RESULTS OF THE FIRST QUARTER OF 2016

Disclaimer

This Interim Reporting at 31 March 2016 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.

LEONARDO

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Group's performance at 31 March 2016

Group results and financial position

Key Performance Indicators ("KPI")

	March 2016	March 2015	Change	2015
New orders	2,564	2,641	(2.9%)	12,371
Order backlog	27,863	30,169	(7.6%)	28,793
Revenue	2,536	2,654	(4.4%)	12,995
EBITDA	326	287	13.6%	1,866
EBITDA Margin	12.9%	10.8%	2.1 p.p.	14.4%
EBITA	164	157	4.5%	1,208
ROS	6.5%	5.9%	0.6 p.p.	9.3%
EBIT	134	110	21.8%	884
Net result before extraordinary transactions	56	4	n.a.	253
Net result	64	11	n.a.	527
Group Net Debt	4,212	5,108	(17.5%)	3,278
FFO	42	(14)	n.a.	1,446
FOCF	(876)	(880)	0.5%	307
ROI	8.2%	7.8%	0.4 p.p.	15.7%
ROE	5.3%	0.4%	4.9 p.p.	6.2%
Workforce	46,756	54,023	(13.5%)	47,156

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

The first months of 2016 confirmed the positive performance of the Group in terms of both results of operations and financial position, showing an increase in particular in EBIT (+22%) and, above all, in net result before extraordinary transactions, equal to 14 times that recorded in the corresponding period of the previous financial year. In details, the results in the first quarter of 2016 (which no longer include any contribution from the *Transportation* business that has been transferred to Hitachi and that has been classified separately under "discontinued operations" in the comparative period) showed:

- a rise in operating results (EBITDA up by +14% compared with the same period of 2015, EBITA by +5% and EBIT by +22%), with a ROS that rose from 5.9% to 6.5%;
- a net result that was considerably positive, equal to €mil. 56 at the level of Net result before extraordinary transactions and that was 14 times higher than in 2015, when it amounted to €mil. 4. The net result came to €mil 64 at an overall level, including the capital gain from the disposal of FATA, against a profit of €mil. 11 in 2015, which had benefitted from the results from the Transportation operations sold during 2015;

- a cash flow that, while negative in line with the normal seasonal fluctuation in Group collections and payments, showed in any case a slight improvement compared to 31 March 2015, when it had already showed a sharp progress compared to the past (€mil. -876 against €mil. -880 in 2015);
- a level of new orders of less than that posted in 2015 (- 3%), which did not include the contract for the supply of 28 Eurofighter Typhoon aircraft signed on 5 April 2016 with the Kuwaiti Ministry of Defence. This contract includes the supply of the aircraft in their most advanced configuration and equipped with the E-scan electronic scanning radar system (developped by the European consortium EuroRADAR, leaded by Leonardo-Finmeccanica), as well as supplies in the sectors of logistics, operational support and training for flight crews and ground staff, which will be provided in collaboration with the Italian Air Force. The agreement also includes the upgrading of the infrastructures in Kuwait which are necessary for the operations of the aircraft.

  The contract, whose total value is about €bil. 8, will be included in the order backlog when the first advance payment is collected, probably in the second quarter of the year. The activities will cover eight years, with an impact on the profit and loss that will be meaningless in 2016 but will increase and became particularly significant starting from 2019. In financial terms, the effect deriving from the collection of the advance will entail an improvement of FOCF of about €mil 600 in the two-year period 2016/2017, while the subsequent years will be affected by the absorption of this improvement related to working capital requirements deriving from the peak of the production.

In addition to those already referred to, the most significant events that marked the first months of 2016 included the following:

- On 1 January the transactions became effective in legal terms, which involved the concentration in Leonardo-Finmeccanica of the corporate business areas involved in the process of turning the companies into divisions, with the full entry of Leonardo-Finmeccanica into operation as a One Company. The Group is now structured into seven divisions (*Helicopters, Aircraft, Aerostructures, Airborne & Space Systems, Land & Naval Defence Electronics, Defence Systems, Security & Information Systems*) - which have been provided with powers and resources so as to ensure a complete end-to-end management of the related scope of business, with consequent full responsibility of the relevant income statement and which operate, together with the entities outside the One Company perimeter – (mainly DRS, which is subject to a

Proxy regime and the JVs) within four sectors (*Helicopters*, *Aeronautics*, *Electronics, Defence & Security Systems*, *Space*) which are assigned coordination functions and tasks;

- On 10 March 2016 the disposal of FATA Spa to the Danieli Group was completed;
- Consistently with the implementation of the new Organisational and Operational Model of the One Company and the simultaneous replacement of the previous financial holding model, the Shareholders' Meeting held on 28 April 2016 approved the change of the company name in "Leonardo – Società per azioni" ("Leonardo S.p.A." in an abridged form). Until 31 December 2016 the company name will be "Leonardo – Finmeccanica – Società per azioni" ("Leonardo S.p.A." or "Finmeccanica S.p.A." in an abridged form), in order to guarantee a period of time sufficient to assure the necessary continuity of the company's relationships especially with the foreign countries. The new company name became effective on 4 May 2016..

Before analysing the results for the period, it should be pointed out that, consistently with the new organisation of the Group, the division into sectors has been changed, with the consequent restatement of the comparative position of *Electronics*, *Defence and Security Systems*, a division of which is that of *Defence Systems* (previously constituting a sector in itself).

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

	31 March 2016						
	New orders	**Order backlog**	**Revenues**	**EBITA**	**ROS %**	**EBITDA**	**EBITDA Margin**
Helicopters	384	10,762	810	83	10.2%	103	12.7%
Electronics, Defence & Security Systems	1,217	10,941	1,134	56	4.9%	117	10.3%
Aeronautics	993	6,508	638	41	6.4%	108	16.9%
Space	-	-	-	4	n.a.	4	n.a.
Other activities	6	199	67	(20)	(29.9%)	(6)	(9.0%)
Eliminations	*(36)*	*(547)*	*(113)*	-	*n.a.*	-	*n.a.*
Total	**2,564**	**27,863**	**2,536**	**164**	**6.5%**	**326**	**12.9%**

	31 March 2015						
	New orders	Order backlog at 31 Dec. 2015	Revenues	EBITA	ROS %	EBITDA	EBITDA Margin
Helicopters	1,348	11,717	924	112	12.1%	132	14.3%
Electronics, Defence & Security Systems	1,002	11,116	1,108	33	3.0%	70	6.3%
Aeronautics	329	6,170	660	34	5.2%	94	14.2%
Space	-	-	-	1	n.a.	1	n.a.
Other activities	5	215	69	(23)	(33.3%)	(10)	(14,5%)
Eliminations	*(43)*	*(425)*	*(107)*	-	*n.a.*	*n.a.*	*n.a.*
Total	**2,641**	**28,793**	**2,654**	**157**	**5.9%**	**287**	**10.8%**

	Change %						
	New orders	Order backlog	Revenues	EBITA	ROS %	EBITDA	EBITDA Margin
Helicopters	(71.5%)	(8.2%)	(12.3%)	(25.9%)	(1.9) p.p.	(22.0%)	(1.6) p.p.
Electronics, Defence & Security Systems	21.5%	(1.6%)	2.3%	69.7%	1.9 p.p.	67.1%	4.0 p.p.
Aeronautics	n.a.	5.5%	(3.3%)	20.6%	1.2 p.p.	14.9%	2.7 p.p.
Space	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other activities	20.0%	(7.4%)	(2.9%)	13.0%	3.4 p.p.	40%.	5.5 p.p.
Eliminations	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Total	**(2.9%)**	**(3.2%)**	**(4.4%)**	**4.5%**	**0.6 p.p.**	**13.6%**	**2.1 p.p.**

Commercial performance

The Group achieved a satisfactory level of **new orders** in first quarter 2016, with book-to-bill ratio equal to 1, in line with 2015. The better result recorded in *Aeronautics* (+ €mil. 664) – thanks to higher orders gained from Boeing and for M346 aircraft by the Italian Air Force - and recorded in *Electronics* (+ €mil. 215) - mainly for export orders for air traffic control and air defence systems - help offsetting the reduction in *Helicopters* (- €mil. 964). This Sector confirmed to be affected by challenges in Oil&Gas, extending across the other civil markets, coinciding with the introduction of some of our new products. The YoY Helicopters comparison also reflects particularly strong first quarter 2015 results, when a significant order from the UK Ministry of Defence had been recorded. As mentioned, at 31 March 2016 Group new orders did not include the contract relating to the supply of 28 Eurofighter Typhoon aircraft to Kuwait.

The order backlog, considered in terms of its workability, ensures about two and a half years of production for the Group.

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Business performance

(€ millions)	Note	For the Three months ended 31 March 2016	2015	Change	% Change
Revenues		2,536	2,654	(118)	(4.4%)
Purchases and personnel expense		(2,253)	(2,371)		
Other net operating income/(expenses)		36	(8)		
Equity-accounted strategic JVs		7	12		
EBITDA		**326**	**287**	**39**	**13.6%**
EBITDA Margin		*12.9%*	*10.8%*	*2.1 p.p.*	
Amortisation, depreciation and impairment losses		(162)	(130)		
EBITA		**164**	**157**	**7**	**4.5%**
ROS		*6.5%*	*5.9%*	*0.6 p.p.*	
Restructuring costs		(6)	(23)		
Amortisation of intangible assets acquired as part of business combinations		(24)	(24)		
EBIT		**134**	**110**	**24**	**21.8%**
EBIT Margin		*5.3%*	*4.1%*	*1.2 p.p.*	
Net financial income/(expense)	*1*	(71)	(102)		
Income taxes		(7)	(4)		
Net result before extraordinary transactions		**56**	**4**	**52**	**n.a.**
Net result related to discontinued operations and extraordinary transactions		8	7		
Net profit/(loss) for the period attributable to:		**64**	**11**	**53**	**n.a.**
- owners of the parent		*64*	*1*		
- non-controlling interests		.	*10*		

Revenues decreased over the corresponding period of 2015 by €mil. 118, mainly attributable to the abovementioned difficulties encountered in the sector of *Helicopters*. On the contrary, all the profitability indicators showed a sharp improvement supported by the results recorded in the sector of *Aeronautics* and, above all, by the excellent performance in the sector of *Electronics*, which confirmed the trend recorded in 2015 and allowed the decline recorded in the sector of *Helicopters* to be offset. Specifically, **EBITDA** and **EBITA** showed an increase of 14% and 5%, respectively, compared to the first quarter of 2015, (with an increase of 0.6 p.p. of operating profits), while **EBIT** showed an even more considerable increase (+ 22%), as a result of the lesser impact of restructuring costs.

The **net result before extraordinary transactions** represents a marked improvement (€mil. 56 compared with €mil. 4 in the first three months of 2015), due to the mentioned rise in EBIT and to lower financial costs as a result of lower interest on the Group’s debt, by virtue of the buy-back transactions on bond issues which were completed in 2015 and as a result of negative foreign exchange differences which had affected the result posted in the first quarter of 2015. The **net result** benefitted from the capital gain from the disposal of FATA (temporarily amounting to €mil. 8), while the comparative period included the results from operations in the sector of *Transportation*, which were then transferred to Hitachi.

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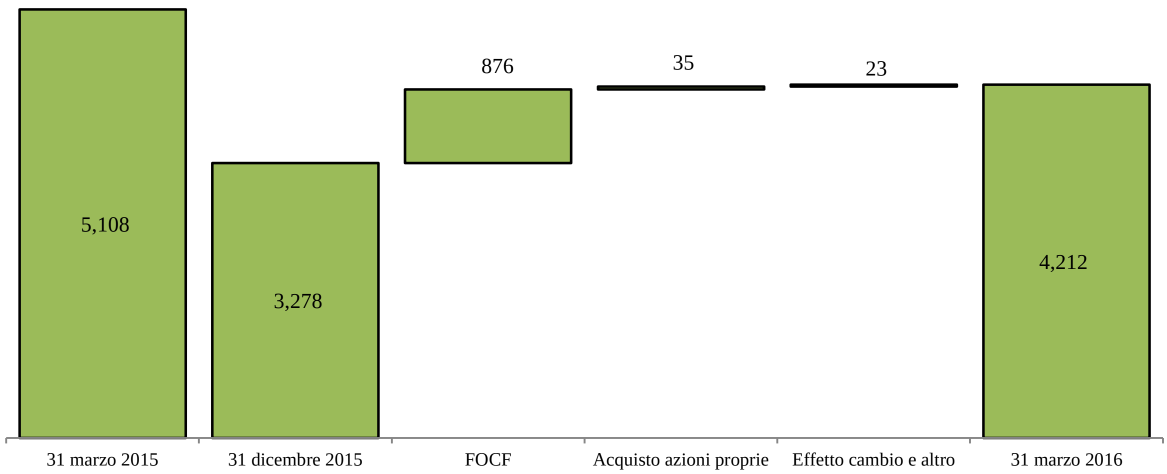
Financial performance

(€ millions)	*For the Three months ended 31 March* 2016	*2015*	*Change*	*% Change*
Funds From Operations (FFO)	**42**	**(14)**	**56**	**n.a.**
Change in working capital	(801)	(723)		
Cash flows from ordinary investing activities	(117)	(143)		
Free Operating Cash Flow (FOCF)	**(876)**	**(880)**	**4**	**0.5%**
Change in other investing activities	(5)	(19)		
Treasury shares purchase	(35)	-		
Net change in loans and borrowings	48	71		
Dividends paid	(1)	-		
Net increase (decrease) in cash and cash equivalents	**(869)**	**(828)**		
Cash and cash equivalents at 1 January	1,771	1,495		
Exchange rate differences and other changes	(18)	40		
Cash and cash equivalents at 1 January of discontinued operations	-	(290)		
Cash and cash equivalents at 31 March	**884**	**417**		

In the first quarter of 2016 the cash flow performance showed a slight improvement compared to the first quarter of 2015, with a negative FOCF of € mil. 876. Said performance confirmed the trend recorded within the Group, reporting considerable cash absorptions in the first period of the financial year. Net Debt showed a considerable reduction (- 18%) compared to 31 March 2015, thanks to the positive cash performance recorded in the last months of 2015 and to the disposal operations carried out in the sector of Transportation, which were completed in November 2015. Compared to 31 December 2015, there were the following changes, which were affected by the usual cash absorption in the first months of the financial year and by the buy-back of treasury shares serving incentive plans:



Net capital invested rose compared with the figure for 31 December 2015 due to the increase in net working capital, resulting from the seasonal fluctuation in cash flows:

(€ millions)	*Note*	*31 March 2016*	*31 December 2015*	*31 March 2015*
Non-current assets	*2*	12,051	12,558	12,579
Non-current liabilities		(3,438)	(3,676)	(3,510)
Capital assets		**8,613**	**8,882**	**9,069**
Inventories		4,433	4,337	4,754
Trade receivables		6,635	6,375	6,323
Trade payables		(9,544)	(9,962)	(9,989)
Working capital		**1,524**	**750**	**1,088**
Provisions for short-term risks and charges		(708)	(736)	(694)
Other net current assets (liabilities)		(1,048)	(1,320)	(1,082)
Net working capital		**(232)**	**(1,306)**	**(688)**
Net invested capital		**8,381**	**7,576**	**8,381**
Equity attributable to the Owners of the Parent		4,163	4,280	3,638
Equity attributable to non-controlling interests		19	22	365
Equity		**4,182**	**4,302**	**4,003**
Group Net Debt	*3*	**4,212**	**3,278**	**5,108**
Net (assets)/liabilities held for sale		**(13)**	**(4)**	**(730)**

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Below are the key performance indicators by sector:

Helicopters

The performance in the first quarter was affected by the commercial challenges across some civil markets, which involved in particular the production of AW189 and AW139, coinciding with the introduction of the new AW169 aircraft, and therefore showed a decline in all the indicators. However, the profitability, albeit lower than in the same period of the previous financial year, maintained double digit figures.

New orders. The reduction recorded in new orders must be attributed to the abovementioned challenges encountered across some civil markets, a phenomenon that was also amplified by a particularly strong first quarter 2015 order intake, when a significant order had been signed with the UK Ministry of Defence, in relation to logistical support and maintenance services for the AW101 Merlin helicopters.

Revenues. They recorded a decline to be attributed to the phenomena mentioned above, as well as to the expected reduction in the operations concerning the AW159/Lynx programmes and the lower contribution from Product Support.

EBITA. It recorded a reduction due to the effect of a decline in revenues and to the lower profitability recorded in the period, which was affected in particular by the ongoing activities for the development of the new AW169 aircraft, as well as by the contribution from AW139 and Product Support.

Electronics, Defence & Security Systems

The first quarter of the year was characterised by a good commercial performance, thanks to the acquisition of major orders, above all in the export segment, and by a considerable improvement in EBITA, which confirmed the positive performance already recorded during 2015.

New orders. They recorded an increase compared to the same period in 2015. The main new orders included the contract for the supply of an air traffic surveillance and protection system to the Armed Forces in Qatar, in the *Land & Naval Defence Electronics* division.

Revenues. They were substantially in line with the first quarter of 2015. The higher volumes associated with the start of operations for major orders gained during 2015 in the Divisions of *Land & Naval Defence Electronics* and *Security & Information Systems* (Naval Law, TETRA PIT) offset the expected decline recorded in DRS as a result of the disposals of non-core businesses that occurred at the end of the previous year.

EBITA. It showed a sharp improvement compared to the first quarter of 2015 as a result of the benefits arising from efficiency improvement actions and from the gradual recovery of industrial profitability within the *Security & Information Systems* Division; as regards DRS, the lower profitability associated with a mix of activities that focused on low margin development programmes such as ORP (*Ohio Replacement Programme*) and MFoCS (*Mounted Family of Computing Systems)*, was offset by savings on structure costs.

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

	New orders	Revenues	EBITA	ROS %	EBITDA	EBITDA Margin
DRS ($mil.) March 2016	422	364	17	4.7%	26	7.1%
DRS ($mil.) March 2015	567	401	18	4.5%	29	7.2%
DRS (€mil.) March 2016	383	330	15	4.7%	24	7.1%
DRS (€mil.) March 2015	503	356	16	4.5%	25	7.2%

Average exchange rate €/USD: 1.1021 (1Q 2016) and 1.1270 (1Q 2015).

Aeronautics

From a commercial point of view, the first quarter of 2016 recorded a significant level of new orders both in the *Aircraft* Division, for the supply of 9 additional advanced training aircraft M-346 to the Italian Air Force, and in the *Aerostructures* Division, which received an order for the supply of 100 fuselage sections for the B787 programme.

From a production point of view, during the first quarter of 2016 deliveries were made for 30 fuselage sections and 19 stabilisers for the B787 programme (29 fuselage sections and 18 stabilisers delivered in the first quarter of 2015) and 24 ATR fuselages (20 delivered in the first quarter of 2015). As regards the production of M-346, 3 aircrafts were delivered to Israel (4 aircraft were delivered to the Italian Air Force and to Israel in the first quarter of 2015).

*New orders***.** They recorded an increase that was mainly due to the abovementioned orders gained from the Italian Air Force for the supply of nine M346 aircraft and from Boeing for the B787 programme. The other major orders gained in the first quarter of 2016 included orders for the *Aerostructures* Division, those for the B767 and B777 programmes and for the *Aircraft* Division those for logistical support activities for EFA aircraft and orders received from Lockheed Martin for the F-35 programme.

Revenues. Overall business volumes were in line with the result recorded in the first quarter of 2015, both for the *Aerostructures* Division and in the *Aircraft* Division. Specifically, in the *Aerostructures*

Division there was a slight decline due to lower foreign pass-through supplies concerning the B787 programme, while, in the *Aircraft* Division, the increased productions for the M346 and F-35 programmes offset a decline in revenues for the EFA and C27J aircraft.

***EBITA*.** There was an increase that was attributable to an improvement in the performance in the *Aerostructures* Division, in particular for the ATR programme, and in the profitability of training and C27J aircraft, which more than offset a lower contribution from defence aircraft and the GIE-ATR consortium.

Space

The first quarter of 2016 was marked by the good performance of the manufacturing segment that, in comparison with the same period of the prior year, showed an increase in business volumes, in particular as regards telecommunications programmes, and an improvement of the industrial profitability. Moreover, this allowed to offset the lower marginality for the period in the supply of satellite services.

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Outlook

Following the signature of the contract with the Minister of Defense of Kuwait for the supply of 28 *Eurofighter Typhoon*, 2016 guidance are now revised to include a significant improvement in orders and FOCF, compared to the original 2016 guidance published with 2015 results.

2016 Orders guidance increased for the effect of the award of the Kuwait contract (approaching €bil. 8 value). In financial terms, the effect deriving from the collection of the advance will entail an improvement of FOCF of about €mil 600 in the two-year period 2016/2017, of which approximately €mil 200 in the first year, with a consequent improvement in the expected Net Debt. The Group expects meaningless profit and loss impacts on 2016.

Therefore, 2016 full-year guidance are now updated as follows:

	2015 amounts	**2016 Outlook***	
		Previous	**Updated**
New Orders (€bln)	12.4	12.2 – 12.7	ca 20.0
Revenues (€bln)	13.0	12.2 – 12.7	12.2 – 12.7
EBITA (€mln)	1,208	1,220 – 1,270	1,220 – 1,270
FOCF (€mln)	307	300 – 400	500 - 600
Group Net Debt (€bln)	3.3	ca.3,0	ca. 2.8

(*) Exchange rate assumptions: €/USD 1.15; €/GBP 0,75

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Main transactions in the first quarter of 2016

Industrial transactions. On 10 March 2016 there was the closing of the transaction for the transfer to the DANIELI Group of 100% of the share capital of Fata S.p.A., which operates in the design of industrial plants, and its subsidiaries. Before the closing, there was a spin-off within Fata, through a partial demerger, which involved the investment in Fata Logistic Systems and some asset items which were transferred to companies in the Leonardo-Finmeccanica Group.

Financial transactions. On 27 April 2016 Leonardo-Finmeccanica renewed the EMTN programme for a further 12 months, keeping unchanged the maximum amount of €bil. 4.

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Explanatory notes

In accordance with Legislative Decree no. 25 of 2016, which became effective last 18 March, the obligation to communicate the quarterly data was eliminated. This decree assigned to Consob the power to regulate the information to provide with reference to the first and third quarter of each year. Pending a definition of the regulatory framework, Leonardo-Finmeccanica prepared this interim reporting on a voluntary basis and in continuity of disclosure. Any subsequent policy, than as reported in the Financial Calendar 2016, will be timely announced.

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

The accounting policies, measurement criteria and consolidation methods used for this interim reporting at 31 March 2016, which should be read in conjunction with the 2015 annual consolidated financial statements, are unchanged from those of the 2015 annual consolidated financial statements (except for those specifically applicable to interim financial reports) and the interim financial report at 31 March 2015.

This interim reporting, approved by the Board of Directors on 5 May 2016, was not subject to any statutory review.

1. FINANCIAL INCOME AND EXPENSE

	For the Three months ended 31 March	
	2016	**2015**
Interest	(62)	(70)
Commissions	(2)	(5)
Fair value gains (losses) through profit or loss	1	(5)
Premiums (paid) received on forwards	-	(2)
Exchange rate differences	1	(14)
Other financial income and expense	(11)	(10)
Share of profits/(losses) of equity-accounted investees	2	4
Financial income and expense	**(71)**	**(102)**

2. NON-CURRENT ASSETS

	31 March 2016	**31 December 2015**
Goodwill	3,821	3,988
Development costs	512	520
Non-recurring costs	1,437	1,437
Concessions, licences and trademarks	321	324
Acquired through business combinations	539	588
Other intangible assets	132	153
Intangible assets	**6,762**	**7,010**
Property, plant and equipment and investment properties	2,570	2,662
Other non-current assets	2,719	2,886
Non-current assets	**12,051**	**12,558**

3. LOANS AND BORROWINGS

The Group Net Debt breaks down as follows:

(€ millions)	***31 March 2016***	*of which current*	***31 December 2015***	*of which current*	***31 March 2015***	*of which current*
Bonds	4,256	*53*	4,397	*121*	4,858	*61*
Bank debt	353	*72*	389	*96*	594	*244*
Cash and cash equivalents	(884)	*(884)*	(1,771)	*(1,771)*	(417)	*(417)*
Net bank debt and bonds	**3,725**		**3,015**		**5,035**	
Fair value of the residual portion in portfolio of Ansaldo Energia	(133)		(131)		(125)	
Current loans and receivables from related parties	(114)	*(114)*	(122)	*(122)*	(148)	*(148)*
Other current loans and receivables	(26)	*(26)*	(45)	*(45)*	(128)	*(128)*
Current loans and receivables and securities	**(273)**		**(298)**		**(401)**	
Hedging derivatives in respect of debt items	66	*66*	41	*41*	(94)	*(94)*
Related-party loans and borrowings	605	*603*	401	*399*	484	*478*
Other loans and borrowings	89	*58*	119	*83*	84	*49*
Group Net Debt	**4,212**		**3,278**		**5,108**	

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

Leonardo-Finmeccanica, to meet the financing needs for ordinary Group activities, obtained a revolving credit facility for a total of €mil. 2,000 with a pool of Italian and international banks as described in more detail in the 2015 Annual Report. At 31 March 2016, such credit facility was entirely unused. The Group also has additional unconfirmed short-term lines of credit of €mil. 760, which at 31 March were entirely unused and unsecured lines of credit, as well as unconfirmed, of approximately €mil. 3,356 at 31 March 2016.

For an analysis on the clauses related to the abovementioned bonds (financial covenant, negative pledge and cross default) reference is made to what reported in the 2015 consolidated financial statements.

4. CONTINGENT LIABILITIES

Provisions for risks amount to €mil. 1,399 (non-current) and to €mil. 708 (current), compared to €mil. 1,463 (non-current) and €ml. 736 (current) at 31 March 2015.

With regard to the provisions for civil, tax and administrative disputes, it should be noted that the 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 certain disputes in which the Group is a defendant as these disputes are reasonably expected to be resolved satisfactorily and without significantly impacting the results. 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. With respect to what already noted during the preparation of the 2015 consolidated financial statements, to which reference is made, there are no significant updates. Furthermore, it should be noted that the Explanatory Notes to the consolidated financial statements at 31 December 2015 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 the proceedings before the Court of Appeal of Milan in relation to the supply of 12 AW 101 VIP/VVIP helicopters to the Indian government, on 7 April 2016, the Court of Appeal sentenced the former Chairman and Chief Executive Officer of Finmeccanica Spa to four years and six months of imprisonment, and the former Chief Executive Officer of AgustaWestland SpA to four years of imprisonment, for offences pursuant to Articles 110, 112, paragraph 1, 318, 321 and 322-bis, paragraph 2(2) of the Criminal Code and pursuant to Article 2 of Legislative Decree no. 74/2000.

  In respect of these companies, it is recalled that on 25 July 2014, in accordance with article 58 of Legislative Decree 231/01, the Public Prosecutor dismissed the proceedings against Finmeccanica 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 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, *Giudice delle Indagini Preliminari*) of the Court of Busto Arsizio – in granting the motions put forth by the companies – imposed administrative penalties in accordance with article 63 of Legislative Decree 231/2001 and article 444 of the Code of Criminal Procedure, amounting to €80,000 for AgustaWestland SpA and €300,000 for AgustaWestland Ltd, and ordered the confiscation of the equivalent of €mil. 7.5;

- with reference to the criminal proceedings pending with the Public Prosecutor's Office of Busto Arsizio, in relation to the relationships maintained by AgustaWestland SpA with some companies incorporated under Italian and foreign law, the notice of conclusion of the preliminary investigations was served limited to the offence under Article 2 of Legislative Decree no. 74/2000, against two former Chief Executive Officers and a former executive of AgustaWestland SpA;.
- with reference to the criminal proceedings before the Court of Trani, concerning a tender launched by the Municipality of Barletta for the construction of access control systems for the limited traffic area, on 5 February 2016 the Court declared the decision not to prosecute against a former employee of Elsag Datamat SpA for violations charged to him, as they have become statute barred.

For the Board of Directors
The Chairman
Giovanni De Gennaro

Annex 1: scope of consolidation

Below are the changes in the scope of consolidation at 31 March 2016 in comparison with 31 March 2015 and 31 December 2015:

COMPANY NAME	EVENT	MONTH
Companies which entered the scope of consolidation (consolidated using the equity method):		
Atitech Manufacturing Srl	newly established	April 2015
Selex ES Malaysia SDN BHD	newly established	April 2015
Global Aviation & Logistics Services LLC	newly established	May 2015
Global Network Services LLC	newly established	May 2015
Global Support Services LLC	newly established	May 2015
Atitech SpA	purchase of a stake	May 2015
C-27J Aviation Services Inc.	newly established	January 2016
Companies which left the scope of consolidation:		
Sel Proc Srl (in liq.)	deconsolidated	April 2015
Abruzzo Engineering SCPA (in liq.)	sold	July 2015
Consorzio START SpA	sold	August 2015
Meccanica Reinsurance SA	sold	October 2015
Gruppo Ansaldo STS	sold	November 2015
Global Aviation & Logistics Services LLC	sold	November 2015
AnsaldoBreda España SLU	sold	November 2015
AnsaldoBreda Inc.	sold	November 2015
Global Support Services LLC	sold	November 2015
N2 Imaging Systems LLC	sold	December 2015
NGL Prime SpA (in liq.)	deconsolidated	January 2016
SELEX ES Infrared Ltd	deconsolidated	January 2016
Finmeccanica Finance SA (in liq.)	deconsolidated	February 2016
Fata SpA	sold	March 2016
Automation Integrated Solutions SpA	sold	March 2016
Fata (Shanghai) Engineering Equipment Co. Ltd	sold	March 2016
Fata Gulf Co. WLL	sold	March 2016
Fata Hunter Inc.	sold	March 2016
Fata Hunter India PVT Ltd	sold	March 2016
Musinet Engineering SpA	sold	March 2016
Comlenia Sendirian Berhad	sold	March 2016
Merged company:	**Merging company:**	
Immobiliare Cascina Srl	Finmeccanica Global Services SpA	October 2015
CISDEG SpA	Selex ES SpA	December 2015
OtoMelara SpA	Leonardo-Finmeccanica SPA	January 2016
Whitehead Sistemi Subacquei SpA	Leonardo-Finmeccanica SPA	January 2016

Annex 2: "Non-GAAP" performance indicators

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

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

- **New orders**: this includes contracts signed with customers during the period that satisfy the contractual requirements for being recorded in the order book.
- **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”).
- **EBITDA Margin**: it is calculated as the ratio between EBITDA and revenues.
- **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.

  L’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:

(€ millions)	**For the Three months ended 31 March**	
	2016	**2015**
Income before tax and financial expenses	127	98
Equity-accounted strategic JVs	7	12
EBIT	**134**	**110**
Amortisation of intangible assets acquired as part of business combinations	24	24
Restructuring costs	6	23
EBITA	**164**	**157**

- **Return on Sales** (ROS): this is calculated as the ratio of EBITA to revenue.

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

(€ millions)	**For the Three months ended 31 March**	
	2016	**2015**
Net result	64	11
Result from discontinued operations	-	(7)
Effect on extraordinary transactions	(8)	-
Net result before extraordinary transactions	**56**	**4**

- **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. An improvement factor of this indicator is that this item includes the measurement of the residual interest in Ansaldo Energia, which is classified under non-current assets in consideration – and assuming the exercise as well as in light of the creditworthiness of the other party – of the put & call rights based on which this amount will be paid by Fondo Strategico Italiano to Leonardo-Finmeccanica. The reconciliation with the net financial position required by the Consob communication no. DEM/6064293 of 28 July 2006 is reported below:

	31 March 2016	***31 December 2015***
Net financial debt com. CONSOB no. DEM/6064293	**4,279**	**3,368**
Fair value of the residual portion in portfolio of Ansaldo Energia	(133)	(131)
Hedging derivatives in respect of debt items	66	41
Group net debt (KPI)	**4,212**	**3,278**

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

	31 March 2016	*of which with related parties*	31 December 2015	*of which with related parties*
Liquidity	**(884)**		**(1,771)**	
Current loans and receivables	**(140)**	***(114)***	**(167)**	***(122)***
Current bank loans and borrowings	72		96	
Current portion of non-current loans and borrowings	53		121	
Other current loans and borrowings	661	*603*	482	*399*
Current financial debt	**786**		**699**	
Net current financial debt (funds)	**(238)**		**(1,239)**	
Non-current bank loans and borrowings	281		293	
Bonds issued	4,203		4,276	
Other non-current loans and borrowings	33	*2*	38	*2*
Non-current financial debt	**4,517**		**4,607**	
Net financial debt	**4,279**		**3,368**	

- **Funds From Operations (FFO)**: this is cash flow generated by (used in) operating activities net of changes in working capital. The FFO also includes dividends received.
- **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.

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

In accordance with the provisions of article 154-bis, paragraph 2 of Legislative Decree no. 58/1998 and subsequent amendments and integrations, the undersigned, Gian Piero Cutillo, the C.F.O. and officer in charge of financial reporting of Leonardo-Finmeccanica – Società per azioni, certifies that this reporting corresponds to the related accounting records, books and supporting documentation.

Rome, 5 May 2016

Officer in charge of Financial Reporting

(Gian Piero Cutillo)