



Remuneration Report

2017

Drafted pursuant to art. 123-ter of Legislative Decree no. 58 of 24 February 1998 (Consolidated Law on Financial Intermediation - TUF) and pursuant to article 84-*quater* of CONSOB Resolution no. 11971 of 14 May 1999 (Issuers' Regulation)

Disclaimer

This Report has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the Report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.

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INTRODUCTION

This Report has been prepared in compliance with the regulatory provisions in force and in line with the Corporate Governance Code for Listed Companies.

In fact the Company's Board of Directors' Resolution of 15 March 2017 approved the Remuneration Report pursuant to Article 123-ter of the TUF, which illustrates, among other things, the policy adopted with regard to the remuneration of members of the Governing Bodies, of General Managers and all Executives with Strategic Responsibilities, also in accordance with the recommendations expressed by the Corporate Governance Code, which the Company complies with.

The initial Section of the document illustrates the remuneration policy adopted as of the 2017 financial year, setting out the criteria and guidelines that the Company has adopted in relation to the remuneration of its Governing Bodies' members, its General Manager and all Executives with Strategic Responsibilities. Said Section is subject to the non-binding resolution of the Shareholders' Meeting, pursuant to Article 123-ter, paragraph 6, of the TUF.

The second Section analyses and details the fees actually paid to, or in any case assigned to, members of governing and control bodies, as well as to General Managers and Executives with Strategic Responsibilities, during the course of 2016.

The remuneration policy set out in this Report has been adopted by the Company, as provided for by Consob Regulation no. 17221/2010 with regard to related-party transactions, also in accordance with and for the purposes of Article 11.2(b) of the Procedure for Related Parties Transactions approved by the Board of Directors on 26 November 2010 and finally updated on 20 December 2016.

This document is available at the Company's registered office and on its website (www.leonardocompany.com), in the specific Corporate Governance section – 2017 Shareholders' Meeting, as well as on the website of the authorised storage device (www.emarketstorage.com).

SUMMARY

(ESR = Executives with Strategic Responsibilities)

2017 REMUNERATION POLICY			
COMPONENT	PURPOSES AND BASIC FEATURES	DETERMINATION CRITERIA AND PERFORMANCE CONDITIONS	AMOUNTS AND PAYOUT
FIXED REMUNERATION	<p>It is an adequate return for services rendered and is proportionate to the duties and responsibilities assigned, with the purpose of retaining talented resources for the performance of the specific duties awarded to them.</p>	<p>It is determined with reference to pay market benchmarks and periodically reviewed, also in relation to the pay-mix policies.</p> <p>CHAIRMAN'S PAY-MIX = 100% Fixed remuneration</p> <p>CEO/GM'S PAY-MIX = 42% Fixed remuneration; 58% Variable remuneration (of which 30% short-term variable remuneration and 28% medium/long-term variable remuneration)</p> <p>ESR' AND OTHER MANAGERIAL RESOURCES' PAY-MIX ESR and other top managers = Fixed between 30% and 45%; Variable between 70% and 55% Key Executives = Fixed between 45% and 60%; Variable between 55% and 40% Other managerial resources = Fixed between 60% and 85%; Variable between 40% and 15%</p>	<p>CHAIRMAN = gross remuneration of € 148,000 p.a. (in addition to gross fees of € 90,000 p.a. set by the Shareholders' Meeting).</p> <p>CEO/GM = gross remuneration of € 920,000 p.a. (in addition to gross fees of € 80,000 p.a. set by the Shareholders' Meeting).</p> <p>ESR AND OTHER MANAGERIAL RESOURCES = remuneration set in relation to the responsibility of the person concerned and the target market positioning, included between lowest quartile and median quartile.</p>
SHORT-TERM VARIABLE REMUNERATION: LEONARDO GROUP MBO SYSTEM AND CO-INVESTMENT PLAN	<p>MBO SYSTEM It is an incentive to achieve the annual objectives set in the Company's budget.</p> <p>Financial/operational and role-specific objectives are set in relation to the responsibility in the Company's organisation.</p> <p>A maximum payout cap is applied to all the participants in the MBO system, to an extent that varies from 20% to 70% of fixed remuneration, in relation to the responsibility in the Company's organisation.</p> <p>A "performance gate" is provided which is linked to the business' overall profitability ratios.</p> <p>A claw-back clause is provided for all the variable incentives, under such clause the Company will be entitled to request repayment of the variable remuneration paid out vis-à-vis such incentives in the event that the payout was awarded on the basis of data which is afterwards proved to be incorrect or misstated.</p> <p>CO-INVESTMENT PLAN This consists in voluntarily deferring the payment of a portion of the annual bonus earned from a minimum of 25% up to a maximum percentage of 100%. The deferred portion of bonus is converted into ordinary Leonardo shares that will remain restricted throughout the three-year period. At the end of the vesting period, provided that the performance threshold set in the MBO scheme has been achieved (the "performance gate"), bonus shares ("matching shares") are to be assigned in the proportion of 1 free share for each 3 shares held.</p>	<p>CEO/GM OBJECTIVES PAYOUT THRESHOLD: The Company has confirmed the introduction of a payout threshold for the incentive linked to the achievement of the following KPIs identified by the Board of Directors: - Lay down a plan for the retention of staff who have been identified as being exceptionally talented or as having high potential before the end of June 2017; - Raise the percentage of all the products procured centrally by Leonardo from 19% in 2016 to 25% (% of total purchase orders placed by Leonardo S.p.A.) by the end of December 2017.</p> <p>The achievement of the threshold provides access to the MBO plan, structured as follows: 1) Group EBITA (35% weight) 2) Group FOCF (35% weight) 3) Group Order Intake (consistently with the related margin) (30% weight)</p> <p>ESR' S OBJECTIVES 1) Group or Division EBITA 2) Group or OldCompany FOCF 3) Division Working Capital 4) Group SG&A expenses 5) Division Order Intake</p> <p>OTHER MANAGERIAL RESOURCES' OBJECTIVES These are assigned in relation to the person's responsibility in the organisation among the following objectives: 1) EBITA 2) FOCF 3) Working Capital 4) Order Intake with related margin 5) SG&A expenses 6) Effectiveness Objectives 7) Efficiency Objectives 8) When there are no profit or operational measurements, other quantitative objectives will be assigned in connection with the individual's area of activity and specific objectively measurable tasks.</p>	<p>CEO/GM'S PAYOUT AND PERFORMANCE CURVE Failure to achieve the PAYOUT THRESHOLD: no payout BELOW ENTRY LEVEL: no payout ENTRY LEVEL: 43% of Gross Annual Remuneration (€ 396,000) AVERAGE: 57% of Gross Annual Remuneration (€ 528,000) MAX: 72% of Gross Annual Remuneration (€ 660,000) ABOVE MAX: no additional payout</p> <p>ESR'S AND OTHER MANAGERIAL RESOURCES' PAYOUT "CAP" on the maximum payout included between 20% and 70% of the Gross Annual Remuneration in relation to the responsibility of the person concerned.</p> <p>ESR'S AND OTHER MANAGERIAL RESOURCES' PERFORMANCE CURVE BELOW ENTRY LEVEL: no payout ENTRY LEVEL: 60% of maximum payout AVERAGE: 80% of maximum payout MAX: 100% of maximum payout</p> <p>Payouts payable for performance results between the set entry level, medium and maximum targets will be calculated under the linear interpolation method.</p>

SUMMARY

(ESR =Executives with Strategic Responsibilities)

2017 REMUNERATION POLICY			
COMPONENT	PURPOSES AND BASIC FEATURES	DETERMINATION CRITERIA AND PERFORMANCE CONDITIONS	AMOUNTS AND PAYOUT
MEDIUM/LONG-TERM VARIABLE REMUNERATION: INCENTIVE PLAN	<p>PURPOSES Focusing the key managerial positions on the achievement of the objectives under the Company's Industrial Plan. Creating the conditions for increasing the convergence of the interests of management and those of shareholders. Bringing the system more in line with the practices of the sector peers and, more generally, with the practices adopted by the major European listed companies. Fulfilling the investors' expectations regarding management remuneration.</p> <p>VESTING The system consists of recurring three-year cycles which will commence from each of the years 2015, 2016 and 2017. The incentive is conditional upon the achievement of targets over a three-year term. The achievement of the targets to which the incentive is linked will be verified at the end of each three-year period.</p> <p>LOCK-UP Once the three-year vesting period is elapsed, the plan provides for a one-year lock-up period for the CEO and General Manager, Executives with Strategic responsibilities and other top management positions. 50% of the shares will not be transferable during this period.</p>	<p>1) Relative Leonardo Total Shareholder Return (TSR) compared to the TSR of a peer group - weight of 50% of total incentive 2) Group Return on Sales (ROS) - weight of 25% of the total incentive 3) Group Net Debt (NFP) - weight of 25% of total incentive</p> <p>The TSR performance will be measured on the basis of Leonardo's positioning compared to the peer group: - equal to or greater than the TSR of the companies occupying the top four positions in the ranking: 100% of bonus - lower than the TSR of the company occupying the fourth place in the ranking and equal or greater than the TSR of the company occupying the sixth place in the ranking: 50% of bonus - lower than the TSR of the company occupying the sixth place in the ranking and equal or greater than the TSR of the company occupying the eighth place in the ranking: 25% of bonus - lower than the TSR of the company occupying the eighth place in the ranking: no payout</p> <p>A minimum result target is set for Return on Sales and Group Net Debt, which earns a 50% portion of the bonus, and a maximum result target, which earns the entire bonus. Intermediate results give bonuses calculated proportionately.</p>	<p>The incentive is structured into a monetary component and a component expressed in ordinary Leonardo shares, based on a different proportion between cash and shares according to the managerial positions involved: Category A: 100% in shares Category B: 70% in shares and 30% in cash Category C: 70% in cash and 30% in shares</p> <p>PAYOUT TO CEO/GM Three-year allocation for the third 2017-2019 Plan cycle of 57,130 shares (obtained by dividing the maximum payout of € 621,000 by the unit price of € 10.87 per share taken as a reference for the determination of incentives in the phase of implementation of the Plan).</p> <p>PAYOUT TO ESR Three-year allocation for the third 2017-2019 Plan cycle of a number of shares equal to 140% of the gross annual remuneration (calculated taking as a reference the unit price of € 10.87 per share used for the determination of incentives in the phase of implementation of the Plan).</p>
NON-CASH BENEFITS	<p>Benefits are granted consistently with the total reward policies applied at the Leonardo Group level.</p>	<p>Non-cash benefits are defined in accordance with provisions of law, collective bargaining agreements and any other applicable union agreements.</p>	<p>CEO/GM - Participation in the Supplementary pension scheme with the national Previdai pension fund in the sector and additional/replacement Health Insurance FASI + ASSIDAI - Insurance Covers - Company Car</p> <p>DRS Non-cash benefits that can be assigned include: - Participation in the Supplementary pension scheme with the national Previdai pension fund in the sector - Supplementary/replacement Health Insurance FASI + ASSIDAI - Insurance Covers - Company Car - Accommodation</p>
PAY IN THE EVENT OF TERMINATION OF OFFICE OR EMPLOYMENT	<p>Retention purposes connected with the role in line with long-term strategies, values and interests set by the Board of Directors.</p>	<p>They are set in relation to added value with respect to business development and maintenance, as well as to the extension of non-competition obligations (if any).</p>	<p>CHAIRMAN No severance pay.</p> <p>CEO/GM Upon termination of executive employment contract = 3 years pay + allowances as provided for by the National Collective Bargaining Agreement.</p> <p>ESR Allowances under the National Collective Bargaining Agreement, plus severance payment defined on an individual basis (if any).</p>

SECTION I
REMUNERATION POLICY 2017

1. BODIES AND PERSONS INVOLVED IN THE PREPARATION, APPROVAL AND IMPLEMENTATION OF THE REMUNERATION POLICY

With regard to the governance of the remuneration systems, the following is a more detailed description of the related management activities and the respective responsibilities, divided according to the role played by each body involved in the formulation and approval of the remuneration policy regarding the members of the Company's Governing Bodies, the General Managers and all Executives with Strategic Responsibilities.

A) Shareholders' Meeting

On remuneration matters, the Shareholders' Meeting:

- determines the fees payable to the members of the Board of Directors and of the Board of Statutory Auditors;
- resolves on any remuneration plans based on financial instruments assigned to Directors, General Managers, employees, consultants or other Executives with Strategic Responsibilities, pursuant to Article 114-bis of the TUF.

B) Board of Directors

- has set up an internal Remuneration Committee, the composition and functions of which are fully described in section C) below;
- sets, on the proposal of the Remuneration Committee, the remuneration of those Directors with delegated powers granted by the Company and of any other Director vested with specific functions following the opinion of the Board of Statutory Auditors;
- defines the Company's policy in relation to the remuneration of Directors, General Managers and Executives with Strategic Responsibilities, in compliance with the legal provisions in force and with the Corporate Governance Code for Listed Companies;
- approves this Remuneration Report and submits it to the Shareholders' Meeting pursuant to, and within the limits set out in, Article 123-ter, paragraph 6, of the TUF;
- approves, upon proposal from the Remuneration Committee, potential incentive plans based on the allotment of shares or other financial instruments, and submits said plans to the Shareholders' Meeting for its approval;
- implements the aforesaid incentive plans based on shares or other financial instruments, with the support of the Remuneration Committee, in accordance with the authorization of the Shareholders' Meeting.

C) Remuneration Committee

The Board of Directors has set up its own internal Remuneration Committee, composed of the following members:



Non-executive and independent Directors pursuant to art. 6.P.3. of the Corporate Governance Code.

The Committee meets periodically to carry out its functions and duties, and its meetings are considered valid if at least a majority of its members attend. The Chairman of the Committee calls and chairs meetings. The Board of Directors has assigned to the Committee the resources required to carry out its research and investigations. The Committee obtains access to information and to Company structures as necessary for it to perform its task, and, through Company channels, consults external advisors in order to ensure independence of judgment. The Committee's meetings are attended by the Executive Vice President Human Resources and Organization and may be attended, on the invitation of the Committee through the Chairman and in relation to the issues being discussed, by other persons, including non-executive members of the Board of Directors and any employee working for the Company or Group Companies, as well as the Chairman of the Board of Statutory Auditors or any other Statutory Auditor appointed by the latter. No Director participates in the Committee's meetings in which proposals are put forward to the Board in relation to his/her own remuneration.

The Remuneration Committee is responsible for taking action:

- to submit proposals to the Board of Directors concerning the definition of the Company's remuneration policy of Directors, General Managers and Executives with Strategic Responsibilities, in compliance with the legal provisions in force and with the Corporate Governance Code for Listed Companies;
- to put forward proposals to the Board of Directors for related resolutions in implementation of the remuneration policy established by the same, with reference to:
 - the remuneration and regulatory treatment of Directors with delegated powers and of all Directors vested with specific functions (following the opinion of the Board of Statutory Auditors, when required by Article 2389 of the Italian Civil Code);
 - the performance targets related to the variable element of the remuneration of Directors with delegated powers and of any other Director vested with specific functions, monitoring the implementation of the decisions adopted and verifying, in particular, their actual achievement;
- to support the Company in defining the best policies for the management of the Group executives as well as the development plans and systems for the Group's key personnel;
- to draw up compensation plans based on the allotment of shares or of options for the purchase of the Company's shares in favour of Directors, General Managers and Executives of the Company and of the Group companies, to be submitted to the Board for its approval and then to the Shareholders' Meeting for its approval pursuant to the legal provisions, while also defining the implementing provisions;
- to periodically evaluate the adequacy, overall consistency and actual implementation of the policy for the remuneration of Directors, General Managers and Executives with Strategic Responsibilities.

The Committee's Meetings are duly recorded in minutes, which are reported on by the Committee's Chairman at the first meeting of the Board of Directors. Furthermore, the Committee provides the Board with a report on the most important issues.

The Committee's operations are governed by special Regulations, which acknowledge the principles and implementation criteria recommended by the Corporate Governance Code.

Since it was formed in December 2000, the Remuneration Committee has played a role of supporting the top management with one of the most important issues related to the strategic management of the Group's human resources and of its pay and retention policies.

In acting in this role the Committee has worked out incentive schemes which assist in achieving the Group's results and the objectives of enhancing the value of its stock and of the Group itself.

With specific reference to the remuneration policy outlined in this Report, the Remuneration Committee has defined the principles and practical methodology of application of the policy and has submitted them to the Board of Directors, which, having examined the policy, then submits it to the Shareholders' Meeting for a non-binding resolution, pursuant to Article 123-ter, paragraph 6, of the TUF.

The policy proposed by the Remuneration Committee was approved by the Board of Directors at its meeting held on 15 March 2017.

Activities carried out during 2016

January - March

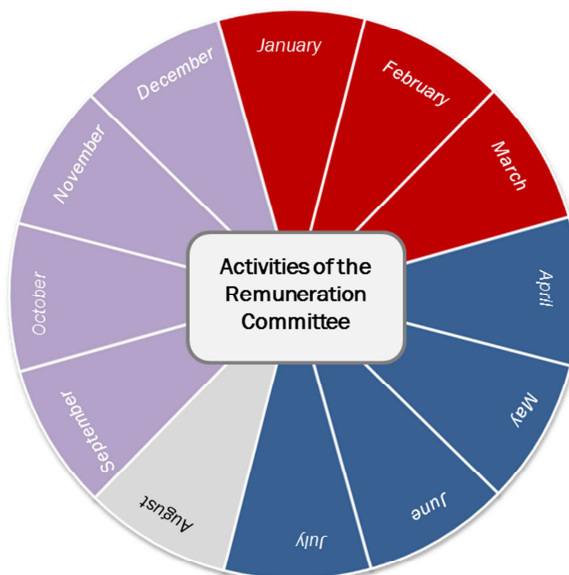
- Examined the remuneration structure of the Group's management, as defined by the CEO and General Manager in relation to the Company's new organisation structured into Corporate Centers, Sectors and Divisions;
- Assessed the remuneration policy applicable to Executives with Strategic Responsibilities, as defined by the CEO;
- Verified that the 2015 targets set for the General Manager had been achieved within the MBO short-term incentive scheme;
- Analysed and assessed the 2016 MBO short-term incentive scheme reserved for the Group's Executives and set the 2016 targets for the General Manager;
- Approved the Remuneration Report 2016 submitted to the board for the related decisions in view of the annual shareholders' meeting of the Company.

April - July

- Examined the CEO's proposal regarding the number of participants in the 2016-2018 cycle of the long-term incentive plan and related performance targets;
- Assessed the progress made with the implementation of the 2016-2018 Co-Investment Plan;
- Examined the progress made with divisional organisational development.

September - December

- Verified the definition of succession plans for the management in accordance with the new organisational structure of the Company and of the Group;
- Assessed the sales area resources' incentive scheme and made recommendations;
- Assessed the attainment of the access thresholds of the 2016 MBO short-term incentive scheme of the General Manager, establishing that it had been achieved.



D) Board of Statutory Auditors

On remuneration matters, the Board of Statutory Auditors, which regularly participates in the Remuneration Committee's meetings through the Chairman or a regular Auditor specified by the same, expresses the opinions required by the regulations in force, with particular reference to the remuneration of those Directors vested with specific functions pursuant to Article 2389 of the Italian Civil Code, and it also verifies that said remuneration is in line with the general policy adopted by the Company.

E) Independent Experts

In the course of 2016 the "Human Resources and Organisation" Organisational Unit made use, as external independent experts, of *Korn Ferry - HayGroup* for activities concerning remuneration, and *Egon Zehnder International* for individual appraisal activities involving the Group's management and talents.

2. AIMS AND PRINCIPLES OF THE REMUNERATION POLICY

The Remuneration Policy sets out the principles and guidelines to determine the remuneration of the members of the Board of Directors, as well as the specific criteria through which the remuneration of the Group's management is established, in accordance with the Governance model adopted by the Company and the recommendations laid down in the Corporate Governance Code.

The policy is designed to attract and motivate human resources who have the professional qualities required to carry out their duties and fulfil their responsibilities by performing excellently, and matching the interests of the management with the pursuit of the priority objective of creating shareholder value in the medium/long-term through:

- an appropriate balance between the variable element of remuneration and the fixed element, as well as setting a balance between short-term and medium/long-term incentives, in order to ensure the sustainability of the policy itself in the long term;
- an efficient alignment of the remuneration and incentive system with the pursuit of the Company's long-term interests, by ensuring that the variable element of remuneration is connected to actual results, through the introduction of not only a direct link between performance and remuneration but also by paying particular attention to the objectivity and measurability of the performance conditions which the remuneration is subject to, and to the indicators used to measure the remuneration, without prejudice to the existence of an upper limit on incentives.

	FIXED REMUNERATION	SHORT TERM VARIABLE REMUNERATION	MEDIUM/LONG TERM VARIABLE REMUNERATION
Create the conditions for greater convergence of interests between management and shareholders		✓	✓
Make the link between financial rewards and the degree of achievement of objectives more transparent.		✓	✓
Discourage any excessively risk oriented behaviour		✓	✓
Create the conditions for attracting / retaining resources that are regarded as key performers by the Company	✓	✓	✓
Ensure that pay packages adhere to a greater extent to the best international market practice	✓	✓	✓
Respond to the principles of meritocracy and transparency that underlie the Group's strategy	✓	✓	✓
Meet investors' expectations with regard to management pay	✓	✓	✓

The 2015-2019 Industrial Plan laid down the outlines of a new Company, by conducting an in-depth analysis of its competitive position in the individual sectors and in the various business segments, thus restructuring the product portfolio and outlining the processes of reorganisation and development necessary to guarantee the Group's competitiveness in international markets and create shareholder value. Consequently, since 1 January 2016, Finmeccanica no longer operates as a holding company, but it has become a single company (the "One Company"), the name of which was changed to Leonardo - Finmeccanica - Società per Azioni and subsequently to Leonardo - Società per azioni from 1 January 2017.

The 2017-2021 Business Plan sets out the process of development and growth Leonardo is to follow during the next five years, exploiting the substantial results obtained during 2015 and 2016, in which a series of business reorganisation and governance rationalisation measures were brought to a conclusion.

Specifically, in line with the 2015-2019 Business Plan, the measures taken to concentrate on the Group's core business, Aerospace, Defence and Security, and on the rationalisation of its product portfolio and the launching of the new organisational and operational model, based on a single and decentralised divisional governance structure and on a new brand name, were also put in hand and concluded successfully.

In this framework the "One Company" concept is the decisive factor for the steps which are to support Leonardo's growth path for the next few years as it adopts the following guidelines: (i) industrial efficiency, attained mainly by making the most of shared technologies, finding inter-divisional centres of competence, unifying the ICT system and carrying out an increasingly centralised procurement policy; (ii) customer focus, exploiting an enhanced presence in the markets, a unified footprint in priority geographic areas and more competitive product offers in order to provide a more effective response to Customers' requirements also using new business models (e.g. services as against manufacturing and full-life cycle solutions); (iii) growth of core business: organically by fostering the development of multi-purpose products and services in the areas of excellence and inorganically by following a structured process of partnerships and acquisitions which seek to ensure business development in the medium and long term, increasing the "critical mass" with a view to further consolidation of the European industrial base. Growth objectives and measures are based, overall, on the principle of sustainability in the sense of the capacity to build a solid, credible path to the creation of value to the benefit of all the Group's stakeholders.

REFERENCE TO MARKET REMUNERATION POLICIES

The remuneration policy is determined following a thorough analysis of the remuneration systems and best practices both at national and international level, also in relation to aggregate external benchmarks, with reference to a panel of large Italian industrial groups listed on the FTSE MIB 40 Italia index, as well as to international listed companies operating in the Sectors of Defence, Industrial Engineering, Technology Hardware and Equipment.

REMUNERATION POLICY PRINCIPLES AND INSTRUMENTS

The remuneration policy of Executive Directors, General Managers and of all Executives with Strategic Responsibilities¹ has been formulated according to the principles that are described below. As part of these principles, the specific implementing measures can be subject to review by the Board of Directors, which will be appointed at the next Shareholders' Meeting. More specifically, the powers of the new Board of Directors shall apply in respect of the determination, subject to the proposal of the Remuneration Committee, of the specific remuneration for the delegated powers assigned to the individuals and the participation in the internal Committees.

Fixed Remuneration

The fixed element of remuneration is such that it adequately remunerates the services provided by the members of the Governing Bodies, the General Managers and by the Executives with Strategic Responsibilities and is proportioned to the assigned duties and responsibilities.

For those Directors not entrusted with specific duties, the remuneration consists exclusively of a fixed element, to be determined by the Shareholders' Meeting, and it is in no way linked to the achievement of performance targets.

For Executive Directors, General Managers and Executives with Strategic Responsibilities, the remuneration is composed of a fixed element and a variable element.

In principle, the fixed element of remuneration is set at a level that sufficiently compensates the performance of the Director, the General Manager or Executives with Strategic Responsibilities in the event that the variable element is not paid out, due to the failure to achieve the underlying performance targets.

In any case, the fixed element of remuneration is determined by taking into account the scope and nature of the specific powers assigned to the individuals, also on the basis of external benchmarks, at national and international level.

For Executive Directors, General Managers and Executives with Strategic Responsibilities, non-cash benefits are provided for which are in line with the Company's policies, guaranteeing equitable treatment in relation to internal practices, and, at the same time, adequate levels of competitiveness against the market. Such rewards and benefits may include insurance provisions, welfare or pension contributions, and other forms of company benefits.

¹ Pursuant to the "Procedure for Related Parties Transactions", which was approved by the Board of Directors on 26 November 2010 and finally updated on 20 December 2016, the concept of "Executive with Strategic Responsibilities" of Leonardo includes the members of the Board of Directors, the Regular Statutory Auditors and any persons who hold the position of General Manager of the Company, the Officer in charge of the Company's financial reporting, pursuant to article 154-bis of the Consolidated Law on Financial Intermediation, as well as (from 1 January 2016) the Division Managing Directors, pursuant to article 154-bis of the Consolidated Law on Financial Intermediation.

<p>Variable Remuneration</p>	<p>Similarly, the variable element of remuneration, provided for Executive Directors, General Managers and Executives with Strategic Responsibilities, is determined by taking into account the scope and nature of the specific powers assigned to the individuals, as well as in relation to external benchmarks that are defined also on the basis of the practices in place at comparable companies at national and international level.</p> <p>Specifically, in order to reduce any excessively risky forms of behaviour and to encourage behaviours leading to sustainable results and the creation of value for shareholders in the medium/long term, the variable part of remuneration is composed of a short-term element (typically an annual incentive) and a medium/long-term element granted through incentive plans set up for the Leonardo Group's management. The use of financial instruments will be structured on the basis of essential principles in line with the Corporate Governance Code (vesting period, performance conditions, etc.).</p> <p>It is the Company's policy not to award discretionary bonuses to Directors, as their incentives are provided through the aforementioned instruments. Such bonuses may be awarded to Executive Directors and General Managers - by the Board of Directors, upon proposal from the Remuneration Committee - and to other Executives with Strategic Responsibilities - by the CEO and General Manager, with the support of the Human Resources and Organisation Unit - in cases of operations of particular strategic importance to the Group having a significant impact on the Company's results.</p> <p>The variable remuneration systems provide for "self-funding" mechanisms designed to ensure that all costs associated with the incentive plans are included in the profitability criteria conditioning the awarding of incentives.</p>
<p>MBO Scheme</p>	<p>The aim of the short-term variable component is to encourage the achievement of the annual objectives laid down in the Company's budget and in line with the industrial plan for the relevant year. The MBO Scheme is structured in a manner which creates a transparent link between monetary remuneration and the degree to which the annual objectives have been achieved. Hence primarily quantitative targets are set which represent and are consistent with the Company's strategic and industrial priorities and are measured according to preset and objective criteria.</p>
<p><i>Performance indicators</i></p>	<p>The performance indicators to which the short-term variable component is linked are modulated depending on the beneficiaries' role and organisational responsibility. The assigned targets are selected from the following:</p> <ul style="list-style-type: none"> • EBITA • FOCF

- Working Capital
- Order Intake (coherently with the related margin)
- SG&A expenses
- Effectiveness Objectives
- Efficiency Objectives
- In the absence of profit or operational measurements, other quantitative objectives will be assigned in connection with the individual's area of activity and specific objectively measurable tasks.

Targets and Payouts

The achievement of the entry level targets is the minimum threshold for incentive payments (lower performances entail a pay-out equal to zero). The performance targets relating to the aforesaid indicators will be established by providing for an incentive entry level coherent with the company's budget, and a composition of the bonus based on overperformance.

The actual performance intervals in percentages between the entry level, medium and maximum levels vary in relation to the nature of each objective, in accordance with the budget targets reported in the Guidance published by the Company and the overperformance parameters envisaged in the budget-plan of the Company.

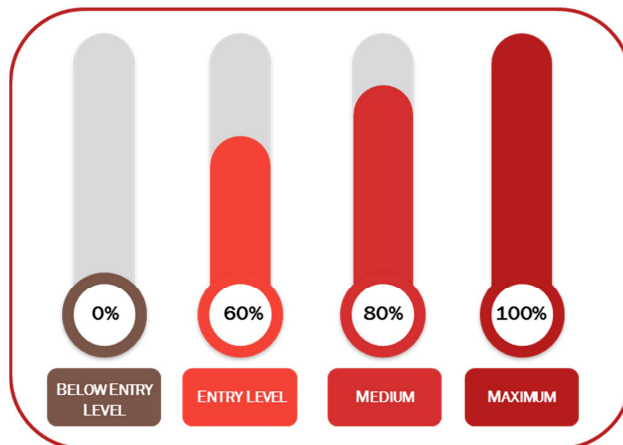
Performance results falling within the set targets at entry level, medium and maximum level will result in payments determined using the linear interpolation.

The incentive is subject to an overall business profitability ratio ("performance gate"). The failure to achieve the performance gate entails the zeroing of the entire bonus linked to financial/management objectives.

PERFORMANCE GATE

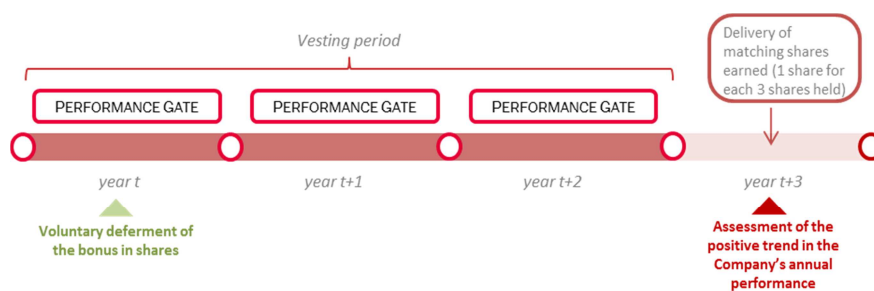
If the Group EBITA reports a final result of less than 85% of the entry level target, the pay-outs relating to all financial/management objectives will be set to zero.

PAYOUT ON EACH OBJECTIVE



Co-Investment Plan

On 11 May 2015 the Shareholders' Meeting approved a Co-investment Plan based on recurring three-year cycles starting each year from the 2015, 2016 and 2017 financial years. In 2017 it is expected to start the third cycle of the Plan (2017 - 2019). The Plan consists in voluntarily deferring the payment of a portion of the annual bonus earned from a minimum of 25% up to a maximum percentage of 100%. The deferred portion of bonus is converted into ordinary Leonardo shares that will remain restricted for a term of three years. At the end of the vesting period, provided that the performance threshold set in the short-term variable remuneration scheme has been achieved (the "performance gate"), bonus shares ("matching shares") are to be assigned in the proportion of 1 bonus share for each 3 shares held. The number of bonus shares to which the beneficiaries are entitled will be calculated according to the degree to which they meet the performance conditions in each of the three financial years of the period (one-third if the conditions are only met in a single financial year, two-thirds if the conditions are met in two financial years, the entire incentive if the conditions are met in all the three financial years - in the latter case, the full amount of 1 bonus share for each 3 shares initially held).



Long-term Incentive Scheme




On 11 May 2015 the Shareholders' Meeting approved a Long Term Incentive Plan based on recurring three-years cycles starting each year from the 2015, 2016 and 2017 financial years. In 2017 it is expected to start the third cycle of the Plan (2017 - 2019). The Plan is reserved for key managers, to be selected, on a priority basis, according to a criterion that considers the positions of greatest impact on the Company's business in the medium term, in the executive grade (or equivalent abroad) in the Company, Subsidiaries with their registered offices in Italy or abroad, as well as consultants (former employees) in top management and/or other management positions in the Company or Subsidiaries.

Performance conditions and incentive curve

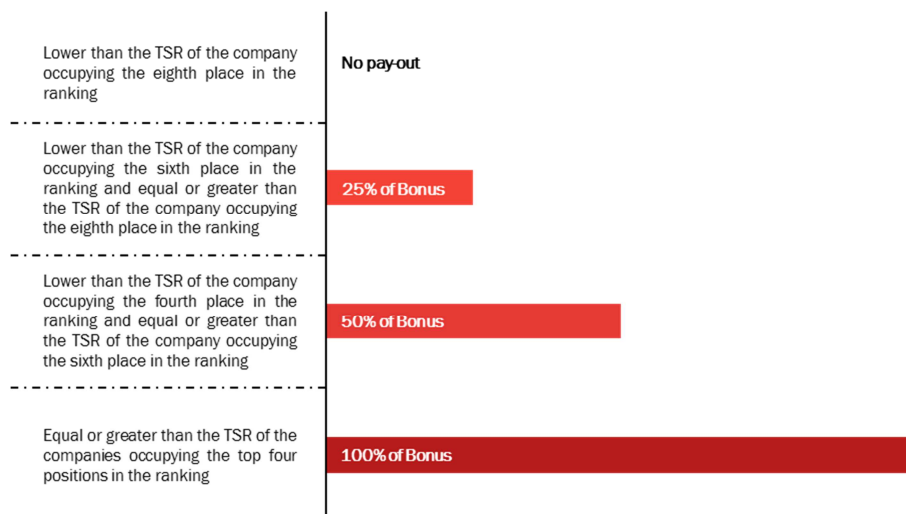
The payment of the incentive is conditional on the achievement of three-year targets linked to the following performance indicators:

PERFORMANCE INDICATORS		
RELATIVE TOTAL SHAREHOLDER RETURN OF LEONARDO 50%	RETURN ON SALES 25%	GROUP NET DEBT 25%

With reference to the TSR indicator, Leonardo’s performance will be measured in relation to a “peer group” selected on the basis of comparability analyses of the stock, including companies in the Aerospace and Defence sector at global level and industrial companies in the FTSE MIB index. The panel consists of companies in the relevant sector in Europe and North America for two thirds and of Italian listed companies for one third:

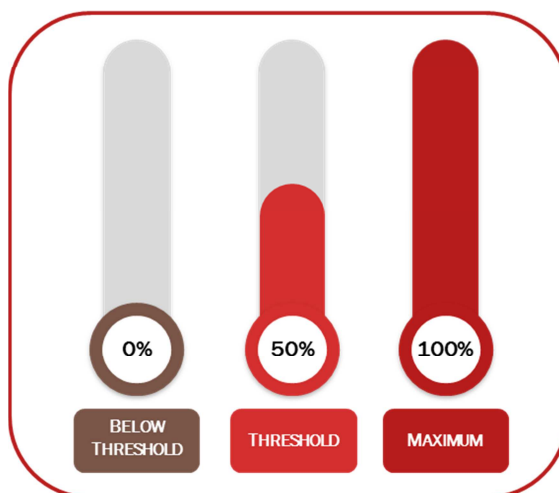
	ITALIAN COMPANIES • Telecom Italia • STMicroelectronics • Enel • Fiat Chrysler Automobiles (FCA)
	EUROPEAN COMPANIES • Airbus Group • Bae Systems • Rolls Royce • Thales • Cobham
	US COMPANIES • L-3 • United Technologies • Rockwell Collins

The portion of bonus earned in relation to the TSR performance is determined on the basis of Leonardo’s positioning with respect to the “peer group”, as illustrated below:



A minimum result target is set for Return On Sales and Group Net Debt objectives, which earns a 50% portion of the bonus, and a maximum result target, which earns the entire bonus. Intermediate results give bonuses calculated proportionately.

PAYOUT ON EACH OBJECTIVE



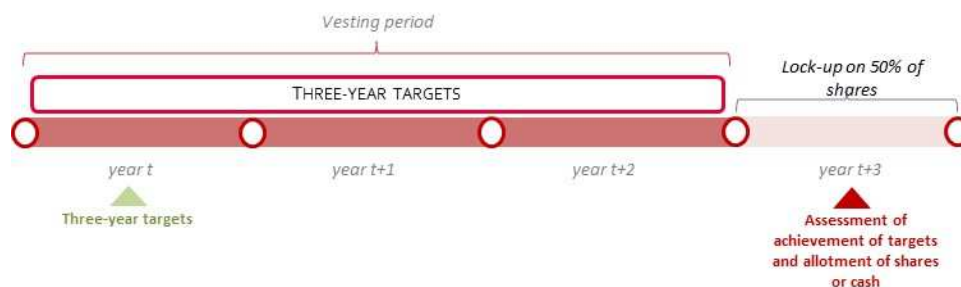
Incentive instruments

The plan provides for the assignment of incentives structured into a monetary component and a component expressed in ordinary Leonardo shares, based on a different proportion between cash and shares according to the managerial positions involved and the related impact on the Company's results.



Vesting period and lock-up

Once the three-year vesting period is elapsed, the plan provides for a one-year lock-up period for the Company's Top Management, Executives with Strategic Responsibilities and other Category A beneficiaries. 50% of the shares will not be transferable during this period.



Claw-back

For all variable incentive schemes, it has been put in place a claw-back clause whereby the Board of Directors is entitled, through the competent corporate functions, to request the beneficiaries to return the bonuses they have received (in the form of cash or the value of the shares allocated to them) if the Board finds that the degree to which their performance objectives have been achieved has been determined on the basis of clearly erroneous or falsified calculations. This clause applies if the difference between the data utilised and the data rectified has led to a Bonus in cash and/or in Shares being granted in excess of the amount to which the beneficiaries are actually entitled to and places an obligation on the beneficiaries to return the bonuses that have been unduly paid.

Pay in the event of early termination of employment and Non-Competition Agreement

As a rule, the Company does not sign agreements covering, *ex ante*, the financial aspects of early termination of the management's employment with the Company, without prejudice however to the obligations provided for by law and by the applicable collective bargaining agreement. Nevertheless, for Executive Directors and other top management staff members, in light of their specific professional skills and the importance of retention in relation to their roles, the Company may establish special clauses that govern *ex ante* the effects of the early termination of employment, in line with the long-term strategies, values and interests established by the Board of Directors.

In particular, after careful consideration, the Company may determine, with reference to Executive Directors, General Managers and Executives with Strategic Responsibilities, that they are entitled to specific severance payments, should their office as directors be terminated in advance, or in the event of their resignation and/or dismissal as employees of the Company, without prejudice to the obligations provided for by law and by the applicable collective bargaining agreement.

Such severance pay shall be, in any case, determined in relation to the value added and to the contribution given to the growth and maintenance of the business, as well as to the associated retention interests of the Company.

The specific early termination provisions will also identify the methodology for the calculation of the variable part of remuneration due.

Furthermore, with regard to Executive Directors, General Managers and Executives with Strategic Responsibilities and in case of individuals with particularly significant professional skills (such that termination of their employment could represent a risk for the Company), the Company may define, on a case-by-case basis, non-competition agreements, providing for the payment of a compensation commensurate with the duration and scope of the obligations arising from the agreement itself.

3. REMUNERATION POLICY 2017

DEVELOPMENT OF THE GOVERNANCE STRUCTURE

On 2 July 2015 the Board of Directors passed a resolution on the new organisational structure of the businesses that were conducted by the operating companies in the sectors of Aerospace, Defence and Security into Sectors and Divisions of Leonardo S.p.a..

The respective effects of the corporate transactions (including for accounting and tax purposes) which implemented the Group's New Organisational and Operational Model started from 1 January 2016. The purpose of the new structure is to make the Group's industrial operations more efficient and effective and to reduce the cost of business operations by making scale economies and maximising synergies among the different business areas. Furthermore, the new Governance system aims to centralise the guidance and control systems and at the same time decentralise business operations to the Divisions, which have been duly empowered to ensure a full end-to-end management of the related business perimeter.

On 3 November 2015 the Board of Directors determined criteria for allocating roles and responsibilities to the new positions of Sector Directors and Division Managing Directors in order to meet these requirements and thus geared the criteria to the new way in which the One Company operates.

Consequently, the current "Procedure for Related Parties Transactions" also includes the Division Managing Directors under the definition of Executives with Strategic Responsibilities, with effect from 1 January 2016.

MEMBERS OF THE BOARD OF DIRECTORS AND OF THE BOARD OF STATUTORY AUDITORS

The remuneration of the members of the Board of Directors and of the Board of Statutory Auditors shall be determined by the Shareholders' Meeting.

The Shareholders' Meeting held on 15 May 2014 set, for the three-year period 2014-2016, the remuneration of the Chairman of the Board of Directors at € 90,000 per year before tax and that of the other members of the Board at € 80,000 per year before tax.

Furthermore, at the meeting held on 15 May 2014, the Board of Directors also granted Mr De Gennaro, as Chairman, some specific responsibilities whose exercise attracts the special remuneration referred to in Article 2389, paragraph 3, of the Italian Civil Code.

On 19 June 2014 the Remuneration Committee, following a resolution passed by the Board of Directors' meeting held on 15 May 2014, decided on the Chairman's remuneration as per Article 2389, paragraph 3, of the Italian Civil Code for carrying out the further specific responsibilities assigned to him by the Board, setting the gross

amount at € 148,000 per year, additional to the gross annual fees that the Shareholders' Meeting set for the position of Chairman.

No severance payments were determined for the event of early termination of the office or for the event of non-renewal of his mandate.

Furthermore, insurance cover and welfare policies have been provided to the benefit of the Chairman, together with other benefits connected with the performance of duties required of his office and additional powers delegated to him.

In line with best practices, the remuneration awarded to those Directors who are not entrusted with specific duties is not linked in any way to the achievement of specific performance targets, and thus consists of a fixed element only, rather than of a variable element as well. To the fixed component of remuneration set by the Shareholders' Meeting must be added the fees set by the Board of Directors for the participation in internal Committees.

The Company's Board of Directors, by a resolution passed on 15 May 2014, set the following fees for the members of the Committees set up within the Board itself:

- € 2,500 per year before tax for each member and € 7,500 per year before tax for the Chairman of the Committee;
- € 2,000 attendance fee, payable on the occasion of each Committee meeting.

The Shareholders' Meeting held on 28 April 2016 set, for the remaining term of the current mandate expiring in 2017, the remuneration of the Chairman of the Board of Statutory Auditors (initially set by the Shareholders' Meeting on 11 May 2015 in an annual gross amount of € 78,000 payable to the Chairman and an annual gross amount of € 52,000 payable to each regular Auditor) at € 80,000 per year before tax and that of the other regular Auditors at € 70,000 per year before tax, in light of the higher commitment of the Board following the start of the One Company.

CHIEF EXECUTIVE OFFICER AND GENERAL MANAGER

1. Overall remuneration structure

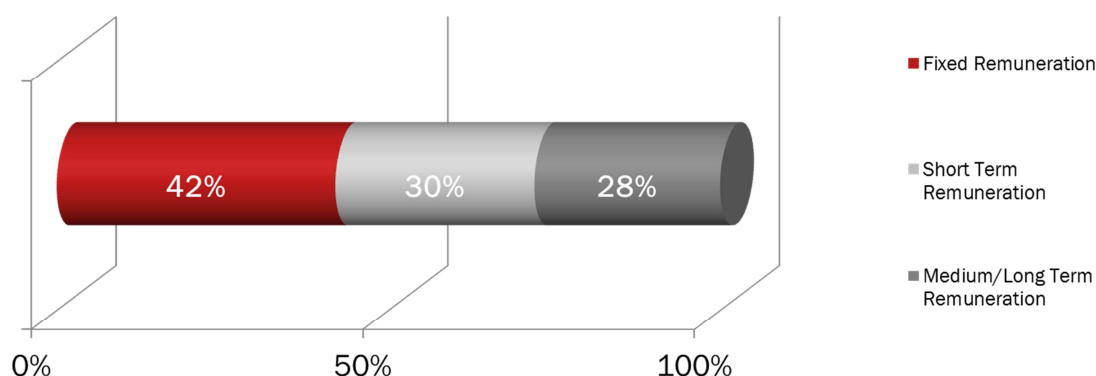
As a result of the decisions taken by the Board of Directors, the Company entered into an executive employment contract with Mr Moretti, also appointing him as General Manager.

In terms of market positioning, specific analyses on remuneration², which were conducted with the help of the consulting firm *Korn Ferry - HayGroup*, showed that the fixed and variable components of the remuneration payable to Mr Moretti were positioned on the lowest quartile of the market with the Italian panel as reference, and below the lowest quartile of the market with the international panel as reference.

2. Pay-mix

The pay-mix of the annual fees due to Mr Moretti was set as follows:

- **FIXED REMUNERATION:** 42% of the overall maximum remuneration attainable;
- **VARIABLE REMUNERATION:** 58% of the overall maximum remuneration attainable (divided into 30% short-term incentive and 28% medium/long-term incentive).



The remuneration is determined as follows:

- **FIXED REMUNERATION** = gross annual salary of € 920,000;
- **MAXIMUM VARIABLE REMUNERATION** = gross annual potential pay of € 1,280,000 (of which € 660,000 as short-term maximum variable pay-out per annum and € 620,000 as medium/long-term maximum variable pay-out per annum).

Mr Moretti expressly waived other fees payable for the position of CEO pursuant to Article 2389, paragraph 3, of the Italian Civil Code.

² The benchmark considered the fees paid to the CEOs of companies comparable with the Leonardo Group both at national (large Groups included in the FTSE MIB 40 Italia index) and international (listed international companies operating in the sectors of Defence, Industrial Engineering, Technology Hardware and Equipment) level by capitalization, turnover and number of employees (including Enel, Eni, Fiat, Saipem and TIM for the Italian panel and Airbus Group, Alcatel-Lucent, Thales, Safran, BAESystems for the international panel).

3. Short-term variable remuneration

The short-term variable remuneration for Mr Moretti consists of maximum overall gross fees of € 660,000 per year (equal to 71.7% of fixed remuneration) and is subject to the following performance conditions:

- *Threshold*

The Company has confirmed the application of a threshold for incentive payments, linked to the achievement of the following KPIs set by the Board of Directors:

- lay down a plan for the retention of staff who have been identified as talents/high potentials before the end of June 2017;
- raise the percentage of all the products procured centrally by Leonardo from 19% in 2016 to 25% (% of total purchase orders placed by Leonardo S.p.a.) by the end of December 2017.

- *Performance Targets*

In consideration of the maintenance of the Group's targets of sustainable development, competitive costs and margins, as well as the achievement of the levels of Operating Profit and Free Operating Cash Flow, in close connection with the strategic objectives behind the Industrial Plan, the following performance indicators have been confirmed for 2017:



The performance targets relating to the aforesaid indicators will be established by providing for an incentive entry level and a composition of the bonus based on overperformance, in accordance with the provisions laid down in the Group's MBO Scheme (page 12).

4. Medium/long-term variable remuneration

The part of medium/long-term variable remuneration, up to an annual overall maximum gross amount of € 620,000 (equal to 67.4% of fixed remuneration), comes from the participation of Mr Moretti in the Company's medium/long-term share incentive plan reserved for the Group's management.

Incentives payable are fully expressed in ordinary Leonardo shares.

In the light of the system's rolling mechanism, and in consideration of the amount of annual remuneration paid in relation to the medium/long-term variable portion envisaged in the employment contract of the CEO and General Manager, the sum allocated for the third plan cycle for the three-year period 2017-2019 is set at a maximum amount of € 621,000. Therefore, as at the date of allocation of the plan, the maximum number of shares attributable to Mr Moretti had been set at 57,130, obtained by dividing the maximum incentive by the unitary price of € 10.87³ used for the determination of the incentive when implementing the plan.

5. Pay in the event of termination of office or employment

With reference to the employment contract of Mr Moretti as a Company executive, it has been agreed that he will be paid⁴, as an indemnity and compensation payment - a sum equal to 36 months of his total remuneration, in addition to severance pay benefits, in the case of termination of employment.

These amounts will be calculated, as regards the fixed element, on the basis of the annual pre-tax remuneration effectively received at the time of termination of employment, while the variable element thereof shall be calculated on the basis of the average fees received over the course of the previous three years.

If the contract is terminated before the end of the third year, the Company will pay the better of 60% of the maximum variable remuneration and the average variable pay actually received or earned during the previous two years.

Furthermore, at the time of termination for any reason, the Company will pay, in the name and on behalf of Mr Moretti, an amount equal to the total cost to be borne by the latter for the aggregation of contributions paid to the "Ferrovie dello Stato Special Pension Scheme" within the INPS Fund, in order for him to earn entitlement to pension scheme benefits for the position of General Manager.

6. Other benefits

Mr Moretti also benefits from the mandatory forms of insurance cover - in compliance with the provisions of law, of the national collective bargaining agreement and of the union agreements that apply to his employment as an executive of the Company - as well as non-cash benefits envisaged for top management positions in line with the Company's practices (supplementary pension benefits with the national Previdai Pension Fund for the sector, as well as supplemental health insurance benefits that are additional to or in place of the benefits of the national FASI and ASSIDAI funds for the sector, company car).

³ Average price of ordinary Leonardo shares in the period 1 July 2016 - 31 December 2016 in the application of the resolution passed by the Board of Directors on 15 March 2017.

⁴ Except in the case of termination by the Company for cause, and/or in the event that Mr Moretti resigns without cause (a just cause for resignation can arise from his removal from the office of CEO and the revocation of the related delegated powers or from the request for resignation on the part of the Company).

EXECUTIVES WITH STRATEGIC RESPONSIBILITIES AND OTHER MANAGERIAL RESOURCES

1. Overall remuneration structure

The fixed remuneration of Executives with Strategic Responsibilities and other managerial resources is proportionate to the role and responsibilities assigned to them, also considering the market positioning with respect to comparable Italian and international companies, as well as in relation to individual benchmarks for positions with similar levels of responsibility and managerial complexity. The Company's positioning policy in its market is between the first and median quartile of the market.

2. Pay-mix

The pay-mix of fixed and variable remuneration components is consistent with the position assigned to the person concerned: the weight of the variable component increases for positions that have greater impact on the Company's results directly.

The current average pay-mix is determined as follows:

	FIXED REMUNERATION	VARIABLE REMUNERATION	OF WHICH SHORT-TERM	TOTAL
EXECUTIVES WITH STRATEGIC RESPONSIBILITIES AND OTHER TOP MANAGERS	30% - 45%	70% - 55%	About 35%	100%
SENIOR MANAGERS	45% - 60%	55% - 40%	About 50%	100%
OTHER EXECUTIVES	60% - 85%	40% - 15%	100%	100%

3. Short-term variable remuneration

Executives with Strategic Responsibilities and other executives participate in the short-term variable Remuneration Plan (MBO), which has been already described in its essential details in the previous Section "Remuneration Policy Principles and Instruments" (page 12).

A maximum incentive cap is applied to all participants in the MBO system in an amount varying from 20% to 70%, according to the person's responsibility in the organisation as assessed in the managerial roles grading system through the HayGroup method.

4. Medium/long-term variable remuneration

Executives with Strategic Responsibilities and other managers participate in the Long-Term Incentive Plan, which is reserved for key managers, to be selected, on a priority basis, according to a criterion that considers the positions of greatest impact on the Group's business in the medium term.

Incentives payable to Executives with Strategic Responsibilities are fully expressed in ordinary Leonardo shares and the three-year period allocation in the third 2017 - 2019 cycle is set at 140% of the annual gross remuneration, expressed in a number of shares calculated using as reference the unit price of € 10.87⁵ per share used for the conversion of incentives.

The methods and mechanisms of operation of the Plan are the same as those described previously (on page 14 and following pages). Furthermore, for more details, reference should be made to the Disclosure Document relating to the plan that has been filed with the registered company located in Rome, at Piazza Monte Grappa no. 4, on the Company's website (www.leonardocompany.com), with the market management company Borsa Italiana S.p.A., as well as on the website of the authorised storage device (www.emarketstorage.com).

5. Pay in the event of termination of office or employment

In the event of termination of their employment contracts, Executives with Strategic Responsibilities will be paid any fees set in the National Collective Bargaining Agreement, in addition to benefits (if any) defined on an individual basis.

6. Other benefits

For Executives with Strategic Responsibilities obligatory social security and insurance covers are provided for in compliance with the law, with the National Collective Bargaining Agreement and the trade union agreements applicable to their executive employment contract with the Company, as well as non-cash benefits envisaged for top management positions in line with the Company's practices (among which may be provided accommodation, company car, etc.).

In line with the provisions applicable to all Executives of Leonardo, Executives with Strategic Responsibilities are eligible to participate in the supplementary pension benefits with Previdai (the national pension fund for managers of industrial companies), as well as supplementary health insurance benefits in addition to or in place of the benefits under the supplementary healthcare fund for managers of industrial companies FASI and ASSIDAI.

⁵ Average price of ordinary Leonardo shares in the period 1 July 2016 - 31 December 2016 in the application of the resolution passed by the Board of Directors on 15 March 2017.

DEFERRED REMUNERATION SCHEMES

As regards Executive Directors, General Managers, Executives with Strategic Responsibilities and other top managers, subject to the approval of the Shareholders' Meeting, the Company has created in 2015 a deferment scheme of the annual bonus in shares (Co-Investment Plan).

For any details on the methods and mechanisms of operation, reference should be made to Section I, page 14, and to the Disclosure Document relating to the Co-Investment Plan that has been filed with the registered company located in Rome, at Piazza Monte Grappa no. 4, on the Company's website (www.leonardocompany.com), with the market management company Borsa Italiana S.p.A., as well as on the website of the authorised storage device (www.emarketstorage.com).

INCENTIVE PLANS BASED ON FINANCIAL INSTRUMENTS

As regards Executive Directors, General Managers, Executives with Strategic Responsibilities and other top managers, subject to the approval of the Shareholders' Meeting, during 2015 the Company launched a Long-Term incentive scheme that is also based on the award of ordinary Leonardo shares, as described on page 14 and following pages.

Furthermore, as detailed in the paragraph above ("Deferred remuneration schemes"), the Company has adopted a scheme for the deferment of the actual annual bonus, through its conversion into ordinary Leonardo shares, which must also provide for the award of bonus shares at the end of the vesting period, provided minimum result thresholds have been reached.

The implementation of the above schemes was approved by the Shareholders' Meeting on 11 May 2015.

For any details on the methods and mechanisms of the Plans, reference should be made to Section I, on page 14 and following pages, as well on the Disclosure Document made available by the Company at the registered office located in Rome, at Piazza Monte Grappa no. 4, on the Company's website (www.leonardocompany.com), with the market management company Borsa Italiana S.p.A., as well as on the website of the authorised storage device (www.emarketstorage.com).

REMUNERATION OF THE HEAD OF THE GROUP INTERNAL AUDIT ORGANISATIONAL UNIT

During 2016 no changes were made to the composition of the remuneration of the Group Internal Audit Manager; therefore, reference should be made to the Remuneration Report 2016.

Resolution proposal

Dear Shareholders,

pursuant to Article 123-ter, paragraph 6, of Legislative Decree 58/98, you are called upon to vote, with a non-binding resolution, on the first section of the Remuneration Report referred to in Article 123-ter, paragraph 3, of Legislative Decree 58/98, subject to publication in accordance with provisions of law, which discusses the Company's policy on the remuneration of the members of the Governing Bodies, General Managers and all the Executives with Strategic Responsibilities, as well as the procedures used to adopt and implement that policy.

In view of the foregoing, we submit for approval of the ordinary Shareholders' Meeting the following proposed non-binding resolution on point seven of the agenda:

"The Ordinary Shareholders' Meeting of Leonardo – Società per azioni:

- *having regard to Articles 123-ter of Legislative Decree 58/98 and 84-quater of Consob Regulation no. 11971/99;*
- *having regard to the Remuneration Report approved by the Board of Directors on 15 March 2017, prepared pursuant to Articles 123-ter of Legislative Decree 58/98 and 84-quater of Consob Regulation no. 11971/99 and in accordance with the recommendations of the Corporate Governance Code for listed companies, which the Company has adopted, and published within the time limit of 21 days prior to the first call of the Shareholders' Meeting to approve the Financial Statements at 31 December 2016;*
- *having examined in particular the first section of that Report, which discusses the Company policy concerning the remuneration of the members of the Governing Bodies, General Managers and all the Executives with Strategic Responsibilities, as well as the procedures used to adopt and implement that policy;*
- *having regard to the non-binding nature of this resolution, pursuant to Article 123-ter, paragraph 6, of Legislative Decree 58/98*

RESOLVES

In favour of the first section of the Remuneration Report prepared and approved by the Board of Directors pursuant to Articles 123-ter of Legislative Decree 58/98 and 84-quater of Consob Regulation no. 11971/99".

**SECTION II
IMPLEMENTATION OF REMUNERATION POLICIES AND FEES RELATING TO THE 2016 FINANCIAL
YEAR**

PART ONE

1. IMPLEMENTATION OF 2016 REMUNERATION POLICIES

Also having regard to the periodic assessment of the implementation of the remuneration policy as required by the Corporate Governance Code, the Remuneration Committee considered that the remuneration paid in 2016 was consistent with the policy adopted, and that the principles and practical application were consistent with the market benchmarks in terms of positioning and pay mix.

With reference to the 2016 financial year, the following elements constituted the remuneration paid to the members of the Governing and Supervisory Bodies, to the General Managers and to the Executives with Strategic Responsibilities.

2. FIXED REMUNERATION

(Table 1)

The members of the Board of Directors and the members of the Board of Statutory Auditors received the fixed remuneration determined by the Shareholders' Meeting. The Directors vested with specific functions also received the fixed element of their remuneration, as determined by the Company's Remuneration Committee (Table 1, "Fixed Remuneration" column).

Directors who are members of a Committee received the fixed remuneration determined by the Company's Board of Directors, together with the sums paid as attendance fees, on the occasion of each Committee meeting (Table 1, "Remuneration for participation in Committees" column).

The General Manager and Executives with Strategic Responsibilities received the fixed element of their salary as set forth in their respective employment contracts (Table 1, "Fixed Remuneration" column), including any compensation due under the National Collective Bargaining Agreement (public holidays, travel allowances etc.).

3. NON-EQUITY VARIABLE REMUNERATION (bonuses and other incentives)

(Table 1 and Table 3B)

Payments reported in Table 3B relate to the short-term incentive plan - MBO Scheme - described in the Remuneration Report of the previous financial year.

Chief Executive Officer and General Manager

The Chief Executive Officer and General Manager's targets are objectively measurable and closely related to the targets set in the Company budget-plan and are subject to the achievement of one threshold established consistently with the Group's key objectives.

The Threshold "Second phase of implementation of the One Company divisionalisation process", whose attainment is measured on the basis of the following KPIs, were set by the Board of Directors and specifically related to:

- ✓ development of the divisional organisation and of the related system of internal procedures by September 2016;
- ✓ succession plans for positions that report directly to the Chief Executive Officer and General Manager by December 2016;
- ✓ structuring a specific incentive scheme aimed at rewarding the acquisition of major orders for the business.

The Remuneration Committee's meeting of 2 November 2016 and the Board of Directors' meeting of 3 November 2016 assessed that the targets had been achieved; consequently it was unanimously resolved that the objectives constituting the threshold for payment of the short-term variable pay component for 2016 had been attained.

The key performance indicators on which the Chief Executive Officer and General Manager's short-term incentive was based for the 2016 financial year, as well as their degree of attainment, are reported below:

	LEVEL OF ACHIEVEMENT OF EACH OBJECTIVE			WEIGHT %
THRESHOLD TARGET	Second phase of implementation of the Divisionalisation process: Achieved The achievement of the objective has been assessed on the basis of the set KPIs submitted for approval of the BoD on 3 November 2016.			
GROUPEBITA	ENTRY LEVEL	MEDIUM	MAXIMUM	35%
GROUPFOCF	ENTRY LEVEL	MEDIUM	MAXIMUM	35%
GROUPORDER INTAKE	ENTRY LEVEL	MEDIUM	MAXIMUM	30%
% TOTAL WEIGHTED BONUS				91.6%

For the functioning mechanisms of the 2016 MBO Scheme, reference should be made to the Remuneration Report 2016, Section I, page 21.

Executives with Strategic Responsibilities

Executives with Strategic Responsibilities participated in the Leonardo annual bonus scheme (MBO short-term incentive system) as senior Executives of the Group, according to the terms and conditions laid down in the applicable corporate policy, as described in the Remuneration Report 2016, to which reference is fully made.

The amounts relating to the variable remuneration shown in Tables 1 and 3B that follow are calculated on an accrual basis and are subject to the approval of Financial Statements by the Shareholder's Meeting.

4. NON-CASH BENEFITS AND OTHER FEES

(Table 1)

Non-cash benefits of the Chairman refer to insurance and welfare policies, as well as to other benefits connected with the performance of duties required of his office and additional powers delegated to him.

Non-cash benefits of the Chief Executive Officer and General Manager refer to the participation in the Supplementary Pension Fund with the national Previdai Pension Fund in the sector, as well as to the Supplemental/Replacement Health Insurance (FASI), the assignment of a company car and the insurance covers stipulated.

Non-cash benefits of Executives with Strategic Responsibilities include their participation in the Supplementary Pension Fund with the national Previdai Pension Fund in the sector, the Supplemental/Replacement Health Insurance (FASI), the assignment of a company car for business and personal use and to the insurance covers.

5. SEVERANCE PAY

(Table 1)

During the 2016 financial year no severance pays were paid to Executive Directors, General Managers and Executives with Strategic Responsibilities.

6. STOCK OPTIONS

(Table 2)

As at the date of this Report, the Company has no stock option plans in place.

7. INCENTIVE PLANS BASED ON FINANCIAL INSTRUMENTS OTHER THAN STOCK OPTIONS

(Table 3A)

During 2016 it was provided that the Chief Executive Officer and General Manager and the Executives with Strategic Responsibilities will participate in the Long-Term Incentive Plan for the 2016-2018 cycle.

Table 3A reports the maximum attributable number of shares and related fair value.

Specifically:

- for CEO and General Manager: in the light of the system's rolling mechanism, and in consideration of the amount of annual remuneration paid in relation to the medium/long-term variable portion envisaged in

the employment contract, the sum allocated for the second plan cycle for the three-year period 2016–2018 was set at a maximum amount of € 724,000.00. Therefore, as at the date of allocation of the plan, the maximum number of shares attributable to Mr Moretti was set at 58,505, obtained by dividing the maximum incentive of € 724,000.00 by the price of € 12.3751⁶ taken as a reference for the determination of the incentive in the implementation phase of the plan;

- for Executives with Strategic Responsibilities: the sum allocated for the second cycle of the medium/long-term Incentive Plan for the 2016–2018 three-year period, was set at a maximum amount of € 4,107,914. Therefore, as at the date of allocation of the plan, the maximum number of shares allocated was set as 331,950, obtained according to the same calculation method as described above. The above figures refer to all the persons who carried out the function of Executives with Strategic Responsibilities during 2016. They are *pro rata* according to the time in the function for those who only served for a fraction of the year.

The final calculation will be made at the end of the performance period in 2019 and the number of shares actually earned, over the three-year vesting period, will be subject to a one-year lock-up period during which 50% of allocated shares will not be transferable.

The fair value reported in Table 3A, corresponding to the maximum amount of the incentive that can be allocated upon full achievement of all performance targets, has been calculated on the basis of the following parameters:

- the book value referring to the TSR (adjusted fair value € 3.88);
- the book value referring to the Group Debt and ROS (€ 9.83);
- the maximum number of shares that can be allocated within the Plan;
- the vesting period effectively elapsed in 2016 (5/36 months, i.e. from 1 August to 31 December 2016).

In relation to the 2016-2018 Co-Investment Plan, the CEO and General Manager deferred 100% of his annual bonus accrued in 2015, corresponding to 25,149 shares, this number being obtained by dividing the amount of the deferred portion of his bonus, net of tax and contributions, by the price of conversion € 10.72 – which is the average official share price during the last month prior to the exercise of the purchase option (31 May 2016). Table 3A sets out the number of matching shares which could be awarded assuming that the performance objectives specified in the plan are achieved in all three of the financial years 2016, 2017 and 2018.

Executives with Strategic Responsibilities have a deferred annual bonus, earned in 2015 and corresponding to 1,235 shares, which they obtained on the basis of the system of calculation mentioned above. Table 3A shows the number of matching shares calculated by assuming the fulfilment, in each of the three financial years, of the performance gate condition required by the plan itself.

⁶ Average price of ordinary Leonardo shares in the period 1 July 2015 - 31 December 2015 in the application of the resolutions passed by the Board of Directors on 16 March 2016.

The fair value reported in Table 3A, corresponding to the maximum amount of matching shares that can be allocated upon full achievement of all performance targets, in each of the three financial years, has been calculated on the basis of the following parameters:

- the book value referring to the matching shares (€ 12.37);
- the maximum attributable number of matching shares;
- the vesting period effectively elapsed in 2016 (7/36 months, i.e. from 1 June 2016 to 31 December 2016).

For the mechanisms of the Plans, see the Remuneration Report 2016, Section I, page 13 and following pages.

PART TWO

Part two of Section II provides an analytical summary of all the amounts relating to the 2016 financial year, regardless of their nature or form, in favour of those persons who held, during said year, even for a fraction of the period, the position of member of the Governing or Supervisory bodies, General Manager or Executives with Strategic Responsibilities.

on behalf of the Board of Directors

The Chairman

Giovanni De Gennaro

TABLE 1. REMUNERATION PAID TO MEMBERS OF THE GOVERNING AND SUPERVISORY BODIES, GENERAL MANAGERS AND ALL EXECUTIVES WITH STRATEGIC RESPONSIBILITIES (Amounts in thousands of euro)

LAST AND FIRST NAME(S)	POSITION HELD IN THE FINANCIAL YEAR 2016	TERM OF OFFICE	EXPIRY OF THE TERM OF OFFICE	FIXED REMUNERATION	REMUNERATION FOR THE PARTICIPATION IN COMMITTEES	NON-EQUITY VARIABLE REMUNERATION		NON-CASH BENEFITS	OTHER FEES	TOTAL	FAIR VALUE OF EQUITY PAYMENTS	TERMINATION OR SEVERANCE INDEMNITY
						BONUSES AND OTHER INCENTIVES	PROFIT-SHARING					
De Gennaro Giovanni	Chairman	1.1/31.12.2016	FY 2016	90 148				12		250		
Moretti Mauro	Director Chief Executive Officer and General Manager	1.1/31.12.2016	FY 2016	80 933		604		81		1.698	605 (3)	
Alpa Guido	Director	1.1/31.12.2016	FY 2016	80	34					114		
Calderone Marina Elvira	Director	1.1/31.12.2016	FY 2016	80	27					107		
Cantarella Paolo	Director	1.1/31.12.2016	FY 2016	80	28					108		
Dassù Marta	Director	1.1/31.12.2016	FY 2016	80	28					108		
De Nicola Alessandro	Director	1.1/31.12.2016	FY 2016	80	21					101		
Frigerio Dario	Director	1.1/31.12.2016	FY 2016	80	30					110		
Landi Fabrizio	Director	1.1/31.12.2016	FY 2016	80	27					107		
Merlo Silvia	Director	1.1/31.12.2016	FY 2016	80	29					109		
Rubini Marina	Director	1.1/31.12.2016	FY 2016	80	27					107		
Bauer Riccardo Raul	Chairman Board of St. Aud.	1.1/31.12.2016	FY 2017	97					10 (1)	107		
Abriani Niccolò	Regular Auditor	1.1/31.12.2016	FY 2017	64					11 (2)	75		
Corsi Luigi	Regular Auditor	1.1/31.12.2016	FY 2017	64						64		
Perrini Francesco	Regular Auditor	1.1/31.12.2016	FY 2017	64						64		
Savi Daniela	Regular Auditor	1.1/31.12.2016	FY 2017	64						64		
Executive with Strategic Responsibilities			FY 2016	3.463		2.434		259		6.156	636 (3)	
(I) Remuneration in the Company drawing up the financial statements				5.787	251	3.038	0	352	16	9.444	1.241 (3)	
(II) Remuneration from subsidiaries and affiliates									5	5		
(III) Total				5.787	251	3.038	0	352	21	9.449	1.241 (3)	

(1) Refund of lump-sum expenses.

(2) €th. 6 for refund of lump-sum expenses and €th. 5 for remuneration for position held in other Group Company from 01/01/2016 to 10/03/2016.

(3) Sum of the amounts related to the fair value pertaining to FY 2016 reported in Table 3A in relation to the 2015-2017 and 2016-2018 LTI Plans, 2015-2017 and 2016-2018 Co-Investments Plans.

The remuneration for Executives with Strategic Responsibilities that aren't payed in euro have been converted in euro using the average exchange rate for the 2016 financial year.

TABLE 2. STOCK OPTIONS ALLOCATED TO THE MEMBERS OF THE GOVERNING BODY, GENERAL MANAGERS AND ALL EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

		OPTIONS HELD AT THE BEGINNING OF THE FINANCIAL YEAR			OPTIONS ALLOCATED DURING THE FINANCIAL YEAR						OPTIONS EXERCISED DURING THE FINANCIAL YEAR			OPTIONS EXPIRED DURING THE FINANCIAL YEAR	OPTIONS HELD AT THE END OF THE FINANCIAL YEAR	OPTIONS FOR THE FINANCIAL YEAR	
A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15) = (2)+(5)-(11)-(14)	(16)
LAST AND FIRST NAME (S)	POSITION HELD IN FINANCIAL YEAR 2016	PLAN	NUMBER OF OPTIONS	STRIKE PRICE	POSSIBLE PERIOD OF EXERCISE	NUMBER OF OPTIONS	STRIKE PRICE	POSSIBLE PERIOD OF EXERCISE	FAIR VALUE AT THE DATE OF ALLOCATION	DATE OF ALLOCATION	MARKET PRICE OF THE SHARES UNDERLYING ALLOCATION OF THE OPTIONS	NUMBER OF OPTIONS	STRIKE PRICE	MARKET PRICE OF THE UNDERLYING SHARES AT THE DATE OF THE EXERCISE	NUMBER OF OPTIONS	NUMBER OF OPTIONS	FAIR VALUE
Moretti Mauro	Chief Executive Officer and General Manager		0			0						0			0	0	
Executive with strategic responsibilities			0			0						0			0	0	

TABLE 3A. INCENTIVE PLANS BASED ON FINANCIAL INSTRUMENTS OTHER THAN STOCK OPTIONS, FOR THE BENEFIT OF THE MEMBERS OF THE GOVERNING BODY, GENERAL MANAGERS AND ALL EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

LAST AND FIRST NAME	POSITION HELD IN FINANCIAL YEAR 2016	PLAN	FINANCIAL INSTRUMENTS ALLOCATED DURING PREVIOUS FINANCIAL YEARS THAT ARE NOT VESTED DURING THE FINANCIAL YEAR		FINANCIAL INSTRUMENTS ALLOCATED DURING THE FINANCIAL YEAR					FINANCIAL INSTRUMENTS VESTED DURING THE FINANCIAL YEAR BUT NOT IMPUTED	FINANCIAL INSTRUMENTS VESTED DURING THE FINANCIAL YEAR AND IMPUTABLE		FINANCIAL INSTRUMENTS FOR THE FINANCIAL YEAR
			NUMBER AND TYPE OF FINANCIAL INSTRUMENTS	VESTING PERIOD	NUMBER AND TYPE OF FINANCIAL INSTRUMENTS	FAIR VALUE AT THE DATE OF ALLOCATION	VESTING PERIOD	DATE OF ALLOCATION	MARKET PRICE AT ALLOCATION	NUMBER AND TYPE OF FINANCIAL INSTRUMENTS	NUMBER AND TYPE OF FINANCIAL INSTRUMENTS	VALUE AT THE VESTING DATE	FAIR VALUE
Moretti Mauro	Chief Executive Officer and General Manager	2015-2017 LTI Plan - Resolution of 11/5/2015	no. 132,210 shares ⁽¹⁾	31/07/2015 - 31/07/2018						0	0		€ 529,281 ⁽²⁾
Moretti Mauro	Chief Executive Officer and General Manager	2016-2018 LTI Plan - Resolution of 11/5/2015			no. 58,505 shares ⁽³⁾	€ 401.052	31/07/2016 - 31/07/2019	31/07/2016	10,21	0	0		€ 55,702 ⁽⁴⁾
Moretti Mauro	Chief Executive Officer and General Manager	Co-Investment Plan 2016-2018 - Resolution of 11/5/2015			no. 8,383 shares ⁽⁵⁾	€ 103.698	31/05/2016 - 31/05/2019	31/05/2016	11,18	0	0		€ 20,163 ⁽⁹⁾
Executives with Strategic Responsibilities		2015-2017 LTI Plan - Resolution of 11/5/2015	no. 78,413 shares ⁽¹⁾	31/07/2015 - 31/07/2018						0	0		€ 313,913 ⁽²⁾
Executives with Strategic Responsibilities (*)		2016-2018 LTI Plan - Resolution of 11/5/2015			no. 331,950 shares ⁽³⁾	€ 2.275.517	31/07/2016 - 31/07/2019	31/07/2016	10,21	0	0		€ 316,044 ⁽⁴⁾
Executives with Strategic Responsibilities		2015-2017 Co-Investment Plan - Resolution 11/5/2015	no. 1,301 shares ⁽⁶⁾	31/05/2015 - 31/05/2018						0	0		€ 4,952 ⁽⁷⁾
Executives with Strategic Responsibilities (*)		2016-2018 Co-Investment Plan - Resolution 11/5/2015			no. 411 shares ⁽⁶⁾	€ 5,084	31/05/2016 - 31/05/2019	31/05/2016	11,18	0	0		€ 989 ⁽⁹⁾

(*) The Current "Procedure for Related Parties Transactions" also includes the Division Managing Directors under the definition of Executives with Strategic Responsibilities, with effect from 1 January 2016. The number of shares reported also includes those individuals who held, during FY 2016, the position of Executive with Strategic Responsibilities only for a fraction of the period.

(1) Maximum number of shares that can be allocated within the 2015-2017 LTI Plan upon full achievement of all performance targets. The final calculation will be made at the end of the performance period in 2018. For the CEO and General Manager and the Executives with Strategic Responsibilities, 50% of shares will be subjected to a one-year lock-up in which the shares will not be transferable.

(2) The fair value relating to the 2015-2017 LTI Plan corresponding to the maximum amount of incentive that can be allocated upon full achievement of all performance targets, has been calculated on the base of the following parameters: the book value referring to the TSR (adjusted fair value € 10.90), the book value referring to the Group Debt and ROS (€ 13.12), the maximum number of shares that can be allocated within the Plan and the vesting period actually elapsed in the 2016 financial year (12/36 months, i.e. from 1.1.2016 to 31.12.2016).

(3) Maximum number of shares that can be allocated within the 2016-2018 LTI Plan upon full achievement of all performance targets. The final calculation will be made at the end of the performance period in 2019. For the CEO and General Manager and the Executives with Strategic Responsibilities, 50% of shares will be subjected to a one-year lock-up in which the shares will not be transferable.

(4) The fair value relating to the 2016-2018 LTI Plan corresponding to the maximum amount of incentive that can be allocated upon full achievement of all performance targets, has been calculated on the base of the following parameters: the reference book value of the TSR (adjusted fair value € 3.88), the book value referring to the Group Debt and ROS (€ 9.83), the maximum number of shares that can be allocated within the Plan, the vesting period actually elapsed in the financial year 2016 (5/36 months, i.e. 1.8.2016 - 31.12.2016).

(5) The CEO and General Manager invested 100% of his annual bonus accrued in 2015, converting it into shares; the table reports the maximum number of free shares related to the Co-Investment Plan that may be assigned, assuming the attainment of all performance targets under the Plan in all the three financial years 2016, 2017 and 2018.

(6) Executives with Strategic Responsibilities who invested the quota of their annual bonus accrued in 2014 converting it into shares; the table reports the maximum number of matching shares under the Co-Investment Plan that can be allocated, assuming the attainment of the performance targets under the Plan in all the three financial years 2015, 2016 and 2017.

(7) The fair value related to the 2015-2017 Co-Investment Plan corresponds to the maximum number of free shares that can be allocated upon the achievement of the performance targets under the Plan for all the three financial years 2015, 2016 and 2017 and has been calculated based on the following parameters: the book value referring to the matching shares (€ 11.42), the maximum number of matching shares that can be assigned, the vesting period that has actually elapsed in financial year 2016 (12/36 months, i.e. 1.1.2016 - 31.12.2016).

(8) Executives with Strategic Responsibilities who invested the quota of their annual bonus accrued in 2015 converting it into shares; the table reports the maximum number of matching shares under the Co-Investment Plan that can be allocated, assuming the attainment of the performance targets under the Plan in all the three financial years 2016, 2017 and 2018.

(9) The fair value relating to the 2016-2018 Co-Investment Plan, corresponding to the maximum amount of matching shares that can be allocated in case of attainment of the performance targets under the Plan in all the three financial years 2016, 2017 and 2018, has been calculated based on the following parameters: the book value referring to the matching shares (€ 12.37), the maximum number of matching shares that can be allocated, the vesting period that has actually elapsed in financial year 2016 (7/36 months, i.e. 1.6.2016 - 31.12.2016).

TABLE 3B. CASH INCENTIVE PLANS FOR THE BENEFIT OF THE MEMBERS OF THE GOVERNING BODY, GENERAL MANAGERS AND ALL EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

A	B	(1)	(2)			(3)			(4)
			Annual bonus			Previous Years' Bonuses			Other Bonuses
LAST AND FIRST NAME	POSITION HELD IN FINANCIAL YEAR 2016	PLAN	(A)	(B)	(C)	(A)	(B)	(C)	
			Payable/paid	Deferred	Vesting period	No longer payable	Payable/paid	Still deferred	
Moretti Mauro	Chief Executive Officer and General Manager	MBO 2016	€ 604.375,20	0	0	0	0	0	
Executives with Strategic Responsibilities (*)		MBO 2016	€ 1.497.489,00	0	0	0	0	0	€ 936.273 (1)

(*) The Current "Procedure for Related Parties Transactions" also includes the Division Managing Directors under the definition of Executives with Strategic Responsibilities, with effect from 1 January 2016. The number of shares reported also includes those individuals who held, during FY 2016, the position of Executive with Strategic Responsibilities only for a fraction of the period.

(1) Amounts paid for other reasons such as an extraordinary bonus in cases of operations of particular strategic importance to the Group.

SECTION III
SHAREHOLDINGS OF MEMBERS OF GOVERNING AND SUPERVISORY BODIES, GENERAL
MANAGERS AND ALL EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

SEZIONE III

The following table shows the shareholdings in the Company or in its subsidiaries, which are held by persons who held the position of member of the Governing and Supervisory Bodies, General Manager or Executive with Strategic Responsibilities in the course of the 2016 financial year, even if only for a fraction of the period in question, as well as by their respective spouses that are not legally separated and minor children. Except as otherwise specified, said shareholdings must be deemed to be held indirectly and by way of property.

SHAREHOLDINGS OF MEMBERS OF GOVERNING AND SUPERVISORY BODIES, GENERAL MANAGERS AND ALL EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

LAST AND FIRST NAME	POSITION held in financial year 2014	INVESTEE COMPANY	Number of shares held at the end of the previous financial year (2015)	Number of shares purchased	Number of shares sold	Number of shares held at the end of the year in question (2016)
Moretti Mauro	<i>Chief Executive Officer and General Manager</i>	Leonardo S.p.a.	0	25.149 (1)	0	25.149
Executive with Strategic Responsibilities		Leonardo S.p.a.	50.989 (2)	6.535 (3)	3.700	53.824 (4)

(1) Shares purchased on the basis of the Co-investment Plan (Shareholder's Meeting 11.05.2015).

(2) of which n. 13.226 shares purchased on the basis of the Co-investment Plan.

(3) of which n. 1.235 shares purchased on the basis of the Co-investment Plan.

(4) of which n. 14.461 shares purchased on the basis of the Co-investment Plan.

**IMPLEMENTATION STATUS OF THE 2016-2018 LONG-TERM INCENTIVE PLAN
AND OF THE 2016-2018 CO-INVESTMENT PLAN**

TABLE 7 ANNEX 3A

Pursuant to art. 84-bis, paragraph 5 of “Issuers Regulation”, annexed to the Remuneration Report are the Tables containing updated data concerning the implementation status of the Long Term Incentive Plan and Co-investment Plan, which were approved by the Shareholders’ Meeting on 11 May 2015.

		CO-INVESTMENT PLAN - FIRST CYCLE 2016 - 2018 - ALLOCATION FY 2016						
		FINANCIAL INSTRUMENTS OTHER THAN STOCK OPTIONS (CONVERSION OF THE ANNUAL BONUS INTO SHARES)						
		SECTION 2 NEWLY-ALLOCATED INSTRUMENTS ACCORDING TO THE BOD'S PROPOSAL TO THE SHAREHOLDERS' MEETING						
LAST AND FIRST NAME OR CATEGORY	POSITION	DATE OF THE SHAREHOLDERS' MEETING RESOLUTION	TYPE OF FINANCIAL INSTRUMENTS	NUMBER OF FINANCIAL INSTRUMENTS	DATE OF ALLOCATION	PURCHASE PRICE (IF ANY) OF INSTRUMENTS	MARKET PRICE AT THE DATE OF ALLOCATION	VESTING PERIOD (*)
Moretti Mauro	Chief Executive Officer and General Manager	11/5/2015	Azioni di Finmeccanica S.p.a.	8.383 ⁽¹⁾	31/05/2016	-	€ 11,18	31/05/2016 - 31/05/2019
Executives with strategic responsibilities		11/5/2015	Finmeccanica S.p.a. shares	411 ⁽²⁾	31/05/2016	-	€ 11,18	31/05/2016 - 31/05/2019
Other Executives, employees and collaborators (former employees) (no. 188)		11/5/2015	Finmeccanica S.p.a. shares	26.357 ⁽³⁾	31/05/2016	-	€ 11,18	31/05/2016 - 31/05/2019

		LONG-TERM INCENTIVE PLAN - FIRST CYCLE 2016 - 2018 ALLOCATION FY 2016						
		FINANCIAL INSTRUMENTS OTHER THAN STOCK OPTIONS (ALLOCATION OF SHARES)						
		SECTION 2 NEWLY-ALLOCATED INSTRUMENTS ACCORDING TO THE BoD's PROPOSAL TO THE SHAREHOLDERS' MEETING						
LAST AND FIRST NAME OR CATEGORY	POSITION	DATE OF THE SHAREHOLDERS' MEETING RESOLUTION	TYPE OF FINANCIAL INSTRUMENTS	NUMBER OF FINANCIAL INSTRUMENTS	DATE OF ALLOCATION	PURCHASE PRICE (IF ANY) OF INSTRUMENTS	MARKET PRICE AT THE DATE OF ALLOCATION	VESTING PERIOD*
Moretti Mauro	Chief Executive Officer and General Manager	11/5/2015	Leonardo S.p.A. shares	58.505	31/07/2016	-	€ 10,21	31/07/2016 - 31/07/2019
Executives with strategic responsibilities	-----	11/5/2015	Leonardo S.p.A. shares	331.950 ⁽¹⁾	31/07/2016	-	€ 10,21	31/07/2016 - 31/07/2019
Other Executives, employees and collaborators (no. 179)	-----	11/5/2015	Leonardo S.p.A. shares	761.775	31/07/2016	-	€ 10,21	31/07/2016 - 31/07/2019

^(*) Vesting period of the bonus converted into shares subject to restrictions on their transfer.

⁽¹⁾ The number of shares shown also includes those assigned to the individuals who during FY 2016 held the position of Executive with Strategic Responsibilities even just for a fraction of the period.

Maximum number of shares that can be allocated within the 2016-2018 LTI Plan upon full achievement of all performance targets. The final calculation will be made at the end of the performance period in 2019. For the CEO and General Manager, the Executives with Strategic Responsibilities and other top executives, once the three-year vesting period is elapsed, 50% of shares will be subjected to a one-year lock-up in which the shares will not transferable.