RESULTS AS AT

30 SEPTEMBER 2016

Disclaimer

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LEONARDO

CONTENTS

Group results and financial position

Key Performance Indicators ("KPI")

	September 2016	**September 2015**	**Change**	**2015**
New orders	15,504	7,791	99.0%	12,371
Order backlog	34,589	28,071	23.2%	28,793
Revenue	8,034	9,001	(10.7%)	12,995
EBITDA	1,193	1,174	1.6%	1,866
EBITDA Margin	14.8%	13.0%	1.8 p.p.	14.4%
EBITA	746	745	0.1%	1,208
ROS	9.3%	8.3%	1.0 p.p.	9.3%
EBIT	631	599	5.3%	884
Net Result before extraordinary transactions	343	150	128.7%	253
Net Result	353	160	120.6%	527
Group Net Debt	3,890	5,323	(26.9%)	3,278
FFO	484	685	(29.3%)	1,446
FOCF	(388)	(935)	58.5%	307
ROI	12.8%	11.9%	0.9 p.p.	15.7%
ROE	10.9%	4.9%	6.0 p.p.	6.2%
Workforce	46,316	53,183	(12.9%)	47,156

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

During the first nine months of the 2016 financial year Leonardo-Finmeccanica reported particularly significant results, both in commercial and economic and financial terms, despite the difficulties encountered in some relevant markets (including the civil sector of Helicopters). In fact, the efficiency improvement actions that had been taken in relation to, in particular, production and industrial processes in business areas that had showed significant issues in the past, entailed, together with the effects of streamlining the scope of operation and the product portfolio, a gradual repositioning of the Group, so as to ensure, even in a period characterised by the abovementioned difficulties, the attainment of the profitability growth target in the Business Plan. In more details, the first nine months of the financial year showed the following aspects:

- increased new orders, which doubled in comparison with 2015, as a result of the acquisition of the contract for the supply of 28 Eurofighter Typhoon aircraft that was signed with the Kuwaiti Ministry of Defence on 5 April, for an overall value of about €bil. 7.95;
- a further growth in operating profits, with EBITDA margin up from 13% to 14.8% and a ROS raising from 8.3% to 9.3%, thanks to improvements in all the sectors, except for Helicopters. Such increase allowed EBIT and EBITDA to increase by 5% and 2% respectively in comparison with September 2015 and to maintain an EBITA in line with the previous year, despite a fall in revenues (-10%);

- a net profit that more than doubled compared to 30 September 2015, with a 129% increase at the level of Net Result before extraordinary transactions and 121% at overall level, thanks to the reduced volatility of the charges under EBITA and to the reduction in financial expense;
- an improvement in the cash-flow for the period that, while negative in line with the normal seasonal fluctuation, entailed a cash absorption that was reduced by almost 60% compared to 2015, as a result of the collection of the first advance payment on the EFA Kuwait contract;
- an improvement in the Group Net Debt (- 27%) compared to 30 September 2015, thanks to an improved cash performance during the period and to the disposals in the Transportation segment, which were completed in November 2015, even in the presence of considerably negative exchange differences.

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

EFA Kuwait contract. 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 €mil. 7,958, 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 Group 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. In accordance with the objective of merging the company's operations, on 28 July 2016 the Board of Directors of Leonardo - Finmeccanica approved a plan to concentrate the Group's UK operations into a single legal entity.

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 major 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 September 2016						
	New orders	**Order backlog**	**Revenues**	**EBITA**	**ROS %**	**EBITDA**	**EBITDA Margin**
Helicopters	1,538	9,669	2,565	285	11.1%	351	13.7%
Electronics, Defence & Security Systems	4,239	11,297	3,567	269	7.5%	405	11.4%
Aeronautics	9,790	13,880	2,060	198	9.6%	402	19.5%
Space	-	-	-	43	n.a.	43	n.a.
Other activities	24	155	223	(49)	(22.0%)	(8)	(3.6%)
Eliminations	*(87)*	*(412)*	*(381)*	-	*n.a.*	-	*n.a.*
Total	**15,504**	**34,589**	**8,034**	**746**	**9.3%**	**1,193**	**14.8%**

	30 September 2015						
	New orders	Order backlog at 31 Dec. 2015	Revenues	EBITA	ROS %	EBITDA	EBITDA Margin
Helicopters	2,881	11,717	3,212	381	11.9%	450	14.0%
Electronics, Defence & Security Systems	3,800	11,116	3,791	254	6.7%	384	10.1%
Aeronautics	1,259	6,170	2,140	163	7.6%	351	16.4%
Space	-	-	-	27	n.a.	27	n.a.
Other activities	37	215	226	(80)	(35.4%)	(38)	(16.8%)
Eliminations	*(186)*	*(425)*	*(368)*	-	*n.a.*	-	*n.a.*
Total	**7,791**	**28,793**	**9,001**	**745**	**8.3%**	**1,174**	**13.0%**

	Change %						
	New orders	Order backlog	Revenues	EBITA	ROS %	EBITDA	EBITDA Margin
Helicopters	(46.6%)	(17.5%)	(20.1%)	(25.2%)	(0.8) p.p.	(22.0%)	(0.3) p.p.
Electronics, Defence & Security Systems	11.6%	1.6%	(5.9%)	5.9%	0.8 p.p.	5.5%	1.3 p.p.
Aeronautics	677.6%	125.0%	(3.7%)	21.5%	2.0 p.p.	14.5%	3.1 p.p.
Space	n.a.	n.a.	n.a.	59.3%	n.a.	59.3%	n.a.
Other activities	(35.1%)	(27.9%)	(1.3%)	38.8%	13.4 p.p.	78.9%	13.2 p.p.
Eliminations	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Total	**99.0%**	**20.1%**	**(10.7%)**	**0.1%**	**1.0 p.p.**	**1.6%**	**1.8 p.p.**

Commercial performance

During the first nine months 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 period also showed an increase in the *Aeronautics* and *Electronics, Defence and Security Systems* sectors, 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 nine months of 2015 (IOS contract). The growth recorded in the sector of *Electronics, Defence & Security Systems* was mainly referable to the acquisitions of the FSOM contract signed with the UK Ministry of Defence concerning avionic support services for the Typhoon aircraft in the *Airborne & Space Systems Division*. The growth in the Aeronautics sector is attributable in particular to the order for nine M346 trainer aircraft for the Italian Air Force, which had been postponed from 2015 and to higher orders for ATR and B787 aircraft in the *Aerostructures* division.

The book-to-bill ratio was equal to 1.9, 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 for the Group.

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Business performance

(€ millions)	*For the Nine months ended 30 September* 2016	2015	*Change*	*% Change*
Revenues	8,034	9,001	(967)	(10.7%)
Purchases and personnel expenses	(7,059)	(7,951)		
Other net operating income/(expenses)	66	3		
Equity-accounted strategic JVs	152	121		
EBITDA	**1,193**	**1,174**	**19**	**1.6%**
EBITDA Margin	*14.8%*	*13.0%*	1.8 p.p.	
Amortisation, depreciation and impairment losses	(447)	(429)		
EBITA	**746**	**745**	**1**	**0.1%**
ROS	*9.3%*	*8.3%*	1.0 p.p.	
Non-recurring income/expenses	(5)	(9)		
Restructuring costs	(38)	(64)		
Amortisation of intangible assets acquired as part of business combinations	(72)	(73)		
EBIT	**631**	**599**	**32**	**5.3%**
EBIT Margin	*7.9%*	*6.7%*	1.2 p.p.	
Net financial income/(expense)	(180)	(347)		
Income taxes	(108)	(102)		
Net Result before extraordinary transactions	**343**	**150**	**193**	**128.7%**
Net result related to discontinued operations and extraordinary transactions	10	10		
Net profit/(loss) for the period attributable to:	**353**	**160**	**193**	**120.6%**
- owners of the parent	*352*	*122*		
- non-controlling interests	*1*	*38*		

Revenues decreased over the corresponding period of 2015 by €mil. 967, 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. The profitability indicators showed an 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 of *Electronics*, which benefitted from the restructuring actions that 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 offset the decline recorded in the sector of *Helicopters* as a result of the abovementioned lower volumes. Specifically, **EBITDA** showed an increase of 1.6% compared to the first nine months of 2015, while **EBITA** remained substantially stable (+ 0.1% with an increase of 1.0 p.p. of operating profits). Vice versa, **EBIT** showed a considerable increase (+5.3%), as a result of the lower impact of restructuring costs. Operating results are affected by the lower volumes of the *Helicopters* – however maintaining a marginality higher than 11% - that are more than offset by the better results of all the other sectors and by the lower losses of the residual activities and of the corporate.

The **Net Result before extraordinary transactions** showed a marked improvement (€mil. 343 compared with €mil. 150 in the first nine months of 2015) due to the mentioned rise in EBIT and to lower financial costs that in the corresponding period of 2015 included buy-back transaction charges (€mil. 48) on part of the Group bond issues. The residual decreased as a result of lower interest deriving from such transaction, 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 (€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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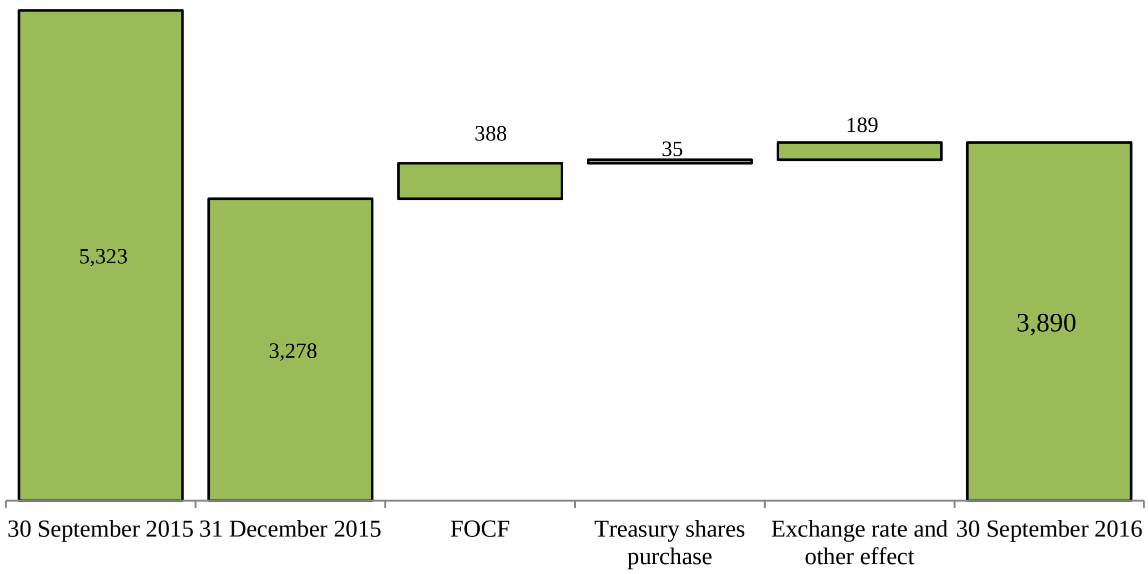
Financial performance

(€ millions)	***For the Nine months ended 30 September 2016***	***2015***	***Change***	***% Change***
Funds From Operations (FFO)	**484**	**685**	**(201)**	**(29.3%)**
Change in working capital	(507)	(1,195)		
Cash flows from ordinary investing activities	(365)	(425)		
Free Operating Cash Flow (FOCF)	**(388)**	**(935)**	**547**	**58.5%**
Change in other investing activities	-	(25)		
Net change in loans and borrowings	(315)	143		
Net increase (decrease) in cash and cash equivalents	**(703)**	**(817)**		
Cash and cash equivalents at 1 January	1,771	1,495		
Exchange rate differences and other changes	(28)	13		
Cash and cash equivalents at 1 January of discontinued operations	-	(290)		
Cash and cash equivalents at 30 September	**1,040**	**401**		

The cash flow performance considerably improved in comparison with 2015, as a result of the collection of the first advance payment on the EFA Kuwait contract. **FOCF** was overall negative for €mil. 388 in line with the usual trend in the Group's performance to report considerable cash absorptions in the first part of the year, while also showing a significant cash generation (€mil. 405) in the third quarter.

Group Net Debt showed a considerable reduction (- 27%) compared to 30 September 2015, despite negative exchange differences arising from the translation of the items expressed in GBP, thanks to the improved cash performance 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 in comparison with the figure for 31 December 2015 due to the increase in net working capital, resulting from the seasonal fluctuation in cash flows, against a reduction in capital assets and equity arising from the exchange rate effect on assets and liabilities denominated in foreign currency, mainly GBP:

(€millions)	*30 September 2016*	*31 December 2015*	*30 September 2015*
Non-current assets	11,855	12,558	12,340
Non-current liabilities	(3,511)	(3,676)	(3,428)
Capital assets	**8,344**	**8,882**	**8.912**
Inventories	4,359	4,337	4,747
Trade receivables	6,303	6,375	6,554
Trade payables	(9,466)	(9,962)	(9,738)
Working capital	**1,196**	**750**	**1,563**
Provisions for short-term risks and charges (current portion)	(584)	(736)	(674)
Other net current assets (liabilities)	(1,019)	(1,320)	(938)
Net working capital	**(407)**	**(1,306)**	**(49)**
Net invested capital	**7,937**	**7,576**	**8,863**
Equity attributable to the Owners of the Parent	4,043	4,280	3,876
Equity attributable to non-controlling interests	19	22	365
Equity	**4,062**	**4,302**	**4,241**
Group Net Debt	**3,890**	**3,278**	**5,323**
Net (assets)/liabilities held for sale	**(15)**	**(4)**	**(701)**

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Below are the key performance indicators by sector:

Helicopters

The performance at September 2016 continues to be influenced 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 all the indicators, albeit confirming a double-digit profitability.

New orders. These showed a reduction that was mainly 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 of some government orders. These events were also amplified by the excellent performance recorded in the same period 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 with a profitability that, despite being affected in particular by the prolonged activities for the setup of the new AW169 aircraft, confirmed absolute excellent levels, benefitting from the constant attention to cost curbing and from some improvements on military programmes

Electronics, Defence & Security Systems

The first nine months of the year were characterised by a satisfactory business performance and by a considerable improvement in profitability, which was supported by the benefits of efficiency improvement actions, thus confirming the positive trend already recorded during 2015.

New orders. These showed an increase compared to the same period in 2015, in particular as a result of the acquisition of the FSOM contract signed with the UK Ministry of Defence during the third quarter, concerning avionic support services for the Typhoon aircraft in the *Airborne & Space Systems Division*. The other major acquisitions during the first nine months of 2016 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 contract for the supply of ENVG III (Enhanced Night Vision Goggle) equipment for the US army.

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 same period of 2015, mainly 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 was referable to a mix of activities that focused on low margin development programmes such as ORP (*Ohio Replacement Programme*) and MFoCS (*Mounted Family of Computing Systems).*

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

	New orders	Revenues	EBITA	ROS %	EBITDA	EBITDA Margin
DRS ($mil.) September 2016	1,484	1,170	63	5.4%	91	7.8%
DRS ($mil.) September 2015	1,539	1,297	93	7.2%	124	9.6%
DRS (€mil.) September 2016	1,330	1,049	56	5.4%	81	7.8%
DRS (€mil.) September 2015	1,381	1,164	83	7.2%	111	9.6%

Aeronautics

The business performance was characterised by the acquisition of the abovementioned order for the supply of 28 Eurofighter Typhoon aircraft to the Kuwaiti Ministry of Defence at the end of June 2016. Also excluding the contribution given by this contract, the amount of final orders at 30 September 2016 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, in the third quarter of 2016 deliveries were made for 32 fuselage sections and 19 stabilisers for the B787 programme (31 fuselage sections and 15 stabilisers delivered in the third quarter of 2015), and 21 ATR fuselages (22 delivered in the third quarter of 2015). The M-346 programme saw the delivery of 2 aircraft to the Italian Air Force (5 aircraft delivered on the contracts with the Italian Air Force and Israel in the third quarter of 2015), as well as the continuation of the flying tests on the first aircraft intended for Poland for the certification of some specific systems chosen by the Polish Air Force.

New orders. The considerable final volume of orders that was recorded at 30 September 2016, equal to €mil. 9,790 (€mil. 1,259 at 30 September 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. The decline recorded at 30 September 2016 (-3.7%) compared to the same period of 2015 was due to the *Aerostructures* Division and in particular to the B787 programme, which recorded lower foreign pass-through supplies and a slowdown in operations, 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 a significant 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 results as at 30 September confirm the good performance of the manufacturing segment, which, in line with the performance of the half-year, 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.

As regards the operations for the supply of satellite services, despite a decline in revenues mainly arising from the launch of the Sicral 2 satellite that took place in 2015, the result was substantially in line with the value posted in the previous year as a result of an improvement in production profits and cost curbing actions.

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Outlook

In consideration of the results obtained at 30 September 2016 and of the expectations for the next quarter, we confirm the forecasts for the entire year, as updated following the acquisition of the EFA Kuwait contract and reported in the Half-year Financial Report at 30 June 2016.

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Main transactions in the first nine months of 2016

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

On 28 July 2016, the Board of Directors of Leonardo-Finmeccanica approved a plan to concentrate the Group's UK operations into a single legal entity, with the objective of improving the positioning of Leonardo in the second domestic market and at an international level. Leonardo MW ltd (the new company name of SELEX ES Ltd) will bring together AgustaWestland Ltd, SELEX ES Ltd, DRS Technologies UK Ltd and Finmeccanica UK Ltd.

On 20 October 2016, the Board of Directors of Leonardo-Finmeccanica approved the increase in its stake in Avio Spa, from the current 14% to about 28%. The total price to be paid by Leonardo-Finmeccanica is of about €mil. 43. The completion of this transaction and the subsequent listing of Avio are expected by the first quarter of 2017 and are subject to standard conditions for this kind of transactions.

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

On 28 October 2016, the Credit Rating agency Fitch revised the Outlook on Leonardo-Finmeccanica to Positive from Stable, confirming the BB+ credit rating.

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The results of the third quarter

Condensed consolidated separate income statement

(€ millions)	*For the three months ended 30 September* 2016	2015
Revenues	2,621	3,028
Purchases and personnel expenses	(2,328)	(2,686)
Other net operating income/(expenses)	54	42
Equity-accounted strategic JVs	60	52
EBITDA	**407**	**436**
	15.5%	14.4%
Amortisation, depreciation and impairment losses	(133)	(141)
EBITA	**274**	**295**
	10.5%	9.7%
Non-recurring income/(expenses)	(2)	(3)
Restructuring costs	(16)	(19)
Amortisation of intangible assets acquired as part of business combinations	(24)	(25)
EBIT	**232**	**248**
	8.9%	8.2%
Net financial income/(expenses)	(59)	(150)
Income taxes	(30)	(39)
Net Result before extraordinary transactions	**143**	**59**
Net result related to discontinued operations and extraordinary transactions	-	(10)
Net Result	**143**	**49**

Below is the analysis of the indicators of the third quarter broken down by sector:

Third quarter 2016	**New orders**	**Revenues**	**EBITA**	**ROS %**	**EBITDA**	**EBITDA Margin**
Helicopters	580	857	83	9.7%	107	12.5%
Electronics, Defence & Security Systems	1,749	1,130	92	8.1%	124	11.0%
Aeronautics	305	681	83	12.2%	146	21.4%
Space	-	-	14	*n.a.*	14	*n.a.*
Other activities	14	71	2	2.8%	16	22.5%
Eliminations	*(11)*	*(118)*	-	*n.a.*	*n.a.*	*n.a.*
Total	**2,637**	**2,621**	**274**	**10.5%**	**407**	**15.5%**

Third quarter 2015	**New orders**	**Revenues**	**EBITA**	**ROS %**	**EBITDA**	**EBITDA Margin**
Helicopters	624	1,098	121	11.0%	144	13.1%
Electronics, Defence & Security Systems	1,072	1,235	107	8.7%	144	11.7%
Aeronautics	568	726	77	10.6%	145	20.0%
Space	-	-	5	*n.a.*	5	*n.a.*
Other activities	28	82	(15)	(18.3%)	(2)	(2.4%)
Eliminations	*(40)*	*(113)*	-	*n.a.*	*n.a.*	*n.a.*
Total	**2,252**	**3,028**	**295**	**9.7%**	**436**	**14.4%**

Changes %	New orders	Revenues	EBITA	ROS %	EBITDA	EBITDA Margin
Helicopters	(7.1%)	(21.9%)	(31.4%)	(1.3) p.p.	(25.7%)	(0.6) p.p.
Electronics, Defence & Security Systems	63.2%	(8.5%)	(14.0%)	(0.6) p.p.	(13.9%)	(0.7) p.p.
Aeronautics	(46.3%)	(6.2%)	7.8%	1.6 p.p.	0.7%	1.4 p.p.
Space	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other activities	(50.0%)	(13.4%)	113.3%	21.1 p.p.	900.0%	24.9 p.p.
Eliminations	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	**17.1%**	**(13.4%)**	**(7.1%)**	**0.8 p.p.**	**(6.7%)**	**1.1 p.p.**

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Explanatory notes

In accordance with Legislative Decree no. 25 of 2016, which became effective last 18 March, the obligation to communicate the quarterly data was eliminated. By this Decree Consob was empowered to govern the information to provide with reference to the first and third quarter of each year. Pending the definition of the related regulatory framework, Leonardo-Finmeccanica prepared, on a voluntary basis and for information continuity, this interim reporting. Any subsequent variation will be promptly communicated to the market.

This interim reporting that has been approved today by the Board of Directors, was made available to the public with the registered office, with Borsa Italiana S.p.A., on the Company website (www.leonardocompany.com, in the section Investors/Financial Reports), as well as on the website of the authorised storage mechanism NIS-Storage (www.emarketstorage.com).

The accounting policies, measurement criteria and consolidation methods used for this interim reporting at 30 September 2016, which should be read in conjunction with the 2015 annual consolidated financial statements, are unchanged from those of the 2015 annual consolidated financial statements (except for those specifically applicable to interim financial reports) and the interim financial report at 30 September 2015.

This interim reporting, approved by the Board of Directors on 3 November 2016, was not subject to any statutory review.

FINANCIAL INCOME AND EXPENSE

	For the Nine months ended 30 September	
	2016	**2015**
Interest	(196)	(215)
Commissions	(14)	(17)
Fair value gains (losses) through profit or loss	36	(2)
Premiums (paid) received on forwards	2	(1)
Exchange rate differences	14	(22)
Other financial income and expense	(32)	(98)
Share of profits/(losses) of equity-accounted investees	10	8
	(180)	**(347)**

LOANS AND BORROWINGS

The Group Net Debt breaks down as follows:

(€ millions)	***30 September 2016***	*of which current*	***31 December 2015***	*of which current*	***30 September 2015***	*of which current*
Bonds	4,316	*123*	4,397	*121*	4,426	*126*
Bank debt	325	*86*	389	*96*	1,142	*846*
Cash and cash equivalents	(1,040)	*(1,040)*	(1,771)	*(1,771)*	(401)	*(401)*
Net bank debt and bonds	**3,601**		**3,015**		**5,167**	
Fair value of the residual portion in portfolio of Ansaldo Energia	(136)		(131)		(129)	
Current loans and receivables from related parties	(152)	*(152)*	(122)	*(122)*	(172)	*(172)*
Other current loans and receivables	(41)	*(41)*	(45)	*(45)*	(130)	*(130)*
Current loans and receivables and securities	**(329)**		**(298)**		**(431)**	
Hedging derivatives in respect of debt items	74	*74*	41	*41*	35	*35*
Related-party loans and borrowings	459	*458*	401	*399*	438	*435*
Other loans and borrowings	85	*58*	119	*83*	114	*70*
Group Net Debt	**3,890**		**3,278**		**5,323**	

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

Leonardo-Finmeccanica, to meet the financing needs for ordinary Group activities, obtained a revolving credit facility for a total of €mil. 2,000 with a pool of Italian and international banks as described in more detail in the 2015 Annual Report. At 30 September 2016, such credit facility was entirely unused. The Group also has additional unconfirmed short-term lines of credit of €mil. 710, which at 30 September were entirely unused. Leonardo-Finmeccanica has unsecured lines of credit, as well as unconfirmed, of approximately €mil. 3,751 at 30 September 2016.

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

CONTINGENT LIABILITIES

There are no significant changes in comparison with the situation at 30 June 2016, commented on in the Half-year Financial Report to which reference is made.

For the Board of Directors
The Chairman
Giovanni De Gennaro

Annex 1: scope of consolidation

Below are the changes in the scope of consolidation at 30 September 2016 in comparison with 30 September 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 in the consolidation method	January 2016
SELEX ES Malaysia Sdn Bhd	Change in the consolidation method	January 2016
SELEX ES Technologies Ltd	Change in the consolidation method	January 2016
Gulf Systems Logistics Services Company WLL	Purchase	May 2016
Companies which left the scope of consolidation:		
Meccanica Reinsurance SA	sold	October 2015
Gruppo Ansaldo STS	sold	November 2015
Global Aviation & Logistics Services LLC	sold	November 2015
AnsaldoBreda Espana SLU	sold	November 2015
AnsaldoBreda Inc.	sold	November 2015
Global Support Services LLC	sold	November 2015
N2 Imaging Systems LLC	sold	December 2015
NGL Prime SpA (in liq.)	deconsolidated	January 2016
SELEX ES Infrared Ltd	deconsolidated	January 2016
Finmeccanica Finance SA (in liq.)	deconsolidated	February 2016
Fata SpA	sold	March 2016
Automation Integrated Solutions SpA	sold	March 2016
Fata (Shanghai) Engineering Equipment Co. Ltd	sold	March 2016
Fata Gulf Co. WLL	sold	March 2016
Fata Hunter Inc.	sold	March 2016
Fata Hunter India PVT Ltd	sold	March 2016
Musinet Engineering SpA	sold	March 2016
Comlenia Sendirian Berhad	sold	March 2016
Severnyj Avtobus Z.A.O.,	deconsolidated	March 2016
Finmeccanica North America Inc.	sold	June 2016
SELEX ES Romania	deconsolidated	March 2016
LMATTS LLC	deconsolidated	September 2016
Merged company:	**Merging company:**	
Immobiliare Cascina Srl	Leonardo Global Solutions Spa	October 2015
CISDEG SpA	SELEX ES SpA	December 2015
OtoMelara SpA	Leonardo-Finmeccanica -Spa	January 2016
Whitehead Sistemi Subacquei SpA	Leonardo-Finmeccanica -Spa	January 2016
Fata Engineering SpA	SO.GE.PA. SpA	July 2016
Selex Sistemi Integrati SpA	SO.GE.PA. SpA	July 2016
Companies which changed their name:	**New name:**	
Finmeccanica Global Services Spa	Leonardo Global Solutions Spa	June 2016
SELEX ES Ltd	Leonardo MW Ltd	September 2016

Annex 2: "Non-GAAP" performance indicators

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

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

- **New orders**: this includes contracts signed with customers during the period that satisfy the contractual requirements for being recorded in the order book.
- **Order backlog*:*** this figure is the sum of the order backlog for the preceding period and new orders, less revenues during the reference period.
- **EBITDA**: this is given by EBITA, as defined below, before amortisation, depreciation and impairment losses (net of those relating to goodwill or classified among "non-recurring costs").
- **EBITDA Margin**: it is calculated as the ratio between EBITDA and revenues.
- **EBITA**: it is arrived at by eliminating from EBIT, as defined below, the following items:
  - any impairment in goodwill;
  - amortisation and impairment, if any, of the portion of the purchase price allocated to intangible assets as part of business combinations, as required by IFRS 3;
  - restructuring costs that are a part of defined and significant plans. This item includes personnel costs as well as any and all other costs deriving from the reorganisation (e.g. impairment of assets, costs for the closure of sites, relocation costs, etc.);
  - other exceptional costs or income, i.e. connected to particularly significant events that are not related to the ordinary performance of the business.

  L'EBITA is then used to calculate return on sales (ROS) and return on investment (ROI).

  A reconciliation of Income before tax and financial expense, EBIT and EBITA is shown below:

(€ millions)	**For the Nine months ended 30 September**	
	2016	**2015**
Income before tax and financial expenses	479	478
Equity-accounted strategic JVs	152	121
EBIT	**631**	**599**
Amortisation of intangible assets acquired as part of business combinations	72	73
Restructuring costs	38	64
Non-recurring (income) expenses	5	9
EBITA	**746**	**745**

- **Return on Sales** (ROS): this is calculated as the ratio of EBITA to revenue.
- **EBIT**: this is obtained by adding to EBIT (defined as earnings before "financial income and expense", "share of profit (loss) of equity-accounted investees", "income taxes" and "result from discontinued operations") the Group's share of profit in the results of its strategic Joint Ventures (ATR, MBDA, Thales Alenia Space and Telespazio), reported in the "share of profits (losses) of equity-accounted investees".
- **Net Rresult 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 Nine months ended 30 September	
	2016	**2015**
Net result	353	160
Result from discontinued operations	-	(10)
Effect of extraordinary transactions	(10)	-
Net Result before extraordinary transactions	**343**	**150**

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

	30 September 2016	*31 December 2015*
Net financial debt com. CONSOB no. DEM/6064293	**3,952**	**3,368**
Fair value of the residual portion in portfolio of Ansaldo Energia	(136)	(131)
Hedging derivatives in respect of debt items	74	41
Group Net Debt (KPI)	**3,890**	**3,278**

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

	30 September 2016	*of which with related parties*	**31 December 2015**	*of which with related parties*
Liquidity	**(1,040)**		**(1,771)**	
Current loans and receivables	**(193)**	***(152)***	**(167)**	***(122)***
Current bank loans and borrowings	86		96	
Current portion of non-current loans and borrowings	123		121	
Other current loans and borrowings	516	*458*	482	*399*
Current financial debt	**725**		**699**	
Net current financial debt (funds)	**(508)**		**(1,239)**	
Non-current bank loans and borrowings	239		293	
Bonds issued	4,193		4,276	
Other non-current loans and borrowings	28	*1*	38	*2*
Non-current financial debt	**4,460**		**4,607**	
Net financial debt	**3,952**		**3,368**	

- **Funds From Operations (FFO)**: this is cash flow generated by (used in) operating activities net of changes in working capital. The FFO also includes dividends received.
- **Free Operating Cash-Flow (FOCF)***:* this is the sum of the cash flows generated by (used in) operating activities (excluding the changes in the Group Net Debt), the cash flows generated by (used in) ordinary investing activities (investment and divestment of intangible assets, property, plant and equipment, and equity investments, net of cash flows from the purchase or sale of equity investments that, due to their nature or significance, are considered "strategic investments") and dividends. The calculation of FOCF is presented in the reclassified statement of cash flows shown in the section "Group results and financial position".
- **Return on Investments (ROI)*:*** this is calculated as the ratio of EBITA to the average net capital invested in the two comparative periods.

- **Return on Equity (ROE)*:*** this is calculated as the ratio of the Net Result before extraordinary transactions for the financial period to the average value of equity in the two comparative periods.
- **Workforce:** the number of employees recorded in the register on the last day of the period.

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

In accordance with the provisions of article 154-bis, paragraph 2 of Legislative Decree no. 58/1998 and subsequent amendments and integrations, the undersigned, Gian Piero Cutillo, the C.F.O. and officer in charge of financial reporting of Leonardo - Finmeccanica Società per azioni certifies that this interim reporting at 30 September 2016 corresponds to the related accounting records, books and supporting documentation.

Rome, 3 November 2016

Officer in charge of Financial
Reporting

(Gian Piero Cutillo)