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Leonardo: the BoD proposes the distribution of a € 14 cent. dividend after six years

- **Outstanding commercial performance with New Orders for EUR 20 billion. Book-to-bill ratio above 1 in all Sectors**
- **EBIT, EBITA and EBITDA higher than 2015 by 11%, 4% and 2% respectively**
- **Double-digit profitability target exceeded. 2016 RoS at 10.4%, with all Sectors above 10%**
- **Net Result Before Extraordinary Transactions at EUR 545 million, more than double 2015 at EUR 253 million**
- **Return on Invested Capital at 16.9%, 120 bp higher than 2015**
- **Group Net Debt 13% lower at EUR 2.8 billion, in line with the guidance and despite adverse forex impact**
- **In 2017 a further improvement in profitability is expected, together with solid cash generation and revenues in line with 2016. Group Net Debt is expected lower at around EUR 2.5 billion**

Milan, 15 March 2017 – Leonardo's Board of Directors, convened today under the Chairmanship of Gianni De Gennaro, examined and unanimously approved the draft of Group consolidated and Leonardo S.p.A. financial statements at 31 December 2016.

Mauro Moretti, Leonardo CEO and General Manager commented "*I'm particularly proud of presenting today to our shareholders a radically different company: more transparent, agile, focused, effective, efficient and with a more solid balance sheet. A company that, thanks to the positive 2016 results, showing a material debt reduction, proposes again the distribution of dividends as a key element of the shareholders remuneration and a clear sign of a new normality and sustainability. Leonardo is now in the best condition to face the next Development and Growth phase and to play an important role in the global markets through its cutting edge technologies and solutions".*

2016 results highlights are as follows:

- **New Orders**: amounted to **EUR 19,951 million,** materially higher (+61%) than 2015, mainly due to the acquisition of the contract for the supply of 28 Eurofighter Typhoon aircraft to the Kuwaiti Ministry of Defence, for an overall value of approx. €bil. 7.95, and despite a negative impact from the GBP/€ exchange rate for approximately 400 million. Consequently, the book-to-bill ratio reached 1.7.
- **Order Backlog:** amounted to **EUR 34,798 million** (+21% vs. 2015). This is increasingly solid as it is built on a more rigorous selection of orders. The backlog ensures almost 3 years of equivalent production.
- **Revenues:** amounted to **EUR 12,002 million** (-7,6% vs. 2015). This is due to the reduction in Helicopters, affected by some weakness in civil markets caused by though market conditions in

Oil&Gas, to the change in perimeter namely in DRS and FATA and to the negative impact of the GBP/€ exchange rate (ca. 300 million).

- **EBITDA:** amounted to **EUR 1,907 million**, 2.2% higher than the 1,866 million of 2015. Also the EBITDA *margin,* at 15.9%, increased by 150 bp compared to 14.4% of 2015.
- **EBITA:** amounted to **EUR 1,252 million**, 3.6% higher than the 1,208 million of 2015, despite softer revenues and the negative impact of the GBP/€ exchange rate for about 30 million. RoS was at 10.4%, 110 bp higher than the 9.3% of 2015 thanks to improvements reported in all sectors and stable results in *Helicopters*, despite the difficulties encountered in target markets.
- **EBIT:** amounted to **EUR 982 million**, 11.1% higher than the 884 million of 2015. Also the EBIT *margin,* at 8.2%, increased by 140 bp compared to 6.8% of 2015.
- **Net Result before extraordinary transactions**: amounted to **EUR 545 million**, 115.4% higher than the 253 million of 2015 thanks to improved EBITA, a reduced volatility of below-the-line items and a reduction in financial costs and a lower tax impact
- **Net Result:** amounted to **EUR 507 million**, 20 million lower than the 527 million of 2015 mainly due to a lower contribution of Extraordinary Transactions compared to 2015, which benefited from significant capital gain from the disposal of the Transportation sector to Hitachi (€ mil. 274). 2016 also reflects the effects of the reorganization of assets with Sukhoi in *Aeronautics* and the sale of the *Environmental* business of DRS, net of the capital gain on the disposal of FATA.
- **Free Operating Cash Flow (FOCF):** amounted to **EUR 706 million**, more than double (+130%) the 307 million of 2015. The figure for 2016 also reflects the net impact of the first advance payment for the Eurofighter Kuwait, higher compared than initially expected. However, the total cumulated 2016 and 2017 net impact is still expected to amount to approx. EUR 600 million is reconfirmed.
- **Group Net Debt:** amounted to **EUR 2,845 million**, 433 million lower (-13.2%) than the 3,278 million at 31 December 2015 thanks to an improved cash performance and despite significantly negative exchange differences impacting over 200 million. This improvement and a more solid financial structure allowed a further reduction in the debt-to-equity ratio to 0.65 in 2016, already below 1 from 2015.

Outlook

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

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

In 2017 Leonardo forecasts:

- Revenues in line with 2016, confirming that the Group, after the disposal of its non-core activities, is increasingly focused on businesses able to ensure adequate levels of profitability and cash generation;
- Further progress in profitability, mainly driven by efficiency actions and by the continuous improvement of the industrial performance in *Electronics, Defence & Security Systems* and *Aeronautics*, still supported by the strong profitability of *Helicopters*

- A confirmation of its ability to generate cash, as already highlighted in 2016, driven by increasing operating profits combined with careful management of working capital and constant selectivity in investments. 2017 FOCF also includes the net financial impact from the EFA Kuwait contract which, although in 2016 was higher than the original forecast, is forecasted to remain, on a 2016 – 2017 cumulative basis, in line with expectations.

The FY 2017 guidance are summarised below:

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

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

Dividend

Leonardo's Board of Directors has resolved to propose to the Shareholders' Meeting the distribution of a dividend of 0.14 euro, gross of any withholding taxes, for each share of common stock that will be outstanding on the ex-dividend date, excluding the treasury shares in portfolio at that date, from the profit of the year 2016, which would be payable as of May 24, 2017, with ex-dividend date on May 22, 2017 and record date (i.e. the date of entitlement to the dividend payment) May 23, 2017.

Group *(Euro million)*	FY 2016	FY 2015	Chg.	Chg. %
New orders	19,951	12,371	7,580	61.3%
Order backlog	34,798	28,793	6,005	20.9%
Revenues	12,002	12,995	(993)	(7.6%)
EBITDA	1,907	1,866	41	2.2%
EBITDA Margin	15.9%	14.4%	1.5 p.p.	
EBITA (*)	1,252	1,208	44	3.6%
ROS	10.4%	9.3%	1.1 p.p.	
EBIT (**)	982	884	98	11.1%
EBIT Margin	8.2%	6.8%	1.4 p.p.	
Net result before extraordinary transactions	545	253	292	115.4%
Net result	507	527	(20)	(3.8%)
Group Net Debt	2,845	3,278	(433)	(13.2%)
FOCF	706	307	399	130.0%
ROI	16.9%	15.7%	1.2 p.p.	
ROE	12.6%	6.2%	6.4 p.p.	
Workforce (no.)	45,631	47,156	(1,525)	(3.2%)

(*)EBITA is obtained by eliminating from EBIT 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, restructuring costs that are a part of defined and significant plans; other exceptional costs or income, i.e. connected to particularly significant events that are not related to the ordinary performance of the business.

(**) EBIT is obtained by adding to earnings before financial income and expense and taxes the Group's share of profit in the results of its strategic Joint Ventures (ATR, MBDA, Thales Alenia Space and Telespazio).

It should be noted that, consistent with the new organisation of the Group, the sector split has been changed, with the consequent restatement of the comparative position of Electronics, Defence and Security Systems, a division of which is Defence Systems (previously constituting a sector in itself).

FY 2016 (*Euro million*)	New orders	Order backlog	Revenues	EBITDA	EBITDA Margin	EBITA	ROS %
Helicopters	3,737	10,622	3,639	524	14.4%	430	11.8%
Electronics, Defence and Security Systems	6,726	11,840	5,468	772	14.1%	558	10.2%
Aeronautics	10,158	13,107	3,130	635	20.3%	347	11.1%
Space	-	-	-	77	n.a.	77	n.a.
Other activities	88	174	327	(101)	(30.9%)	(160)	(48.9%)
Eliminations	(758)	(945)	(562)	-	n.a.	-	n.a.
Total	**19,951**	**34,798**	**12,002**	**1,907**	**15.9%**	**1,252**	**10.4%**

FY 2015 (*Euro million*)	New orders	Order backlog	Revenues	EBITDA	EBITDA Margin	EBITA	ROS %
Helicopters	3,910	11,717	4,479	657	14.7%	558	12.5%
Electronics, Defence and Security Systems	6,974	11,116	5,656	750	13.3%	512	9.1%
Aeronautics	1,741	6,170	3,118	575	18.4%	312	10.0%
Space	-	-	-	37	n.a.	37	n.a.
Other activities	110	215	298	(153)	(51.3%)	(211)	(70.8%)
Eliminations	(364)	(425)	(556)	-	n.a.	-	n.a.
Total	**12,371**	**28,793**	**12,995**	**1,866**	**14.4%**	**1,208**	**9.3%**

Change %	New orders	Order backlog	Revenues	EBITDA	EBITDA Margin	EBITA	ROS %
Helicopters	(4.4%)	(9.3%)	(18.8%)	(20.2%)	(0.3) p.p.	(22.9%)	(0.7) p.p.
Electronics, Defence and Security Systems	(3.6%)	6.5%	(3.3%)	2.9%	0.8 p.p.	9.0%	1.1 p.p.
Aeronautics	483.5%	112.4%	0.4%	10.4%	1.9 p.p.	11.2%	1.1 p.p.
Space	n.a.	n.a.	n.a.	108.1%	n.a.	108.1%	n.a.
Other activities	(20.0%)	(19.1%)	9.7%	34.0%	20.4 p.p.	24.2%	21.9 p.p.
Eliminations	(108.2%)	(122.4%)	(1.1%)	n.a.	n.a.	n.a.	n.a.
Total	**61.3%**	**20.9%**	**(7.6%)**	**2.2%**	**1.5 p.p.**	**3.6%**	**1.1 p.p.**

	New Orders	Revenues	EBITDA	EBITDA Margin	EBITA	ROS %
DRS ($ mil) FY 2016	1,923	1,753	166	9.5%	128	7.3%
DRS ($ mil) FY 2015	2,022	1,805	168	9.3%	126	7.0%
DRS (€ mil) FY 2016	1,737	1,584	150	9.5%	116	7.3%
DRS (€ mil) FY 2015	1,822	1,627	152	9.3%	114	7.0%

Analysis of the main figures of 2016

In 2016 **new orders** showed considerable growth, attributable to the abovementioned contract for the EFA supply to Kuwait. Even net of this acquisition, the performance showed an increase in ***Aeronautics****,* against a slight decline in ***Electronics, Defence and Security Systems****,* which was attributable in particular to the depreciation of the Pound against the Euro, and ***Helicopters***, which was attributable to the persistent difficulties in the *Oil&Gas* segment and in other civil markets, at a time that was also characterised by the launch of new products. In particular, the growth in ***Aeronautics*** was attributable 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 in *Aerostructures.*

The ***book-to-bill*** ratio was equal to 1.7. The book-to-bill was greater than 1 in all the sectors, thus confirming a strong commercial performance across the entire Group.

Revenues recorded a decrease of €mil. 993 compared to 2015, which was mainly attributable to the abovementioned difficulties encountered in ***Helicopters*** and, to a lesser extent, to a decline in ***Electronics, Defence and Security Systems***, which was attributable to a negative exchange rate effect, and to the review of **DRS**'s scope of business that occurred during the second half of 2015.

Group profitability indicators showed an improvement supported by the results achieved by ***Electronics, Defence and Security Systems***, which benefitted from significant improvements arising from reorganisation actions, as well as by the good results achieved by ***Aeronautics***– thanks to an improvement in the ***Aerostructures*** Division -, which were able to setoff, together with an improvement in other operations, the decline recorded in ***Helicopters*** arising from the abovementioned lower volumes. Specifically, **EBITDA** and **EBITA** showed an increase of 2.2% and 3.6% respectively compared to 2015, while **EBIT** showed an even more considerable increase (+11.1%), as a result of a reduced impact of restructuring charges and non-recurring costs.

The **net result before extraordinary transactions,** equal to €mil. 545, more than doubled (+115%) compared with €mil. 253 in 2015, due to the mentioned rise in EBIT, a reduced tax rate and lower financial costs, which included costs (€mil. 48) relating to the buy-back transactions on a portion of the Group's bond issues in 2015. The further improvement in financial costs was attributable to lower interest arising from this transaction, as well as from exchange difference, which also positively affected the fair value through profit or loss from derivatives.

Given this growth in Ordinary result, the Extraordinary Transactions contributed less compared to 2015 by € mil. 312, as the comparative period benefited from significant capital gain from the disposal of Transportation sector to Hitachi (€ mil. 274). On the other hand, 2016 reflected the effects of the reorganization of activities with Sukhoi in ***Aeronautics*** and the sale of the *Environmental* business of DRS, net of the gain on the disposal of FATA (€ mil. 38 overall negative). Therefore, the **Net result** was lower at € mil. 507 compared to € mil. 527 in 2015, while the result, excluding minority interests, rose to € mil. 505 from €mil. 487.

The cash generation performance showed a considerable increase compared to 2015, with a particular improvement in ***Aeronautics*** (in particular as a result of the collection of the first advance payment relating to the EFA Kuwait contract) and ***Electronics, Defence and Security Systems,*** which was partially offset by the performance recorded in ***Helicopters***. **FOCF** posted an overall positive result of €mil. 706 (€mil. 307 in 2015), which more than doubled compared to 2015 (+130%) as a result of cash flows generated from operating activities and, to a lesser extent, to lower investments.

This improvement in performance had a positive impact on the **Group Net Debt**, 13.0% lower than 31 December 2015, despite significantly negative exchange differences arising from the translation of the items expressed in GBP and, to a lesser extent, in USD. Group Net Debt at 31 December 2016 was also affected by the buy-back of treasury shares serving incentive plans.

Workforce at 31 December 2016 was 45,631 with a net reduction of 1,525 employees compared to 47,156 at 31 December 2015, mainly due to the rationalization of the business portfolio.

Main figures of the fourth quarter 2016

- **New Orders**: amounted to **EUR 4,447 million**, -2.9% compared to fourth quarter 2015.
- **Revenues:** amounted to **EUR 3,968 million**, -0.7% compared to fourth quarter 2015.
- **EBITDA:** amounted to **EUR 714 million**, +3.2% compared to fourth quarter 2015.
- **EBITA:** amounted to **EUR 506 million**, +9.3% compared to fourth quarter 2015.
- **EBIT:** amounted to **EUR 351 million**, +23.2% compared to fourth quarter 2015.
- **Net Result before Extraordinary Transactions**: amounted to **EUR 202 million**, +96.1% compared to fourth quarter 2015.
- **Free Operating Cash Flow (FOCF):** amounted to **EUR 1,094 million,** -11.9% compared to fourth quarter 2015.

SECTOR PERFORMANCE

Helicopters

In 2016, against a background of continuing pressure in some key markets, new orders were substantially in line with 2015 (without taking account of the negative effect of exchange rate movements). New order intake benefitted from a strong performance recorded during the last quarter, which, in line with forecasts, saw the acquisition of major contracts in the sectors of both military and civil. However, during this year, delays and commercial difficulties also affected the production of AW189 and AW139 helicopters, at a time that was also characterised by the start of operations for the production of the new AW169 helicopter. These factors caused a decline in economic results, despite still maintaining excellent profitability.

Outlook. the market environment remains uncertain and challenging in some key segments, even if there are signs of recovery. In 2017, production volumes are expected to be substantially in line with 2016 – supported by a 2016 book-to-bill that was higher than 1 and a coverage of order backlog of around 75% - while profitability is expected to remain solidly at double digit, at the levels of 2016, thus benefitting from operational efficiency improvement actions and the gradual development and the consequent entry in full operation of production activities on the new AW169 helicopter.

Electronics, Defence & Security Systems

2016 was characterised by a good commercial performance, with a book-to-bill above 1.2 for the second year in a row. The Sector posted also a considerable improvement in profitability, with a double-digit ROS for the first time, as a result of benefits from actions aimed at the efficiency improvement and enhancement of industrial processes, as well as of the recovery of profitability in the *Security & Information Systems* Division, as well as of the confirmation of good levels of profitability in the other Divisions. In DRS, savings on SG&A partially offset 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).

Outlook. In 2017 it is expected that production volumes and the level of profitability achieved in 2016 will remain substantially stable, despite pressures on margins due to fierce competition in the target markets, a reduced contribution from major and profitable programmes being completed and challenges associated with contracts being performed. This will be achieved because of the benefits arising from streamlining and improving the efficiency of industrial processes, as well as because of a more sound and profitable portfolio than in the past, also as a result of reviewed business perimeters.

Aeronautics

2016 was marked by an excellent commercial performance, sharply improved compared to 2015, with higher new order intake in both Divisions.

Business volumes overall were in line with 2015, with slightly lower revenues in *Aerostructures* offset by higher volumes in *Aircraft.* The improvement in the industrial performance in *Aerostructures* led to an increase in EBITA while *Aircraft* confirmed its excellent profitability, despite being affected by a lower contribution from training and defence aircraft, which was only partially offset by improved margins for the C27J aircraft.

In terms of production, 2016 saw deliveries involving 121 fuselage sections and 88 stabilisers for the B787 programme (against 132 fuselages and 74 stabilisers in 2015), and 95 ATR fuselages (against 86 in 2015). On the M-346 programme, 7 units were delivered to the Italian Air Force and there was the completion of the supply to Israel with the delivery of the last 6 aircraft. The first 2 units of ATR 72MP maritime patrol aircraft were delivered to the Italian Air Force.

Outlook. In 2017 revenues are expected to remain substantially in line with 2016; an increase is expected in production volumes in the *Aircraft* Division under the EFA Kuwait contract, which would be offset by a decline in the volumes of operations on certain programmes in the *Aerostructures* Division such as the A380 programme. 2017 profitability is confirmed at double digit supported by additional efficiency actions aimed at a gradual improvement in the performance in *Aerostructures*, as well as by a reduction in production cost and of the M346 and C27J programmes in *Aircraft*, which would be able to mitigate the lower contribution from ATR.

Space

2016 was marked by an excellent performance in the manufacturing sector, which reported a considerable increase in production volumes both in telecommunication and earth observation programmes, in particular for institutional customers. There was also an improvement in operating profits compared to the previous year, which had been affected, among other things, by extra costs recognised on a specific programme. This factor, together with the effects of cost curbing actions, lead to a similar improvement in the result from operations, involving the provision of satellite services, despite being affected by a fall in revenues that was mainly attributable to the launch of the SICRAL 2 satellite that occurred in 2015.

Outlook. In 2017 it is expected that revenues will record a further increase, which will be mainly attributable to the manufacturing segment, in line with the trend reported during 2016, and that the levels of profitability will remain stable in line with those recorded in the financial year just ended.

Industrial transactions

In 2016 the following industrial transactions were carried out:

- ***Completion of the disposal of 100% of Fata S.p.A.***. On 10 March 2016 there was the closing of the disposal to the DANIELI Group of 100% of the share capital of Fata S.p.A., which is active in the design of industrial systems, and of its subsidiaries. The equity investment held in Fata Logistic Systems and some credit items, which were contributed to Leonardo Group companies, were spun off from Fata, through a partial demerger that took place before the closing;
- ***Incorporation of the new legal entity of UK Leonardo MW Limited.*** On 28 July 2016 the Board of Directors of Leonardo S.p.a. approved the plan to concentrate the British business of the Group into one legal entity. The new "One Company" governance model will also be extended to the United Kingdom, with the objective of improving Leonardo's positioning in its second domestic market and at an international level. Leonardo MW Ltd (the new corporate name of SELEX ES Ltd) will combine AgustaWestland Ltd, Selex ES Ltd, DRS Technologies UK Ltd and Finmeccanica UK Ltd;
- ***Expansion in the Space sector through an investment in Avio S.p.A.***. On 20 October 2016 the Board of Directors of Leonardo resolved to increase the stake held in Avio S.p.A. from the present level of ca. 14% to ca. 28%. The total outlay expected for Leonardo amounts to about €mil. 43. The Business Combination and the subsequent listing of Avio are expected to be carried out during the first quarter of 2017 and are subject to standard conditions set out for transactions of this type. The "New" Avio company will be listed on the Italian Stock Exchange by March 2017;
- ***Acquisition of Sistemi Dinamici S.p.A. and expansion in unmanned systems***. On 23 December 2016 Leonardo acquired the remaining 60% of the share capital of Sistemi Dinamici from IDS S.p.A.. With this transaction, Leonardo acquired 100% of Sistemi Dinamici S.p.A. and gains full control over the Unmanned Hero programme, thus further increasing its commitment in this sector;
- ***Disposal of DRS business units***: in December 2016, DRS Technologies completed the disposal of the Environmental Systems business unit, relating to the Naval Power LoB, within the scope of the review of the portfolio of activities and the disposal of non-core businesses;
- ***Superjet Programme***: during the year Leonardo and United Aircraft Corporation ("UAC", a company owned by the Russian Government) reached an agreement on the reorganisation of the Superjet programme, which entailed the exit of Leonardo from the capital of Sukhoi Civil Aircraft Corporation ("SCAC"). This is a Joint Venture based in Russia, which is responsible for the development, manufacturing and sale of aircraft in Russia and Asian markets. The operation also entailed the Russian partner acquiring control over Superjet International, based in Italy, which is responsible for the sale in Western markets and after-sales service all over the world. The transaction also entailed an agreement on the repayment and rescheduling of JV Superjet International's debt to the Leonardo Group, backed by specific bank guarantees.

Financial transactions

In relation to all the bond issues placed on the market by the US subsidiary Meccanica Holdings USA, Inc., it should be noted that, as part of the implementation of the "One Company" approach throughout the subsidiaries worldwide, effective March 1, 2017 the issuer has been renamed Leonardo US Holding, Inc. Therefore, as of today, Leonardo US Holding, Inc. is the issuer of all the bonds denominated in USD. All the bond issues of Leonardo US Holding, Inc. remain irrevocably and unconditionally secured by Leonardo SpA.

Outstanding bond issues are given a medium/long-term financial credit rating by the three international rating agencies: Moody's Investors Service (Moody's), Standard & Poor's and Fitch. At the date of presentation of this report, Leonardo's credit ratings, compared to those preceding the last change, were as follows:

Agency	**Last update**	**Current**		**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	October 2016	BB+	Positive	BB+	Stable

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The officer in charge of the company's financial reporting, Gian Piero Cutillo, hereby declares, in accordance with the provisions of Article 154-bis, paragraph 2, of the Consolidated Law on Finance, that the accounting information included in this press release corresponds to the accounting records, books and supporting documentation.

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The Shareholders' Meeting, also called to resolve on the appointment of the new Board of Directors for the period 2017-2019, will be called in Ordinary session on 2 and 16 May 2017 (in first and second call respectively) and in Extraordinary Session on 2, 3 and 16 May 2017 (in first, second and third call respectively).

In addition to the approval of Leonardo S.p.a. 2016 Annual Report, the Shareholders' Meeting will be called to vote on approval of Sirio Panel S.p.A. financial statements at 31 December 2016, following the merger of the company into Leonardo effective from 1 January 2017.

At today's meeting the Board of Directors also approved the Report on Corporate Governance and Shareholder Structure pursuant to art . 123 - bis of the Consolidated Law on Finance, which will be published together with the Annual financial report.

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The Ordinary Shareholders' Meeting will also be asked to express themselves - with a non-binding resolution - in relation to the first section of the Remuneration Report prepared pursuant to art. 123- ter of TUF and approved by today's Board of Directors.

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The Board of Directors also resolved to submit to the forthcoming Shareholders' Meeting the proposal to renew the authorization to purchase and dispose treasury shares (share buy-back) intended to serve the needs related to the Incentive/ co-investment Plans, up to a maximum of n.

2,000,000 ordinary shares of Leonardo, for a period - as the purchase - of eighteen months from the date of the Shareholders' resolution; the authorization to dispose of the shares purchased, as well as for those already held, is requested within the time limits required for the implementation of the Plans.

The proposal provides that the purchases will be carried out on the Italian Stock Exchange (M.T.A.), in stages considered appropriate, to a maximum and minimum price per share equal to the market price recorded on the M.T.A. in the day before the purchase plus 5% (maximum price) or minus 5% (minimum price).

The Company currently holds no. 3.738.696 treasury shares, equal to approximately 0,646% of its share capital.

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The Board has resolved to submit to the forthcoming Shareholders' Meeting, in Extraordinary Session, a proposal to amend Art. 18.3 of the Bylaws concerning the integration of the rules governing the voting list for the appointment of the Board of Directors, in the event that the list that obtained the most votes do not present a sufficient number of candidates to ensure the achievement of number of candidates to be elected.

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The notice of call of the Shareholders’ Meeting and the documentation drawn up in compliance with current regulation will be available to the public within the terms provided by the existing provisions of law.

RECLASSIFIED INCOME STATEMENT						
€mil.	**FY 2016**	**FY 2015**	***Var. YoY***	**4Q 2016 (unaudited)**	**4Q 2015 (unaudited)**	***Var. YoY***
Revenues	**12,002**	**12,995**	***(993)***	**3,968**	**3,994**	***(26)***
Purchases and personnel expense	(10,396)	(11,448)	*1,052*	(3,337)	(3,497)	*160*
Other net operating income/(expense)	6	58	*(52)*	(60)	55	*(115)*
Equity-accounted strategic JVs	295	261	*34*	143	140	*3*
EBITDA	**1,907**	**1,866**	***41***	**714**	**692**	***22***
EBITDA Margin	*15.9%*	*14.4%*	*1.5 p.p.*	*18.0%*	*17.3%*	*0.7 p.p.*
Amortisation and depreciation	(655)	(658)	*3*	(208)	(229)	*21*
EBITA	**1,252**	**1,208**	***44***	**506**	**463**	***43***
EBITA Margin	*10.4%*	*9.3%*	*1.1 p.p.*	*12.8%*	*11.6%*	*1.2 p.p.*
Non-recurring income/(expenses)	*(71)*	*(112)*	*41*	*(66)*	*(103)*	*37*
Restructuring costs	(102)	(114)	*12*	(64)	(50)	*(14)*
Amortisation of intangible assets acquired as part of business combinations	(97)	(98)	*1*	(25)	(25)	-
EBIT	**982**	**884**	***98***	**351**	**285**	***66***
EBIT Margin	*8.2%*	*6.8%*	*1.4 p.p.*	*8.8%*	*7.1%*	*1.7 p.p.*
Net financial income/ (expense)	(279)	(438)	*159*	(99)	(91)	*(8)*
Income taxes	(158)	(193)	*35*	(50)	(91)	*41*
Net result before extraordinary transactions	**545**	**253**	***292***	**202**	**103**	***99***
Net result related to discontinued operations and non-ordinary transactions	(38)	274	*(312)*	(48)	264	*(312)*
Net result	**507**	**527**	***(20)***	**154**	**367**	***(213)***
attributable to the owners of the parent	505	487	*18*	153	365	*(212)*
attributable to non-controlling interests	*2*	*40*	*(38)*	*1*	*2*	*(1)*

RECLASSIFIED BALANCE SHEET		
€mil.	**31.12.2016**	**31.12.2015**
Non-current assets	12,119	12,558
Non-current liabilities	(3,373)	(3,676)
Capital assets	**8,746**	**8,882**
Inventories	4,014	4,337
Trade receivables	5,965	6,375
Trade payables	(9,295)	(9,962)
Working capital	**684**	**750**
Provisions for short-term risks and charges	(792)	(736)
Other net current assets (liabilities)	(1,434)	(1,320)
Net working capital	**(1,542)**	**(1,306)**
Net invested capital	**7,204**	**7,576**
Equity attributable to the Owners of the Parent	4,357	4,280
Equity attributable to non-controlling interests	16	22
Equity	**4,373**	**4,302**
Group Net Debt	**2,845**	**3,278**
Net (assets)/liabilities held for sale	**(14)**	**(4)**

CASH FLOW STATEMENT		
€mil.	**FY 2016**	**FY 2015**
Funds From Operations (FFO) (*)	**1,362**	**1,446**
Changes in working capital	(229)	(596)
Cash flow from ordinary investing activities	(427)	(543)
Free operating cash flow (FOCF)	**706**	**307**
Strategic transactions	-	836
Change in other investing activities	(10)	(19)
Net change in loans and borrowings	(272)	(576)
Dividends paid	(4)	-
Net increase/(decrease) in cash and cash equivalents	**420**	**548**
Cash and cash equivalents at 1 January	**1,771**	**1,495**
Exchange rate gain/losses and other movements	(24)	18
Cash and cash equivalents at 1 January of discontinued operations	-	(290)
Cash and cash equivalents at 31 December	**2,167**	**1,771**

(*) Includes dividends received from unconsolidated companies.

OTHER PERFORMANCE INDICATORS			
	2016	**2015**	***Var. YoY***
Research and development expenses	1,373	1,426	(3.7%)
Net Interest	(268)	(296)	9.5%

FINANCIAL POSITION		
€mil.	**31.12.2016**	**31.12.2015**
Bonds	4,375	4,397
Bank debt	297	389
Cash and cash equivalents	(2,167)	(1,771)
Net bank debt and bonds	**2,505**	**3,015**
Fair value of the residual portion in portfolio of Ansaldo Energia	(138)	(131)
Current loans and receivables from related parties	(40)	(122)
Other current loans and receivables	(58)	(45)
Current loans and receivables and securities	**(236)**	**(298)**
Hedging derivatives in respect of debt items	35	41
Non current financial receivables from Superjet	(65)	-
Related-party loans and borrowings	502	401
Other loans and borrowings	104	119
Group net debt	**2,845**	**3,278**

EARNINGS PER SHARE			
	FY 2016	**FY 2015**	***Var. YoY***
Average shares outstanding during the reporting period (in thousands)	574,543	578,034	*(3,491)*
Earnings/(losses) for the period (excluding non-controlling interests) (€ million)	505	487	*18*
Earnings/(losses) - continuing operations (excluding non-controlling interests) (€ million)	505	265	*240*
Earnings/(losses) - discontinued operations (excluding non-controlling interests) (€ million)	0	222	*(222)*
BASIC AND DILUTED EPS (EUR)	**0.879**	**0.843**	***0.036***
BASIC AND DILUTED EPS from continuing operations	**0.879**	**0.458**	***0.421***

FY 2016 (Euro million)	Helicopters	Electronics, Defence and Security Systems	Aeronautics	Space	Other activities	Eliminations	Total
New orders	3,737	6,726	10,158	-	88	(758)	**19,951**
Order backlog	10,622	11,840	13,107	-	174	(945)	**34,798**
Revenues	3,639	5,468	3,130	-	327	(562)	**12,002**
EBITA	**430**	**558**	**347**	**77**	**(160)**	**-**	**1,252**
EBITA margin	*11.8%*	*10.2%*	*11.1%*	*n.a.*	*(48.9%)*	*n.a.*	***10.4%***
EBIT	**389**	**376**	**311**	**77**	**(171)**	**-**	**982**
Amortisation and depreciation	97	277	271	-	55	-	**700**
Investments	134	191	113	-	36	-	**474**
Workforce (no.)	11,874	22,174	10,367	-	1,216	-	**45,631**

FY 2015 (Euro million)	Helicopters	Electronics, Defence and Security Systems	Aeronautics	Space	Other activities	Eliminations	Total
New orders	3,910	6,974	1,741	-	110	(364)	**12,371**
Order backlog (31.12.2015)	11,717	11,116	6,170	-	215	(425)	**28,793**
Revenues	4,479	5,656	3,118	-	298	(556)	**12,995**
EBITA	**558**	**512**	**312**	**37**	**(211)**	**-**	**1,208**
EBITA margin	*12.5%*	*9.1%*	*10.0%*	*n.a.*	*(70.8%)*	*n.a.*	***9.3%***
EBIT	**527**	**307**	**263**	**37**	**(250)**	**-**	**884**
Amortisation and depreciation	104	283	253		52	-	**692**
Investments	174	200	203	-	26	-	**603**
Workforce (no.) (31.12.2015)	12,512	22,789	10,483	-	1,372	-	**47,156**

4Q 2016 (Euro million)	Helicopters	Electronics, Defence and Security Systems	Aeronautics	Space	Other activities	Eliminations	Total
New Orders	2,199	2,487	368	-	64	(671)	**4,447**
Revenues	1,074	1,901	1,070	-	104	(181)	**3,968**
EBITA	**145**	**289**	**149**	**34**	**(111)**	**-**	**506**
EBITA margin	*13.5%*	*15.2%*	*13.9%*	*n.a.*	*(106.7%)*	*n.a.*	***12.8%***
EBIT	**112**	**196**	**126**	**34**	**(117)**	**-**	**351**
Amortisation and depreciation	28	86	72	-	15	-	**201**
Investments	42	71	(8)	-	19	-	**124**

4Q 2015 (Euro million)	Helicopters	Electronics, Defence and Security Systems	Aeronautics	Space	Other activities	Eliminations	Total
New Orders	1,029	3,174	482	-	73	(178)	**4,580**
Revenues	1,267	1,865	978	-	72	(188)	**3,994**
EBITA	**177**	**258**	**149**	**10**	**(131)**	**-**	**463**
EBITA margin	*14.0%*	*13.8%*	*15.2%*	*n.a.*	*(181.9%)*	*n.a.*	***11.6%***
EBIT	**154**	**143**	**129**	**10**	**(151)**	**-**	**285**
Amortisation and depreciation	31	91	65	-	13	-	**200**
Investments	38	80	32	-	15	-	**165**