HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2016

Disclaimer

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Boards and Committees

BOARD OF DIRECTORS
(for the three-year period 2014 - 2016)

GIOVANNI DE GENNARO
Chairman

MAURO MORETTI
Chief Executive Officer and General Manager

GUIDO ALPA
Director (a, c)

MARINA ELVIRA CALDERONE
Director (b, c)

PAOLO CANTARELLA
Director (a)

MARTA DASSU'
Director (c, d)

ALESSANDRO DE NICOLA
Director (b, d)

DARIO FRIGERIO
Director (b, c)

FABRIZIO LANDI
Director (a, d)

SILVIA MERLO
Director (a, d)

MARINA RUBINI
Director (b, c)

****
LUCIANO ACCIARI
Secretary of the Board of Directors

BOARD OF STATUTORY AUDITORS
(for the three-year period 2015 - 2017)

Regular Statutory Auditors

RICCARDO RAUL BAUER
Chairman

NICCOLÒ ABRIANI

LUIGI CORSI

FRANCESCO PERRINI

DANIELA SAVI

Alternate Statutory Auditors
STEFANO FIORINI

MARIA TERESA CUOMO

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

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

Report on operations at 30 June 2016

Group results and financial position

Key Performance Indicators ("KPI")

	June 2016	June 2015	Change	2015
New orders	12,867	5,539	132.3%	12,371
Order backlog	34,996	29,303	19.4%	28,793
Revenue	5,413	5,973	(9.4%)	12,995
EBITDA	786	738	6.5%	1,866
EBITDA Margin	14.5%	12.4%	2.1 p.p.	14.4%
EBITA	472	450	4.9%	1,208
ROS	8.7%	7.5%	1.2 p.p.	9.3%
EBIT	399	351	13.7%	884
EBIT Margin	7.4%	5.9%	1.5 p.p.	6.8%
Net result before extraordinary transactions	200	91	119.8%	253
Net result	210	111	89.2%	527
Group Net Debt	4,233	4,990	(15.2%)	3,278
FFO	390	516	(24.4%)	1,446
FOCF	(793)	(743)	(6.7%)	307
ROI	11.8%	11.0%	0.8 p.p.	15.7%
ROE	9.4%	4.5%	4.9 p.p.	6.2%
Research and development expenses	621	644	(3.6%)	1,426
Workforce	46,732	55,393	(15.6%)	47,156

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

The first half of 2016 confirmed the success of the efficiency improvement actions that Leonardo-Finmeccanica had taken in previous years, in particular in relation to production and industrial processes in business areas that had showed significant critical issues in the past. These actions, together with the effects of streamlining the scope of operation and the product portfolio, entailed a gradual repositioning of the Group, so as to ensure, even in a period of difficulty in some reference markets (including the civil sector of *Helicopters*), the attainment of the profitability growth target behind the Business Plan. In more details, the first half of the financial year showed the following aspects:

- new orders that more than doubled in comparison with the first half of 2015 (+132%), as a result of the acquisition of the contract for the supply of 28 Eurofighter Typhoon aircraft to the Kuwaiti Ministry of Defence, for an overall value of €bil. 7.95, with a book-to-bill ratio equal to 2.4;
- the increase in the order backlog up to €bil. 35 (+19% compared to 30 June 2015) as a result of such acquisitions;

- a further growth in operating profits (compared to the corresponding period of 2015 +7% at EBITDA level, +5% at EBITA level and +14% at EBIT level), with a ROS that rose from 7.5% to 8.7%;
- a net profit that more than doubled compared to 2015 (+120%), equal to €mil. 200 at the level of Net result before extraordinary transactions against €mil. 91 in 2015. At an overall level, the net result came to €mil. 210 (+89% compared to the first half of 2015), including the capital gain from the disposal of FATA, against a profit of €mil. 111 in 2015, which had benefitted from the results from the Transportation operations sold during 2015*;*
- an improvement in the Group Net Debt (- 15%) compared to 30 June 2015, thanks to a positive cash performance during the last months of 2015 and to the disposals in the Transportation segment, which were completed in November 2015, even in the presence of negative exchange differences.

Before analysing the results in more details, the main aspects of the EFA contract are described below, together with most significant events that occurred during the current financial year.

EFA Kuwait contract. The contract for the supply of 28 Eurofighter Typhoon aircraft signed on 5 April 2016 with the Kuwaiti Ministry of Defence is the most significant order ever acquired in the history of the Leonardo-Finmeccanica Group, with positive impacts for the Group and the other partners of the Eurofighter consortium but also for the entire national economic system.

This contract includes the supply of the aircraft in their most advanced configuration and equipped with the E-scan electronic scanning radar system (developed 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 is worth €bil. 7.95, with an economic impact that will be negligible in 2016 and then gradually increasing and particularly significant starting from 2019 and is expected to be completed in about eight years. In financial terms, the effect arising from the collection of the contract advance will entail an improvement of about €mil. 600 in the FOCF in the two-year period from 2016 to 2017, while the subsequent years will be affected by the absorption of this phenomenon associated with the working capital requirements arising from a peak in production activities. As a result of this acquisition, the Group updated its 2016 forecasts during the month of May, in terms of orders, cash flows and Net Debt, which had been initially made at the time of the preparation of the 2015 financial statements.

The transition to the One Company. 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.

From Finmeccanica to Leonardo. 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 to "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.

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. As far as this is concerned, 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 sector in which the *Defence Systems* has converged (previously constituting a sector in itself).

	30 June 2016						
	New orders	**Order backlog**	**Revenues**	**EBITA**	**ROS %**	**EBITDA**	**EBITDA Margin**
Helicopters	958	10,209	1,708	202	11.8%	244	14.3%
Electronics, Defence & Security Systems	2,490	10,841	2,437	177	7.3%	281	11.5%
Aeronautics	9,485	14,260	1,379	115	8.3%	256	18.6%
Space	-	-	-	29	n.a.	29	n.a.
Other activities	10	170	152	(51)	(33.6%)	(24)	(15.8%)
Eliminations	*(76)*	*(484)*	*(263)*	-	*n.a.*	-	*n.a.*
Total	**12,867**	**34,996**	**5,413**	**472**	**8.7%**	**786**	**14.5%**

	30 June 2015						
	New orders	Order backlog at 31 Dec. 2015	Revenues	EBITA	ROS %	EBITDA	EBITDA Margin
Helicopters	2,257	11,717	2,114	260	12.3%	306	14.5%
Electronics, Defence & Security Systems	2,728	11,116	2,556	147	5.8%	240	9.4%
Aeronautics	691	6,170	1,414	86	6.1%	206	14.6%
Space	-	-	-	22	n.a.	22	n.a.
Other activities	9	215	144	(65)	(45.1%)	(36)	(25.0%)
Eliminations	*(146)*	*(425)*	*(255)*	-	*n.a.*	-	*n.a.*
Total	**5,539**	**28,793**	**5,973**	**450**	**7.5%**	**738**	**12.4%**

	Change %						
	New orders	Order backlog	Revenues	EBITA	ROS %	EBITDA	EBITDA Margin
Helicopters	(57.6%)	(12.9%)	(19.2%)	(22.3%)	(0.5) p.p.	(20.3%)	(0.2) p.p.
Electronics, Defence & Security Systems	(8.7%)	(2.5%)	(4.7%)	20.4%	1.5 p.p.	17.1%	2.1 p.p.
Aeronautics	1,272.6%	131.1%	(2.5%)	33.7%	2.2 p.p.	24.3%	4.0 p.p.
Space	n.a.	n.a.	n.a.	31.8%	n.a.	31.8%	n.a.
Other activities	11.1%	(20.9%)	5.6%	21.5%	11.5 p.p.	33.3%	9.2 p.p.
Eliminations	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Total	**n.a.**	**21.5%**	**(9.4%)**	**4.9%**	**1.2 p.p.**	**6.5%**	**2.1 p.p.**

Commercial performance

During the first half of 2016 **new orders** showed considerable growth, attributable to the abovementioned contract for the EFA supply to Kuwait. Net of this acquisition, the performance recorded during the half-year also showed an increase in the *Aeronautics* sector – thanks to the order for nine M346 trainer aircraft for the Italian Air Force, which had been postponed from 2015 and higher orders for ATR and B787 aircraft in the *Aerostructures* division – against a considerable decline in Helicopters (- €bil. 1.3), which was partly expected and which was attributable to the persistent difficulties encountered in the *Oil&Gas* segment and in other civil aviation markets, at a time characterised by the launch of new products -, as well as to major acquisitions recorded during the first half of 2015 (IOS contract). The decline in the sector of *Electronics, Defence and Security Systems* was attributable to the postponement of certain orders to the second half-year, along with major acquisitions that had affected the first half of 2015 (specifically in the *Defence Systems* and the *Airborne & Space Systems*) and to a different scope of operation of DRS arising from the disposals completed during the second half of 2015.

The book-to-bill ratio was equal to 2.4, as a result of the abovementioned EFA order. The order backlog, considered in terms of its workability, ensures a coverage of more than two and a half years of production.

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Business performance.

(€ millions)	Note	For the Six months ended 30 June 2016	2015	Change	% Change
Revenues		5,413	5,973	(560)	(9.4%)
Purchases and personnel expense	(*)	(4,731)	(5,265)		
Other net operating income/(expenses)	(**)	12	(39)		
Equity-accounted strategic JVs		92	69		
EBITDA		**786**	**738**	**48**	**6.5%**
EBITDA Margin		*14.5%*	*12.4%*	2.1 p.p.	
Amortisation, depreciation and impairment losses	(***)	(314)	(288)		
EBITA		**472**	**450**	**22**	**4.9%**
ROS		*8.7%*	*7.5%*	1.2 p.p.	
Non-recurring income/(expenses)		(3)	(6)		
Restructuring costs		(22)	(45)		
Amortisation of intangible assets acquired as part of business combinations		(48)	(48)		
EBIT		**399**	**351**	**48**	**13.7%**
EBIT Margin		*7.4%*	*5.9%*	*1.5 p.p.*	
Net financial income/(expense)	(****)	(121)	(197)		
Income taxes		(78)	(63)		
Net result before extraordinary transactions		**200**	**91**	**109**	**n.a.**
Net result related to discontinued operations and extraordinary transactions	(*****)	10	20		
Net result		**210**	**111**	**99**	**89.2%**

Notes to the reconciliation between the reclassified income statement and the statutory income statement:
(*) "Purchases and Personnel expense" net of restructuring costs and non-recurring income/(costs);
(**) Includes "Other operating income/(expenses)", net of restructuring costs and non-recurring income/(costs);
(***) Includes "Amortisation and depreciation" net of the portion referable to intangible assets acquired as part of business combinations and "Impairment"(net of that included in non-recurring income/(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) relating to extraordinary transactions (acquisitions and disposals)".

Revenues decreased over the corresponding period of 2015 by €mil. 560, mainly attributable to the abovementioned difficulties encountered in the sector of *Helicopters* and to a decline in the sectors of *Electronics, Defence and Security Systems*, which, in relation to DRS, reflected the review of the scope of business that occurred during the second half of 2015. On the contrary, all the profitability indicators showed a sharp improvement supported by the results recorded in the sector of *Aeronautics* – thanks to an improvement in the *Aerostructures* Division, as well as to a positive contribution given by ATR - and, above all, by the excellent performance in the sector of *Electronics*, which benefitted from the restructuring actions that had affected the former divisions falling within the scope of operation of Selex ES, thus allowing it to confirm the trend recorded in 2015 and to set off the decline recorded in the sector of *Helicopters* as a result of the abovementioned lower volumes. Specifically, **EBITDA** and **EBITA** showed an increase of 6.5% and 4.9% respectively, compared to the first six months of 2015 (with an increase of 1.2 p.p. of operating profits), while **EBIT** showed an even more considerable increase (+14%), as a result of the lesser impact of restructuring costs.

The **net result before extraordinary transactions** showed a marked improvement (€mil. 200 compared with €mil. 91 in the first six 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, as well as of exchange differences, which also positively affected the fair value through profit or loss from derivatives. The **net result** benefitted from the capital gain from the disposal of FATA (temporarily amounting to €mil. 10), while the comparative period included the results from operations in the sector of *Transportation*, which were then transferred to Hitachi.

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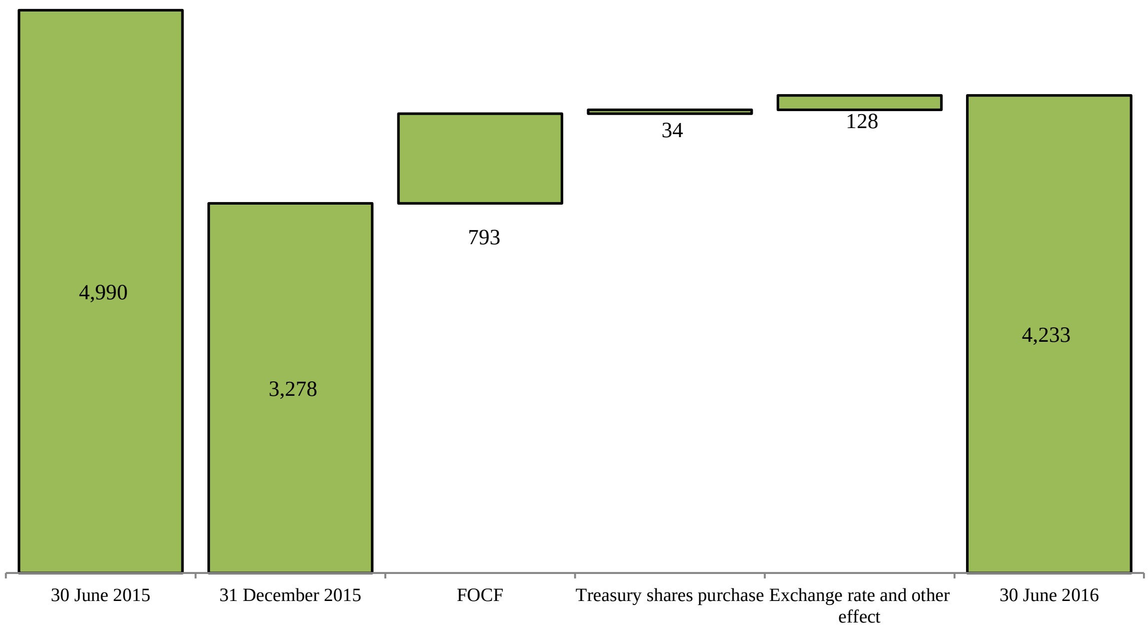
Financial performance

	For the Six months ended 30 June		*Change*	*% Change*
(€ millions)	***2016***	***2015***		
Funds From Operations (FFO)	390	516	(126)	(24.4%)
Change in working capital	(951)	(942)		
Cash flows from ordinary investing activities	(232)	(317)		
Free Operating Cash Flow (FOCF)	**(793)**	**(743)**	**(50)**	**(6.7%)**
Change in other investing activities (*)	(7)	(23)		
Net change in loans and borrowings	(138)	135		
Net increase (decrease) in cash and cash equivalents	**(938)**	**(631)**		
Cash and cash equivalents at 1 January	1,771	1,495		
Exchange rate differences and other changes	(22)	37		
Cash and cash equivalents at 1 January of discontinued operations	-	(290)		
Cash and cash equivalents at 30 June	**811**	**611**		

(*) Includes "Other investing activities", net of dividends received.

In the first half of 2016 the cash flow performance posted an overall negative value of €mil. 793, in line with the usual trend in the Group's performance to report considerable cash absorptions in the first quarters, while also showing cash generation (€mil. 83) in the second quarter. The decline compared to 2015 was substantially attributable to the abovementioned difficulties in the sector of *Helicopters*.

Net Debt showed a considerable reduction (- 15%) compared to 30 June 2015, despite negative exchange differences arising from the translation of the items expressed in GBP, thanks to the positive cash performance recorded in the last months of 2015 and to the disposals 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 invested capital 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, as well as from a reduction in invested capital arising from the exchange rate effect on assets and liabilities denominated in foreign currency, mainly GBP, which was the reason for a consequent decrease, mainly in capital assets and equity:

(€ millions)	*Note*	*30 June 2016*	*31 December 2015*	*30 June 2015*
Non-current assets		12,101	12,558	12,448
Non-current liabilities		(3,546)	(3,676)	(3,470)
Capital assets	*(*)*	**8,555**	**8,882**	**8,978**
Inventories		4,379	4,337	4,808
Trade receivables		6,429	6,375	6,580
Trade payables		(9,163)	(9,962)	(10,132)
Working capital		**1,645**	**750**	**1,256**
Provisions for short-term risks and charges		(660)	(736)	(681)
Other net current assets (liabilities)	*(**)*	(1,106)	(1,320)	(1,063)
Net working capital		**(121)**	**(1,306)**	**(488)**
Net invested capital		**8,434**	**7,576**	**8,490**
Equity attributable to the Owners of the Parent		4,197	4,280	3,859
Equity attributable to non-controlling interests		19	22	359
Equity		**4,216**	**4,302**	**4,218**
Group Net Debt		**4,233**	**3,278**	**4,990**
Net (assets)/liabilities held for sale	*(***)*	**(15)**	**(4)**	**(718)**

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

(*) Includes all non-current assets net of "Fair Value of the residual stake in Ansaldo Energia", and all non-current liabilities, net of "Non-current loans and borrowings", respectively.

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

(***) 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 is as follows:

(€ millions)	30 June 2016	of which current	31 December 2015	of which current	30 June 2015	of which current
Bonds	4,311	*98*	4,397	*121*	4,873	*107*
Bank debt	358	*76*	389	*96*	506	*170*
Cash and cash equivalents	(811)	*(811)*	(1,771)	*(1,771)*	(611)	*(611)*
Net bank debt and bonds	**3,858**		**3,015**		**4,768**	
Fair value of the residual portion in portfolio of Ansaldo Energia	(134)		(131)		(127)	
Current loans and receivables from related parties	(128)	*(128)*	(122)	*(122)*	(151)	*(151)*
Other current loans and receivables	(33)	*(33)*	(45)	*(45)*	(127)	*(127)*
Current loans and receivables and securities	**(295)**		**(298)**		**(405)**	
Hedging derivatives in respect of debt items	65	*65*	41	*41*	(27)	*(27)*
Related-party loans and borrowings	527	*526*	401	*399*	502	*499*
Other loans and borrowings	78	*47*	119	*83*	152	*107*
Group Net Debt	**4,233**		**3,278**		**4,990**	

The reconciliation with the net financial position required by Consob Communication no. DEM/6064293 of 28 July 2006 is provided in Note 13

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Below are the key performance indicators by sector.

Helicopters

The performance in the first half-year continued to be affected by commercial difficulties, which involved in particular the production of AW189 and AW139, at a time characterised by the start of operations for the production of the new AW169 aircraft, and therefore showed a decline in orders, revenues and EBITA. However, the profitability maintained double digit figures, substantially in line with that recorded during the first half of 2015.

New orders. These showed a reduction that was attributable to difficulties encountered in the acquisition of orders for aircraft for commercial use connected with the performance of the relevant civil aviation markets, as well as to the deferment to the second half-year of some opportunities with the Government. These events were also amplified by the excellent performance recorded during the first half of 2015, characterised by the reporting of the contract for a particularly considerable amount, signed with the UK Ministry of Defence, in relation to logistical support and maintenance services for the AW101 Merlin helicopters.

Revenues. These showed a decline to be attributable to the abovementioned commercial difficulties and to delayed progress in the production of the new AW169 aircraft, as well as to the expected reduction in the operations concerning the AW159/Lynx programmes for the completion of the

Wildcat order for the UK MoD and the lower contribution from Product Support, due to a reduction in hours flown by commercial fleets.

EBITA. The reduction was substantially due to the effect of lower revenues, while profitability was affected by the prolonged activities for the setup of the new AW169 aircraft, despite maintaining the levels as those recorded in the same period of 2015 and benefitting from constant attention to cost curbing and from some improvements on military programmes.

Electronics, Defence & Security Systems

The first half of the year was characterised by a considerable improvement in profitability, which was strongly supported by the benefits of efficiency improvement actions, thus confirming the positive trend already recorded during 2015

New orders. These showed a slight decline compared to the same period in 2015 as a result of the postponement of some orders to the second half-year and major acquisitions that had affected the first six months of 2015 (especially in the *Defence Systems* and *Airborne & Space Systems*), as well as a review of the scope of business of DRS, which was completed at the end of the previous year. The main new orders for the half-year 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, and, as regards DRS, the JAB (Joint Assault Bridge) contract for the development of a drawbridge for the US army, aimed at improving the deployment of troops in the field.

Revenues. The expected decline recorded at DRS as a result of the review of its perimeter and the adverse impact of the GBP/€ exchange rate were partially offset by higher volumes associated with the start of operations for major orders gained during 2015, in particular in the *Security & Information Systems* Division (TETRA PIT).

EBITA. It showed a sharp improvement compared to the first half-year of 2015, which was higher than expected in all the divisions, as a result of the benefits arising from efficiency improvement actions and cost curbing, as well of 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 partially 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 ($mil.) June 2016	890	771	33	4.3%	53	6.9%
DRS ($mil.) June 2015	1,002	854	49	5.7%	71	8.3%
DRS (€mil.) June 2016	798	691	30	4.3%	47	6.9%
DRS (€mil.) June 2015	898	765	44	5.7%	64	8.3%

Average €/USD exchange rate: 1.1157 (1st half of 2016) and 1.1158 (1st half of 2015).

Aeronautics

The first half of 2016 was characterised by the acquisition of the abovementioned order for the supply of 28 Eurofighter Typhoon aircraft to Kuwaiti Ministry of Defence. While excluding the contribution given by this order, the commercial performance in the half-year showed a sharp improvement compared to the same period in the previous year, with higher acquisitions in both divisions.

From a production point of view, the first half-year 2016 deliveries were made for 60 fuselage sections and 43 stabilisers for the B787 programme (62 fuselage sections and 37 stabilisers delivered in the first half-year of 2015), and 47 ATR fuselages (40 delivered in the first half-year 2015). The M-346 programme saw the completion of deliveries of aircraft to Israel (the last 6 aircraft were delivered out of 30 ordered units) and the first unit of the 8 aircraft ordered by Poland was completed, in relation to which flying tests are being conducted for the certification of some specific systems chosen by the Polish Air Force.

New orders. The considerable final volume of orders that was recorded in the first half of 2016, equal to €mil. 9,485 (€mil 691 in the first half of 2015) included the abovementioned order placed by the Kuwaiti Ministry of Defence, as well as some other major orders gained both in the *Aerostructures* Division and in the *Aircraft* Division, including:

- for the *Aerostructures* Division, those for the supply of 100 fuselage sections for the B787 aircraft and 80 fuselages for the ATR aircraft;
- for the *Aircraft* Division, those for the supply of nine additional M-346 trainer aircraft to the Italian Air Force, those for logistical support activities for EFA, C27J and AMX aircraft, orders received from Lockheed Martin for the F-35 programme and those for the production of nacelles.

Revenues. These showed a slight decline (-2.5%) compared to the final values posted during the first half of 2015, mainly attributable to the B787 programme that recorded, as expected, lower foreign pass-through supplies, while, in the *Aircraft* Division, the increased productions for the M-346 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 industrial performance in the *Aerostructures* Division and in the profitability of training and C27J aircraft, as well as to the higher result posted by the GIE-ATR consortium, which more than offset a lower contribution from defence aircraft.

Space

The first half-year was marked by the good performance of the manufacturing segment, which, in line with the value posted during the first quarter, reported considerably increased business volumes on the telecommunications programmes, but above all as regards earth observation, in particular for institutional customers, and an improved industrial profitability compared to the same period in the previous year. This also allowed a setoff of the lower result from the supply of satellite services, which recorded a decline in revenues mainly associated with the launch of the Athena Fidus satellite during 2015.

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Outlook

The 2016 full-year guidance, as improved following the signature of the EFA Kuwait contract, are as follows:

	Actual 2015	Outlook 2016
Orders (€bln)	12.4	ca 20.0
Revenues (€bln)	13.0	12.2 – 12.7
EBITA (€mln)	1,208	1,220 – 1,270
FOCF (€mln)	307	500 - 600
Group Net Debt (€bln)	3.3	ca. 2.8

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

Based on the results for the six months ended 30 June and on its updated estimates, the Group now expects to deliver EBITA at the top of the range stated above, reflecting the continuous improvement in operating performance and the increasing benefits from efficiency improvements. This will be achieved notwithstanding the decline in Revenues, which are now forecast to be at the lower end of the range above, due to lower revenues in *Helicopters*, affected by the crisis of *Oil&Gas* and other civil markets, which is lasting longer than expected. In this context of prolonged crisis of some markets, the achievement of our full-year guidance for Orders will be challenging. Our cash flow guidance is confirmed.

The Group does not expect any significant short-term impact deriving from the "Brexit process". Leonardo-Finmeccanica assets and liabilities denominated in GBP are exposed to translation risk and therefore a weaker GBP versus the Euro currency compared to our outlook assumptions could affect negatively reported results, particularly with respect to Group Net Debt.

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Industrial and financial transactions

During the first half-year, the main transactions were:

- ***Transfer of the Fata Group***. 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 of 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;
- ***Completion of the start of the merger by incorporation of Sirio Panel***. On 23 June 2016 the Board of Directors of Leonardo-Finmeccanica approved the project for the merger of Sirio Panel S.p.A. (a directly and wholly owned company) by incorporation into Leonardo-Finmeccanica;
- ***Financial transactions.*** There were no new transactions on the capital market during the first half-year of 2016.

  During the period the Group disposed of receivables without recourse for a total carrying value of approximately €mil. 600 (€mil. 304 in the first half of 2015). To meet the financing needs for ordinary Group activities, Leonardo-Finmeccanica 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 30 June 2016 such credit facility was entirely unused. The Group also had additional unconfirmed short-term lines of credit of €mil. 710, which were entirely unused at 30 June 2016. As at the reporting date Leonardo-Finmeccanica had also unconfirmed unsecured lines of credit of approximately €mil. 3,852.

  Leonardo-Finmeccanica is the issuer of all the bonds in € and GBP placed on the market within the EMTN (Euro Medium Term Notes, which in April 2016 was renewed for twelve additional months, while the maximum amount remained unchanged at €bil. 4) programme, and also acts as a guarantor for all the bond issues launched by Meccanica Holdings USA Inc. on 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-Finmeccanica and their Material Subsidiaries (i.e. entities in which Leonardo-Finmeccanica 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 of Leonardo-Finmeccanica) 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-Finmeccanica 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 revolving credit facility outstanding for a total of €mil 2,000 (Revolving Credit Facility). More specifically, they provide for compliance by Leonardo-Finmeccanica 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 2015, as illustrated in the report on operations of the 2015 financial statements. 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. 321, 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-Finmeccanica's credit ratings, compared to those preceding the last change, were as follows:

Agency	**Last update**	**Updated**		**Previous**	
		Credit Rating	*Outlook*	*Credit Rating*	*Outlook*
Moody's	August 2015	Ba1	stable	Ba1	negative
Standard&Poor's	April 2015	BB+	stable	BB+	negative
Fitch	May 2015	BB+	stable	BB+	negative

For a detailed analysis of the effects on financial income and expense arising from (positive or negative) changes (if any) in the credit ratings assigned to Leonardo-Finmeccanica, reference should be made to the section on "*Industrial and financial transactions*" of the 2015 consolidated financial statements.

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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-Finmeccanica issued (and on 13 December 2011, 19 December 2013 and 22 December 2015 updated) a specific "Procedure for Related Parties Transactions" (hereinafter referred to as the "Procedure") 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, the first half of 2016 saw the completion, within the scope of the implementation of the Group's New Organisational and Operational Model, of the partial demergers of the wholly-owned companies Alenia Aermacchi S.p.A., AgustaWestland S.p.A. and Selex ES S.p.A. in favour of Leonardo-Finmeccanica S.p.a., which became effective (including in accounting and tax terms) from 1 January 2016, as illustrated in more details in the Report on Operations for the 2015 financial year. These operations were classified as transactions of greater importance, as defined by Article 4.1.a) of the abovementioned Regulation and benefitted – as they were carried out with subsidiaries – from the exemption provided for in Article 14.2 of the Regulation, as well as from Article 11.2 lett. e) of the abovementioned Procedure. Finally, it should be noted that these transactions had no impact on the consolidated financial position and the results for the period under consideration and that no changes or developments took place in relation to the related party transactions described in the 2015 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 2015 in the section "*Finmeccanica and risk management*". Any updates relating to specific risk positions are illustrated in Note 14 of the condensed consolidated half-year financial statements at 30 June 2016. As regards the exit of Great Britain from the European Union, reference should be made to the section on "Outlook".

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"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 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 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.

  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	
	2016	**2015**
Income before tax and financial expenses	307	282
Equity-accounted strategic JVs	92	69
EBIT	**399**	**351**
Amortisation of intangible assets acquired as part of business combinations	48	48
Restructuring costs	22	45
Non-recurring (income) expense	3	6
EBITA	**472**	**450**

- ***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".

- ***EBIT Margin:*** this is calculated as the ratio of EBIT to revenue.

- ***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 Six months ended 30 June	
	2016	**2015**
Net result	210	111
Result from discontinued operations	-	(20)
Effect of extraordinary transactions	(10)	-
Net result before extraordinary transactions	**200**	**91**

- ***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 in Note 13.

- ***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.
- ***Research and Development expenditure:*** the Group classifies under R&D all internal and external costs incurred relating to projects aimed at obtaining or employing new technologies, knowledge, materials, products and processes. The item includes:
  - development costs capitalised even if covered by grants;
  - research costs, whose activity is at a stage at which it cannot be demonstrated that the activity will generate future economic benefits, or development costs for which the accounting requirements for capitalisation do not obtain, are expensed as incurred;
  - research and development costs reimbursed by the customer as part of existing contracts (which fall under the scope of “work in progress” from an accounting viewpoint).
- ***Workforce:*** the number of employees recorded in the register on the last day of the period.

Condensed consolidated half-year financial statements at 30 June 2016

Condensed consolidated separate income statement

(€ millions)	*Note*	**2016**	*of which with related parties*	**2015**	*of which with related parties*
		For the Six months ended 30 June			
Revenue	*18*	5,413	888	5,973	830
Purchase and personnel expense	*20*	(4,864)	(60)	(5,371)	(65)
Amortisation, depreciation and impairment losses	*21*	(362)		(336)	
Other net operating income/(expenses)	*19*	120	3	16	2
Income before tax and financial expenses		**307**		**282**	
Financial income/(expense)	*22*	(118)	(1)	(206)	3
Share of profits/(losses) of equity-accounted investees	*23*	99		78	
Operating profit (loss) before income taxes and discontinued operations		**288**		**154**	
Income taxes		(78)		(63)	
Profit (loss) from discontinued operations	*24*	-		20	
Net profit/(loss) for the period attributable to:		**210**		**111**	
- owners of the parent		*210*		*86*	
- non-controlling interests		*-*		*25*	
Earnings/(losses) per share	*25*	*0.365*		*0.149*	
- basic and diluted from continuing operations		*0.365*		*0.157*	
- basic and diluted from discontinued operations		*n.a*		*(0.008)*	

Condensed consolidated statement of comprehensive income

		For the Six months ended 30 June			
(€ millions)	*Note*	**2016**		**2015**	
Profit (loss) for the period			**210**		**111**
Other comprehensive income (expense):					
Comprehensive income/expense which will not be subsequently reclassified within the profit (loss) for the period:					
- Measurement of defined-benefit plans:	*15*		51		(35)
- revaluation		*57*		*(32)*	
- exchange rate gains (losses)		*(6)*		*(3)*	
- Tax effect	*15*		(13)		14
			38		(21)
Comprehensive income/expense which will or might be subsequently reclassified within the profit (loss) for the period:					
- Changes in cash flow hedges:	*12*		(25)		(58)
- change generated in the period		*(12)*		*(66)*	
- transferred to the profit (loss) for the period		*(14)*		*8*	
- exchange rate gains (losses)		*1*		-	
- Translation differences	*12*		(306)		359
- change generated in the period		*(306)*		*359*	
- transferred to the profit (loss) for the period		-		-	
- Tax effect	*12*		7		15
			(324)		316
Current portion of "Other comprehensive income (expense)", equity-accounted investees			26		(17)
Total other comprehensive income (expense), net of tax:			**(260)**		**278**
Total comprehensive income (expense), attributable to:			**(50)**		**389**
- *Owners of the parent*			(50)		349
- *Non-controlling interests*			-		40
Total comprehensive income (expense), attributable to Owners of the parent			**(50)**		**349**
- from continuing operations			(50)		330
- from discontinued operations			-		19

Condensed consolidated statement of financial position

(€ millions)	*Note*	**30 June 2016**	*of which with related parties*	**31 December 2015**	*of which with related parties*
Intangible assets	*7*	6,758		7,010	
Property, plant and equipment and investment properties	*8*	2,503		2,662	
Deferred tax assets		1,173		1,159	
Other non-current assets	*9*	1,801	*2*	1,858	*3*
Non-current assets		**12,235**		**12,689**	
Inventories		4,379		4,337	
Trade receivables, including contract work in progress	*10*	6,429	*788*	6,375	*660*
Loans and receivables		161	*128*	167	*122*
Other current assets	*11*	810	*8*	816	*8*
Cash and cash equivalents		811		1,771	
Current assets		**12,590**		**13,466**	
Non-current assets held for sale	24	15		81	
Total assets		**24,840**		**26,236**	
Share capital	*12*	2,488		2,522	
Other reserves		1,709		1,758	
Equity attributable to the owners of the parent		4,197		4,280	
Equity attributable to non-controlling interests		19		22	
Total equity		**4,216**		**4,302**	
Loans and borrowings (non-current)	*13*	4,527	*1*	4,607	*2*
Employee benefits	*15*	742		773	
Provisions for risks and charges	*14*	1,371		1,463	
Deferred tax liabilities		373		325	
Other non-current liabilities	*16*	1,060	-	1,115	-
Non-current liabilities		**8,073**		**8,283**	
Trade payables, including progress payments and advances from customers	*17*	9,163	*82*	9,962	*116*
Loans and borrowings (current)	*13*	747	*526*	699	*399*
Income tax payables		28		25	
Provisions for short-term risks and charges	*14*	660		736	
Other current liabilities	*16*	1,953	*133*	2,152	*306*
Current liabilities		**12,551**		**13,574**	
Liabilities associated with assets held for sale	24	-		77	
Total liabilities		**20,624**		**21,934**	
Total liabilities and equity		**24,840**		**26,236**	

Condensed consolidated statement of cash flows

(€ millions)	*Note*	For the Six months ended 30 June			
		2016	*of which with related parties*	**2015**	*of which with related parties*
Gross cash flows from operating activities	*26*	722		712	
Change in working capital	*26*	(951)	*(158)*	(982)	*(3)*
Change in other operating assets and liabilities and provisions for risks and charges		(364)	*(191)*	(143)	*(25)*
Interests paid		(145)	*2*	(157)	*28*
Income taxes paid		(51)	-	(66)	-
Cash flows used in operating activities		**(789)**		**(636)**	
Investments in property, plant and equipment and intangible assets		(242)		(334)	
Sales of property, plant and equipment and intangible assets		10		17	
Other investing activities		221	-	147	-
Cash flows used in investing activities		**(11)**		**(170)**	
Treasury shares purchase		(34)		-	
Net change in other loans and borrowings		(104)	*127*	175	*27*
Cash flows generated from financing activities		**(138)**		**175**	
Cash and cash equivalents at 1 January		1,771		1,495	
Net increase (decrease) in cash and cash equivalents		(938)		(631)	
Exchange rate differences and other changes		(22)		37	
Cash and cash equivalents at 1 January of discontinued operations		-		(290)	
Cash and cash equivalents at 30 June		**811**		**611**	
Cash flows from operating activities of discontinued operations		-		(57)	
Cash flows from investing activities of discontinued operations		-		(20)	
Cash flows from financing activities of discontinued operations		-		23	

Condensed 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 2015	**2,525**	**1,473**	**(57)**	**(226)**	**(204)**	**3,511**	**343**	**3,854**
Profit (loss) for the period	-	86	-	-	-	86	25	111
Other comprehensive income (expense)	-	-	(52)	(21)	336	263	15	278
Total comprehensive income (expense)	**-**	**86**	**(52)**	**(21)**	**336**	**349**	**40**	**389**
Dividends resolved						-	(21)	(21)
Total transactions with owners of the parent, recognised directly in equity	**-**	**-**	**-**	**-**	**-**	**-**	**(21)**	**(21)**
Other changes	-	-	-		(1)	(1)	(3)	(4)
30 June 2015	**2,525**	**1,559**	**(109)**	**(247)**	**131**	**3,859**	**359**	**4,218**
1 January 2016	**2,522**	**1,960**	**(53)**	**(226)**	**77**	**4,280**	**22**	**4,302**
Profit (loss) for the period	-	210	-	-	-	210	-	210
Other comprehensive income (expense)	-	-	(17)	60	(303)	(260)	-	(260)
Total comprehensive income (expense)	**-**	**210**	**(17)**	**60**	**(303)**	**(50)**	**-**	**(50)**
Dividends resolved	-	-	-	-	-	-	(3)	(3)
Repurchase of treasury shares less shares sold	(34)					(34)	-	(34)
Total transactions with owners of the parent, recognised directly in equity	**(34)**	**-**	**-**	**-**	**-**	**(34)**	**(3)**	**(37)**
Other changes	-	3	-	(2)	-	1	-	1
30 June 2016	**2,488**	**2,173**	**(70)**	**(168)**	**(226)**	**4,197**	**19**	**4,216**

Explanatory notes

1. GENERAL INFORMATION

Leonardo-Finmeccanica 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 2016 was prepared in accordance with Article 154-ter, paragraph 2 of Legislative Decree 58/98 (Consolidated Law on Financial Intermediation), as subsequently amended. The condensed consolidated half-year financial statements at 30 June 2016, 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 income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of cash flows, condensed 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 2015 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 2015 annual consolidated financial statements (except for those specifically applicable to interim financial reports) and the half-year financial report at 30 June 2015, with the exceptions reported in Note 4.

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 2016		31 December 2015	30 June 2015	
	average	final	final	average	final
US dollar	1.1157	1.1102	1.0887	1.1158	1.1189
Pound sterling	0.7785	0.8265	0.7340	0.7324	0.7114

The condensed consolidated half-year financial statements at 30 June 2016 of the Leonardo-Finmeccanica Group were approved by the Board of Directors on 28 July 2016 and published on the same day.

Amounts are shown in millions of euros unless stated otherwise.

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

3. BUSINESS SEASONALITY

Cash flows relating to operations

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

Starting from 1 January 2016 the Group has adopted the Amendments to IAS 1, IAS 16, IAS 38 and IFRS 11, without reporting any significant effect.

5. SIGNIFICANT EVENTS OCCURRED AFTER THE PERIOD-END

No significant events occurred after the period-end.

6. SEGMENT REPORTING

In accordance with the compliance model followed, management has adopted operating segments that correspond to the business sectors in which the Group operates: *Helicopters, Electronics, Defence & Security Systems, Aeronautics, Space and Other Activities*. Starting from 2016 the Defence Systems business, which before the adoption of the new organisational and operating model was a segment by itself, has been reclassified within the new "*Electronics, Defence & Security Systems*" sector.

For a more detailed analysis of the main programmes, outlooks and operating indicators for each segment, see the Report on Operations. The Group assesses the performance of its operating segments and the allocation of its financial resources 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 2016, as compared with those of the same period of the previous year (restated following the inclusion of the *Defence Systems* business), are as follows:

For the Six months ended 30 June 2016	Helicopters	Electronics, Defence & Security Systems	Aeronautics	Space	Other Activities	Elimin-ations	**Total**
Revenues	1,708	2,437	1,379	-	152	(263)	5,413
Inter-segment revenue (*)	(1)	(143)	(1)	-	(118)	263	-
Third party revenue	1,707	2,294	1,378	-	34	-	5,413
EBITA	202	177	115	29	(51)	-	472
Investments	68	80	71	-	8	-	227

For the Six months ended 30 June 2015	Helicopters	Electronics, Defence & Security Systems	Aeronautics	Space	Other Activities	Elimin-ations	**Total**
Revenues	2,114	2,556	1,414	-	144	(255)	5,973
Inter-segment revenue (*)	(2)	(195)	(3)	-	(55)	255	-
Third party revenue	2,112	2,361	1,411	-	89	-	5,973
EBITA	260	147	86	22	(65)	-	450
Investments	98	79	126	-	7	-	310

(*) Inter-segment revenue includes revenue among divisions and/or Group undertakings 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 2016	Helicopters	Electronics, Defence & Security Systems	Aeronautics	Space	Other Activities	**Total**
EBITA	**202**	**177**	**115**	**29**	**(51)**	**472**
Amortisation of intangible assets acquired as part of business combinations	(4)	(44)	-	-	-	(48)
Restructuring costs	(1)	(10)	(10)	-	(1)	(22)
Non-recurring income/expense	-	-	(2)	-	(1)	(3)
EBIT	**197**	**123**	**103**	**29**	**(53)**	**399**
Equity-accounted strategic JVs	-	(11)	(52)	(29)	-	(92)
Income before tax and financial expenses	**197**	**112**	**51**	**-**	**(53)**	**307**

For the Six months ended 30 June 2015	Helicopters	Electronics, Defence & Security Systems	Aeronautics	Space	Other Activities	**Total**
EBITA	**260**	**147**	**86**	**22**	**(65)**	**450**
Amortisation of intangible assets acquired as part of business combinations	(4)	(44)	-	-	-	(48)
Restructuring costs	(2)	(16)	(15)	-	(12)	(45)
Non-recurring income/expense	-	-	-	-	(6)	(6)
EBIT	**254**	**87**	**71**	**22**	**(83)**	**351**
Equity-accounted strategic JVs	-	(15)	(32)	(22)	-	(69)
Income before tax and financial expenses	**254**	**72**	**39**	**-**	**(83)**	**282**

7. INTANGIBLE ASSETS

Key changes were related to amortisation for €mil. 162 and investments of €mil. 153. Below is a breakdown:

	30 June 2016	**31 December 2015**	**Investments for the Six months at**	
			30 June 2016	**30 June 2015**
Goodwill	3,798	3,988	-	-
Development costs	507	520	29	41
Non-recurring costs	1,488	1,437	116	136
Concessions, licences and trademarks	325	324	1	-
Acquired through business combinations	512	588	-	-
Other intangible assets	128	153	7	16
	6,758	**7,010**	**153**	**193**

The decrease is due to the net balance of amortisation and investments and to the effect of the exchange differences on the amounts denominated in foreign currency, mainly in GBP. In particular, goodwill has been significantly affected by the strong devaluation of the pound sterling which occurred in the last days of the six months under review and, to a lesser extent, by the exchange differences on the amounts in USD.

At 30 June 2016, based on the performance of the cash generating units (“CGUs”), of the estimates for the second half of the year and considering the positive margins from the impairment tests carried out when preparing the financial statements as at 31 December 2015, 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. 6 (€mil. 10 at 31 December 2015).

8. PROPERTY, PLANT AND EQUIPMENT

The key changes regarded depreciation for €mil. 183 and investments for €mil. 74. Below is a breakdown:

	30 June 2016	31 December 2015	Investments for the Six months at 30 June 2016	Investments for the Six months at 30 June 2015
Land and buildings	966	1,000	1	2
Plant and machinery	469	492	8	6
Equipment	725	789	16	47
Other tangible assets	343	381	49	62
	2,503	**2,662**	**74**	**117**

There are also commitments to purchase property, plant and equipment for €mil. 80 (€mil.113 at 31 December 2015).

9. OTHER NON-CURRENT ASSETS

	30 June 2016	31 December 2015
Financing to third parties	30	35
Deferred grants under Law no. 808/85	43	44
Defined benefit plan assets, net	386	351
Related party receivables (Note 27)	2	3
Other non-current receivables	67	70
Non-current receivables	**528**	**503**
Prepayments - non-current portion	11	13
Equity investments	1,023	1,134
Non-recurring costs pending under Law no. 808/1985	105	77
Fair value of the residual portion in portfolio of Ansaldo Energia	134	131
Non-current assets	**1,273**	**1,355**
	1,801	**1,858**

The item decreased mainly as a result of the dividends resolved by the equity-accounted investee companies (€mil. 232), which reduced the carrying amount of other non-current assets.

The other non-current assets include the fair value of 15% of the share capital of Ansaldo Energia (classified at fair value through profit or loss), which will be transferred upon the exercise by the parties of the put&call options (as indicated below) at a pre-set price of €mil. 117 in respect of which capitalised interest accrues at a yearly 6% rate. In particular, Leonardo-Finmeccanica can exercise its put option between 30 June and 31 December 2017, while the call option of FSI (Fondo Strategico Italiano) is exercisable in the same period or before if some conditions occur.

The table below shows the fair value hierarchy of the Group financial assets and liabilities measured at fair value. The fair value of derivative instruments (classified under other current assets and liabilities) and current securities is determined on the basis of measurement techniques which consider directly observable market inputs (so-called "Level 2"), in particular, the foreign exchange rate and the interest rate (spot and forward rates). Vice versa, the fair value of the remaining 15% in Ansaldo Energia, subject to put&call option (classified under other non-current assets), as well as fair value of the payable to Bell Helicopter (classified under other non-current liabilities) is determined on the basis of measurement techniques which do not consider directly observable market inputs (the so-called "Level 3"). In particular, the fair value of the stake in Ansaldo Energia was calculated on the basis of the price of the sale, as established in the related agreements. The fair value of the payable to Bell Helicopter was determined by discounting back the estimate of the variable amounts payable on the basis of the success of the programme.

	30 June 2016			31 December 2015		
	Level 2	**Level 3**	**Total**	**Level 2**	**Level 3**	**Total**
Non-current assets	-	134	134	-	131	131
Current assets	123	-	123	134	-	134
Non-current liabilities	-	252	252	-	248	248
Current liabilities	273	-	273	285	-	285

10. TRADE RECEIVABLES, INCLUDING CONTRACT WORK IN PROGRESS

	30 June 2016	**31 December 2015**
Trade receivables	2,635	2,858
Related party trade receivables (Note 27)	788	660
	3,423	**3,518**
Contract work in progress	3,006	2,857
	6,429	**6,375**

The primary credit risks related to the Group’s business are described in Note 36 to the consolidated financial statements at 31 December 2015.

11. OTHER CURRENT ASSETS

	30 June 2016	**31 December 2015**
Income tax receivables	136	154
Derivatives	123	134
Other current assets:	551	528
Prepaid expenses - current portion	*72*	*76*
Receivables for grants	*97*	*95*
Receivables from employees and social security	*66*	*55*
Indirect tax receivables	*183*	*164*
Deferred receivables under Law no. 808/85	*3*	*3*
Other related party receivables (Note 27)	*8*	*8*
Other assets	*122*	*127*
	810	**816**

12. 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	(232,450)	-	(3)	-	(3)
31 December 2015	**577,917,945**	**2,544**	**(3)**	**(19)**	**2,522**
Repurchase of treasury shares less shares sold	(3,806,005)	-	(34)	-	(34)
30 June 2016	**574,111,940**	**2,544**	**(37)**	**(19)**	**2,488**
broken down as follows:					
Outstanding shares	578,150,395	2,544	-	(19)	2,525
Treasury shares	(4,038,455)	-	(37)	-	(37)

At 30 June 2016 the Ministry of Economy and Finance owned 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 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 2016						
Revaluation of defined-benefit plans	51	(13)	**38**	30	(8)	**22**
Changes in cash-flow hedges	(25)	7	**(18)**	4	(3)	**1**
Foreign currency translation difference	(306)	-	**(306)**	3		**3**
Total	**(280)**	**(6)**	**(286)**	**37**	**(11)**	**26**
For the Six months ended 30 June 2015						
Revaluation of defined-benefit plans	(35)	14	**(21)**	-	-	-
Changes in cash-flow hedges	(60)	15	**(45)**	(10)	3	**(7)**
Foreign currency translation difference	346	-	**346**	(10)	-	**(10)**
Total	**251**	**29**	**280**	**(20)**	**3**	**(17)**

Below is a breakdown of the effects relating to the profits/losses recognised in equity attributable to non-controlling interests:

	Non-controlling interest		
	Amount before taxes	**Tax effect**	**Net amount**
For the Six months ended 30 June 2016			
Changes in cash-flow hedges	-	-	-
Foreign currency translation difference	-	-	-
Total	-	-	-
For the Six months ended 30 June 2015			
Revaluation of defined-benefit plans		-	-
Changes in cash-flow hedges	2	-	2
Foreign currency translation difference	13	-	13
Total	**15**	-	**15**

13. LOANS AND BORROWINGS

	30 June 2016		31 December 2015	
	Non-current	**Current**	**Non-current**	**Current**
Bonds	4,213	98	4,276	121
Bank loans and borrowings	282	76	293	96
Related party loans and borrowings (Note 27)	1	526	2	399
Other loans and borrowings	31	47	36	83
	4,527	**747**	**4,607**	**699**

The main clauses that regulate the Group's payables are reported in the section "*Financial Transactions*" of the Report on Operations.

Below is the detail of the bonds at 30 June 2016 which shows the bonds issued by Leonardo-Finmeccanica ("LDO", deriving in part from bonds originally issued by Finmeccanica Finance which was then replaced by Leonardo-Finmeccanica in December 2014 – January 2015) and Meccanica Holdings USA ("MH").

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	319	8.000%	(2)	European Institutional
LDO	(**)	2009	2022	€	555	5.250%		European Institutional
MH	(***)	2009	2019	USD	500	6.250%		American Institutional Rule 144A/Reg. S
MH	(***)	2009	2039	USD	300	7.375%		American Institutional Rule 144A/Reg. S
MH	(***)	2009	2040	USD	500	6.250%		American Institutional Rule 144A/Reg. S
LDO	(**)	2012	2017	€	521	4.375%		European Institutional
LDO	(**)	2013	2021	€	739	4.500%		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 Meccanica Holdings USA to finance the purchase of DRS replacing the dollar-issue bonds originally issued by the company. These bonds were redeemed early following Leonardo-Finmeccanica'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 2016	*of which with related parties*	31 December 2015	*of which with related parties*
Liquidity	**(811)**		**(1,771)**	
Current loans and receivables	**(161)**	*(128)*	**(167)**	*(122)*
Current bank loans and borrowings	76		96	
Current portion of non-current loans and borrowings	98		121	
Other current loans and borrowings	573	*526*	482	*399*
Current financial debt	**747**		**699**	
Net current financial debt (funds)	**(225)**		**(1,239)**	
Non-current bank loans and borrowings	282		293	
Bonds issued	4,213		4,276	
Other non-current loans and borrowings	32	*1*	38	*2*
Non-current financial debt	**4,527**		**4,607**	
Net financial debt	**4,302**		**3,368**	

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

	Note	30 June 2016	31 December 2015
Net financial debt com. CONSOB no. DEM/6064293		**4,302**	**3,368**
Fair value of the residual portion in portfolio of Ansaldo Energia	*9*	(134)	(131)
Hedging derivatives in respect of debt items		65	41
Group net debt (KPI)		**4,233**	**3,278**

14. PROVISIONS FOR RISKS AND CONTINGENT LIABILITIES

	30 June 2016		31 December 2015	
	Non-current	Current	Non-current	Current
Guarantees given	281	3	278	3
Restructuring	131	49	124	83
Penalties	300	47	297	84
Product guarantees	112	102	119	96
Other	547	459	645	470
	1,371	**660**	**1,463**	**736**

With regard to the provisions for civil, tax and administrative disputes, it should be noted that the Leonardo-Finmeccanica 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 2015 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 2015 consolidated financial statements, to which reference is made, it should be noted that 6 May 2016 saw the filing of the award within the dispute between Selex ES Spa and Ansaldo STS against the Russian company ZST relating to a contract signed in August 2010 between the latter, which had been awarded the contract to build the Sirth - Benghazi railway line in Libya, and the Joint Venture comprised of Selex ES and Ansaldo STS, which was the sub-contractor for the signalling, automation, security and telecommunications works.

The abovementioned award had an unfavourable outcome for Selex ES and Ansaldo STS. The overall amount payable by Selex ES was equal to €mil. 3.3, including interest.

* * * * * * * *

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 Leonardo-Finmeccanica – Società per azioni, 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 Leonardo-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 regarding the relationships maintained with a company incorporated under foreign law;
- 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, for violations charged to him, as they have become statute barred;
- with reference to the criminal proceedings conducted by the Public Prosecutor's Office of Rome against an executive of Telespazio SpA and an executive of e-GEOS SpA for the offence under articles 61, no. 7 and 9, and 640 par. 2, no. 1 of the Criminal Code, in relation to certain software licences supplied by Telespazio to a state-controlled company, following the committal for trial requested by the Public Prosecutor, the preliminary hearing has been set for 23 September 2016.

15. EMPLOYEE BENEFITS

	30 June 2016			31 December 2015		
	Liabilities	**Assets**	**Net**	**Liabilities**	**Assets**	**Net**
Severance pay provision	368	-	368	360	-	360
Defined-benefit plans	352	386	(34)	388	351	37
Defined contribution plans	22	-	22	25	-	25
	742	**386**	**356**	**773**	**351**	**422**

16. OTHER CURRENT AND NON-CURRENT LIABILITIES

	30 June 2016		31 December 2015	
	Non-current	Current	Non-current	Current
Employee obligations	49	352	47	327
Deferred income	95	66	97	66
Amounts due to social security institutions	-	177	5	170
Payables to MED (Law no. 808/85)	273	75	324	66
Payables to MED for royalties (Law no. 808/85)	172	26	181	27
Other liabilities (Law no. 808/85)	198	-	193	-
Indirect tax liabilities	-	101	-	139
Derivatives	-	273	-	285
Other liabilities	273	750	268	766
Other payables to related parties (Note 27)	-	133	-	306
	1,060	**1,953**	**1,115**	**2,152**

"Other liabilities" include, in particular, the payable due to Bell Helicopter of €mil. 252 (€mil. 248 at 31 December 2015), deriving from the acquisition of 100% of the AW609 programme.

17. TRADE PAYABLES, INCLUDING PROGRESS PAYMENTS AND ADVANCES FROM CUSTOMERS

	30 June 2016	31 December 2015
Suppliers	2,962	3,220
Trade payables to related parties (Note 27)	82	116
Trade payables	**3,044**	**3,336**
Progress payments and advances from customers	6,119	6,626
	9,163	**9,962**

18. REVENUE

	For the Six months ended 30 June	
	2016	2015
Revenue from sales	3,041	3,474
Revenue from services	1,414	1,321
Change in work in progress	70	348
Revenue from related parties (Note 27)	888	830
	5,413	**5,973**

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

19. OTHER OPERATING INCOME (EXPENSES)

	For the Six months ended 30 June					
	2016			2015		
	Income	Expenses	Net	Income	Expenses	Net
Grants for research and development costs	17	-	17	29	-	29
Exchange rate differences on operating items	82	(62)	20	101	(116)	(15)
Indirect taxes	-	(17)	(17)	-	(19)	(19)
Restructuring costs	-	(4)	(4)	2	(1)	1
Reversal of (accruals to) provisions for risks and contract losses	205	(103)	102	158	(118)	40
Other	21	(22)	(1)	9	(31)	(22)
Other from/to related parties (Note 27)	3	-	3	5	(3)	2
	328	**(208)**	**120**	**304**	**(288)**	**16**

The positive balance of other operating income (expenses) is mainly attributable to reversals of contract losses mainly of the *Aeronautics* sector against the costs incurred in the period.

20. PURCHASES AND PERSONNEL EXPENSE

	For the Six months ended 30 June	
	2016	2015
Purchases	1,894	2,155
Services	1,580	1,850
Costs to related parties (Note 27)	60	65
Personnel expense	1,617	1,708
Wages, salaries and contributions	*1,467*	*1,552*
Defined-benefit plans costs	*34*	*39*
Defined contribution plans costs	*53*	*53*
Net restructuring costs	*15*	*26*
Other personnel expenses	*48*	*38*
Change in finished goods, work in progress and semi-finished products	(129)	(196)
Work performed by the Group and capitalised	(158)	(211)
	4,864	**5,371**

Purchases decreased consistently with the trend of revenue. Personnel expense decreased by €mil. 91 as a result of lower restructuring costs and of the impact related to the change in the average workforce. In particular, the average workforce at 30 June 2016 significantly decreased (-1,265 units) compared to 30 June 2015, mainly due to the reorganisation processes in the *Electronics, Defence & Security Systems* (422 average resources, of which 387 in Italy), *Helicopters* (300 average resources, of which 110 in Italy) and *Aeronautics* (240 average resources net of the Atitech operation) sectors, but also because of the change deriving from the sale of Fata (204 average resources).

The breakdown of the total workforce is as follows:

	30 June 2016	31 December 2015	Change
Senior managers (*)	1,150	1,231	(81)
Middle managers	5,486	5,471	15
Clerical employees	27,419	27,587	(168)
Manual labourers (**)	12,677	12,867	(190)
	46,732	**47,156**	**(424)**

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

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

	30 June 2016	31 December 2015
Helicopters	12,376	12,512
Electronics, Defence & Security Systems	22,681	22,789
Aeronautics	10,372	10,483
Other	1,303	1,372
	46,732	**47,156**

21. AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

	For the Six months ended 30 June			
	2016		2015	
Amortisation of intangible assets		162		142
Development costs	*33*		*30*	
Non-recurring costs	*50*		*32*	
Acquired through business combinations	*48*		*48*	
Concessions, licences and trademarks	*8*		*3*	
Other intangible assets	*23*		*29*	
Depreciation of property, plant and equipment		183		185
Impairment of operating receivables		14		8
Impairment of other assets		3		1
		362		**336**

22. FINANCIAL INCOME AND EXPENSE

	For the Six months ended 30 June					
	2016			2015		
	Income	Expenses	Net	Income	Expenses	Net
Interest	3	(135)	(132)	3	(151)	(148)
Loan fees	-	(7)	(7)	-	(10)	(10)
Other commissions	1	(4)	(3)	3	(6)	(3)
Fair value gains (losses) through profit or loss	36	(14)	22	17	(14)	3
Premiums (paid) received on forwards	16	(14)	2	4	(5)	(1)
Exchange rate differences	196	(184)	12	211	(232)	(21)
Net interest cost on defined-benefit plans	-	(3)	(3)	-	(3)	(3)
Financial income (expense) - related parties (Note 27)	1	(2)	(1)	6	(3)	3
Other financial income and expense	21	(29)	(8)	4	(30)	(26)
	274	**(392)**	**(118)**	**248**	**(454)**	**(206)**

The considerable improvement of financial expense was influenced, in addition to the reduction in interest expenses deriving from the buy-back transactions concluded in the second half of 2015, by positive exchange differences for €mil. 12 against a negative trend in 2015 equal to €mil. 21, mainly attributable to €/GBP exchange rates. This trend also affected the fair value of the part of the derivatives through profit or loss, the total balance of which improved by €mil. 19. Furthermore, the figure of the first half of 2016 benefitted from the capital gain (€mil.10), included in other income, related to the transfer of the Fata Group. This transaction is described in the "*Industrial transactions*" section of the Report on Operations.

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

	For the Six months ended 30 June	
	2016	2015
Space Alliance	29	22
MBDA	11	15
GIE ATR	52	32
Strategic joint ventures	**92**	**69**
Other	7	9
	99	**78**

24. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

In 2016 there were no Discontinued Operations. In the corresponding period of the prior year, this item included the result of the Transportation business which was sold to the Hitachi group:

	For the Six months ended 30 June	
	2016	2015
Operating income	-	1,044
Operating expenses	-	(1,001)
Income before tax and financial expenses	**-**	**43**
Financial income/(expense)	-	(3)
Income taxes	-	(20)
Profit (loss) for the period	**-**	**20**

The comparative balance sheet figure mainly included assets and liabilities related to the companies of the Fata Group which were sold to the Danieli Group (transaction described in the "Industrial and financial transactions" section of the Report on Operations and concluded in March 2016). The breakdown of the item is as follows:

	30 June 2016	31 December 2015
Non-current assets	15	21
Current assets	-	60
Assets	**15**	**81**
Adjustment to selling price	-	
Assets held for sale	**15**	**81**
Non-current liabilities	-	(3)
Current liabilities	-	(74)
Liabilities associated with assets held for sale	**-**	**(77)**
	15	**4**

25. EARNINGS PER SHARE

	For the Six months ended 30 June	
	2016	**2015**
Average shares outstanding during the reporting period (in thousands)	576,042	578,118
Earnings for the period (excluding non-controlling interests) (€ millions)	210	86
Earnings from continuing operations (excluding non-controlling interests) (€ millions)	210	91
Earnings from discontinued operations (excluding non-controlling interests) (€ millions)	-	(5)
Basic and Diluted EPS (€)	**0.365**	**0.149**
Basic and Diluted EPS from continuing operations (€)	0.365	0.157
Basic and Diluted EPS from discontinued operations (€)	n.a.	(0.008)

At 30 June 2016 basic EPS, like that for the corresponding period of 2015, is equal to the diluted EPS, inasmuch as there are no dilutive elements.

26. CASH FLOW FROM OPERATING ACTIVITIES

	For the Six months ended 30 June	
	2016	**2015**
Net result	210	111
Amortisation, depreciation and impairment losses	362	336
Share of profits/(losses) of equity-accounted investees	(99)	(78)
Income taxes	78	63
Costs for defined-benefit plans	34	39
Net financial expense /(income)	118	206
Net allocations to the provisions for risks and inventory write-downs	10	35
Profit from discontinued operations	-	(20)
Other non-monetary items	9	20
	722	**712**

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	
	2016	**2015**
Inventories	(130)	(388)
Contract work in progress and progress payments and advances from customers	(520)	(431)
Trade receivables and payables	(301)	(163)
	(951)	**(982)**

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 2016	**Non-current loans and receivables**	**Other non-current receivables**	**Current loans and receivables**	**Trade receivables**	**Other current receivables**	**Total**
Unconsolidated subsidiaries						
Other with unit amount lower than €mil. 10			4	5		9
Associates						
NH Industries SAS				186		186
Eurofighter Jagdflugzeug GmbH				85		85
Orizzonte - Sistemi Navali SpA				30		30
Macchi Hurel Dubois SAS				24		24
Iveco - Oto Melara Scarl				19		19
Other with unit amount lower than €mil. 10			4	38	1	43
J.V.						
GIE ATR				129		129
Closed Joint Stock Company Helivert				53		53
MBDA SAS				26	1	27
Superjet International SpA			100	69	5	174
Thales Alenia Space SAS			9	21	1	31
Telespazio SpA	2		8	8		18
Other with unit amount lower than €mil. 10				10		10
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				70		70
Total	**2**	**-**	**128**	**788**	**8**	**926**
% against total for the period	***6.2%***	***0.0%***	***79.5%***	***23.0%***	***1.6%***	

RECEIVABLES at 31 December 2015	Non-current loans and receivables	Other non-current receivables	Current loans and receivables	Trade receivables	Other current receivables	Total
Unconsolidated subsidiaries						
Other with unit amount lower than €mil. 10			-	8	1	9
Associates						
NH Industries SAS				174		174
Eurofighter Jagdflugzeug GmbH				62		62
Iveco - Oto Melara Scarl				20		20
Macchi Hurel Dubois SAS				20		20
Orizzonte - Sistemi Navali SpA				10		10
Euromids SAS				10		10
Agustawestland Aviation Services LLC				10		10
Other with unit amount lower than €mil. 10			5	22		27
J.V.						
GIE ATR				69		69
Closed Joint Stock Company Helivert				51		51
MBDA SAS				23		23
Superjet International SpA			100	60	5	165
Thales Alenia Space SAS			12	24	1	37
Other with unit amount lower than €mil. 10	3		2	18	1	24
Consortia (*)						
Other with unit amount lower than €mil. 10			3	16		19
Companies subject to the control or considerable influence of the MEF						
Ferrovie dello Stato				2		2
Other with unit amount lower than €mil. 10				61		61
Total	**3**	**-**	**122**	**660**	**8**	**793**
% against total for the period	***7.9%***	***0.0%***	***73.1%***	***18.8%***	***1.7%***	

PAYABLES at 30 June 2016	Non-current loans and borrowings	Other non-current borrowings	Current loans and borrowings	Trade payables	Other current payables	Total	Guarantees
Unconsolidated subsidiaries							
Other with unit amount lower than €mil. 10				13		13	
Associates							
Eurofighter Jagdflugzeug GmbH			49			49	
Other with unit amount lower than €mil. 10			3	18	6	27	
J.V.							
MBDA SAS			472	6	1	479	47
GIE ATR				8	94	102	
Telespazio SpA						-	211
Superjet International SpA					18	18	7
Other with unit amount lower than €mil. 10				26	7	33	
Consortia (*)							
Other with unit amount lower than €mil. 10				1	1	2	
Companies subject to the control or considerable influence of the MEF							
Other with unit amount lower than €mil. 10	1		2	10	6	19	
Total	**1**	**-**	**526**	**82**	**133**	**742**	**265**
% against total for the period	***0.0%***	***0.0%***	***70.4%***	***2.7%***	***8.2%***		

PAYABLES at 31 December 2015	Non-current	Other non-current	Current loans and	Trade payables	Other current	Total	Guarantees

	loans and borrowings	borrowings	borrowings		payables		
Unconsolidated subsidiaries							
Other with unit amount lower than €mil. 10				16	9	25	
Associates							
Eurofighter Jagdflugzeug GmbH			56			56	
Other with unit amount lower than €mil. 10			4	26	5	35	
J.V.							
GIE ATR				25	259	284	
MBDA SAS			332	9	1	342	47
Rotorsim SRL				13		13	
Telespazio SpA			2	5	4	11	211
Superjet International SpA				2	19	21	8
Other with unit amount lower than €mil. 10			1	11	2	14	
Consortia (*)							
Other with unit amount lower than €mil. 10				1	1	2	
Companies subject to the control or considerable influence of the MEF							
Other with unit amount lower than €mil. 10	2		4	8	6	20	
Total	**2**	**-**	**399**	**116**	**306**	**823**	**266**
% against total for the period	***0.0%***	***0.0%***	***57.1%***	***3.5%***	***17.0%***		

(*) Consortiums 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 from related parties include in particular the amount of €mil. 472 (€mil. 332as at 31 December 2015) due by Group companies to the joint venture MBDA and payables for €mil. 49 (€mil. 56 as at 31 December 2015) to Eurofighter.

For the Six months ended 30 June 2016	Revenue	Other operating income	Costs	Other operating costs	Financial income	Financial expenses
Unconsolidated subsidiaries						
Other with unit amount lower than €mil. 10	1		2			
Associates						
Eurofighter Jagdflugzeug GmbH	315					
NH Industries SAS	111					
Orizzonte - Sistemi Navali SpA	104					
Iveco-Oto Melara Scarl	30					1
Macchi Hurel Dubois SAS	34					
Other with unit amount lower than €mil. 10	17		10			
J.V.						
GIE ATR	160		22			
MBDA SAS	23					1
Thales Alenia Space SAS	36					
Superjet International SpA	11				1	
Other with unit amount lower than €mil. 10	5	2	16			
Consortia (*)						
Other with unit amount lower than €mil. 10	1					
Companies subject to the control or considerable influence of the MEF						
Other with unit amount lower than €mil. 10	40	1	10			
Total	**888**	**3**	**60**	**-**	**1**	**2**
% against total for the period	***16.4%***	***0.9%***	***1.2%***	***0.0%***	***0.4%***	***0.5%***

For the Six months ended 30 June 2015	Revenue	Other operating income	Costs	Other operating costs	Financial income	Financial expenses
Unconsolidated subsidiaries						
Other with unit amount lower than €mil. 10			8	2		
Associates						
Eurofighter Jagdflugzeug GmbH	293					
NH Industries SAS	121	3				
Orizzonte - Sistemi Navali S.p.A.	91					
Iveco-Oto Melara S.c.a.r.l.	30					
Macchi Hurel Dubois SAS	31		1	1		
Other with unit amount lower than €mil. 10	14		13			
J.V.						
GIE ATR	128		2			
MBDA SAS	41					2
Thales Alenia Space SAS	14					
Superjet International SpA	10					
Other with unit amount lower than €mil. 10	3	2	25		1	1
Consortia (*)						
Other with unit amount lower than €mil. 10	1		2			
Companies subject to the control or considerable influence of the MEF						
Other with unit amount lower than €mil. 10	53		14		5	
Total	**830**	**5**	**65**	**3**	**6**	**3**
% against total for the period	***13.9%***	***1.6%***	***1.2%***	***1.0%***	***2.4%***	***0.7%***

(*) Consortiums 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 PZH2000 self-propelled vehicle for the Italian Army);
- NHIndustries in the scope of the NH90 helicopter programme;
- Orizzonte - Sistemi Navali for the FREMM programme.

For the Board of Directors
The Chairman
Giovanni De Gennaro

Appendix: 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 Direct	Indirect	% Group shareholding
3083683 NOVA SCOTIA LIMITED	Halifax, Nova Scotia (Canada)	CAD	-		100	100
AGUSTA AEROSPACE SERVICES AAS SA	Grace Hollogne (Belgium)	EUR	500,000	99	1	100
AGUSTAWESTLAND AUSTRALIA PTY LTD	Sydney (Australia)	AUD	400,000	100		100
AGUSTAWESTLAND DO BRASIL LTDA	Sao Paulo (Brazil)	BRL	11,817,172	99	1	100
AGUSTAWESTLAND ESPANA SL (IN LIQ.)	Madrid (Spain)	EUR	3,300		100	100
AGUSTAWESTLAND HOLDINGS LTD	Yeovil, Somerset (UK)	GBP	40,000	100		100
AGUSTAWESTLAND INDIA PRIVATE LTD	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.)	Milan	EUR	400,000		80	80
AGUSTAWESTLAND PORTUGAL SA	Lisbon (Portugal)	EUR	100,000	100		100
AGUSTAWESTLAND PROPERTIES LTD	Yeovil, Somerset (UK)	GBP	100		100	100
AGUSTAWESTLAND SPA	Rome	EUR	702,537,000	100		100
ALENIA AERMACCHI NORTH AMERICA INC	Wilmington, Delaware (USA)	USD	44		100	100
ALENIA AERMACCHI SPA	Rome	EUR	250,000,000	100		100
ANSALDOBREDA SPA	Naples	EUR	55,839,139	100		100
BREDAMENARINIBUS SPA	Bologna	EUR	1,300,000	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 HOMELAND SECURITY SOLUTIONS INC	Wilmington, Delaware (USA)	USD	1		100	100
DRS ADVANCE ISR LLC (formerly DRS ICAS LLC)	Wilmington, Delaware (USA)	USD	-		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 TACTICAL SYSTEMS LIMITED	Farnham, Surrey (UK)	GBP	1,000		100	100
DRS TECHNICAL SERVICES GMBH & CO KG	Stuttgart (Germany)	EUR	-		100	100
DRS GLOBAL ENTERPRISE SOLUTIONS INC. (formerly DRS TECHNICAL SERVICES INC)	Baltimore, Maryland (USA)	USD	50		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	Baden-Wurttemberg (Germany)	EUR	25,000		100	100
DRS TECHNOLOGIES INC	Wilmington, Delaware (USA)	USD	1		100	100
DRS TRAINING & CONTROL SYSTEMS LLC	Tallahassee (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
ED CONTACT SRL	Rome	EUR	600,000		100	100
ELECTRON ITALIA SRL	Rome	EUR	206,582		100	100
ENGINEERED COIL COMPANY	Jefferson City (USA)	USD	1,000		100	100
ENGINEERED SUPPORT SYSTEMS INC	Jefferson City (USA)	USD	1		100	100
ESSI RESOURCES LLC	Frankfort (USA)	USD	-		100	100
FATA ENGINEERING SPA	Pianezza (Turin)	EUR	1,092,000		100	100
FATA LOGISTIC SYSTEMS SPA	Pianezza (Turin)	EUR	100,000		100	100
LEONARDO GLOBAL SOLUTIONS SPA (formerly FINMECCANICA GLOBAL SERVICES SPA)	Rome	EUR	49,945,983	100		100
GLOBAL NETWORK SERVICES LLC	Wilmington, Delaware (USA)	USD	1		100	100
LARIMART SPA	Rome	EUR	2,500,000	60		60
LASERTEL INC	Tucson, Arizona (USA)	USD	10		100	100
LAUREL TECHNOLOGIES PARTNERSHIP	Wilmington, Delaware (USA)	USD	-		100	100
MECCANICA HOLDINGS USA 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
PCA ELECTRONIC TEST LTD	Grantham, Lincolnshire (UK)	GBP	1		100	100
PIVOTAL POWER INC	Halifax, Nova Scotia (Canada)	CAD	-		100	100
REGIONALNY PARK PRZEMYSLOWY SWIDNIK SP Z OO	Mechaniczna 13 - U1, 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	Canberra (Australia)	AUD	2		100	100
SELEX ES DO BRASIL LTDA	Rio de Janeiro (Brazil)	BRL	5,686,457	2E-05	100	100
SELEX ES ELEKTRONIK TURKEY AS	Ankara (Turkey)	TRY	45,557,009	-	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	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	270,000,100	100		100
SELEX ES MALAYSIA SDN BHD	Kuala Lumpur (Malaysia)	MYR	500,000		100	100
SELEX ES ROMANIA SRL	Bucharest (Romania)	RON	42,370	-	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	22,500,000	20	80	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
SELEX SISTEMI INTEGRATI SPA (ex IN LIQ.)	Rome	EUR	143,110,986		100	100
SELEX SYSTEMS INTEGRATION LTD	Basildon, Essex (UK)	GBP	71,500,001		100	100
SC ELETTRA COMMUNICATIONS SA	Ploiesti (Romania)	RON	10,847,960		100	100
SIRIO PANEL SPA	Montevarchi (Arezzo)	EUR	447,228	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 (Canada)	CAD	2,500,001		100	100
VEGA CONSULTING SERVICES LTD	Welwyn Garden City, Herts (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
WING NED BV	Rotterdam (the Netherlands)	EUR	18,000	100		100
WORLD'S WING SA	Geneva (Switzerland)	CHF	120,100,000	100		100
WYTWORNIA SPRZETU KOMUNIKACYJNEGO ``PZL-SWIDNIK`` SPOLKA AKCYJNA	Aleja Lotnikow, Swidnik (Poland)	PLN	86,006,050	98		98
ZAKLAD OBROBKI PLASTYCZNEJ SP Z OO	Kuznicza 13 - U1, Swidnik (Poland)	PLN	3,800,000		100	98

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

Company name	*Registered office*	*Currency*	*Share capital*	*% Group ownership*		*% Group shareholding*
				Direct	*Indirect*	
A4ESSOR SAS	Neuilly Sur Seine (France)	EUR	100,000	21		21
ABU DHABI SYSTEMS INTEGRATION LLC	Abu Dhabi (United Arab Emirates)	AED	1,150,000	43		43
ADVANCED ACOUSTIC CONCEPTS LLC	Wilmington, Delaware (USA)	USD	-		51	51
ADVANCED AIR TRAFFIC SYSTEMS SDN BHD	Kuala Lumpur (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
ANSALDO-EMIT SCRL (IN LIQ)	Genoa	EUR	10,200		50	50
ATITECH MANUFACTURING SRL	Naples	EUR	10,000	25		25
ATITECH SPA	Naples	EUR	6,500,000		25	25
AVIATION TRAINING INTERNATIONAL LTD	Sherborne (UK)	GBP	550,000		50	50
AVIO SPA	Turin	EUR	40,000,000	14		14
C-27J AVIATION SERVICES INC.	Ottawa (Canada)	CAD	10,000		30	30
CARDPRIZE TWO LIMITED	Basildon, Essex (UK)	GBP	1		100	100
CLOSED JOINT STOCK COMPANY HELIVERT	Moscow (Russia)	RUR	10,000	50		50
CONSORZIO ATR GIE e SPE	Toulouse (France)	USD	-		50	50
CONSORZIO TELAER (IN LIQ.)	Rome	EUR	103,291		100	68
CONSORZIO TELAER - SISTEMI DI TELERILEVAMENTO AEREO	Rome	EUR	120,000		62	47
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 INTERNATIONAL LTD (IN LIQ.)	Farnborough (UK)	GBP	2,000,000	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 DO BRASIL LTDA	Brasilia (Brazil)	BRL	1,203,200	100		100
FINMECCANICA NORTH AMERICA INC	Dover, Delaware (USA)	USD	1,000	100		100
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	Mestre (Venice)	EUR	208,000	25		25
ICARUS SCPA (IN LIQ.)	Turin	EUR	10,268,400		53	53
INDIAN ROTORCRAFT LTD	Hyderabad (India)	INR	429,337,830	26		26
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 SUKHOI CIVIL AIRCRAFT	Moscow (Russia)	RUB	14,012,381,000		6	6
LIBYAN ITALIAN ADVANCED TECHNOLOGY CO	Tripoli (Libya)	EUR	8,000,000	25	25	50
LMATTS LLC	Wilmington, Delaware (USA)	USD	100		100	100
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 ELECTRO OPTICS (OVERSEAS) LTD	Basildon, Essex (UK)	GBP	15,000		100	100
SELEX ES FOR TRADING OF MACHINERY EQUIPMENT AND DEVICES LTD	Kuwait City (Kuwait)	KWD	807,000		93	93
SELEX ES (PROJECTS) LTD	Basildon, Essex (UK)	GBP	100		100	100
SELEX PENSION SCHEME (TRUSTEE) LTD	Basildon, Essex (UK)	GBP	100		100	100
SIRIO PANEL INC	Dover, Delaware (USA)	USD	10,000		100	100
SISTEMI DINAMICI SPA	Pisa	EUR	200,000	40		40
SPACEOPAL GMBH	Munich (Germany)	EUR	500,000		50	34
SUPERJET INTERNATIONAL SPA	Tessera (Venice)	EUR	6,424,411		51	51
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 HUNGARY SATELLITE TELECOMMUNICATIONS LTD (IN LIQ.)	Budapest (Hungary)	EUR	100,000		100	67
TELESPAZIO IBERICA SL	Barcelona (Spain)	EUR	2,230,262		100	67
TELESPAZIO NORTH AMERICA INC	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 La Bocca (France)	EUR	979,240,000	33		33
WIN BLUEWATER SERVICES PRIVATE LIMITED	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*		*% Group shareholding*
				Direct	*Indirect*	
ADVANCED MALE AIRCRAFT LLC	Al Ain, Muwaiji (United Arab Emirates)	AED	200,000	49		49
AGUSTAWESTLAND UK PENSION SCHEME (TRUSTEE) LTD	Yeovil, Somerset (UK)	GBP	1		100	100
ANSALDOBREDA FRANCE SAS (IN LIQ)	Marseille (France)	EUR	200,000		100	100
CCRT SISTEMI SPA (IN BANKRUPTCY)	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 (EXTR. ADM.)	Genoa	EUR	103,567	31		31
INMOVE ITALIA SRL	Naples	EUR	120,000		100	100

Below are the main changes in the scope of consolidation at 30 June 2016 in comparison with 30 June 2015:

COMPANY NAME	EVENT	MONTH
Companies which entered the scope of consolidation:		
C-27J Aviation Services Inc.	newly established	January 2016
Selex ES Australia Pty Ltd	change of consolidation method	January 2016
Selex ES Malaysia Sdn Bhd	change of consolidation method	January 2016
Selex ES Technologies Ltd	change of consolidation method	January 2016
Gulf Systems Logistics Services Company WLL	purchase	May 2016
Companies which left the scope of consolidation:		
Abruzzo Engineering SCPA (in liq.)	sale	July 2015
Consorzio START SpA	sale	August 2015
Meccanica Reinsurance SA	sale	October 2015
Gruppo Ansaldo STS	sale	November 2015
Global Aviation & Logistics Services LLC	sale	November 2015
AnsaldoBreda Espana SLU	sale	November 2015
AnsaldoBreda Inc.	sale	November 2015
Global Support Services LLC	sale	November 2015
N2 Imaging Systems LLC	sale	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	sale	March 2016
Automation Integrated Solutions SpA	sale	March 2016
Fata (Shanghai) Engineering Equipment Co. Ltd	sale	March 2016
Fata Gulf Co. WLL	sale	March 2016
Fata Hunter Inc.	sale	March 2016
Fata Hunter India PVT Ltd	sale	March 2016
Musinet Engineering SpA	sale	March 2016
Comlenia Sendirian Berhad	sale	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 - Società per azioni	January 2016
Whitehead Sistemi Subacquei SpA	Leonardo-Finmeccanica - Società per azioni	January 2016
Companies which changed their name:	**New Name:**	
Finmeccanica Global Services Spa	Leonardo Global Solutions Spa	June 2016

Statement on the condensed consolidated half-year financial statements at 30 June 2016 pursuant to Art. 154-bis, paragraph 5 of Legislative Decree no. 58/98 as amended

1. The undersigned, Mauro Moretti, Chief Executive Officer and General Manager, and Gian Piero Cutillo as the Officer in charge of financial reporting for Leonardo - Finmeccanica 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 2016.
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, 28 July 2016

Chief Executive Officer and General Manager	Officer in charge of financial reporting
(Mauro Moretti)	(Gian Piero Cutillo)

Independent Auditors' Report on the review of the condensed consolidated half-year financial statements at 30 June 2016