

REPORT OF THE BOARD OF DIRECTORS

REGARDING MERGER BY INCORPORATION OPERATION (hereinafter the “Operation”) INTO LEONARDO – FINMECCANICA – SOCIETA’ PER AZIONI (hereinafter the “Incorporating” company or “the Company” or “Leonardo-Finmeccanica”) OF THE COMPANY SIRIO PANEL S.P.A. (hereinafter the “Merged company” or “Sirio Panel”)

This report of the Board of Directors of Leonardo – Finmeccanica – Società per azioni has been drafted – also based on the indications provided in Article 2501 *quinquies*, first paragraph of the Italian Civil Code and in Article 70, second paragraph, of the Issuer’s Regulations (CONSOB Resolution No. 11971/1999 as amended and supplemented) - in order to provide the broadest information to the public regarding the economic and legal purposes of the Operation, although not required pursuant to the provisions of Article 2505, first paragraph, of the Italian Civil Code.

In implementing the “One company” project, the Company, with effect from 1st January 2016, has concentrate on itself the coordination and management of the operating activities performed by the Group’s companies involved in its Aerospace, Defence and Security *core businesses*, providing itself with a new organizational structure able to achieve a more efficient and effective operativeness of its Group’s industrial activities.

Always in order to proceed in the maximization of synergies across the business, fits the corporate merger by incorporation of the wholly-owned subsidiary (100%) into Leonardo - Finmeccanica - Società per azioni.

In particular, the proposed Operation would be aimed both to meet the organizational efficiency requirements and to ensure the achievement of optimization and strategic maximization already started, also considering that the Merged company is already integrated within the business perimeter of the Incorporating company, particularly within the Airborne & Space Systems Division.

The choice of operating by means of merger by incorporation of Sirio Panel appears to be the best legal and economic solution, because it meets the requirement of integrating all the activities of the Merged company into Leonardo – Finmeccanica - Società per azioni and

therefore the need to enhance the skills and the specific know-how accrued into the Merged company, in the framework of a more structured corporate context, provided with the necessary economical-financial solidity and stability.

As the share capital of the Merged company is entirely held by Leonardo – Finmeccanica - Società per azioni, and such shareholding structure will remain as such upon completion of the Operation, consequently the Incorporating company shall not issue any new shares nor assign Company shares; the Operation shall be performed applying the simplified procedure laid down in Article 2505 of the Italian Civil Code; therefore, the merger plan do not include the information referred to in numbers 3), 4) and 5) of the first paragraph of Article 2501 *ter* of the Italian Civil Code and the Merged company has not prepared the Board of Directors' report *ex* Article 2501 *quinquies* of the Italian Civil Code nor the Experts' report about consistency of the exchange ratio according to Article 2501 *sexies* of the Italian Civil Code.

The Operation shall be effective, also for accounting and tax purposes, as from 1st January 2017. If the last of the registration pursuant to Article 2504 of the Italian Civil Code should take place after 1st January 2017, the Operation shall be effective as from the first day of the month after the last registration; in such case, for accounting and tax purposes shall anyway be effective as from 1st January 2017.

As for the tax effects of the Operation, it is worth noting that this is a tax-neutral operation and do not generate losses or profits with tax impact. The assets and liabilities of the Merged company are entered to the Balance Sheet of the Incorporating company under a tax continuity regime.

The Operation, as such, do not produce any effect on the major shareholding structure neither on the controlling structure of the Incorporating company.

As far as Sirio Panel, there are no shareholder's agreements relevant pursuant to Article 122 of TUF [Consolidated Law on Financial Intermediation].

The Operation shall be conducted based on the Financial statements as of 31 December 2015, approved by the Shareholders' Meeting of Leonardo – Finmeccanica - Società per

azioni on 28 April 2016 and by the Shareholders' Meeting of Sirio Panel S.p.A. on 24 March 2016 respectively.

In view of the fact that Leonardo – Finmeccanica - Società per azioni is the sole shareholder of the Merged company, the Operation will not involve any capital increase of the Incorporating company.

Upon completion of the Operation, the shares held by Leonardo – Finmeccanica - Società per azioni in Sirio Panel S.p.A. will be cancelled.

Rome, 23 June 2016

On behalf of the Board of Directors
The Chairman
(Giovanni De Gennaro)

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 official document.