with those posted during the same period of the previous year, despite the abovementioned exchange rate effect and the persistence of some delays in the completion of contracts, mainly due to the good performance of DRS, which confirmed the growth trend reported during the previous year, and the excellent positioning on a number of programmes of the US Ministry of Defense capable of underpinning the expected growth of revenues. Among the major orders acquired by DRS were the first contract for the supply to the US Army of active defence systems for tanks within the *Land Systems* business at DRS and the supply of computers and portable electronic devices again for the US Army under the MFoCS (Mounted Family of Computer Systems) contract (Land Electronics business). Furthermore, note the order for the supply of a parcel sorting centre in Germany in the *Security & Information Systems* Division.

Revenues. They showed an increase due to higher production volumes recorded by DRS, which was even more significant if we consider the adverse effect of the USD/€ exchange rate.

EBITA. It remained substantially in line with the first half of 2017, despite the abovementioned exchange rate effect. Higher revenues and cost efficiency improvement actions of the industrial processes and the containment of costs 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 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:

	New orders	Revenues	EBITA	ROS
DRS ($mil.) June 2018	1,250	959	46	4.8%
DRS ($mil.) June 2017 restated	930	796	51	6.4%
DRS (€mil.) June 2018	1,032	792	39	4.8%
DRS (€mil.) June 2017 restated	859	735	47	6.4%

Average €/USD exchange rate: 1.2108 (1st half of 2018) and 1.0825 (1st half of 2017)

Aeronautics

During the first half of 2018 new orders were gained for more than €bil. 1.1, 55% of which related to the *Aircraft* Division; major commercial negotiations continued within the division, which are being completed, both on domestic and export markets.

Furthermore, from a production point of view, deliveries were made for 72 fuselage sections and 44 stabilisers for the B787 programme (69 fuselage sections and 40 stabilisers delivered in the first half of 2017) and 41 ATR fuselages (24 delivered in the first half of 2017). As regards the production of the C-27J programme, there was the delivery of the second aircraft ordered by the Slovak Air Force and 12 wings were delivered for the F-35 aircraft.

New orders. They recorded a decrease compared to the first half of 2017, which had benefitted from the major order gained for the provision of support to the EFA aircraft fleet for the period from 2017 to 2021. Among the major orders gained in the first half of 2018 were:

- in the *Aerostructures* Division the order for the supply of 100 fuselage sections of B787 and 21 ATR fuselage sections, as well as those for B767, A321 and A380 programmes;
- in the *Aircraft* Division the order for the supply of 4 additional M346 Advanced Jet Trainer aircraft to the Polish Ministry of National Defence, as well as the orders received from Lockheed Martin for the F-35 programme, the orders from various customers for logistical support to the C27J aircraft and trainers and for the production of Nacelles.

Furthermore, note that on 5 July 2018 a contract was signed with the Italian Finance Police (*Guardia di Finanza*) for the supply of a first ATR 72 aircraft in the Maritime Patrol configuration.

Revenues. Overall, business volumes were in line with the result recorded in the first half of 2017; the increase related to the activities for the EFA-Kuwait contract in the *Aircraft* Division offset the lower volumes for the M346 programme in the *Aircraft* Division and the expected decline in revenues recorded in the *Aerostructures* Division.

EBITA. The result was substantially in line with the first half of 2017, thus confirming the good levels of profitability in the *Aircraft* Division, which offset the decline in the results posted by the GIE ATR Consortium that was adversely affected by lower deliveries and by the USD/€ exchange rate effect, while the industrial performance in the *Aerostructures* Division continued to be affected by the critical issues reported during the previous year.

Space

The first half of 2018 recorded production volumes substantially in line with those recorded during the same period of the previous year and was characterised by the continuation of operations for delivering the Iridium Next constellation satellites manufactured by Thales Alenia Space into orbit, with two additional launches conducted during the half-year against four launches in 2017, which brought the satellites currently in orbit to 55.

The result was affected by higher costs for research and development activities recorded in the period, related in particular to new-generation satellite platforms.

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Outlook

The Board of Directors has decided to revise upwards the Group Guidance for the full year 2018 to reflect the expected effectiveness of the contract from the Ministry of Defence of Qatar for NH90 multirole helicopters, that had been only partially factored into Group Guidance, and the potential for certain export campaigns not to be full finalised by year-end. The new 2018 guidance is as follows:

	Exchange rate assumptions €/USD 1,20 and €/GBP 0,90	
	Guidance	***Revised guidance***
New Orders (€bn.)	12,5 - 13,0	14,0 – 14,5
Revenues (€bn)	11,5 – 12,0	11,5 – 12,0
EBITA (€mln)	1.075 - 1.125	1.075 - 1.125
FOCF (€mln)	ca. 100	300 – 350
Group Net Debt (€bn)	ca. 2,6	ca. 2,4

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Industrial and financial transactions

Industrial transactions. In the period no significant transactions were carried out. 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. It should be noted that, during the first half 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, 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.

On 18 April 2018 Leonardo renewed its EMTN programme for 12 additional months, leaving the maximum available amount of €bil. 4 unchanged. No bond issues were launched in the Euromarket within the scope of said programme during the first half-year.

Furthermore, 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.

During the period under examination the Group disposed of receivables without recourse for a total value of approximately €mil. 895 (€mil. 487 in the first half of 2017).

Furthermore, to meet the financing needs for ordinary Group activities, Leonardo obtained the abovementioned 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. 737. All the aforesaid lines of credit were entirely unused at 30 June 2018. Furthermore, unconfirmed unsecured lines of credit are also available for approximately €mil. 3,650.

Leonardo is the issuer of all the bonds in € and GBP placed on the market within the EMTN (Euro Medium Term Notes) programme, and also acts as a guarantor for all the bond issues launched by Leonardo US Holding Inc. in the US market. The Group's issues are governed by regulations laying down standard legal clauses for this type of transactions carried out by corporate entities in institutional markets, which do not require any commitment with respect to specific financial covenants, while they include, among others, negative pledge and cross default clauses. According to negative pledge clauses, the Group's issuers, Leonardo and their Material Subsidiaries (i.e. entities in which Leonardo holds more than 50% of the capital and whose gross revenues and total assets account for at least 10% of consolidated gross revenues and total assets) are specifically prohibited from creating collaterals or any other encumbrance as security for their debt comprised of bonds or financial instruments that are either listed or capable of being listed, unless these guarantees are extended to all the bondholders. This prohibition shall not apply to securitisation transactions and, with effect from July 2006, to any set of assets intended for specific businesses pursuant to Articles 2447-*bis* and ff. of the Italian Civil Code. On the contrary, cross default clauses grant the bondholders the right to request early repayment of bonds in their possession upon the occurrence of an event of default on the part of the Group's issuers and/or Leonardo and/or any of their Material Subsidiaries, the result of which would be their failure to make payments above the established limits.

Financial covenants are also included in the RCF line of credit described above, for a total of €mil. 1,800, which provide for compliance by Leonardo with two financial ratios (a Group Net Debt, excluding payables to the joint ventures MBDA and Thales Alenia Space/EBITDA, of not more than 3.75 and an EBITDA/Net interest ratio of not less than 3.25), which are tested on an annual basis on year-end consolidated data and which had been complied with in full at 31 December 2017. In accordance with the contract provisions that provided for this option, these covenants were also extended to the EIB loan, which is currently outstanding for €mil. 226, as well as to some loans recently granted by US banks in favour of DRS, in a total amount of USDmil. 75. Outstanding bond issues are given a medium/long-term financial credit rating by the three international rating agencies: Moody's Investors Service (Moody's), Standard & Poor's and Fitch. At the date of presentation of this report, Leonardo's credit ratings, compared to those preceding the last change, were as follows:

Agency	Data ultima variazione	Updated		Previous	
		Credit Rating	*Outlook*	*Credit Rating*	*Outlook*
Moody's	May 2017	Ba1	positive	Ba1	stable
Standard&Poor's	April 2015	BB+	stable	BB+	negative
Fitch	October 2017	BBB-	stable	BB+	positive

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Information pursuant to Articles 70 and 71 of the Consob Issuers' Regulation

By resolution of the Board of Directors on 23 January 2013, the Company adopted the simplification regime under Articles 70/8 and 71/1-*bis* of the Issuers' Regulations, adopted with CONSOB Resolution 11971/1999, as subsequently amended and supplemented. By this resolution, the Company chose the option to make exceptions to the obligation to issue the documents required by the law when transactions of greater importance (such as mergers, spin-offs, capital increases by means of the contribution of assets in kind, acquisitions or disposals) occur.

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Related party transactions

It should be noted that in 2010 Leonardo adopted a specific "Procedure for Related Parties Transactions" (hereinafter referred to as the "Procedure"), which was mostly recently updated on 20 December 2016, pursuant to CONSOB Regulation no. 17221 of 12 March 2010, as amended and supplemented, containing provisions on "related party transactions" (hereinafter referred to as the "Regulation"), as well as in implementation of Article 2391-*bis* of the Italian Civil Code. The abovementioned Procedure is available on the Company's website (www.leonardocompany.com, under *Corporate Governance* section, "Related Parties" area).

Pursuant to Article 5.8 of the Regulation, it should be noted that no transactions of greater importance (as defined by Article 4.1.a) of the Regulation and identified by the abovementioned Procedure pursuant to Annex 3 attached to the Regulation were carried out during the first half of 2018, nor were other related-party transactions, which would affect, in a significant manner, the consolidated financial position or the Leonardo Group's results for the reporting period. Finally, it should be noted that no changes or developments took place in relation to the related party transactions described in the 2017 Report on Operations.

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Main risks for the remaining months of the financial year: the main risks to which the Group is exposed in the following six months of the financial year are unchanged from those described in fuller detail in the Consolidated Financial Statements at 31 December 2017 in the section "*Leonardo and risk management*". Any updates relating to specific risk positions are illustrated in Note 15 to the condensed consolidated half-year financial statements at 30 June 2018.

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"Non-GAAP" performance indicators

Leonardo's 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 impacts 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.
- **EBITDA**: this is given by EBITA, as defined below, before amortisation, depreciation and impairment losses (net of those relating to goodwill or classified among "non-recurring costs").
- **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 (the reconciliation by segment is reported in Note 6):

(€ millions)	For the six months ended 30 June	
	2018	2017 restated
Income before tax and financial expenses	181	328
Equity-accounted strategic JVs	59	95
EBIT	**240**	**423**
Amortisation of intangible assets acquired as part of business combinations	48	50
Restructuring costs	182	32
EBITA	**470**	**505**

Restructuring costs are mainly made up of charges (€mil. 170) allocated in relation to the measures under Law 92/2012 (“Fornero Act”).

- **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 profits (losses) 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). No discontinued operations and extraordinary transactions occurred during the half-year.
- **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. The reconciliation with the net financial position required by the Consob communication no. DEM/6064293 of 28 July 2006 is provided in Note 14.
- **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.

Below are the statements of reconciliation of the items in the reclassified schedules provided in the Report on Operations and the schedules of Income Statement, Balance Sheet and Cash Flow Statement:

	Scheme	**PPA amortis.**	**Restruct. costs.**	**Non-recurring**	**strategic JVs**	**Losses at completion**	**Reclassified scheme**
Revenue	5,589						5,589
Purchase and personnel expenses	(5,242)		181			58	(5,003)
Other net operating income/(expenses)	83		1			(58)	26
Equity-accounted strategic JVs					59		59
Amortisation, depreciation and impairment losses	(249)	48		-			(201)
EBITA							**470**
Restructuring costs			(182)				(182)
Amortisation of intangible assets acquired as part of business combinations		(48)					(48)
EBIT							**240**
Financial income/(expenses)	(124)						
Share of profits/(losses) of equity-accounted investees	65						
Net financial income/(expenses)	(59)				(59)	-	(118)
Income taxes	(16)						(16)
Net Result before extraordinary transactions							**106**
Net result related to discontinued operations and extraordinary transactions	-					-	-
Net result	**106**	-	-	-	-	-	**106**

	Scheme	**Financial receivables and cash**	**Financial payables**	**Hedging derivatives on debt items**	**Reclassified scheme**
Non-current assets	11,708	(37)			11,671
Non-current liabilities	(6,059)		3,264		(2,795)
Capital assets					**8,876**
Current assets	12,971	(1,144)		9	11,836
Current liabilities	(14,431)		1,382		(13,049)
Net working capital					**(1,213)**
Equity attributable to the owners of the parent	4,187				4,187
Equity attributable to non-controlling interests	10				10
Total equity	**4,197**				**4,197**
Group Net Debt		(1,181)	4,646	9	**3,474**
Net (assets)/liabilities held for sale	**(8)**				**(8)**

	Scheme	dividends	Cash out from Law no. 808/85 payables	Strategic investments	Reclassified scheme
Gross cash flows from operating activities	671				
Dividends received		178			178
Change in other operating assets and liabilities and provisions for risks and charges	(244)				
Interests paid	(148)				
Income taxes paid	(13)				
Change in working capital	(1,021)				
Cash flows used in operating activities	(755)		71		(684)
Investments in property, plant and equipment and intangible assets	(236)				
Sales of property, plant and equipment and intangible assets	4				
Cash flows from ordinary investing activities	(232)		(71)		(303)
Free Operating Cash Flow (FOCF)					**(809)**
Strategic investments				(10)	(10)
Other investing activities	163	(178)		10	(5)
Cash flows used in investing activities					
Dividends paid	(81)				(81)
Bond Buy Back	(13)				
Net change in other loans and borrowings	1				
Net change in loans and borrowings	(12)				(12)
Incremento/(decremento) netto delle disponibilità e mezzi equivalenti	**(917)**				**(917)**
Cash and cash equivalents at 1 January	1,893				1,893
Exchange rate differences and other changes	-				-
Cash and cash equivalents at 30 June	**976**	-	-		**976**

Condensed consolidated half-year financial statements at 30 June 2018

Condensed consolidated separate income statement

(€ millions)	Note	For the six months ended 30 June 2018	of which with related parties	2017 restated	of which with related parties
Revenue	*19*	5,589	*809*	5,496	*736*
Purchase and personnel expenses	*21*	(5,242)	*(138)*	(4,912)	*(163)*
Amortisation, depreciation and impairment losses	*22*	(249)		(325)	
Other net operating income/(expenses)	*20*	83	*2*	69	*2*
Income before tax and financial expenses		**181**		**328**	
Financial income/(expenses)	*23*	(124)	*2*	(159)	*4*
Share of profits/(losses) of equity-accounted investees	*24*	65		99	
Operating profit (loss) before income taxes and discontinued operations		**122**		**268**	
Income taxes		(16)		(55)	
Net profit/(loss) for the period attributable to:		**106**		**213**	
- owners of the parent		*106*		*213*	
- non-controlling interests		-		-	
Earnings/(losses) per share	*25*	*0.185*		*0.371*	
- basic and diluted from continuing operations		*0.185*		*0.371*	
- basic and diluted from discontinued operations		*n.a*		*n.a*	

Comparative data has been restated following the adoption of IFRS 15 (see Note 4)

Consolidated statement of comprehensive income

(€ millions)	Note	For the six months ended 30 June 2018		2017 restated	
Profit (loss) for the period			**106**		**213**
Other comprehensive income (expenses):					
Comprehensive income/expenses which will not be subsequently reclassified within the profit (loss) for the period:					
- Measurement of defined-benefit plans:	*13*		47		77
- revaluation		*50*		*71*	
- exchange rate gains (losses)		*(3)*		*6*	
- Tax effect	*13*		(7)		(17)
			40		60
Comprehensive income/expenses which will or might be subsequently reclassified within the profit (loss) for the period:					
- Changes in cash flow hedges:	*13*		(10)		56
- change generated in the period		*(13)*		*63*	
- transferred to the profit (loss) for the period		*3*		*(7)*	
- exchange rate gains (losses)		-		-	
- Translation differences	*13*		45		(160)
- change generated in the period		*45*		*(160)*	
- transferred to the profit (loss) for the period		-		-	
- Tax effect	*13*		1		(14)
			36		(118)
Current portion of "Other comprehensive income (expense)", equity-accounted investees			2		(3)
Total other comprehensive income (expenses), net of tax:			**78**		**(61)**
Total comprehensive income (expenses), attributable to:			**184**		**152**
- *Owners of the parent*			184		152
- *Non-controlling interests*			-		-
Total comprehensive income (expenses), attributable to Owners of the parent			**184**		**152**
- from continuing operations			184		152
- from discontinued operations			-		-

Comparative data has been restated following the adoption of IFRS 15 (see Note 4)

Condensed consolidated statement of financial position

(€ millions)	*Note*	30 June 2018	*of which with related parties*	31 December 2017 restated	*of which with related parties*
Intangible assets	*7*	6,598		6,550	
Property, plant and equipment and investment properties	*8*	2,244		2,294	
Deferred tax assets		1,171		1,143	
Other non-current assets	*9*	1,695	-	1,785	-
Non-current assets		**11,708**		**11,772**	
Inventories		5,156		4,735	
Trade receivables, including contract assets	*11*	5,861	*632*	5,335	*569*
Loans and receivables		168	*132*	157	*110*
Other current assets	*12*	810	*90*	782	*5*
Cash and cash equivalents		976		1,893	
Current assets		**12,971**		**12,902**	
Non-current assets held for sale		8		2	
Total assets		**24,687**		**24,676**	
Share capital	*13*	2,491		2,491	
Other reserves		1,696		1,708	
Equity attributable to the owners of the parent		**4,187**		**4,199**	
Equity attributable to non-controlling interests		10		14	
Total equity		**4,197**		**4,213**	
Loans and borrowings (non-current)	*14*	3,264	-	3,265	-
Employee benefits	*16*	488		554	
Provisions for risks and charges	*15*	965		873	
Deferred tax liabilities		312		352	
Other non-current liabilities	*17*	1,030	-	1,058	-
Non-current liabilities		**6,059**		**6,102**	
Trade payables, including contract liabilities and provision for onerous contracts	*18*	10,633	*83*	10,388	*73*
Loans and borrowings (current)	*14*	1,382	*660*	1,417	*701*
Income tax payables		50		29	
Provisions for short-term risks and charges	*15*	728		783	
Other current liabilities	*17*	1,638	*20*	1,744	*134*
Current liabilities		**14,431**		**14,361**	
Total liabilities		**20,490**		**20,463**	
Total liabilities and equity		**24,687**		**24,676**	

Comparative data has been restated following the adoption of IFRS 15 (see Note 4)

Consolidated statement of cash flows

(€ millions)	Note	For the six months ended 30 June 2018	of which with related parties	2017 restated	of which with related parties
Gross cash flows from operating activities	*26*	671		734	
Change in working capital	*26*	(1,021)	*(51)*	(684)	*114*
Change in other operating assets and liabilities and provisions for risks and charges		(244)	*(199)*	(376)	*(187)*
Interests paid		(148)	*2*	(143)	*2*
Income taxes paid		(13)	-	(63)	-
Cash flows used in operating activities		**(755)**		**(532)**	
Investments in property, plant and equipment and intangible assets		(236)		(207)	
Sales of property, plant and equipment and intangible assets		4		1	
Other investing activities		163	-	48	-
Cash flows used in investing activities		**(69)**		**(158)**	
Dividends paid		(81)		(81)	
Bond issue/repayment		-		592	
Bond Buy Back		(13)		(34)	
Net change in other loans and borrowings		1	*(62)*	(78)	*(10)*
Cash flows generated from financing activities		**(93)**		**399**	
Cash and cash equivalents at 1 January		1,893		2,167	
Net increase (decrease) in cash and cash equivalents		(917)		(291)	
Exchange rate differences and other changes		-		(34)	
Cash and cash equivalents at 30 June		**976**		**1,842**	

Comparative data has been restated following the adoption of IFRS 15 (see Note 4)

Consolidated statement of changes in equity

(€ millions)	Share capital	Retained earnings and other reserves	Cash flow hedge reserve	Revaluation reserve of defined-benefit plans	Translation reserve	Equity attributable to owners of the parent	Non-controlling interests	Total equity
1 January 2017	**2,491**	**2,471**	**(141)**	**(249)**	**(215)**	**4,357**	**16**	**4,373**
IFRS 15 adoption		(274)				(274)	(2)	(276)
1 January 2017 restated	**2,491**	**2,197**	**(141)**	**(249)**	**(215)**	**4,083**	**14**	**4,097**
Profit (loss) for the period		213				213	-	213
Other comprehensive income (expenses)	-	-	49	62	(172)	(61)	-	(61)
Total comprehensive income (expenses)	**-**	**213**	**49**	**62**	**(172)**	**152**	**-**	**152**
Dividends resolved		(80)				(80)	(1)	(81)
Repurchase of treasury shares less shares sold						-		-
Total transactions with owners of the parent, recognised directly in equity	-	(80)	-	-	-	(80)	(1)	(81)
Other changes	-	2	-	(1)	2	3	-	3
30 June 2017 restated	**2,491**	**2,332**	**(92)**	**(188)**	**(385)**	**4,158**	**13**	**4,171**
1 January 2018	**2,491**	**2,401**	**(57)**	**(158)**	**(478)**	**4,199**	**14**	**4,213**
IFRS 9 adoption		(121)				(121)	(1)	(122)
1 January 2018 restated	**2,491**	**2,280**	**(57)**	**(158)**	**(478)**	**4,078**	**13**	**4,091**
Profit (loss) for the period		106				106	-	106
Other comprehensive income (expenses)			(12)	43	47	78	-	78
Total comprehensive income (expenses)	**-**	**106**	**(12)**	**43**	**47**	**184**	**-**	**184**
Dividends resolved		(80)	-	-	-	(80)	(1)	(81)
Repurchase of treasury shares less shares sold						-		-
Total transactions with owners of the parent, recognised directly in equity	-	(80)	-	-	-	(80)	(1)	(81)
Other changes	-	6	-	(1)		5	(2)	3
30 June 2018	**2,491**	**2,312**	**(69)**	**(116)**	**(431)**	**4,187**	**10**	**4,197**

Comparative data has been restated following the adoption of IFRS 15 (see Note 4)

Explanatory notes

1. GENERAL INFORMATION

Leonardo S.p.A. is a company limited by shares based in Rome (Italy), at Piazza Monte Grappa 4, and is listed on the Italian Stock Exchange (FTSE MIB). The Group is a major Italian high technology organization operating in the *Helicopters, Electronics, Defence and Security Systems, Aeronautics* and *Space* sectors.

2. FORM, CONTENT AND APPLICABLE ACCOUNTING STANDARDS

The half-year financial report of the Group at 30 June 2018 was prepared in accordance with Article 154-ter, paragraph 2 of Legislative Decree 58/98 (Consolidated Law on Financial Intermediation), as subsequently amended and supplemented. The condensed consolidated half-year financial statements at 30 June 2018, included in the half-year financial report, were prepared in accordance with IAS 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (IASB) and comprise the condensed consolidated separate income statement, consolidated statement of comprehensive income, condensed consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and the related explanatory notes.

In accordance with IAS 34, these notes are presented in condensed form and do not include all disclosures required for annual financial statements, as they refer only to those items that are essential to understand the Group's financial position, results of operations and cash flows given their amount, breakdown or changes therein. This half-year financial report should, therefore, be read in conjunction with the 2017 annual consolidated financial statements. The statement of financial position and income statement are likewise presented in a condensed format compared to the annual financial statements. The notes to the items combined in the half-year consolidated financial statements schedules include a reconciliation with annual consolidated financial statements schedules.

The accounting policies, measurement criteria and consolidation methods used for this half-year financial report are unchanged from those of the 2017 annual consolidated financial statements (except for those specifically applicable to interim financial reports and for what reported in Note 4 below) and the half-year financial report at 30 June 2017.

It is pointed out that the Group adopts a six-month period as the interim reporting period for the purposes of IAS 34 and for the definition of interim financial statements therein reported.

The exchange rates for the major currencies used in preparing these condensed half-year financial statements are shown below:

	30 June 2018		31 dicembre 2017	30 giugno 2017	
	average	final	final	average	final
US dollar	1.2108	1.1658	1.1993	1.0825	1.1412
Pound sterling	0.8797	0.8861	0.8872	0.8601	0.8793

The condensed consolidated half-year financial statements at 30 June 2018 of the Leonardo Group were approved by the Board of Directors on 30 July 2018 and published on the same day.

Amounts are shown in millions of euros unless stated otherwise.

These condensed consolidated half-year financial statements were limited reviewed by KPMG SpA..

3. BUSINESS SEASONALITY

The Group’s key business segments feature a high concentration of cash flows from customers in the last few months of the year. This has an impact on interim cash flows and the variability of the Group’s debt over the various interim periods, which improves substantially in the last few months of the calendar years.

4. EFFECTS OF CHANGES IN ACCOUNTING POLICIES ADOPTED

With effect from 1 January 2018, the Group adopted some new accounting standards. Those standards whose application had effects on the Group were IFRS 15 “Revenue From Contracts with Customers” and IFRS 9 “Financial Instruments”.

IFRS 15, which replaces IAS 11 and IAS 18, 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 identification of the moment in which the control occurs – over time or at a point in time – represents an area characterised by considerable evaluations on the part of management.

The Group applied the standard from 1 January 2018, using a retrospective application with practical expedients, with a consequent restating of the 2017 accounting positions for comparative purposes. The main impact areas deriving from the application of the new standard were:

a. 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);

b. definition of 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;

c. definition of new criteria on contract cost recognition;

d. definition of more accurate criteria related to mass productions with the consequent remeasurement of the margins of this kind of productions.

The effects arising from the application of IFRS 15 on the comparative periods are detailed below together with the areas of impact mentioned above:

Statement of financial position (€mil.)	*Impact area*	Reported 31 December 2017	restatement	31 December 2017 restated
Intangible assets	*a, b, c, d*	6.538	12	6.550
Property, plant and equipment and investment properties		2.294	-	2.294
Deferred tax assets	*a, b, c, d*	1.067	76	1.143
Other non-current assets	*a, b, c*	1.843	(58)	1.785
Non-current assets		**11.742**	**30**	**11.772**
Inventories	*a*	4.381	354	4.735
Trade receivables, including contract assets	*a, b, c, d*	6.072	(737)	5.335
Loans and receivables		157	-	157
Other current assets		782	-	782
Cash and cash equivalents		1.893	-	1.893
Current assets		**13.285**	**(383)**	**12.902**
Non-current assets held for sale		2	-	2
Total assets		**25.029**	**(353)**	**24.676**
Share capital		2.491	-	2.491
Other reserves		1.977	(269)	1.708
Equity attributable to the owners of the parent		**4.468**	**(269)**	**4.199**
Equity attributable to non-controlling interests		16	(2)	14
Total equity		**4.484**	**(271)**	**4.213**
Loans and borrowings (non-current)		3.265	-	3.265
Employee benefits		554	-	554
Provisions for risks and charges	*a, b, c, d*	999	(126)	873
Deferred tax liabilities		352	-	352
Other non-current liabilities		1.067	(9)	1.058
Non-current liabilities		**6.237**	**(135)**	**6.102**
Trade payables, including contract liabilities and provision for onerous contracts	*a, b, c, d*	10.169	219	10.388
Loans and borrowings (current)		1.417	-	1.417
Income tax payables		29	-	29
Provisions for short-term risks and charges	*a, b, c, d*	793	(10)	783
Other current liabilities	*a, b, c, d*	1.900	(156)	1.744
Current liabilities		**14.308**	**53**	**14.361**
Total liabilities		20.545	(82)	20.463
Total liabilities and equity		**25.029**	**(353)**	**24.676**

Consolidate income statement (€mil.)	*Impact area*	**For the six months ended 30 June** 2017 reported	restatement	2017 restated
Revenue	*a, b, c, d*	5.326	170	5.496
Purchase and personnel expenses	*a, b, c, d*	(4.759)	(153)	(4.912)
Amortisation, depreciation and impairment losses	*c*	(327)	2	(325)
Other net operating income/(expenses)		69	-	69
Income before tax and financial expenses		**309**	**19**	**328**
Financial income/(expenses)		(159)	-	(159)
Share of profits/(losses) of equity-accounted investees	*a, b*	95	4	99
Operating profit (loss) before income taxes and discontinued operations		**245**	**23**	**268**
Income taxes	*a, b, c, d*	(51)	(4)	(55)
Profit (loss) from discontinued operations		-	-	-
Net profit/(loss) for the period attributable to:		**194**	**19**	**213**
- owners of the parent		*194*	*19*	*213*
- non-controlling interests		-	-	-
Earnings/(losses) per share		*0,338*	*0,033*	*0,371*
- basic and diluted from continuing operations		*0,338*	*0,033*	*0,371*
- basic and diluted from discontinued operations		*n.a*	*n.a*	*n.a*

Statement of cash flows (€mil.)	***For the six months ended 30 June*** *2017 reported*	*restatement*	*2017 restated*
Gross cash flows from operating activities	717	17	734
Change in working capital	(637)	(47)	(684)
Change in other operating assets and liabilities and provisions for risks and charges	(406)	30	(376)
Interests paid	(143)	-	(143)
Income taxes paid	(63)	-	(63)
Cash flows used in operating activities	**(532)**	**-**	**(532)**
Investments in property, plant and equipment and intangible assets	(207)	-	(207)
Sales of property, plant and equipment and intangible assets	1	-	1
	-	-	-
Other investing activities	48	-	48
Cash flows used in investing activities	**(158)**	**-**	**(158)**
Treasury shares purchase	-	-	-
Dividends paid	(81)	-	(81)
Bond issue/repayment	592	-	592
Bond Buy Back	(34)	-	(34)
Net change in other loans and borrowings	(78)	-	(78)
Cash flows generated from financing activities	**399**	**-**	**399**
Cash and cash equivalents at 1 January	2.167	-	2.167
Net increase (decrease) in cash and cash equivalents	(291)	-	(291)
Exchange rate differences and other changes	(34)	-	(34)
Cash and cash equivalents at 30 June	**1.842**	**-**	**1.842**

For the purposes of the new set of accounting standards, analyses are being carried out in order to identify the most suitable presentation of the provisions for onerous contracts relating to final losses on existing contracts.

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.

IFRS 9 introduces new requirements for the recognition and measurement of financial assets and financial liabilities. Such standard, which replaces IAS 39, 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 peculiarity 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. Below is the breakdown of such effects, based on the estimate preliminary carried out:

(€mil.)	**IFRS 9 effect**
Deferred tax assets	39
Contracts liabilities	(9)
Trade receivables	(117)
Contracts assets	(23)
Financial receivables	(11)
Total Shareholders' equity	**(121)**

5. SIGNIFICANT EVENTS OCCURRED AFTER THE PERIOD-END

No significant events occurred after the period-end.

6. SEGMENT REPORTING

The Divisions and the companies through which the Group operates are combined together, for the purposes of the internal and external reporting, into the relevant four business sectors: *Helicopters*, *Electronics, Defence and Security Systems*, *Aeronautics* and *Space*. The *Other activities* segment includes the corporate activities and the residual ones.

For a more detailed analysis of the main programmes, outlooks and operating indicators for each segment, see the Report on Operations. In relation to the performance of the profit margin, the Group assesses the performance of its operating segments on the basis of revenue and EBITA (see also the section "Non-GAAP performance indicators" in the Report on Operations). For the purpose of a correct interpretation of the information provided we note that the results of the equity-accounted strategic Joint Ventures have been included within the EBITA of the sectors to which these JVs belong; conversely, these sectors do not reflect the relevant share of revenue.

The results for each sector at 30 June 2018, as compared with those of the same period of the previous year are as follows:

For the six months ended 30 June 2018	**Helicopters**	**Electronics, Defence & Security Systems**	**Aeronautics**	**Space**	**Other Activities**	**Elimin-ations**	**Total**
Revenues	1,830	2,521	1,426	-	176	(364)	**5,589**
Inter-segment revenue (*)	(1)	(236)	(1)	-	(126)	364	**-**
Third party revenue	1,829	2,285	1,425	-	50	-	**5,589**
EBITA	153	207	123	21	(34)	-	**470**
Investments	59	75	51	-	8	-	**193**
For the six months ended 30 June 2017 restated	**Helicopters**	**Electronics, Defence & Security Systems**	**Aeronautics**	**Space**	**Other Activities**	**Elimin-ations**	**Total**
Revenues	1,754	2,474	1,444	-	159	(335)	**5,496**
Inter-segment revenue (*)	(2)	(209)	(1)	-	(123)	335	**-**
Third party revenue	1,752	2,265	1,443	-	36	-	**5,496**
EBITA	187	208	128	28	(46)	-	**505**
Investments	64	79	56	-	6	-	**205**

(*) Inter-segment revenue includes revenue among Divisions and the consolidated undertakings of the Group belonging to various business sectors

Below is the breakdown of revenue by geographical area and sector:

For the six months ended 30 June 2018	**Helicopters**	**Electronics, Defence & Security Systems**	**Aeronautics**	**Space**	**Other Activities**	**Elimin-ations**	**Total**
Italy	193	682	102	-	171	(1,146)	**2**
United Kingdom	255	563	-	-	-	(818)	-
Rest of Europe	706	244	487	-	4	(1,441)	-
North America	130	792	443	-	-	(1,365)	-
Rest of world	546	240	394	-	1	4,406	**5,587**
Revenue	**1,830**	**2,521**	**1,426**	**-**	**176**	**(364)**	**5,589**
Inter-segment revenue (*)	(1)	(236)	(1)	-	(126)	364	-
Third party revenue	**1,829**	**2,285**	**1,425**	**-**	**50**	**-**	**5,589**

For the six months ended 30 June 2017 restated	**Helicopters**	**Electronics, Defence & Security Systems**	**Aeronautics**	**Space**	**Other Activities**	**Elimin-ations**	**Total**
Italy	302	672	128	-	153	(311)	**944**
United Kingdom	244	577	-	-	-	(21)	**800**
Rest of Europe	545	252	574	-	4	(1)	**1,374**
North America	118	699	471	-	1	(2)	**1,287**
Rest of world	545	274	271	-	1	-	**1,091**
Revenue	**1,754**	**2,474**	**1,444**	**-**	**159**	**(335)**	**5,496**
Inter-segment revenue (*)	(2)	(209)	(1)	-	(123)	335	-
Third party revenue	**1,752**	**2,265**	**1,443**	**-**	**36**	**-**	**5,496**

(*) Inter-segment revenue includes revenue among Divisions and the consolidated undertakings of the Group belonging to various business sectors

The reconciliation between EBITA, EBIT and Profit before taxes and interest for the periods compared is as follows:

For the six months ended 30 June 2018	**Helicopters**	**Electronics, Defence & Security Systems**	**Aeronautics**	**Space**	**Other Activities**	**Total**
EBITA	**153**	**207**	**123**	**21**	**(34)**	**470**
Amortisation of intangible assets acquired as part of business combinations	(4)	(44)	-	-	-	(48)
Restructuring costs	(1)	(9)	-	-	(172)	(182)
EBIT	**148**	**154**	**123**	**21**	**(206)**	**240**
Equity-accounted strategic JVs	-	(19)	(19)	(21)	-	(59)
Income before tax and financial expenses	**148**	**135**	**104**	**-**	**(206)**	**181**

For the six months ended 30 June 2017 restated	Helicopters	Electronics, Defence & Security Systems	Aeronautics	Space	Other Activities	Total
EBITA	**187**	**208**	**128**	**28**	**(46)**	**505**
Amortisation of intangible assets acquired as part of business combinations	(5)	(45)	-	-	-	(50)
Restructuring costs	(1)	(12)	(2)	-	(17)	(32)
EBIT	**181**	**151**	**126**	**28**	**(63)**	**423**
Equity-accounted strategic JVs	-	(19)	(48)	(28)	-	(95)
Income before tax and financial expenses	**181**	**132**	**78**	**-**	**(63)**	**328**

7. INTANGIBLE ASSETS

Below is the breakdown of the item and investments for the period:

	30 June 2018	31 December 2017 restated	Investments for the six months at	
			30 June 2018	30 June 2017 restated
Goodwill	3,722	3,678	-	-
Development costs	470	459	20	17
Non-recurring costs	1,715	1,641	87	109
Concessions, licences and trademarks	239	265	1	2
Acquired through business combinations	366	412	-	-
Other intangible assets	86	95	5	1
	6,598	**6,550**	**113**	**129**

Goodwill increased due to the exchange differences deriving from the conversion of the foreign currency assets, mainly referable to amounts in USD. At 30 June 2018, based on the performance of the cash generating units ("CGUs") and considering the positive margins from the impairment tests carried out when preparing the financial statements as at 31 December 2017, no impairment indicators are seen such that could require a revision of these tests.

Commitments are in place for the purchase of intangible assets for €mil. 7 (€mil. 7 at 31 December 2017).

8. PROPERTY, PLANT AND EQUIPMENT

	30 June 2018	31 December 2017 restated	Investments for the six months at	
			30 June 2018	30 June 2017 restated
Land and buildings	920	936	1	7
Plant and machinery	406	426	7	6
Equipment	585	601	22	12
Other tangible assets	333	331	50	51
	2,244	**2,294**	**80**	**76**

This item decreases as a result of depreciation for the period (€mil. 148), net of investments.

Purchase commitments of property, plant and equipment are recorded in the amount of €mil. 48 (€mil. 49 at 31 December 2017).

9. OTHER NON-CURRENT ASSETS

	30 June 2018	31 December 2017 restated
Financing to third parties	12	12
Non current financial receivables from Superjet	37	48
Deferred grants under Law no. 808/85	39	40
Defined benefit plan assets, net	336	335
Other non-current receivables	69	68
Non-current receivables	**493**	**503**
Prepayments - non-current portion	6	4
Equity investments	1,024	1,142
Non-recurring costs pending under Law no. 808/1985	172	136
Non-current assets	**1,202**	**1,282**
	1,695	**1,785**

The decrease in the item is mainly attributable to equity investments, as a results of dividends distributed in the period. Such decrease was partly offset by the results for the period of the companies valued at equity.

10. BUSINESS COMBINATION

No business combination occurred during this half-year.

Vice versa, during the first half of 2017, the Leonardo Group acquired, through DRS, the entire capital of the Daylight Solutions, Inc. Group, against an outlay of USDmil. 140, net of cash acquired. In addition, the contract envisaged an earn-out mechanism with a maximum increase in the payment by a further USDmil. 15 upon achievement of the financial targets for the year 2017.

On the basis of the valuations performed at 30 June 2017, with respect to a process to identify the fair value of the assets and liabilities acquired which has not been completed yet, goodwill was preliminary recognised for a value of €mil. 132.

11. TRADE RECEIVABLES, INCLUDING CONTRACT ASSETS

	30 June 2018	31 December 2017 restated
Trade receivables	2,401	2,610
Related party trade receivables (Note 27)	632	569
	3,033	**3,179**
Contract assets	2,828	2,156
	5,861	**5,335**

For the primary credit risks related to the Group's business that did not change during this half-year, reference is made to Note 36 to the consolidated financial statements at 31 December 2017.

Below is the breakdown of net contract assets (liabilities):

	30 June 2018	31 December 2017 restated
Contract assets	2,828	2,156
Contract liabilities	(7,265)	(6,979)
	(4,437)	**(4,823)**

12. OTHER CURRENT ASSETS

		30 June 2018		31 December 2017 restated
Income tax receivables		167		174
Securities		-		3
Derivatives		158		184
Other current assets:		485		421
Prepaid expenses - current portion	*68*		*60*	
Receivables for grants	*86*		*83*	
Receivables from employees and social security	*56*		*54*	
Indirect tax receivables	*62*		*89*	
Deferred receivables under Law no. 808/85	*7*		*5*	
Other related party receivables (Note 27)	*90*		*5*	
Other assets	*116*		*125*	
		810		**782**

13. EQUITY

Share capital	Number of ordinary shares	Par value	Treasury shares	Costs incurred (net of tax effect)	Total
Outstanding shares	578,150,395	2,544	-	(19)	2,525
Treasury shares	(3,709,133)	-	(34)	-	(34)
31 December 2017 restated	**574,441,262**	**2,544**	**(34)**	**(19)**	**2,491**
Repurchase of treasury shares less shares sold	-	-	-	-	-
30 June 2018	**574,441,262**	**2,544**	**(34)**	**(19)**	**2,491**
broken down as follows:					
Outstanding shares	578,150,395	2,544	-	(19)	2,525
Treasury shares	(3,709,133)	-	(34)	-	(34)

At 30 June 2018, the Ministry of Economy and Finance owns 30.204% of the share capital.

The statement of changes in equity attributable to the owners of the parent and to non-controlling interests is presented in the accounting statements section. Below is a breakdown of the tax effects on the gain and loss items recognised in equity of the Group, as well as the other comprehensive income/expense relating to investments valued at equity and the related tax effects:

	Group - consolidated entities			Group - equity accounted investments		
	Amount before taxes	Tax effect	**Net amount**	Amount before taxes	Tax effect	**Net amount**
For the six months ended 30 June 2018						
Revaluation of defined-benefit plans	47	(7)	**40**	2	1	**3**
Changes in cash-flow hedges	(10)	1	**(9)**	(4)	1	**(3)**
Foreign currency translation difference	45	-	**45**	2	-	**2**
Total	**82**	**(6)**	**76**	**-**	**2**	**2**
For the six months ended 30 June 2017 restated						
Revaluation of defined-benefit plans	77	(17)	**60**	2	-	**2**
Changes in cash-flow hedges	56	(14)	**42**	11	(4)	**7**
Foreign currency translation difference	(160)	-	**(160)**	(12)	-	**(12)**
Total	**(27)**	**(31)**	**(58)**	**1**	**(4)**	**(3)**

14. LOANS AND BORROWINGS

	30 June 2018		**31 December 2017 restated**	
	Non-current	**Current**	**Non-current**	**Current**
Bonds	3,051	564	3,048	599
Bank loans and borrowings	188	107	186	60
Related party loans and borrowings (Note 27)	-	660	-	701
Other loans and borrowings	25	51	31	57
	3,264	**1,382**	**3,265**	**1,417**

The main clauses that regulate the Group's payables, and in particular the bond issues (financial covenant, negative pledge and cross default), are reported in the section "*Financial Transactions*" of the Report on Operations.

Below is the detail of the bonds at the reporting date which shows the bonds issued by Leonardo ("LDO") and by Leonardo US Holding, Inc ("LH").

Issuer		**Year of issue**	**Maturity**	**Currency**	**Outstanding nominal amount (mil.)**	**Annual coupon**		**Type of offer**
LDO	(**)	2003	2018	€	500	5.750%	(1)	European Institutional
LDO	(*)	2005	2025	€	500	4.875%		European Institutional
LDO	(**)	2009	2019	GBP	278	8.000%	(2)	European Institutional
LDO	(**)	2009	2022	€	556	5.250%		European Institutional
LH	(***)	2009	2039	USD	169	7.375%		American Institutional Rule 144A/Reg. S
LH	(***)	2009	2040	USD	263	6.250%		American Institutional Rule 144A/Reg. S
LDO	(**)	2013	2021	€	739	4.500%		European Institutional
LDO	(*)	2017	2024	€	600	1.500%		European Institutional

(*) Bonds listed on the Luxembourg Stock Exchange and issued as part of the EMTN programme for a maximum of €bil. 4. The transaction was authorised pursuant to Art. 129 of Legislative Decree 385/93.

(**) Bonds, originally issued by Finmeccanica Finance, listed on the Luxembourg Stock Exchange and issued as part of the EMTN programme for a maximum of €bil. 4. The transaction was authorised pursuant to Art. 129 of Legislative Decree 385/93.

(***) Bonds issued under Rule 144A, Regulation S of the US Securities Act. The proceeds of this issue were entirely used by Leonardo US Holding, inc to finance the purchase of Leonardo DRS replacing the dollar-issue bonds originally issued by the company. These bonds were redeemed early following Leonardo's purchase of DRS. As a result, these issues were not hedged against exchange rate risk.

(1) Rate derivative transactions were made on these bonds and led the effective cost of the loan return to a fixed rate better than the coupon and corresponding to an average of some 5.6%.

(2) The proceeds of the issue were translated into euros and the exchange rate risk arising from the transaction was fully hedged.

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

	30 June 2018	*of which with related parties*	**31 December 2017 restated**	*of which with related parties*
Cash and cash equivalents	(976)		(1,893)	
Securities held for trading	-		(3)	
Liquidity	**(976)**		**(1,896)**	
Current loans and receivables	**(168)**	*(132)*	**(157)**	*(110)*
Current bank loans and borrowings	107		60	
Current portion of non-current loans and borrowings	564		599	
Other current loans and borrowings	711	*660*	758	*701*
Current financial debt	**1,382**		**1,417**	
Net current financial debt (funds)	**238**		**(636)**	
Non-current bank loans and borrowings	188		186	
Bonds issued	3,051		3,048	
Other non-current loans and borrowings	25	-	31	-
Non-current financial debt	**3,264**		**3,265**	
Net financial debt	**3,502**		**2,629**	

The reconciliation between Net financial debt and Group Net Debt, used as KPI, is as follows:

	30 June 2018	**31 December 2017 restated**
Net financial debt com. CONSOB no. DEM/6064293	3,502	2,629
Hedging derivatives in respect of debt items	9	(2)
Non current financial receivables from Superjet	(37)	(48)
Group net debt (KPI)	**3,474**	**2,579**

15. PROVISIONS FOR RISKS AND CONTINGENT LIABILITIES

	30 June 2018		31 December 2017 restated	
	Non-current	**Current**	**Non-current**	**Current**
Guarantees given	130	108	140	109
Restructuring	219	49	68	51
Penalties	11	11	19	13
Product guarantees	86	99	82	92
Other	519	461	564	518
	965	**728**	**873**	**783**

With regard to the provisions for civil, tax and administrative disputes, it should be noted that the Leonardo Group companies' operations regard industries and markets where many disputes, which are brought as both plaintiff and defendant, are settled only after a considerable period of time, especially in cases where the customer is a government entity. Pursuant to the accounting standards, provisions have only been made for risks that are probable and for which the amount can be determined. No specific provisions have been set aside for other disputes in which the Group is a defendant as these disputes are reasonably expected to be resolved satisfactorily and without significantly impacting the results. Furthermore, given their complexity, their cutting-edge technological content and the nature of the customers, the Group's long-term contracts are sometimes affected by disputes with customers in relation to the compliance of works with customer specifications and product performances. The Group adjusts the estimated contract costs for foreseeable issues, also taking into account possible developments in the relevant disputes. As to contracts in progress affected by uncertainties and problematic issues, with respect to what was already described during the preparation of the 2017 consolidated financial statements, to which reference is made, there are no significant updates.

With respect to what was already described during the preparation of the 2017 consolidated financial statements, to which reference is made, the following updates related to the outstanding disputes should be noted:

- the proceedings brought before the Court of Rome on 4 March 2013 by Mr Pio Maria Deiana, on his own account and in his capacity as Director of Janua Dei S.r.l. and of Società Progetto Cina S.r.l. against Leonardo in order to ask the Court to rule the invalidity of the settlement agreement signed in December 2000 by the aforesaid companies and the then-Ansaldo Industria (a company which was a subsidiary of Leonardo until 2004 and which is now cancelled from the Register of Companies). The aforementioned agreement had settled, by way of conciliation, the action brought before the Court of Genoa in 1998 in order to ask the Court to find Ansaldo Industria liable for breach of contract with regard to the agreements for commercial cooperation in the construction of a waste disposal and cogeneration plant in

China, which then was not built. As stated by the plaintiffs in the writ of summons, the above-mentioned settlement agreement was concluded based on unfair conditions, thus taking advantage of the distress of Mr Deiana and of the economic dependence of the plaintiff companies with respect to Ansaldo Industria. The claim was submitted against Leonardo, invoking the latter's general liability arising from the control exercised by it on Ansaldo Industria at the time of the events being disputed. The damages being sought, to be determined during the course of the proceedings, is estimated at €mil. 2,700. On 25 September 2013 Leonardo appeared before the Court, arguing, among other things, that it lacks the capacity to be sued and asking, on the merits, that the Court rejects the plaintiffs' claims as they are entirely groundless in fact and in law. A minority quotaholder of Società Progetto Cina S.r.l. and a minority quotaholder of Janua Dei Italia S.r.l. intervened in the case, respectively, at the hearings of 14 May 2014 and 25 September 2014. By a judgment dated 31 May 2018 the Court of Rome rejected the claims submitted by the opposing party. Now the time is running for filing an appeal against this judgment;

- with reference to the investigation started by the Public Prosecutor's Office of Milan, 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, this sentence was also confirmed by the Court of Appeal of Milan with a ruling of 24 October 2013. Against this ruling the Company lodged an appeal 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. The Court of Appeal of Milan acquitted Ansaldo Energia by a ruling of 28 November 2017 filing the related reasons on 17 July 2018. The time limit of 45 days for challenging the ruling starts from notification of the filing of reasons pursuant to Article 585 of the Italian Code of Criminal Procedure. 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 financial statements pending the outcome of the proceedings.

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Furthermore, it should be noted that the Explanatory Notes to the consolidated financial statements at 31 December 2017 provide information on criminal proceedings that involve Group companies for various reasons. With respect to the information reported in the abovementioned financial statements, to which the reader is referred for more details, we highlight the following updates with reference to criminal proceedings pending against some Group companies or Leonardo, and some former directors, as well as executives for facts committed in the performance of their duties at Group companies or at Leonardo:

- 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, in April 2018 the Rome Public Prosecutor's Office submitted a request for dismissing the case against all persons under investigation. Now the Company is waiting for the decision of the Judge for Preliminary Investigations (GIP, *Giudice delle Indagini Preliminari*) of the Court of Rome;
- 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. 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 one 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 notification procedure has not yet been completed. 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 10 September 2018;

- with reference to the proceedings pending before the Court of Rome against the former Chief Executive Officer and the former Sales Manager of Selex Sistemi Integrati (now in liquidation), concerning the awarding of work contracts on the part of ENAV S.p.A., on 16 October 2015 the Court sentenced the defendants for the crime under Article 8 of Legislative Decree 74/2000, while acquitting them of the crime under Article 646 of the Italian Criminal Code. With the same decision the Court also ordered the former Chief Executive Officer and the former Sales Manager of Selex Sistemi Integrati to repay damages in favour of the company (the aggrieved party acting in criminal proceedings). The aforesaid judgment was appealed against. On 17 May 2018 the Rome Court of Appeal declared that it was not going to prosecute the defendants as to the crimes charged to them due to the statute of limitation period being expired;

- with reference to the criminal proceedings brought by the Turin Public Prosecutor's Office concerning the provision of helicopters to the armed forces, police and other government entities on the part of AgustaWestland, involving certain directors of Leonardo (serving from 1994 to 1998) and certain directors/executives of AgustaWestland (serving from 1999 to 2014) with respect to crimes under Article 449 of the Italian Criminal Code for violation of the regulations on the use of asbestos, on 8 June 2018 the Judge for Preliminary Investigations (*GIP*) of the Court of Turin ordered the dismissal of the case following the request submitted by the Public Prosecutor;
- 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.

16. EMPLOYEE BENEFITS

	30 June 2018			31 December 2017 restated		
	Liabilities	**Assets**	**Net**	**Liabilities**	**Assets**	**Net**
Severance pay provision	319	-	319	329	-	329
Defined-benefit plans	148	336	(188)	199	335	(136)
Defined contribution plans	21	-	21	26	-	26
	488	**336**	**152**	**554**	**335**	**219**

The item was affected by a review of the interest rates on the UK pension plans, following the reassessment of the duration connected with the liability.

17. OTHER CURRENT AND NON-CURRENT LIABILITIES

	30 June 2018		31 December 2017 restated	
	Non-current	Current	Non-current	Current
Employee obligations	46	420	48	323
Deferred income	104	84	105	79
Amounts due to social security institutions	-	175	-	168
Payables to MED (Law no. 808/85)	246	73	262	109
Payables to MED for royalties (Law no. 808/85)	197	29	173	45
Other liabilities (Law no. 808/85)	214	-	222	-
Indirect tax liabilities	-	82	-	102
Derivatives	-	230	-	234
Other liabilities	223	525	248	550
Other payables to related parties (Note 27)	-	20	-	134
	1,030	**1,638**	**1,058**	**1,744**

"Other liabilities" include, in particular, the payable due to Bell Helicopter of €mil. 240 (€mil. 257 at 31 December 2017), deriving from the acquisition of 100% of the AW609 programme.

18. TRADE PAYABLES, INCLUDING CONTRACT LIABILITIES AND PROVISION FOR ONEROUS CONTRACTS

	30 June 2018	*31 December 2017 restated*
Suppliers	2,847	2,889
Trade payables to related parties (Note 27)	83	73
Trade payables	**2,930**	**2,962**
Contract liabilities	7,265	6,979
Provision for onerous contracts	438	447
	10,633	**10,388**

19. REVENUE

	For the six months ended 30 June	
	2018	2017 restated
Revenue from sales	3,000	2,919
Revenue from services	1,308	1,240
Change in contract assets	472	601
Revenue from related parties (Note 27)	809	736
	5,589	**5,496**

The trends in revenue by business segment are fully described in the Report on Operations.

The break-down of revenue by geographical area and by sector is provided in Note 6 above.

20. OTHER OPERATING INCOME (EXPENSES)

	For the six months ended 30 June					
	2018			2017 restated		
	Income	Expenses	Net	Income	Expenses	Net
Grants for research and development costs	14	-	14	12	-	12
Exchange rate differences on operating items	71	(70)	1	58	(55)	3
Indirect taxes	-	(17)	(17)	-	(17)	(17)
Restructuring costs	2	(3)	(1)	-	(1)	(1)
Reversal of (accruals to) provisions for risks and contract losses	139	(64)	75	142	(69)	73
Other	21	(12)	9	18	(21)	(3)
Other from/to related parties (Note 27)	2	-	2	2	-	2
	249	**(166)**	**83**	**232**	**(163)**	**69**

21. PURCHASES AND PERSONNEL EXPENSES

	For the six months ended 30 June	
	2018	2017 restated
Purchases	1,741	1,728
Services	1,793	1,502
Costs to related parties (Note 27)	138	163
Personnel expenses	1,772	1,588
Wages, salaries and contributions	*1,454*	*1,435*
Defined-benefit plans costs	*31*	*23*
Defined contribution plans costs	*54*	*54*
Net restructuring costs	*178*	*28*
Other personnel expenses	*55*	*48*
Change in finished goods, work in progress and semi-finished products	(67)	67
Work performed by the Group and capitalised	(135)	(136)
	5,242	**4,912**

Personnel expense increased by €mil. 184, mainly as a result of higher restructuring costs which include in particular €mil. 170 related to the measures under Article 4 of the so-called “Fornero Act”, described in the section “Industrial transactions” of the Report on Operations.

The average workforce at 30 June 2018 (45,134 resources) is in line with that at 30 June 2017 (45,022 units) despite a decrease in *Helicopters* (265 average units less) and an increase reported in the *Electronics, Defence and Security Systems* sector (+160 average resources) mainly at DRS.

The breakdown of the total workforce is as follows:

	30 June 2018	31 dicembre 2017	Change
Senior managers (*)	1,144	1,131	13
Middle managers	5,632	5,467	165
Clerical employees	26,771	26,489	282
Manual labourers (**)	12,442	12,047	395
	45,989	**45,134**	**855**

(*) *include pilots*
(**) *include senior manual labourers*

The breakdown of the total workforce by sector is as follows:

	30 June 2018	31 dicembre 2017	Change
Helicopters	11,556	11,456	100
Electronics, Defence & Security Systems	22,577	22,090	487
Aeronautics	10,550	10,316	234
Other	1,306	1,272	34
	45,989	**45,134**	**855**

22. AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

	For the six months ended 30 June			
	2018		2017 restated	
Amortisation of intangible assets		97		134
Development costs	*9*		*16*	
Non-recurring costs	*15*		*42*	
Acquired through business combinations	*48*		*50*	
Concessions, licences and trademarks	*8*		*8*	
Other intangible assets	*17*		*18*	
Depreciation of property, plant and equipment		148		178
Impairment of operating receivables		4		6
Impairment of other assets		-		7
		249		**325**

23. FINANCIAL INCOME AND EXPENSES

	For the six months ended 30 June					
	2018			2017 restated		
	Income	Expenses	Net	Income	Expenses	Net
Interest	3	(100)	(97)	2	(135)	(133)
Loan fees	-	(11)	(11)	-	(7)	(7)
Other commissions	-	(3)	(3)	-	(2)	(2)
Fair value gains (losses) through profit or loss	18	(9)	9	29	(18)	11
Premiums (paid) received on forwards	17	(26)	(9)	16	(18)	(2)
Exchange rate differences	18	(16)	2	89	(96)	(7)
Net interest cost on defined-benefit plans	-	(1)	(1)	-	(2)	(2)
Financial income (expenses) - related parties (Note 27)	4	(2)	2	5	(1)	4
Other financial income and expenses	8	(24)	(16)	11	(32)	(21)
	68	**(192)**	**(124)**	**152**	**(311)**	**(159)**

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.

24. SHARE OF PROFITS (LOSSES) OF EQUITY-ACCOUNTED INVESTEES

	For the six months ended 30 June	
	2018	2017 restated
Space Alliance	21	28
MBDA	19	19
GIE ATR	19	48
Strategic Joint Ventures	**59**	**95**
Other	6	4
	65	**99**

The decrease in the share of profits of equity-accounted investees is mainly attributable to the trend of the GIE ATR profitability, commented on in the Report on Operations.

25. EARNINGS PER SHARE

	For the six months ended 30 June	
	2018	2017 restated
Average shares outstanding during the reporting period (in thousands)	574,441	574,412
Earnings for the period (excluding non-controlling interests) (€ millions)	106	213
Earnings from continuing operations (excluding non-controlling interests) (€ millions)	106	213
Earnings from discontinued operations (excluding non-controlling interests) (€ millions)	-	-
Basic and Diluted EPS (€)	**0.185**	**0.371**
Basic and Diluted EPS from continuing operations (€)	0.185	0.371
Basic and Diluted EPS from discontinued operations (€)	n.a.	n.a

At 30 June 2018 basic EPS, like that for the corresponding period of 2017, is equal to the diluted EPS, inasmuch as there are no dilutive elements.

26. CASH FLOW FROM OPERATING ACTIVITIES AND CHANGE IN WORKING CAPITAL

	For the six months ended 30 June	
	2018	**2017 restated**
Net result	106	213
Amortisation, depreciation and impairment losses	249	325
Share of profits/(losses) of equity-accounted investees	(65)	(99)
Income taxes	16	55
Costs for defined-benefit plans	31	23
Net financial expenses/(income)	124	159
Net allocations to the provisions for risks and inventory write-downs	194	37
Other non-monetary items	16	21
	671	**734**

The changes in working capital, net of the effects of the acquisition and sale of consolidated companies and foreign currency translation differences, are as follows:

	For the six months ended 30 June	
	2018	**2017 restated**
Inventories	(436)	(149)
Contract assets and liabilities	(489)	(360)
Trade receivables and payables	(96)	(175)
	(1,021)	**(684)**

27. RELATED PARTY TRANSACTIONS

Related party transactions are carried out at arm's length, as is settlement of the interest-bearing receivables and payables when not governed by specific contractual conditions. The relevant financial statements amounts are shown below. The statement of cash flows presents the impact of related party transactions on cash flows.

RECEIVABLES at 30 June 2018	**Current loans and receivables**	**Trade receivables**	**Other current receivables**	**Total**
Unconsolidated subsidiaries				
Other with unit amount lower than €mil. 10		1		1
Associates				
NH Industries SAS		195		195
Eurofighter Jagdflugzeug GmbH		22		22
Iveco - Oto Melara Scarl		16		16
Macchi Hurel Dubois SAS		24		24
Advanced Air Traffic Systems SDH BHD		14		14
Orizzonte - Sistemi Navali SpA		8		8
AgustaWestland Aviation Services LLC		16		16
Other with unit amount lower than €mil. 10		7		7
Joint Ventures				
GIE ATR		101	85	186
Joint Stock Company Helivert		28		28
MBDA SAS		25		25
Thales Alenia Space SAS	117	13		130
Telespazio SpA	12	8		20
Other with unit amount lower than €mil. 10		4	5	9
Consortia (*)				
Other with unit amount lower than €mil. 10	2	10		12
Companies subject to the control or considerable influence of the MEF				
ENAV SpA		24		24
Poste Italiane SpA		5		5
Ferrovie SpA		37		37
Fintecna S.p.A.		65		65
Other with unit amount lower than €mil. 10	1	9		10
Total	**132**	**632**	**90**	**854**
% against total for the period	***78.6%***	***20.8%***	***19.2%***	

RECEIVABLES at 31 December 2017 restated	Current loans and receivables	Trade receivables	Other current receivables	Total
Unconsolidated subsidiaries				
Other with unit amount lower than €mil. 10		2		2
Associates				
NH Industries SAS		183		183
Eurofighter Jagdflugzeug GmbH		62		62
Iveco - Oto Melara Scarl		12		12
Macchi Hurel Dubois SAS		12		12
AgustaWestland Aviation Services LLC		13		13
Orizzonte - Sistemi Navali S.p.A.				-
Joint Stock Company Sukhoi Aircraft				-
Advanced Air Traffic Systems SDH BHD		10		10
Other with unit amount lower than €mil. 10		15		15
J.V.				
GIE ATR		53		53
Joint Stock Company Helivert		38		38
MBDA SAS		21		21
Thales Alenia Space SAS	105	27		132
Telespazio S.p.A.		12		12
Other with unit amount lower than €mil. 10	2	5	5	12
Consortia (*)				
Other with unit amount lower than €mil. 10	3	15		18
Companies subject to the control or considerable influence of the MEF				
Other with unit amount lower than €mil. 10		89		89
Total	**110**	**569**	**5**	**684**
% against total for the period	***70.1%***	***17.9%***	***1.2%***	

PAYABLES at 30 June 2018	Current loans and borrowings	Trade payables	Other current payables	Total
Associates				
Eurofighter Jagdflugzeug GmbH	28	18		46
Iveco Fiat/Oto Melara S.c.a.r.l.		7	6	13
Other with unit amount lower than €mil. 10		8		8
Joint Ventures				
GIE ATR		3		3
MBDA SAS	629	13		642
Rotorsim USA LLC		3		3
Rotorsim Srl		12		12
Telespazio SpA			7	7
Other with unit amount lower than €mil. 10	3	4	2	9
Consortia (*)				
Other with unit amount lower than €mil. 10		3		3
Companies subject to the control or considerable influence of the MEF				
Other with unit amount lower than €mil. 10		12	5	17
Total	**660**	**83**	**20**	**763**
% against total for the period	***47.8%***	***2.8%***	***1.5%***	

PAYABLES at 31 December 2017 restated	**Current loans and borrowings**	**Trade payables**	**Other current payables**	**Total**
Unconsolidated subsidiaries				
Other with unit amount lower than €mil. 10		2		2
Associates				
Eurofighter Jagdflugzeug GmbH	19	11		30
Other with unit amount lower than €mil. 10	3	14	9	26
Joint Ventures				
MBDA SAS	648			648
GIE ATR			111	111
Rotorsim Srl		14		14
Telespazio S.p.A.	31			31
Other with unit amount lower than €mil. 10		12	8	20
Consortia (*)				
Other with unit amount lower than €mil. 10		4		4
Companies subject to the control or considerable influence of the MEF				
Other with unit amount lower than €mil. 10		16	6	22
Total	**701**	**73**	**134**	**908**
% against total for the period	***49.5%***	***2.5%***	***9.4%***	

(*) Consortia over which the Group exercises considerable influence or which are subject to joint control

Trade receivables are commented on later, along with revenue from related parties.

Loans and receivables mainly refer to receivables from joint ventures.

Loans and borrowings include in particular the amount of €mil. 629 (€mil. 648 at 31 December 2017) due by Group companies to the joint venture MBDA and payables for €mil. 28 (€mil. 19 at 31 December 2017) to Eurofighter.

For the six months ended 30 June 2018	Revenue	Other operating income	Costs	Other operating costs	Financial income	Financial expenses
Associates						
Eurofighter Jagdflugzeug GmbH	257		52			
NH Industries SAS	86					
Orizzonte - Sistemi Navali SpA	61					
Iveco-Oto Melara Scarl	17					
Macchi Hurel Dubois SAS	31					
Advanced Air Traffic Systems SDH BHD	25					
Other with unit amount lower than €mil. 10	17		7			
Joint Ventures						
GIE ATR	153		19			
MBDA SAS	33		16			
Thales Alenia Space SAS	17					
Other with unit amount lower than €mil. 10	6	2	22			2
Consortia (*)						
Other with unit amount lower than €mil. 10						
Companies subject to the control or considerable influence of the MEF						
Enel			17			
Fintecna	48					
Other with unit amount lower than €mil. 10	58		5		4	
Total	**809**	**2**	**138**	**-**	**4**	**2**
% against total for the period	***14.5%***	***0.8%***	***2.6%***	***-***	***5.9%***	***1.0%***

For the six months ended 30 June 2017 restated	Revenue	Other operating income	Costs	Other operating costs	Financial income	Financial expenses
Unconsolidated subsidiaries						
Other with unit amount lower than €mil. 10			1			
Associates						
Eurofighter Jagdflugzeug GmbH	294		101			
NH Industries SAS	62					
Orizzonte - Sistemi Navali SpA	95					
Iveco-Oto Melara Scarl	33					
Macchi Hurel Dubois SAS	34					
Other with unit amount lower than €mil. 10	16		9			
Joint Ventures						
GIE ATR	92					
MBDA SAS	31					
Thales Alenia Space SAS	25					
Rotorsim Srl			11			
Other with unit amount lower than €mil. 10	5	2	11			1
Consortia (*)						
Other with unit amount lower than €mil. 10	1		1			
Companies subject to the control or considerable influence of the MEF						
Enel SpA			28			
ENAV SpA	19					
Poste Italiane SpA	16					
Other with unit amount lower than €mil. 10	13		1		5	
Total	**736**	**2**	**163**	**-**	**5**	**1**
% against total for the period	***13.4%***	***0.9%***	***3.3%***	***-***	***3.3%***	***0.3%***

(*) Consortia over which the Group exercises considerable influence or which are subject to joint control

The most significant trade receivables and revenues, in addition to those from joint ventures, are related to:

- Eurofighter in the scope of the EFA aeronautical programme;
- the Iveco - OTO Melara consortium for production and post-sales assistance on defence and security ground vehicles (VBM Freccia and spare parts);
- NHIndustries in the scope of the NH90 helicopter programme;
- Orizzonte - Sistemi Navali for the FREMM programme;
- Macchi Hurel Dubois for the commercialisation of nacelles.

For the Board of Directors
The Chairman
Giovanni De Gennaro

Annex: scope of consolidation

List of companies consolidated on a line-by-line basis (amounts in foreign currency)

Company name	Registered office	Currency	Share capital	% Group ownership		% Group shareholding
				Direct	Indirect	
3083683 NOVA SCOTIA LIMITED	Halifax, Nova Scotia (Canada)	CAD	-		100	100
AGUSTA AEROSPACE SERVICES AAS SA	Grace Hollogne (Belgium)	EUR	500,000		100	100
AGUSTAWESTLAND AUSTRALIA PTY LTD	Sydney (Australia)	AUD	400,000	100		100
AGUSTAWESTLAND DO BRASIL LTDA	Osasco (Brazil)	BRL	11,817,172		100	100
AGUSTAWESTLAND HOLDINGS LTD	Yeovil, Somerset (UK)	GBP	40,000	100		100
AGUSTAWESTLAND INDIA PRIVATE LTD (IN LIQ.)	New Delhi (India)	INR	11,519,450		100	100
AGUSTAWESTLAND INTERNATIONAL LTD	Yeovil, Somerset (UK)	GBP	511,000		100	100
AGUSTAWESTLAND LTD	Yeovil, Somerset (UK)	GBP	1,520,304		100	100
AGUSTAWESTLAND MALAYSIA SDN BHD	Kuala Lumpur (Malaysia)	MYR	2,500,000		100	100
AGUSTAWESTLAND NORTH AMERICA INC	Wilmington, Delaware (USA)	USD	1		100	100
AGUSTAWESTLAND PHILADELPHIA CO	Wilmington, Delaware (USA)	USD	20,000,000	100		100
AGUSTAWESTLAND POLITECNICO ADVANCED ROTORCRAFT CENTER SC A RL (IN LIQ.)	Gallarate (Varese)	EUR	400,000		80	80
AGUSTAWESTLAND PORTUGAL SA	Lisbon (Portugal)	EUR	100,000		100	100
AGUSTAWESTLAND SPA	Rome	EUR	702,537,000		100	100
ALENIA AERMACCHI SPA	Rome	EUR	250,000,000		100	100
ANSALDOBREDA SPA	Naples	EUR	55,839,139	100		100
BREDAMENARINIBUS SPA	Rome	EUR	1,300,000		100	100
DAYLIGHT DEFENCE LLC	Wilmington, Delaware (USA)	USD	1		100	100
DAYLIGHT SOLUTIONS INC.	Wilmington, Delaware (USA)	USD	1		100	100
DRS ADVANCE ISR LLC	Wilmington, Delaware (USA)	USD	-		100	100
DRS C3 & AVIATION COMPANY	Wilmington, Delaware (USA)	USD	1		100	100
DRS CONSOLIDATED CONTROLS INC	Wilmington, Delaware (USA)	USD	1		100	100
DRS DEFENSE SOLUTIONS LLC	Wilmington, Delaware (USA)	USD	-		100	100
DRS ENVIRONMENTAL SYSTEMS INC	Wilmington, Delaware (USA)	USD	2		100	100
DRS GLOBAL ENTERPRISE SOLUTIONS INC.	Baltimore, Maryland (USA)	USD	50		100	100
DRS HOMELAND SECURITY SOLUTIONS INC	Wilmington, Delaware (USA)	USD	1		100	100
DRS INTERNATIONAL INC	Wilmington, Delaware (USA)	USD	1		100	100
DRS NETWORK & IMAGING SYSTEMS LLC	Wilmington, Delaware (USA)	USD	1		100	100
DRS POWER & CONTROL TECHNOLOGIES INC	Wilmington, Delaware (USA)	USD	1		100	100
DRS POWER TECHNOLOGY INC	Wilmington, Delaware (USA)	USD	1		100	100
DRS RADAR SYSTEMS LLC	Wilmington, Delaware (USA)	USD	-		100	100
DRS SIGNAL SOLUTIONS INC	Wilmington, Delaware (USA)	USD	10		100	100
DRS SURVEILLANCE SUPPORT SYSTEMS INC	Wilmington, Delaware (USA)	USD	1		100	100
DRS SUSTAINMENT SYSTEMS INC	Wilmington, Delaware (USA)	USD	1,000		100	100
DRS SYSTEMS MANAGEMENT LLC	Wilmington, Delaware (USA)	USD	1		100	100
DRS SYSTEMS INC	Wilmington, Delaware (USA)	USD	1		100	100
DRS TECHNICAL SERVICES GMBH & CO KG	Stuttgart (Germany)	EUR	-		100	100
DRS TECHNOLOGIES CANADA INC	Wilmington, Delaware (USA)	USD	1		100	100
DRS TECHNOLOGIES CANADA LTD	Kanata, Ontario (Canada)	CAD	100		100	100
DRS TECHNOLOGIES SAUDI ARABIA LLC	Riyadh (Saudi Arabia)	SAR	2,000,000		49	100
DRS TECHNOLOGIES UK LIMITED	Farnham, Surrey (UK)	GBP	14,676,000		100	100
DRS TECHNOLOGIES VERWALTUNGS GMBH	Stuttgart (Germany)	EUR	25,000		100	100
DRS TRAINING & CONTROL SYSTEMS LLC	Tallahassee, Florida (USA)	USD	510		100	100
DRS TSI INTERNATIONAL LLC	Wilmington, Delaware (USA)	USD	-		100	100
DRS UNMANNED TECHNOLOGIES INC	Wilmington, Delaware (USA)	USD	1		100	100
ENGINEERED COIL COMPANY	Jefferson City, Missouri (USA)	USD	1,000		100	100
ENGINEERED SUPPORT SYSTEMS INC	Jefferson City, Missouri (USA)	USD	1		100	100
ESSI RESOURCES LLC	Frankfort, Kentucky (USA)	USD	-		100	100
FATA LOGISTIC SYSTEMS SPA	Pianezza (Turin)	EUR	100,000		100	100
GLOBAL NETWORK SERVICES LLC	Wilmington, Delaware (USA)	USD	1		100	100
LARIMART SPA	Rome	EUR	2,500,000	60		60
LASERTEL INC	Phoenix, Arizona (USA)	USD	10		100	100
LAUREL TECHNOLOGIES PARTNERSHIP	Wilmington, Delaware (USA)	USD	-		100	100
LEONARDO GLOBAL SOLUTIONS SPA	Rome	EUR	49,945,983	100		100
LEONARDO DRS INC	Wilmington, Delaware (USA)	USD	1		100	100
LEONARDO INTERNATIONAL SPA	Rome	EUR	1,000,000	100		100
LEONARDO MW LTD	Basildon, Essex (UK)	GBP	270,000,100	100		100
LEONARDO ROMANIA AEROSPACE, DEFENCE & SECURITY S.A. ex S.C. ELETTRA COMMUNICATIONS SA	Ploiesti (Romania)	RON	10,847,960		100	100
LEONARDO US AIRCRAFT, INC.	Wilmington, Delaware (USA)	USD	44		100	100
LEONARDO US HOLDING, INC	Wilmington, Delaware (USA)	USD	10	100		100
OTO MELARA IBERICA SAU	Loriguilla, Valencia (Spain)	EUR	120,000	100		100
OTO MELARA NORTH AMERICA LLC	Wilmington, Delaware (USA)	USD	10,000		100	100
PARTECH SYSTEMS PTY LTD	Yerriyong (Australia)	AUD	330,00		60	60
PIVOTAL POWER INC	Halifax, Nova Scotia (Canada)	CAD	-		100	100
REGIONALNY PARK PRZEMYSLOWY SWIDNIK SP Z OO	Swidnik (Poland)	PLN	7,072,000		74	73
SELEX ELSAG LTD	Basildon, Essex (UK)	GBP	25,800,100		100	100
SELEX ES AUSTRALIA PTY LTD	Melbourne (Australia)	AUD	2		100	100
SELEX ES DO BRASIL LTDA	Rio de Janeiro (Brazil)	BRL	5,686,457	-	100	100
SELEX ES ELEKTRONIK TURKEY AS	Ankara (Turkey)	TRY	79,557,009	-	100	100
SELEX ES GMBH	Neuss (Germany)	EUR	2,500,000		100	100
SELEX ES INC	Wilmington, Delaware (USA)	USD	1		100	100
SELEX ES INDIA PRIVATE LTD (IN.LIQ.)	New Delhi (India)	INR	30,100,000		100	100
SELEX ES INTERNATIONAL LTD	Basildon, Essex (UK)	GBP	60,000,000	100		100
SELEX ES LTD	Basildon, Essex (UK)	GBP	71,500,001		100	100
SELEX ES MALAYSIA SDN BHD	Kuala Lumpur (Malaysia)	MYR	500,000		100	100
SELEX ES SPA	Rome	EUR	1,000,000		100	100
SELEX ES SAUDI ARABIA LTD	Riyadh (Saudi Arabia)	SAR	500,000		100	100
SELEX ES TECHNOLOGIES LTD	Nairobi (Kenya)	KES	109,600,000	4	96	100
SELEX GALILEO INC	Wilmington, Delaware (USA)	USD	17,750,000		100	100
SELEX SERVICE MANAGEMENT SPA (IN LIQ.)	Rome	EUR	3,600,000		100	100
SISTEMI DINAMICI SPA	Pisa	EUR	200,000	100		100
SO.GE.PA. - SOCIETA` GENERALE DI PARTECIPAZIONI SPA	Rome	EUR	1,000,000	100		100
T - S HOLDING CORPORATION	Austin, Texas (USA)	USD	280,000		100	100
TECH-SYM LLC	Reno, Nevada (USA)	USD	10		100	100
TTI TACTICAL TECNOLOGIES INC	Ottawa, Ontario (Canada)	CAD	2,500,001		100	100
VEGA CONSULTING SERVICES LTD	Basildon, Essex (UK)	GBP	1,098,839		100	100
VEGA DEUTSCHLAND GMBH	Cologne (Germany)	EUR	25,700		100	100
WESTLAND SUPPORT SERVICES LTD	Yeovil, Somerset (UK)	GBP	5,000		100	100
WORLD'S WING SA	Geneva (Switzerland)	CHF	120,100,000	100		100
WYTWORNIA SPRZETU KOMUNIKACYJNEGO ``PZL-SWIDNIK`` SPOLKA AKCYJNA	Swidnik (Poland)	PLN	86,006,050	99		99
ZAKLAD OBROBKI PLASTYCZNEJ SP Z OO	Swidnik (Poland)	PLN	3,800,000		100	99

List of companies consolidated using the equity method (amounts in foreign currency)

Company name	Registered office	Currency	Share capital	% Group ownership Direct	% Group ownership Indirect	% Group shareholding
A4ESSOR SAS	Neuilly Sur Seine (France)	EUR	100,000	23		23
ADVANCED ACOUSTIC CONCEPTS LLC	Wilmington, Delaware (USA)	USD	-		51	51
ADVANCED AIR TRAFFIC SYSTEMS SDN BHD	Shah Alam (Malaysia)	MYR	5,000,000		30	30
AGUSTAWESTLAND AVIATION SERVICES LLC	Abu Dhabi (United Arab Emirates)	AED	10,000	30		30
ALENIA NORTH AMERICA-CANADA CO	Halifax, Nova Scotia (Canada)	CAD	1	100		100
AMSH BV	Rotterdam (the Netherlands)	EUR	36,296,316	50		50
AVIATION TRAINING INTERNATIONAL LTD	Sherborne (UK)	GBP	550,000		50	50
AVIO SPA	Rome	EUR	90,761,670	28		28
C-27J AVIATION SERVICES INC.	Ottawa, Ontario (Canada)	CAD	10,000		30	30
CARDPRIZE TWO LIMITED	Basildon, Essex (UK)	GBP	1		100	100
CONSORZIO ATR GIE	Toulouse (France)	USD	-	50		50
CONSORZIO TELAER (IN LIQ.)	Rome	EUR	103,291		100	68
DISTRETTO TECNOLOGICO AEROSPAZIALE SC A RL	Brindisi	EUR	150,000	24		24
E - GEOS SPA	Matera	EUR	5,000,000		80	54
ELETTRONICA SPA	Rome	EUR	9,000,000	31		31
EUROFIGHTER AIRCRAFT MANAGEMENT GMBH (IN LIQ.)	Hallbergmoos (Germany)	EUR	127,823	21		21
EUROFIGHTER JAGDFLUGZEUG GMBH	Hallbergmoos (Germany)	EUR	2,556,459	21		21
EUROFIGHTER SIMULATION SYSTEMS GMBH	Hallbergmoos (Germany)	EUR	260,000	24		24
EUROMIDS SAS	Paris (France)	EUR	40,500	25		25
EUROSYSNAV SAS (IN LIQ.)	Paris (France)	EUR	40,000	50		50
EUROTECH SPA	Amaro (Udine)	EUR	8,878,946	11		11
FINMECCANICA UK LTD	Yeovil, Somerset (UK)	GBP	1,000		100	100
GAF AG	Munich (Germany)	EUR	256,000		100	54
GULF SYSTEMS LOGISTICS SERVICES COMPANY WLL	Kuwait City (Kuwait)	KWD	75,000		40	40
IAMCO - INTERNATIONAL AEROSPACE MANAGEMENT COMPANY SCRL	Venice	EUR	208,000	25		25
ICARUS SCPA (IN LIQ.)	Turin	EUR	10,268,400		53	53
IVECO - OTO MELARA SC A RL	Rome	EUR	40,000	50		50
JIANGXI CHANGHE AGUSTA HELICOPTER CO LTD	Zone Jiangxi Province (China)	USD	6,000,000	40		40
JOINT STOCK COMPANY HELIVERT	Moscow (Russia)	RUB	10,000	50		50
LEONARDO AEROSPACE DEFENSE & SECURITY INDIA PRIVATE LTD	New Delhi (India)	INR	30,000,000	100	-	100
LEONARDO DO BRASIL LTDA ex FINMECCANICA DO BRASIL LTDA	Brasilia (Brazil)	BRL	1,203,200	100	-	100
LEONARDO ELECTRONICS PENSION SCHEME (TRUSTEE) LTD	Basildon, Essex (UK)	GBP	100		100	100
LEONARDO FOR TRADING OF MACHINERY EQUIPMENT AND DEVICES WLL ex SELEX ES FOR TRADING OF MACHINERY EQUIPMENT AND DEVICES WLL	Kuwait City (Kuwait)	KWD	807,000		93	93
LEONARDO FUTUREPLANNER (TRUSTEE) LIMITED	Yeovil, Somerset (UK)	GBP	1		100	100
LEONARDO HELICOPTERS PENSION SCHEME (TRUSTEE) LTD	Yeovil, Somerset (UK)	GBP	1		100	100
LIBYAN ITALIAN ADVANCED TECHNOLOGY CO	Tripoli (Libya)	EUR	8,000,000	25	25	50
MACCHI HUREL DUBOIS SAS	Versailles (France)	EUR	100,000	50		50
MBDA SAS	Paris (France)	EUR	53,824,000		50	25
NHINDUSTRIES (SAS)	Aix en Provence (France)	EUR	306,000	32		32
ORIZZONTE - SISTEMI NAVALI SPA	Genoa	EUR	20,000,000	49		49
OTO MELARA DO BRASIL LTDA	Rio de Janeiro (Brazil)	BRL	1,500,000	100	-	100
RARTEL SA	Bucharest (Romania)	RON	468,500		61	41
ROTORSIM SRL	Sesto Calende (Varese)	EUR	9,800,000	50		50
ROTORSIM USA LLC	Wilmington, Delaware (USA)	USD	12.607.452		50	50
SAPHIRE INTERNATIONAL AVIATION & ATC ENGINEERING CO LTD	Beijing (China)	USD	800,000		65	65
SELEX ES (PROJECTS) LTD	Basildon, Essex (UK)	GBP	100		100	100
SPACEOPAL GMBH	Munich (Germany)	EUR	500,000		50	34
TELESPAZIO ARGENTINA SA	Buenos Aires (Argentina)	ARS	9,900,000		100	67
TELESPAZIO BRASIL SA	Rio de Janeiro (Brazil)	BRL	58,724,000		99	66
TELESPAZIO FRANCE SAS	Toulouse (France)	EUR	33,670,000		100	67
TELESPAZIO IBERICA SL	Madrid (Spain)	EUR	2,230,262		100	67
TELESPAZIO LATIN AMERICA LTDA	Rio de Janeiro (Brazil)	BRL	56,444,390		100	67
TELESPAZIO NORTH AMERICA INC. (IN LIQ.)	Dover, Delaware (USA)	USD	10		100	67
TELESPAZIO SPA	Rome	EUR	50,000,000	67		67
TELESPAZIO VEGA DEUTSCHLAND GMBH	Darmstadt (Germany)	EUR	44,150		100	67
TELESPAZIO VEGA UK LTD	Luton (UK)	GBP	30,000,100		100	67
TELESPAZIO VEGA UK SL	Madrid (Spain)	EUR	3,100		100	67
THALES ALENIA SPACE SAS	Cannes (France)	EUR	979,240,000	33		33
TORPEDO SOUTH AFRICA (PTY) LTD	Gauteng (South Africa)	ZAR	-	49		49
WIN BLUEWATER SERVICES PRIVATE LIMITED (IN LIQ.)	New Delhi (India)	INR	12,000,000	100	-	100
ZAO ARTETRA	Moscow (Russia)	RUB	353,000		51	51

List of subsidiaries and associates valued at cost (amounts in foreign currency)

Company name	Registered office	Currency	Share capital	% Group ownership Direct	% Group ownership Indirect	% Group shareholding
ADVANCED MALE AIRCRAFT LLC	Al Ain, Muwaiji (United Arab Emirates)	AED	200,000	49		49
ANSALDOBREDA FRANCE SAS (IN LIQ)	Marseille (France)	EUR	200,000		100	100
CCRT SISTEMI SPA (IN FALL)	Milan	EUR	697,217		30	30
CHONGQING CHUANYI ANSALDOBREDA RAILWAY TRANSPORT. EQUIP.CO.LTD	Chongqing (China)	CNY	50,000,000		50	50
EARTHLAB LUXEMBOURG S.A.	Luxembourg (Luxembourg)	EUR	5.375.000		54	34
ELSACOM - UKRAINE JOINT STOCK COMPANY	Kiev (Ukraine)	UAH	7,945,000		49	49
INDUSTRIE AERONAUTICHE E MECCANICHE RINALDO PIAGGIO SPA (AMM.STR.)	Genoa	EUR	103,567	31		31
INMOVE ITALIA SRL	Naples	EUR	120,000		100	100
LEONARDO INTERNATIONAL LTD ex PCA ELECTRONIC TEST LTD	Grantham, Lincolnshire (UK)	GBP	1		100	100

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

COMPANY	EVENT	MONTH
<u>Companies which entered the scope of consolidation</u>:		
Leonardo Aerospace Defense & Security India Private Ltd	newly established	October 2017
Leonardo Futureplanner (Trustee) Limited	newly established	January 2018
Torpedo South Africa (PTY) Ltd	acquired	April 2018
Leonardo International Spa	newly established	May 2018
<u>Companies which left the scope of consolidation:</u>		
Atitech Spa	sold	October 2017
Atitech Manufactoring Srl	sold	October 2017
Abu Dhabi Systems Integration LLC	sold	November 2017
Indian Rotorcraft Ltd	sold	May 2018
<u>Companies which changed their name:</u>	**<u>New name:</u>**	
DRS Technology Inc.	Leonardo DRS Inc.	July 2017
SELEX ES for Trading of Machinery Equipment and Devices WLL	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

Statement on the condensed consolidated half-year financial statements at 30 June 2018 pursuant to Art. 154-bis, paragraph 5 of Legislative Decree no. 58/98 as amended

1. The undersigned Alessandro Profumo Chief Executive Officer and Alessandra Genco as the Officer in charge of financial reporting for Leonardo Società per azioni, certify, in accordance with Art. 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:
   - the appropriateness of the financial statements with regard to the nature of the business and
   - the effective application of administrative and accounting procedures in preparing the condensed consolidated half-year financial statements at 30 June 2018.
2. In this respect it is noted that no significant matters arose.
3. It is also certified that:

   3.1 The condensed consolidated half-year financial statements:
   - were prepared in accordance with International Financial Reporting Standards endorsed by the European Community pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   - correspond to the entries in the books and accounting records;
   - were prepared in accordance with Article 154-ter of the aforesaid Legislative Decree 58/98 and subsequent amendments and integrations and they provide a true and fair view of the financial position and results of operations of the issuer and the companies included in the scope of consolidation.

   3.2 The directors' report on operations accompanying the condensed consolidated half-year financial statements provides a reliable analysis of the important events taking place in the first six months of the year and their impact on the condensed consolidated half-year financial statements, together with a description of the key risks and uncertainties for the remaining six months of the year. The directors' report on operations also includes a reliable analysis of significant transactions with related parties.

This statement also is made pursuant to and for the purposes of Art. 154-bis, paragraph 2, of Legislative Decree 58 of 24 February 1998.

Rome, 30 July 2018

Chief Executive Officer	Officer in charge of financial reporting
(Alessandro Profumo)	(Alessandra Genco)

Independent Auditors' Report on the review of the condensed consolidated half-year financial statements at 30 June 2018