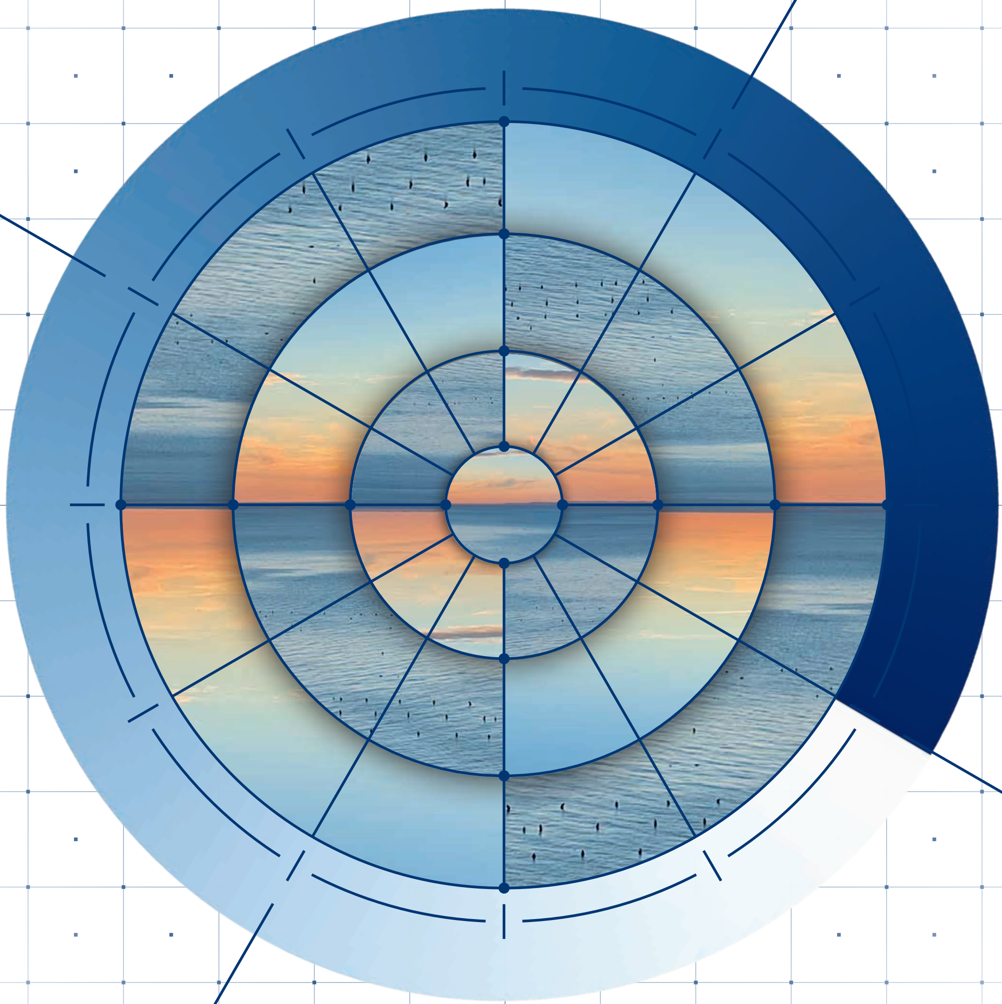
FINCANTIERI



ANNUAL REPORT 2021

ANNUAL REPORT 2021

FINCANTIERI

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This document is an English language translation of the official Italian version and is not provided in the European Single Electronic Format (ESEF) and hence it is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. The legally required ESEF-format is filed in Italian language on the eMarket Storage platform (www.emarketstorage.com), as well as on Company website (www.fincantieri.com).

To our Shareholders,

The year 2021, thanks to the skills acquired in managing the pandemic and vaccines in particular, was marked by recovery, particularly for Fincantieri, which closed the year with an excellent performance.
The Company is therefore prepared to face the challenge of upcoming production and industrial deadlines in the most solid possible condition, while keeping in mind the new global geopolitical situation resulting from the tragic conflict in Ukraine.
The cruise segment saw a gradual restart in activity from the summer of 2021, initially with a limited number of ships and itineraries, mainly on a national basis in terms of the country of origin of passengers and the destinations of the voyage, and in compliance with strict health regulations which limited the occupancy rate of the ships. But by December, some 75% of the fleet was operational again, with occupancy rates of almost 80% for certain ships/itineraries.
All major cruise lines are aiming for a full recovery by the second half of 2022, with a gradual increase in ship occupancy rates back to historical levels between the summer of 2022 and early 2023, when the number of passengers carried could equal that of pre-pandemic 2019.
In the short term, the market will continue to be selective in implementing new investment projects, given the high number of ships still under construction at various yards and the uncertainty on the regulatory and technological front. In the medium to long term, on the other hand, the recovery in demand for new ships will be fuelled both by expectations of growth in passenger numbers with a similar trend to that seen pre-COVID and by the need to replace older ships.
In the defence sector, a year after awarding the contract to design and build the flagship vessel of the FFG-62 "Constellation" program, the US Navy has once again signalled its confidence in the Group's US shipyards by confirming the order for the second of the ten frigates in the contract awarded to Fincantieri Marine Group, as prime contractor, in 2020. On the domestic market, two orders were completed: a second Logistic Support Ship (LSS) for the Italian Navy and a vessel for the Italian Coast Guard.
In the European Defence sector, Fincantieri, Naval Group, through the Naviris joint venture, and Navantia have strengthened their collaboration in the naval defence segment by submitting a bid to the European Defence Fund for the Modular Multirole Patrol Corvette (MMPC) program. This initiative has a high strategic value. The objective of the proposal is to maximize synergies and cooperation between European shipbuilding industries by jointly developing a new vessel, the European Patrol Corvette (EPC), the most important naval initiative within the Permanent Structured Cooperation (PESCO).
In terms of the scenario, in addition to geopolitical issues, those related to the energy transition are becoming increasingly important. In particular, the technological aspects are of fundamental importance, as the market demands innovative solutions capable of guaranteeing lower environmental impact, and this cannot be separated from the reference regulatory context, which needs constant adaptation.
Fincantieri is determined to play an active role in promoting a circular and low-carbon economy. Our commitment in this regard is based on three guiding principles: reducing the impacts directly generated by our activities; developing eco-sustainable products and services; and working in partnership with institutions and business partners. Ships, true floating cities, hyperconnected and self-sufficient in energy terms, will have to use new "green" propellants or hybrid solutions. In the long term, we are looking at hydrogen and ammonia, while in the short term the use of liquefied natural gas (LNG) appears to be the feasible solution.
With reference to the offshore sector, which is of particular interest to the Norwegian subsidiary Vard, 2021 marked a turning point in the market for vessels intended for operations in offshore wind farms: eight contracts were signed for Service Operation Vessels (SOVs) (to which a ninth vessel was added in January 2022). The orders allow the Norwegian subsidiary to become a leader in the fast-growing renewable energy segment, confirming the transition to markets with sustainable products and processes.
The pandemic crisis and recent dramatic geopolitical events in Europe, while tragic in themselves, have brought out a renewed European spirit and a unity of purpose on essential issues not seen for a long time.
It has become clearer than ever that no single European country can act alone and that issues relating to European security, defence, energy and migration policies must be addressed as a whole.
In the coming years, Europe will have to make very significant investments in the defence sector, energy policy and environmental protection, all areas in which Fincantieri operates.
In 2021 Fincantieri kept its promises by returning to growth despite a context still dominated by the pandemic.
With regard to the future, I am confident that Fincantieri can continue to play a leading role in economic development in strategically important areas. And as always, it is the men and women of this Company who have made and will make the difference, together with our suppliers and the institutions that support us. I would like to thank them, certain that, with the commitment of all of us, we will be able to build a better future.

Giampiero Massolo
Chairman of Fincantieri

To our Shareholders,

2021 was a year of gradual recovery compared to the previous year. This is due to the deployment of an effective organizational machine capable of tackling the pandemic crisis and safely continuing production, guaranteeing particularly positive production and economic results, exceeding the expectations set out in the guidance provided for 2021.
Revenues, amounting to euro 6,662 million, are up 28.3% compared to 2020. Growth is driven by the Shipbuilding segment, which delivered 15 ships (8 cruise ships and 7 naval vessels) out of a total of 19, recording record production volumes. Overall the massive order backlog and observance of the delivery schedule translated into 16.4 million hours worked more than the 15.6 million pre-pandemic total for 2019.
At euro 495 million, EBITDA is the best result ever achieved. It has benefited from the increase in production volumes, which have fully recovered those lost in 2020, and from the improvement in margins with an EBITDA margin of 7.4%, up 57.4%, thanks to greater production efficiency resulting from the revision of planning and production processes, which has more than offset the effects of the increase in raw material prices.
In 2021, the Group recorded new orders totalling 3,343 million. This value was affected by the contraction of the cruise ship market due to the effects of the pandemic, partly offset by the excellent result of the Equipment, Systems and Services segment.
Over the last twenty years Fincantieri has embarked on a path of profound transformation. In 2002, the Company had a uniquely Italian presence, operating in two business areas, cruise ships for a single major customer, the Carnival group, and defence, serving the Italian Navy.
In response to globalization, the Company has pursued a strategy of growth and diversification. This strategy has ensured a portfolio of assets capable of mitigating the cyclical nature of the markets, while also leveraging planning skills and flexibility and speed in dealing with increasingly marked and unpredictable competitive dynamics, exacerbated in recent years by technological developments and changes in the regulatory and geopolitical environment.
The enhancement of competencies, the safeguarding of origins and the building of a future with solid foundations in terms of production assets, technologies and people have supported and still inspire Fincantieri's process of change and evolution.
The Company has extended its presence to all the most valuable and complex sectors in the maritime field, from the construction of cruise and naval vessels to specialized vessels serving the renewable energy industry, particularly wind power. At the same time, it has consolidated its relationship with customers by guaranteeing after-sales services, offering logistical support and fleet assistance.
With the aim of bringing production of strategic components in-house and meeting the demand for more sophisticated and evolved products, Fincantieri has finalized a series of acquisitions and agreements, transforming itself into a key player in the furniture, cybersecurity, mechatronics, electronics and digital sectors.
The Company's determination to make the most of its skills, developed in the management of complex projects, has made it a benchmark for excellence in the field of steel infrastructure, in the production and construction of maritime works and in the provision of technology and facility management services in the health, industry and tertiary sectors.
The events of the last two years have highlighted some of the country's fragilities, such as its excessive dependence on foreign suppliers for many supplies, having delegated much of the industrial transformation process to others, or the historical difficulty in agreeing a constructive approach with stakeholders on strategic issues such as energy policy or defence.
All weaknesses can turn into a great opportunity for the industry because they suggest a rethink of the supply chain and give a decisive thrust to country's modernization process. Fincantieri is paying close attention to the National Recovery and Resilience Plan, as the development of digital technologies and the green economy, the modernization of Italian infrastructure, and the streamlining of procedures that for too long have hampered the country's economic life form the basis for projects for which the Group's technological and industrial platform can offer a response.
Among the sea changes to be addressed there is clearly the technological challenge represented by Europe's ambition to reduce greenhouse gas emissions by at least 55% compared to 1990 levels by 2030 and to become the first climate neutral continent by 2050.
Translating the legislator's decision into practice and revolutionizing the ship product, which is part of a wider maritime infrastructure, is not an easy task; the solution requires a holistic approach involving technology partners, universities, suppliers, customers, port operators, producers and distributors of alternative energy sources, among others.
This is the reason for the many partnerships started in 2021 with other leading industrial players. With Eni, for example, we have decided to identify a system of integrated solutions for decarbonization projects in the fields of energy, transport and the circular economy. With Enel Green Power we have signed an agreement to define an integrated solution for the production, supply, management and use of green hydrogen for port areas and for long-range maritime transport. With Enel X, we are exploring a partnership to build and operate next-generation port infrastructure with a low environmental impact, including cold ironing, a solution also adopted in the new cruise terminal being built by Fincantieri Infrastructure in the port of Miami for the shipowner MSC Cruises. Also with MSC, joined by Snam, we have signed an MoU for the design and construction of the world's first hydrogen-powered cruise ship.
Furthermore, the subsidiary Fincantieri SI has set up with Faist Electronics, a company belonging to the Faist Group, the joint venture Power4Future, which will be dedicated to the production of lithium batteries, opening up new business opportunities.
Finally, we have signed a Memorandum of Understanding (MoU) with ArcelorMittal Italia and Paul Wurth Italia to convert the existing full-cycle steel plant in Taranto in line with environmentally friendly technologies, convinced that this is a key step in boosting the national steel industry and, consequently, Italy's manufacturing industry as a whole.
The future looks very exciting. Some of these initiatives have just started, but the decarbonization process requires challenging targets to be achieved immediately, as part of an ambitious vision for the future.
I am also convinced that the scenario will continue to be marked by sharp breaks with the past and that therefore the ability to manage change is an essential skill to face the future. The Ukraine crisis interrupting the return to a 'new normal' is a good example.
Once again I would like to thank all the workers and the vast family of contributors within the supply chain for their commitment and sense of responsibility, which have made it possible to achieve results exceeding expectations in spite of the pandemic. The cohesion and dedication shown are a valuable example to maintain for the future, which appears even more challenging than the recent past. Finally, I would also like to thank our shareholders, whose support has enabled us to work in the interests of the Company, allowing it to establish itself as a global player and benchmark in the sector in which it operates.

Giuseppe Bono
Chief Executive Officer of Fincantieri

Giuseppe Bono

PARENT COMPANY DIRECTORS AND OFFICERS

Parent Company Directors and Officers

BOARD OF DIRECTORS
(Three-year period 2019-2021)

CHAIRMAN
Giampiero Massolo

CHIEF EXECUTIVE OFFICER
Giuseppe Bono

ADVISERS
Barbara Alemanni
Massimiliano Cesare
Luca Errico
Paola Muratorio
Elisabetta Oliveri
Fabrizio Palermo
Federica Santini
Federica Seganti

SECRETARY
Giuseppe Cannizzaro

BOARD OF STATUTORY AUDITORS
(Three-year period 2020-2022)

CHAIRMAN
Gianluca Ferrero

STANDING AUDITOR
Pasquale De Falco
Rossella Tosini

ALTERNATE MEMBER
Aldo Anellucci
Alberto De Nigro
Valeria Maria Scuteri

GENERAL MANAGER

Fabio Gallia

MANAGER RESPONSIBLE FOR PREPARING FINANCIAL REPORTS

Felice Bonavolontà

SUPERVISORY BODY
Pursuant to Legislative Decree 231/01
(Three-year period 2021-2023)

CHAIRMAN
Attilio Befera

MEMBER
Stefano Dentilli
Fioranna Negri

INDEPENDENT AUDITORS
(Nine years 2020-2028)

Deloitte & Touche S.p.A.

Information on the composition and functions of the sub-committees (the Internal Control and Risk Committee, which is also responsible for the functions of the committee responsible for transactions with related parties with related parties except for resolutions on remuneration, the Remuneration Committee, which is assigned the functions of the committee responsible for transactions with related parties in the case of resolutions on remuneration, the Appointments Committee and the Sustainability Committee) is provided in the "Ethics and Governance" section available on the Fincantieri website at www.fincantieri.com.

DISCLAIMER
Forecast data and information must be regarded as forward-looking statements and therefore, not being based on simple historical facts, contain, by their nature, an element of risk and uncertainty because they also depend on the occurrence of future events and developments outside the Company's control. Actual results could therefore be materially different from those expressed in forward-looking statements. Forward-looking statements refer to the information available at the date of their publication; FINCANTIERI S.p.A. undertakes no obligation to revise, update or correct its forward-looking statements after such date, other than in the circumstances strictly required by applicable regulations. The forward-looking statements provided do not constitute and shall not be considered by users of the financial statements as advice for legal, accounting, tax or investment purposes nor is it the intention for such statements to create any type of reliance and/or induce such users to invest in the Company.

THE FINCANTIERI GROUP

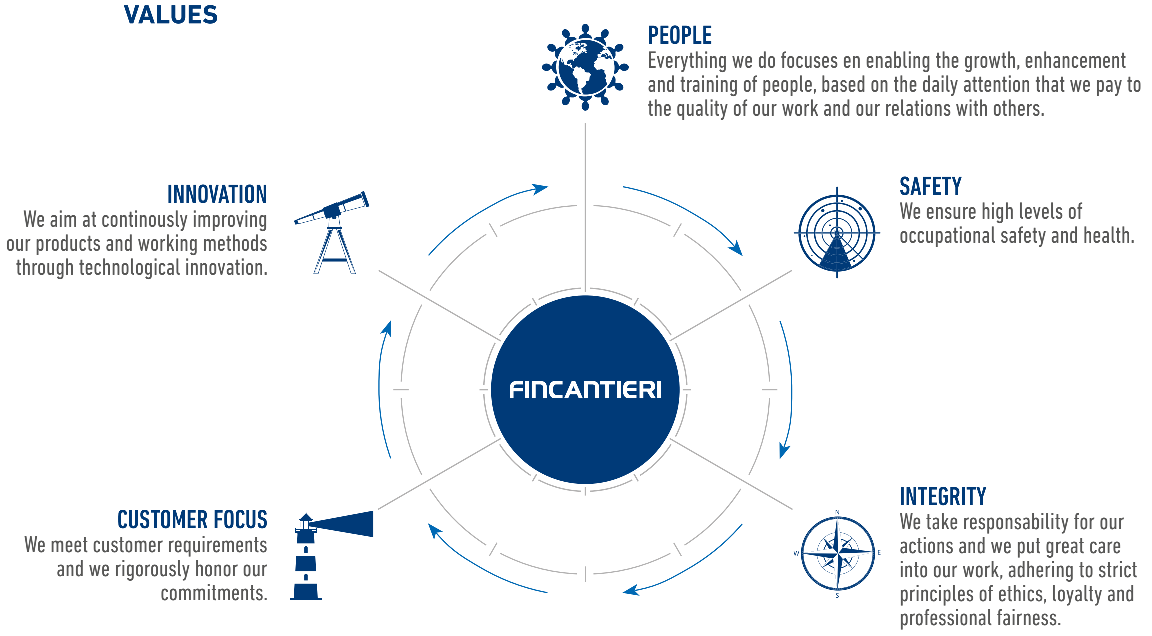
Vision

We aspire to be world leaders in the industrial sectors where we operate, becoming a reference point for our customers, always selecting high value-added sectors and standing out for our diversification and innovation and for our ability to apply our expertise in other sectors.
The Sea Ahead: all those who work at Fincantieri Group steer for this course: talented men and women working responsibly to help develop our idea of a future increasingly characterized by innovation, performance and sustainability.

Mission

Technological development and continuous improvement are the goals that we have set for ourselves, and we are determined to pursue them.
Our every action, project, initiative or decision is based on strict observance of the law, labour protection and protection of the environment, safeguarding the interests of our shareholders, employees, clients, trade and financial partners, local communities and groups, creating value for every stakeholder.

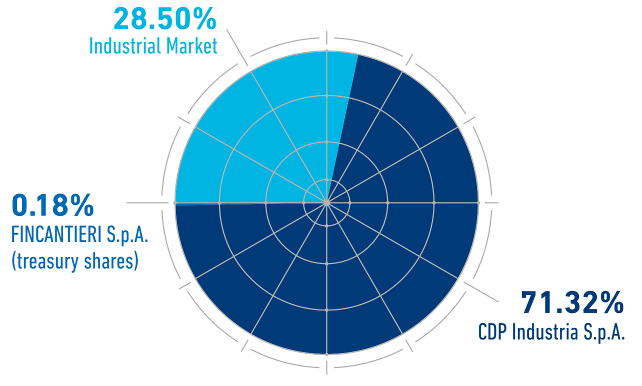
VALUES



Who we are

Fincantieri is one of the world's leading shipbuilding groups, the only one active in all areas of high-technology shipbuilding. It is a leader in the construction and conversion of cruise ships, naval and offshore vessels in the oil & gas, wind, fishing vessel and specialized vessel segments, as well as in the production of mechatronic and electronic marine systems, naval furnishing solutions and the provision of after-sales services such as logistical support and assistance to fleets in service. The distinctive skills it has developed in managing complex projects mean the Group has an outstanding reputation in infrastructure and is a major operator in digital tech and cybersecurity, engineering services, critical infrastructure monitoring systems, advanced systems engineering for energy management in land-based applications and facility management.
With over 230 years of history and more than 7,000 ships built, Fincantieri maintains its know-how and management centres in Italy, where it employs 10,000 people and generates around 90,000 jobs, which double on a global scale thanks to a production network of 18 shipyards on four continents and more than 20,000 direct workers.
71.32% of Fincantieri's share capital of 862,980,725.70 euros is held, through the subsidiary CDP Industria S.p.A., by Cassa Depositi e Prestiti (CDP) S.p.A., a company controlled by the Ministry of Economy and Finance. The remainder of share capital was distributed between a number of private investors (none of whom held significant interests of 3% or above) and own shares (of around 0.18% of shares representing the share capital).

SHAREHOLDERS



The strategic positioning of the Group over the last twenty years

Over the last twenty years Fincantieri has embarked on a path of **profound transformation**. In 2002, the Company had a purely Italian presence with mainly domestic customers, and operated in two business areas, cruise ships and defence, with an order backlog of euro 6 billion, revenues of euro 2.2 billion and approximately 10,000 employees in eight shipyards in Italy. The company's main customers were the Carnival group for the cruise ship business and the Italian Navy for the defence business.

Over the years, key decisions such as expansion in the US and diversification into the offshore sector through the acquisition of Vard have helped to **strengthen the product portfolio and grow the customer base**. On the strength of its competitive position and the transformation process underway, the Company was listed on the Milan stock exchange in July 2014.

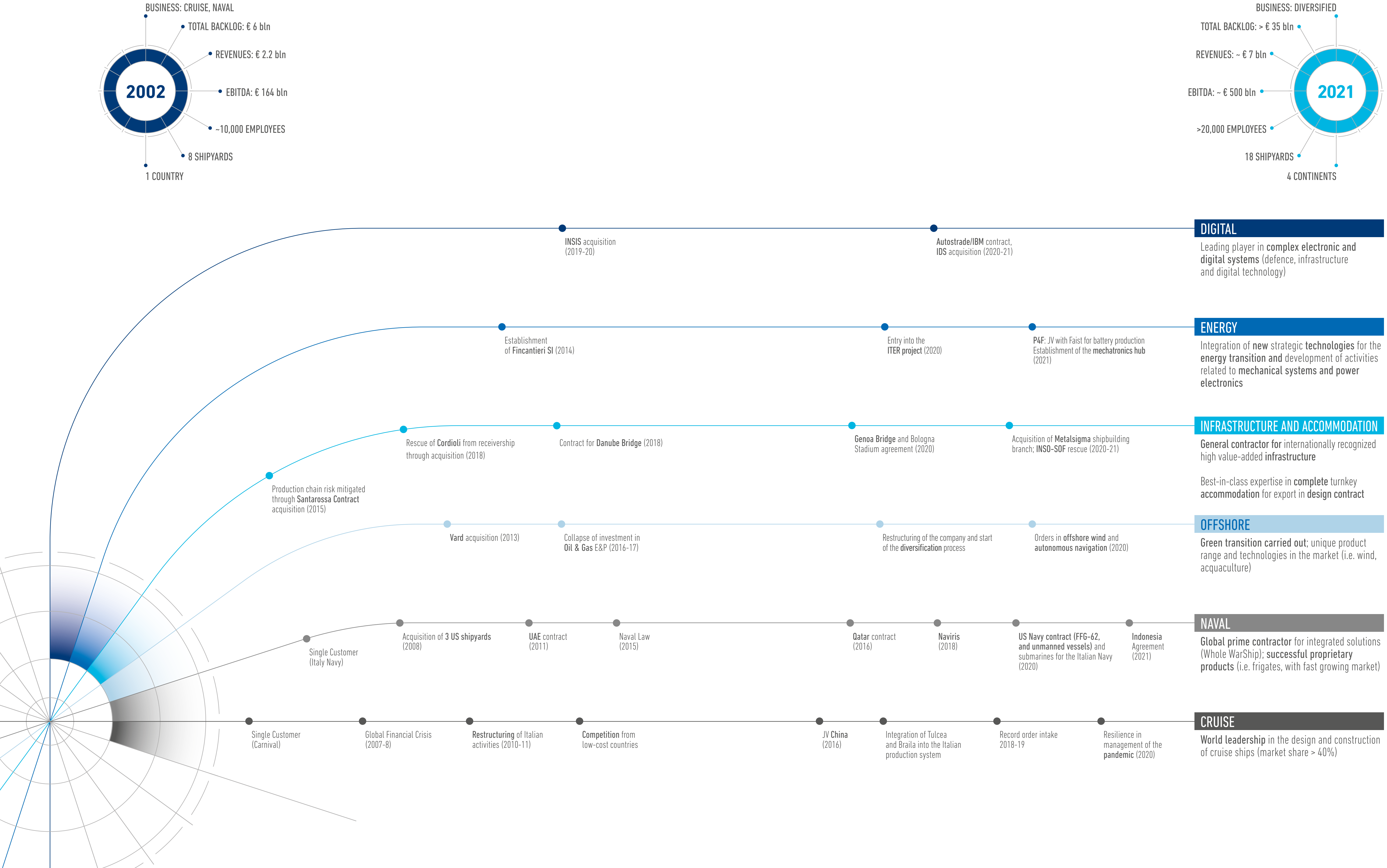
Growth was subsequently supported by a number of selected acquisitions, as well as by the formation of Joint Ventures with leading operators in the sector, which allowed entry into new geographical areas and the safeguarding of specific national skills, fully integrated into the Group. This expertise enables us to offer one of the most complex **technological platforms** in the world today.

This path has allowed the Group, thanks also to its strategy of continuous technical growth, to become the world's first player in terms of **diversification and innovation**, a leading player in all high added value segments of the shipbuilding industry and related sectors at sea and around the world. Thanks to the strong global presence established over time, in 2021, more than 87% of revenues were generated by foreign customers.

Fincantieri is a leader in the design and construction of cruise ships, with a market share of more than 40%, and counts among its customers more than twenty brands belonging to the major groups operating in the segment, such as Carnival group, Royal Caribbean, Norwegian Cruise Line and MSC Cruises. In addition, the Group's international growth contributed to the consolidation of its leadership in the naval surface vessels segment, obtaining the role of prime contractor for the US Navy's Constellation programme and winning significant orders from leading navies around the world. In the offshore segment, the transition to the use of green products was completed, enabling the Group to become a market leader in the design and construction of SOVs (Service Operation Vessels) operating in offshore wind farms. This achievement testifies to the Company's commitment and ability to be a player in the green transition.

Fincantieri also continues to demonstrate **its ability to expand and export its technical know-how and skills in managing in complex projects**, and to intercept demand for more sophisticated and advanced products by acting as a key player in all the sectors in which it operates. To this end, new divisions have been created, as a result of the Group's growth through acquisitions and strategic agreements, in the furnishing, infrastructure, mechatronics and electronics and digital sectors.

THE EVOLUTION OF FINCANTIERI GROUP'S STRATEGIC POSITIONING SINCE 2002



SHIPYARDS AND DOCKS

Europe

Italy
Trieste
Monfalcone
Marghera
Sestri Ponente
Genova
Riva Trigoso - Muggiano
Ancona
Castellammare di Stabia
Palermo

Norway
Brattvaag
Langsten
Søviknes

Romania
Braila
Tulcea

Asia

Vietnam
Vung Tau

Americas

Usa
Marinette
Sturgeon Bay
Green Bay

Brazil
Suape

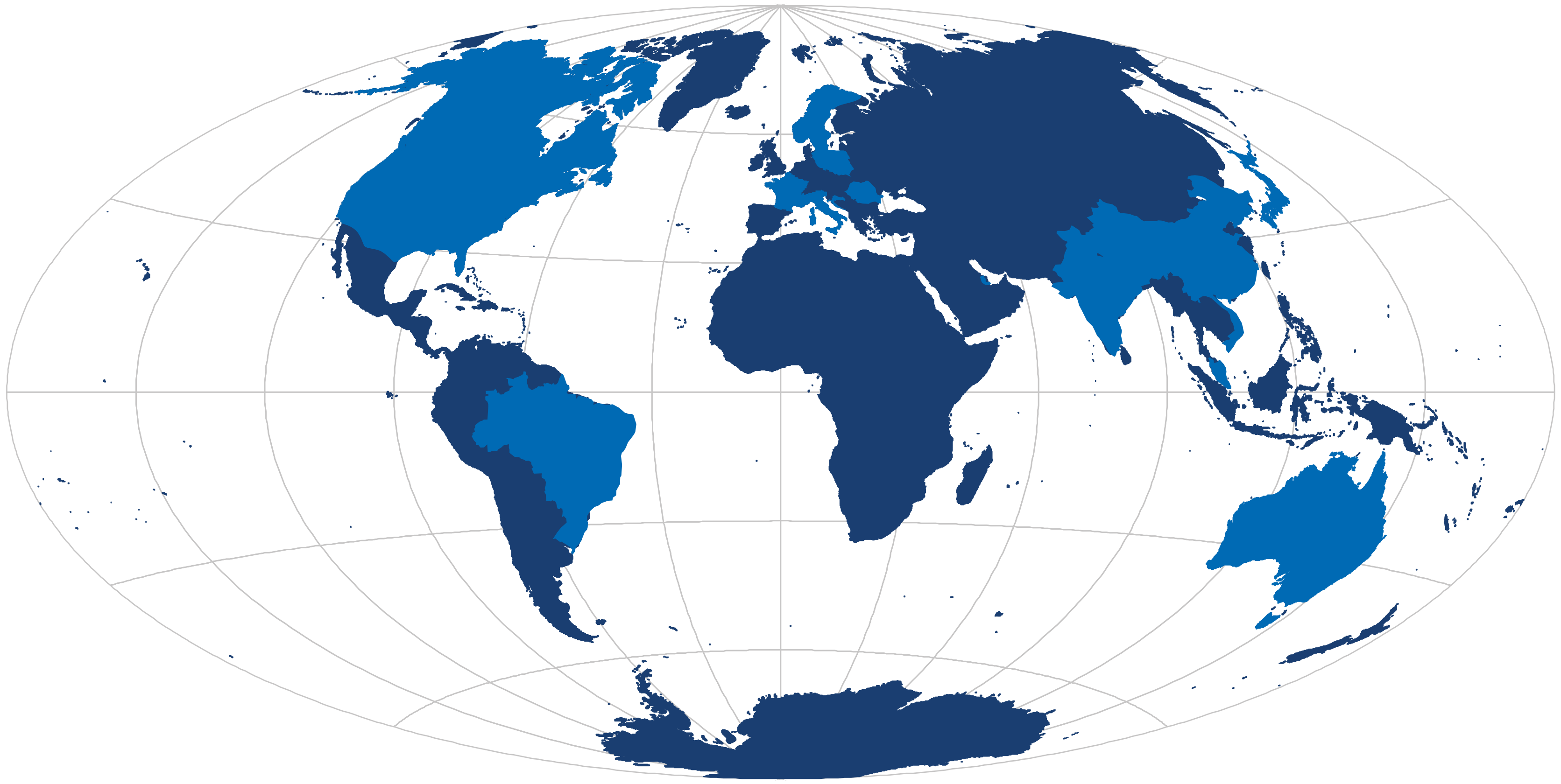
€ 6.9 bln
Revenues

+7,000
Ships designed and built

PRINCIPAL
Western shipbuilder

+230
Years of history

€ 155 mln
Research, development and innovation



18
Shipyards

+20,000
Employees at 31.12.2021
49% other countries | 51% Italy

€ 35.5 bln
Total backlog

1st
Player in diversification and innovation

91
Vessels in order book

+7,000
Suppliers in Italy alone

4
Continents

MAIN SUBSIDIARIES

Europe

Italy
Cetena
Isotta Fraschini Motori
Fincantieri Oil&Gas
Marine Interiors
Marine Interiors Cabins
Fincantieri NexTech
Seanergy A Marine Interiors Company
Fincantieri SI
Fincantieri Infrastructure
Fincantieri Infrastructure Opere Marittime
Fincantieri Infrastrutture Sociali
IDS Ingegneria Dei Sistemi
SOF
Issel Nord
MI
E-Phors
BOP6

Norway
Vard Group
Vard Design
Vard Piping
Vard Electro
Vard Accomodation
Seaonics

Romania
Vard Tulcea
Vard Braila

France
Team Turbo Machines

Croatia
Vard Design Liburna

Sweden
Fincantieri Sweden

Poland
Seaonics Polska

Asia

China
Fincantieri (Shanghai) Trading

India
Fincantieri India
Vard Electrical Installation and Engineering (India)

Qatar
Fincantieri Services Middle East

Singapore
Vard Holdings
Vard Shipholdings Singapore

Japan
FMSNA YK

Vietnam
Vard Vung Tau

Americas

Usa
Fincantieri Marine Group
Fincantieri Marine System North America
Fincantieri Services USA
Fincantieri USA
Fincantieri Infrastructure USA
Fincantieri Infrastructure Wisconsin

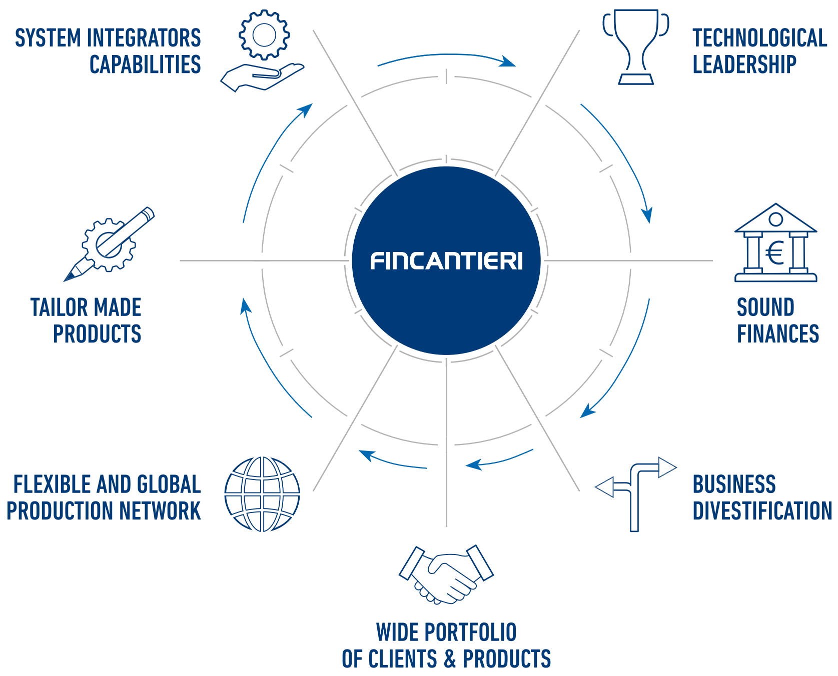
Canada
Vard Marine

Brazil
Vard Promar

Oceania

Australia
Fincantieri Australia

OUR STRENGTHS



Group overview

The Group operates through the following three segments:

- **Shipbuilding**: encompassing the cruise ships and expedition cruise vessels, naval vessels, ferries and mega yacht business areas;
- **Offshore and Specialized vessels**: encompassing the design and construction of high-end offshore support vessels for the Oil & Gas industry and offshore wind farms, specialized ships, vessels for open ocean aquaculture, as well as a range of innovative products in the field of drill ships and semi-submersible drilling rigs;
- **Equipment, Systems and Services** includes the following business areas: i) Services, which includes ship repairs and conversions, logistic support, refitting, training and after-sales services, ii) Complete Accommodation, which includes the fitting out of cabins, public areas, catering, wet units and windows, iii) Electronics, Systems and Software, which focuses on advanced technological solutions, from the design and integration of complex systems (system integration) to telecommunications and critical infrastructure, iv) Mechatronics, i.e., integration of mechanical components and power electronics in naval and onshore applications and v) Infrastructure, which includes the design, construction and installation of steel structures for large-scale projects as well as the production and construction of maritime works and the supply of technology and facility management for the health segment, industry and the service sector.

It should be noted that, starting from 2021, the activities of Vard Electro and Seaonics have been reallocated from the Shipbuilding and Offshore and Specialized vessels segments to the Equipment, Systems and Services segment, respectively, and the comparative figures at 31 December 2020 have been restated accordingly.
The structure of the Fincantieri Group and overview of the companies included in its consolidation will now be presented.

Group overview

SEGMENTS

SHIPBUILDING | OFFSHORE AND SPECIALIZED VESSELS | EQUIPMENT, SYSTEMS AND SERVICES | OTHER

BUSINESS AREAS – PRODUCT PORTFOLIO

CRUISE SHIPS
- Contemporary
- Premium
- Upper Premium
- Luxury
- Exploration/Niche
- Expedition cruise vessels

NAVAL VESSELS
- Aircraft carriers
- Destroyers
- Frigates
- Corvettes
- Patrol vessels
- Amphibious ships
- Logistic support ships
- Multirole and research vessels
- Special vessels
- Submarines

OTHER
- Mega-yacht > 70 m
- Ferries

OFFSHORE AND SPECIALIZED VESSELS
- Drilling units
- Offshore support vessels (AHTS-PSV-OSCV)
- Special vessels
- Fishery/Aquaculture
- Wind offshore

SERVICES
- Ship repairs
- Refitting
- Refurbishment
- Conversions
- Product lifecycle management:
  - Integrated logistic support
  - In-service support
  - Refitting
  - Conversions
- Training and assistance

COMPLETE ACCOMMODATION
- Cabins
- Public areas
- Catering
- Wet units
- Glazing
- Refrigerated counters

ELECTRONICS, SYSTEMS AND SOFTWARE
- Design and integration of complex systems (system integration) with a focus on automation
- Cyber security
- Telecommunications
- Critical infrastructures

MECHATRONICS
Energy generation/storage systems:
- Electrical, electronic and electromechanical integrated systems Entertainment systems
- Stabilization, propulsion, positioning and power generation systems
- Steam turbines

INFRASTRUCTURE
Design, construction and assembly of steel structures on large projects such as:
- Bridges
- Viaducts
- Airports
- Ports
- Maritime/hydraulic works
- Large commercial and industrial buildings

CORPORATE FUNCTIONS
Strategic direction and coordination:
- Governance, Legal and Corporate Affairs
- Accounting and Finance
- Human Resources
- Information Systems
- Research & Innovation
- Purchasing

MAIN SUBSIDIARIES/ASSOCIATES/JOINT VENTURES

Shipbuilding

FINCANTIERI S.p.A.
- Monfalcone
- Marghera
- Sestri Ponente
- Cantiere Integrato Navale Riva Trigoso e Muggiano
- Ancona
- Castellammare di Stabia
- Palermo

Vard Group AS
- Søviknes

Vard Tulcea SA
- Tulcea

Vard Braila SA
- Braila

Vard Accommodations AS

CSSC - Fincantieri Cruise Industry Development Ltd.

Fincantieri Marine Group Holdings Inc.

FMG LLC
- Sturgeon Bay

Marinette Marine Corporation LLC
- Marinette

ACE Marine LLC
- Green Bay

Fincantieri India Pte Ltd.

Fincantieri USA Inc.

Fincantieri Australia PTY Ltd.

Fincantieri (Shanghai) Trading Co. Ltd.

Etihad Ship Building LLC

Orizzonte Sistemi Navali S.p.A.

Naviris S.p.A.

Offshore and specialized vessels

FINCANTIERI S.p.A.

Fincantieri Oil&Gas S.p.A.

Vard Group AS
- Brattvaag
- Langsten

Vard Promar SA
- Suape

Vard Vung Tau Ltd.
- Vung Tau

Vard Design AS

Vard Piping AS

Vard Marine Inc.

Services

FINCANTIERI S.p.A.
- Arsenale Triestino San Marco
- Bacino di Genova

FMSNA Inc.

Fincantieri Services Middle East LLC

Fincantieri Services USA LLC

Fincantieri Services Doha LLC

Complete accommodation

Marine Interiors Cabins S.p.A.

Marine Interiors S.p.A.

Seanergy a Marine Interiors company S.r.l.

MI S.p.A.

Electronics, systems and software

Fincantieri NexTech S.p.A.

Issel Nord S.r.l.

Cetena S.p.A.

E-PHORS S.p.A.

IDS Ingegneria Dei Sistemi S.p.A.

Mechatronics

FINCANTIERI S.p.A.
- Riva Trigoso

Isotta Fraschini Motori S.p.A.

Fincantieri SI S.p.A.

Power4Future S.p.A.

FINMESA S.c.a.r.l.

Vard Electro AS

Seaonics AS

Team Turbo Machines S.A.S.

Infrastructure

Fincantieri Infrastructure S.p.A.

Fincantieri Infrastructure Opere Marittime S.p.A.

Fincantieri Dragaggi Ecologici S.p.A.

BOP6 S.c.a.r.l.

Fincantieri Infrastructure USA Inc.

Fincantieri Infrastructure Wisconsin Inc.

Fincantieri Infrastructure Florida Inc.

Fincantieri Infrastrutture Sociali S.p.A.

SOF S.p.A.

Corporate functions

FINCANTIERI S.p.A.

GROUP REPORT ON OPERATIONS

Highlights

FINANCIAL-ECONOMIC RESULTS

- **REVENUES AND INCOME**[1] AT EURO **6,662** MILLION, +28.3% COMPARED TO 2020 (EURO 5,191 MILLION)
- **EBITDA**[2] **AT A RECORD LEVEL** OF EURO **495** MILLION (+57.4% COMPARED TO 2020) AND **EBITDA MARGIN AT 7.4%**, EXCLUDING PASS-THROUGH ACTIVITIES (COMPARED TO 6.1% 2020), NOTWITHSTANDING INCREASED COMMODITY PRICES
- **GROUP ADJUSTED NET INCOME**[3] AT EURO **92** MILLION (NEGATIVE AT EURO 42 MILLION IN 2020)
- **GROUP NET INCOME** AT EURO **22** MILLION (NEGATIVE AT EURO 245 MILLION IN 2020) NET OF ASBESTOS-RELATED CLAIMS (EURO 55 MILLION) AND COVID-19 RELATED COSTS (EURO 30 MILLION) **PARENT COMPANY NET INCOME** POSITIVE FOR EURO **125** MILLION (EURO 1 MILLION IN 2020)
- **NET FINANCIAL DEBT**[4], AT EURO € **859** MILLION (EURO 1,062 MILLION AT 31 DECEMBER 2020), DECREASED DESPITE THE SURGE IN PRODUCTION VOLUMES AND THE INVESTMENTS CARRIED OUT IN THE YEAR, THANKS TO THE POSITIVE PERFORMANCE OF THE CRUISE SEGMENT, WITH DELIVERIES FULLY IN LINE WITH SCHEDULE AND COST FORECASTS

OPERATIONAL PERFORMANCE

- **TOTAL BACKLOG**[5] **115 SHIPS**, EURO **35.5** BILLION OR 5.3 TIMES REVENUES 2021[1] REVENUES, OF WHICH:
  - **BACKLOG**: EURO **25.8** BILLION AND **91** SHIPS FOR DELIVERY **UNTIL 2029**
  - **SOFT BACKLOG** AT APPROX. EURO **9.7** BILLION
- **RECORD-HIGH PRODUCTION VOLUMES** LED BY THE HEFTY BACKLOG AND ON TIME DELIVERY SCHEDULE, FOR A TOTAL AMOUNT OF **16.4 MILLION PRODUCTION HOURS** VS 13.1 MILLION IN 2020 AND 15.6 MILLION IN 2019
- **19 SHIPS** DELIVERED FROM **12 SHIPYARDS**
- **CAPITAL EXPENDITURE** AMOUNTING TO **EURO 358 MILLION** TO ENHANCE THE PRODUCTIVE EFFICIENCY OF ITALIAN AND FOREIGN SHIPYARDS AND IMPROVE TECHNOLOGICAL STANDARDS
- **OFFSHORE WIND** - VARD CONFIRMS ITS POSITION AS **MARKET LEADER** FOR BOTH ORDER INTAKE AND CLIENT DIVERSIFICATION IN SERVICE OPERATION VESSELS PRODUCTION

STRATEGIC INITIATIVES

- **COLD IRONING**: AGREEMENT WITH **ENEL X** FOR THE CONSTRUCTION AND MANAGEMENT OF PORT INFRASTRUCTURE WITH A LOW ENVIRONMENTAL IMPACT AND FOR THE ELECTRIFICATION OF ONSHORE LOGISTICS ACTIVITIES
- **GREEN TRANSITION**: **POWER4FUTURE** SET UP TO PRODUCE LITHIUM-ION BATTERIES, CONTRIBUTING TO THE DECARBONIZATION OF ITALY
- **CONNECTED VEHICLES AND SMART ROADS**: AGREEMENT WITH **ALMAVIVA** FOR THE DIGITALIZATION OF THE TRANSPORT AND LOGISTICS SECTOR, AS WELL AS A 2022 AGREEMENT WITH **ALMAVIVA** AND **LEONARDO** TO ENHANCE THE SECURITY OF ITALY'S INFRASTRUCTURE
- **INDUSTRIAL AUTOMATION**: AGREEMENT WITH **COMAU** TO DEVELOP SOLUTIONS FOR ROBOTIC WELDING
- **HYDROGEN-POWERED SHIPS**: AGREEMENT WITH **MSC** AND **SNAM** FOR A FEASIBILITY STUDY TO EXAMINE THE REQUIREMENTS FOR BUILDING THE **WORLD'S FIRST HYDROGEN-POWERED CRUISE SHIP**
- **GREEN HYDROGEN**: MEMORANDUM OF UNDERSTANDING SIGNED WITH **ENEL GREEN POWER ITALIA** TO IDENTIFY POSSIBLE SOLUTIONS FOR THE PRODUCTION, SUPPLY, MANAGEMENT AND USE OF GREEN HYDROGEN FOR PORT AREAS AND LONG-RANGE MARITIME TRANSPORT.
- **EUROPEAN DEFENCE**: AGREEMENT SIGNED WITH **NAVANTIA** TO STRENGTHEN COLLABORATION IN THE NAVAL AND MARITIME SECTOR IN THE EUROPEAN DEFENCE SECTOR AND **BID FOR THE MODULAR AND MULTIROLE PATROL CORVETTE** (MMPC) SUBMITTED BY THE CONSORTIUM FORMED BY FINCANTIERI, NAVAL GROUP AND NAVANTIA

SUSTAINABILITY

- **COMPANY CRÈCHE** PROGRAMME KICKS OFF, CONFIRMING THE COMPANY'S COMMITMENT AND ATTENTION TO THE WELL-BEING OF ITS PEOPLE
- **SUSTAINABLE FINANCE**: FIRST TRADE FINANCE CREDIT FACILITY CONCLUDED TO SUPPORT A GREEN PROJECT FOR THE CONSTRUCTION OF A VESSEL TO OPERATE IN OFFSHORE WIND FARMS AND FIRST SUSTAINABILITY-LINKED CONSTRUCTION LOAN AGREED FOR THE CONSTRUCTION OF A CRUISE SHIP
- **CDP** (FORMERLY THE CARBON DISCLOSURE PROJECT) AWARDED THE GROUP AN A- RATING (ON A SCALE FROM A, THE HIGHEST RATING, TO D) FOR ITS COMMITMENT TO COMBATING CLIMATE CHANGE
- FOR THE FIRST YEAR, **SUSTAINALYTICS**, A MORNINGSTAR SUBSIDIARY SPECIALIZING IN ESG RISK MANAGEMENT, HAS PLACED FINCANTIERI IN THE "LOW RISK" BRACKET AND IN 6TH PLACE OUT OF 121 COMPANIES IN THE HEAVY MACHINERY AND TRUCKS CATEGORY
- **UNIVERSUM** HAS RANKED FINCANTIERI IN FIRST PLACE FOR THE THIRD CONSECUTIVE YEAR AS "ITALY'S MOST ATTRACTIVE EMPLOYER" AMONG COMPANIES IN THE "MANUFACTURING, MECHANICAL AND INDUSTRIAL ENGINEERING" SECTOR
- **GREEN STAR 2021**: FINCANTIERI IS 1ST PLACE IN ITALY IN THE "ENGINEERING, CONSTRUCTION AND INFRASTRUCTURE" SEGMENT FOR ITS COMMITMENT TO THE GREEN ECONOMY ACCORDING TO THE GERMAN INSTITUTE OF QUALITY AND FINANCE (ITQF)
- **EXCELLENCE IN SAFETY AWARD**: SHIPBUILDERS COUNCIL OF AMERICA (SCA) AWARDED FINCANTIERI MARINETTE MARINE THE "EXCELLENCE IN SAFETY AWARD" AND FINCANTIERI BAY SHIPBUILDING (STURGEON BAY) THE "IMPROVEMENT IN SAFETY AWARD" FOR THE HEALTH AND SAFETY OF THE TWO SHIPYARDS

[1] Excluding revenues from pass-through activities of euro 249 million.
[2] This figure does not include extraordinary and non-recurring income and expenses; see the description contained in the section Alternative Performance Measures.
[3] Profit/(loss) for the period before extraordinary and non-recurring income and expenses.
[4] This figure does not include construction loans and does include non-current financial receivables.
[5] Sum of backlog and soft backlog.

Key financials

(euro/million)

		31.12.2021		31.12.2020	
ECONOMIC DATA		**Group**	**FINCANTIERI S.p.A.**	**Group**	**FINCANTIERI S.p.A.**
Revenue and income		6,911	5,238	5,879	4,391
Revenue and income excluding pass-through activities[1]		6,662	4,989	5,191	3,703
EBITDA[2]		495	469	314	281
EBITDA margin*		7.2%	9.0%	5.3%	6.4%
EBITDA margin* excluding pass-through activities[1]		7.4%	9.4%	6.1%	7.6%
Adjusted profit/(loss) for the year [3]		92	186	(42)	155
Extraordinary and non-recurring income and (expenses)		(90)	(80)	(258)	(203)
Profit/(loss) for the year		22	125	(245)	1
Group share of profit/(loss) for the year		22	-	(240)	-
FINANCIAL DATA		**Group**	**FINCANTIERI S.p.A.**	**Group**	**FINCANTIERI S.p.A.**
Net invested capital		1,693	2,221	1,839	2,540
Equity		834	1,771	777	1,635
Net financial position[4]		(859)	(450)	(1,062)	(905)
OTHER INDICATORS		**Group**	**FINCANTIERI S.p.A.**	**Group**	**FINCANTIERI S.p.A.**
Order intake**		3,343	940	4,526	2,969
Order book**		36,339	27,427	36,770	30,704
Total backlog** / ***		35,519	25,742	35,681	27,225
- of which backlog**		25,819	19,942	27,781	23,953
Capital expenditures		358	155	309	193
Research and development costs		155	124	144	113
Employees at the end of the period	number	20,774	8,806	20,150	8,510
Vessels in order book	number	91	49	97	57

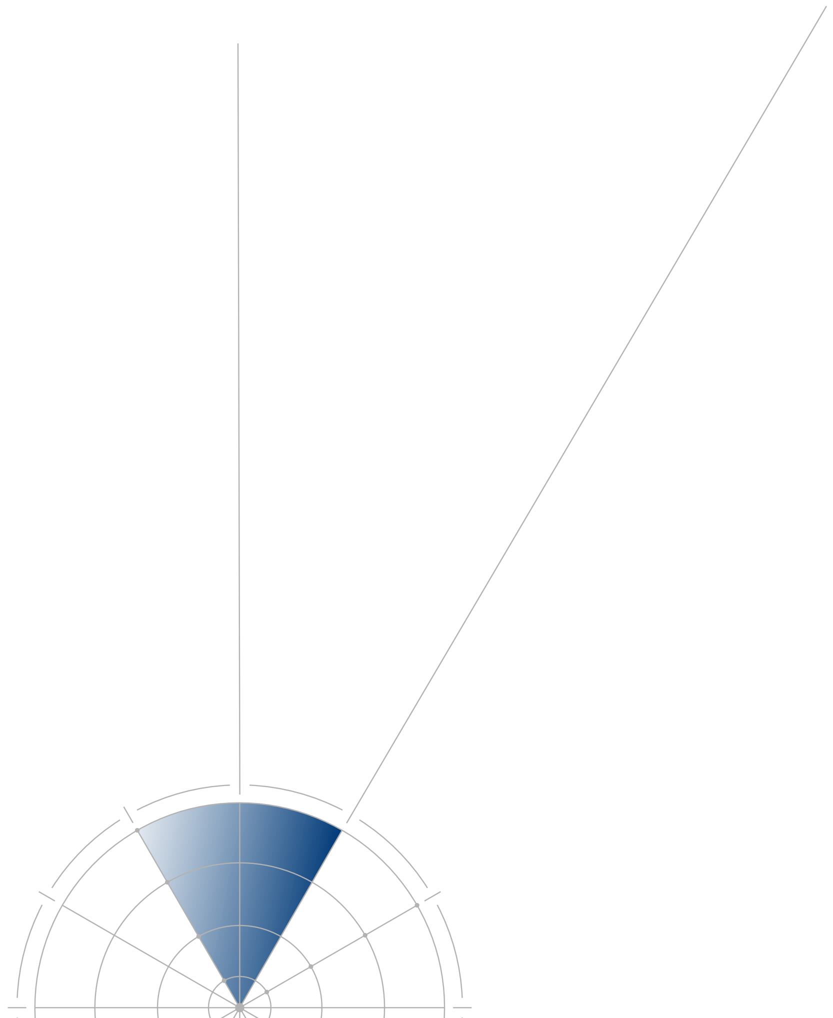
* Ratio between EBITDA and Revenue and income.
** Net of eliminations and consolidation adjustments.
*** Sum of backlog and soft backlog.
[1] See the definition contained in the section Alternative Performance Measures.
[2] This figure does not include extraordinary and non-recurring income and expenses, including expenses from the impact of the spread of COVID-19; see the definition contained in the section Alternative Performance Measures.
[3] Profit/(loss) for the period before extraordinary and non-recurring income and expenses. See the definition contained in the section Alternative Performance Measures.
[4] This figure does not include construction loans and it includes non-current financial receivables. See the definition contained in the section Alternative Performance Measures.
The percentages contained in this report have been calculated with reference to amounts expressed in euro/thousands.

Overview

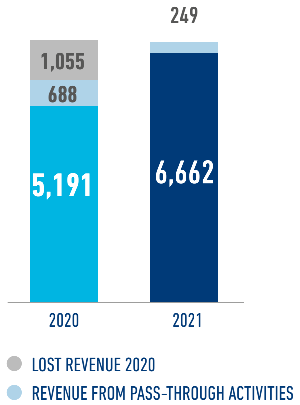
The excellent economic, operational and commercial performances recorded in 2021 and the measures taken promptly by Fincantieri to respond to the pandemic once again confirm the effective and far-sighted strategy of diversification and innovation adopted by the Group, which is capable of achieving particularly positive results in terms of production and economic efficiency. These results exceed the expectations set out in the guidance provided for 2021 and highlight the Group's ability to recover well beyond the volumes lost in 2020, achieving **record-high levels of margins and production** during the year.

Fincantieri maintains its **leadership** in the design and construction of **cruise ships**, while in the **naval business area** it plays a **key role** by acquiring new customers, forging important partnerships with a view to consolidating European defence and guaranteeing a delivery plan up to 2029. The Group's client portfolio includes major global cruise brands, as well as being a supplier of ships for the Italian Navy, the US Navy, and numerous international navies in the defence segment. In addition to the area in which it traditionally operates, Fincantieri has strengthened its position in the Offshore and Specialized vessels segment, confirming its position as market leader in the construction of SOVs (Service Operation Vessels), specialized vessels for the offshore wind sector.

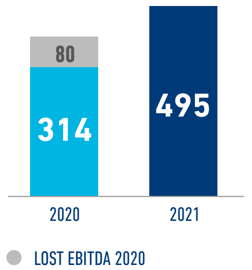
The Group also continues to **expand and spread its know-how in strategic sectors for the Country**, leveraging on its wealth of engineering, project management and complex project integration skills, acquired in the execution of projects such as cruise ships. With this in mind, numerous agreements and partnerships were signed during the year with leading companies in their sectors, in order to collaborate on projects related to, among others, energy and green transition, circular economy, sustainable mobility, digitalization and innovation within Italy.



Financial results

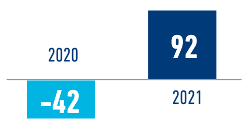


Revenues, at **euro 6,662 million**, excluding pass-through activities of euro 249 million, are **up 28.3%** compared to 2020, in line with the growth trend of 25-30% predicted in the guidance communicated to the market. The results, the best ever, highlight the **positive performance in all the sectors** in which Fincantieri operates. Growth was driven by the Shipbuilding segment, which recorded record production volumes in the Group's Italian shipyards, thanks to the strategy put in place that allowed a rapid recovery of production activities in response to the effects of the pandemic and to the support of the Romanian shipyard for cruise ship construction.

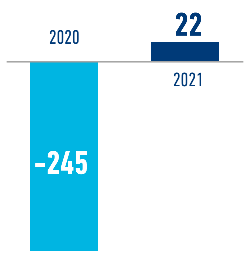


EBITDA[5] at **record-high levels**, amounting to **euro 495 million**, benefited on the one hand from the **higher production volumes** that completely recovered the contribution lost in 2020 due to the effects of the pandemic, and on the other from the **improved margins** with an **EBITDA margin of 7.4%**[6], thanks to the production efficiency achieved through a revision of design and production processes, which more than offset the effects of increased raw material prices.

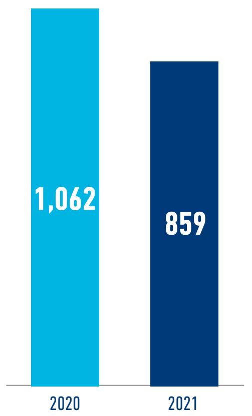
[5] This figure does not include extraordinary and non-recurring income and expenses, including expenses from the impact of the spread of COVID-19; see the definition contained in the section Alternative Performance Measures.
[6] Excluding pass-through activities.



Adjusted net income is positive at euro 92 million (negative at euro 42 million as of 31 December 2020) after deducting amortization at euro 206 million, finance income/costs and income/expenses from investments at euro 119 million and taxes at euro 78 million.



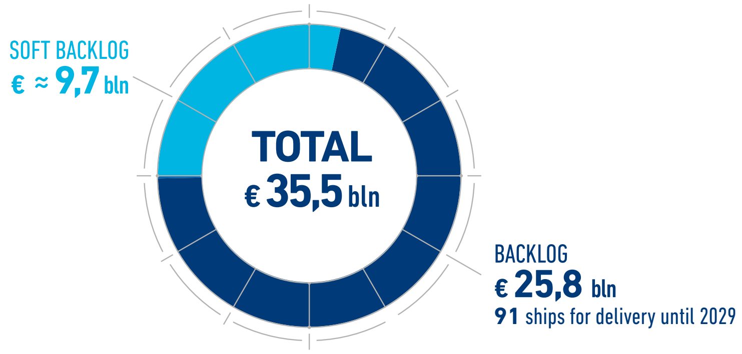
Profit for the year is positive at euro 22 million (loss of euro 245 million at 31 December 2020) after deducting asbestos-related litigation costs of euro 55 million, and costs relating to the spread of COVID-19 of euro 30 million. **Parent Company net income** positive at **euro 125** million (euro 1 million in 2020).



Net financial debt[7], amounting to **euro 859 million** (€1,062 million at 31 December 2020) reflects the positive performance of the cruise business with deliveries fully in line with the production schedule and expenditure forecasts. The result fully exceeded expectations for the year, settling at a lower level than the previous year, thanks to the receipts for the delivery of six cruise ships in the second half of the year.

[7] This figure does not include construction loans and it includes non-current financial receivables. See the definition contained in the section Alternative Performance Measures.

Operational performance



In 2021 the Group fully respected the delivery schedule planned at the beginning of the year, with a **record number of 15 deliveries from shipyards in the Shipbuilding segment** including eight cruise ships and seven naval vessels, out of a total of 19 ships, with eight cruise ships, two expedition cruise ships, seven naval vessels, one cable layer and one fishery vessel.
The **backlog**, at approximately euro 25,819 million at 31 December 2021, reflects the Group's business capacity, with the conversion of a portion of the soft backlog into firm orders, and the effectiveness of its strategy to support shipowners. Mention should also be made of the debt holiday on export financing granted to shipowners, provided they confirm existing orders. This measure was originally due to expire on 31 March 2021 but has been extended for another 12 months and envisages the suspension of repayment of the capital instalments and the consequent reshaping of the repayment plan over the subsequent four years.
In the Defence sector, the reputation built up and consolidated by the Group over time and its development of cutting-edge products that meet the growing needs of the market have made it a global player. Fincantieri has been chosen once again, through its US subsidiary Fincantieri Marinette Marine, as a partner of the US Navy. A year after awarding the contract to design and build the flagship vessel of the **FFG-62 "Constellation"** program, the US Navy has once again confirmed its confidence in the Group's US shipyards by exercising the option for the second of the ten frigates in the contract awarded to FMM, as prime contractor, in 2020.
Fincantieri's design capability, combined with its high product versatility, has led to the signing of the contract for the supply of six FREMM class frigates with **the Indonesian Ministry of Defence**. The agreement envisages Fincantieri as a prime contractor playing an extremely important role in strengthening cooperation in a strategic area of Southeast Asia.
Cooperation between Fincantieri and the **Italian Navy** continues. The Group was awarded a contract for the construction of a second Logistic Support Ship (LSS) by OCCAR, the Organisation for Joint Armament Cooperation, for the Italian Navy fleet. The order also includes the provision of lifecycle support for the unit over the first ten years, including logistics and service support. The contract was formalized at the end of December 2021.

In the **Offshore and Specialized vessels segment**, VARD is strengthening its position in the renewable energy sector, where it has achieved the role of **market leader**, with eight new orders for the construction of Service Operation Vessels (**SOVs**). In addition, in early 2022 a contract was signed to build six remote control vessels for the customer Ocean Infinity, whose fleet of remotely controlled "Armada" vessels will expand to 23 ships, making it the largest in the world.
Constantly working in complex, high value-added projects has enabled Fincantieri to make use of its skills in **areas other than shipbuilding**. Fincantieri Infrastructure has been awarded the contract for the construction of the new **cruise terminal in Miami**, Florida, for the MSC Cruises group.

Strategic initiatives

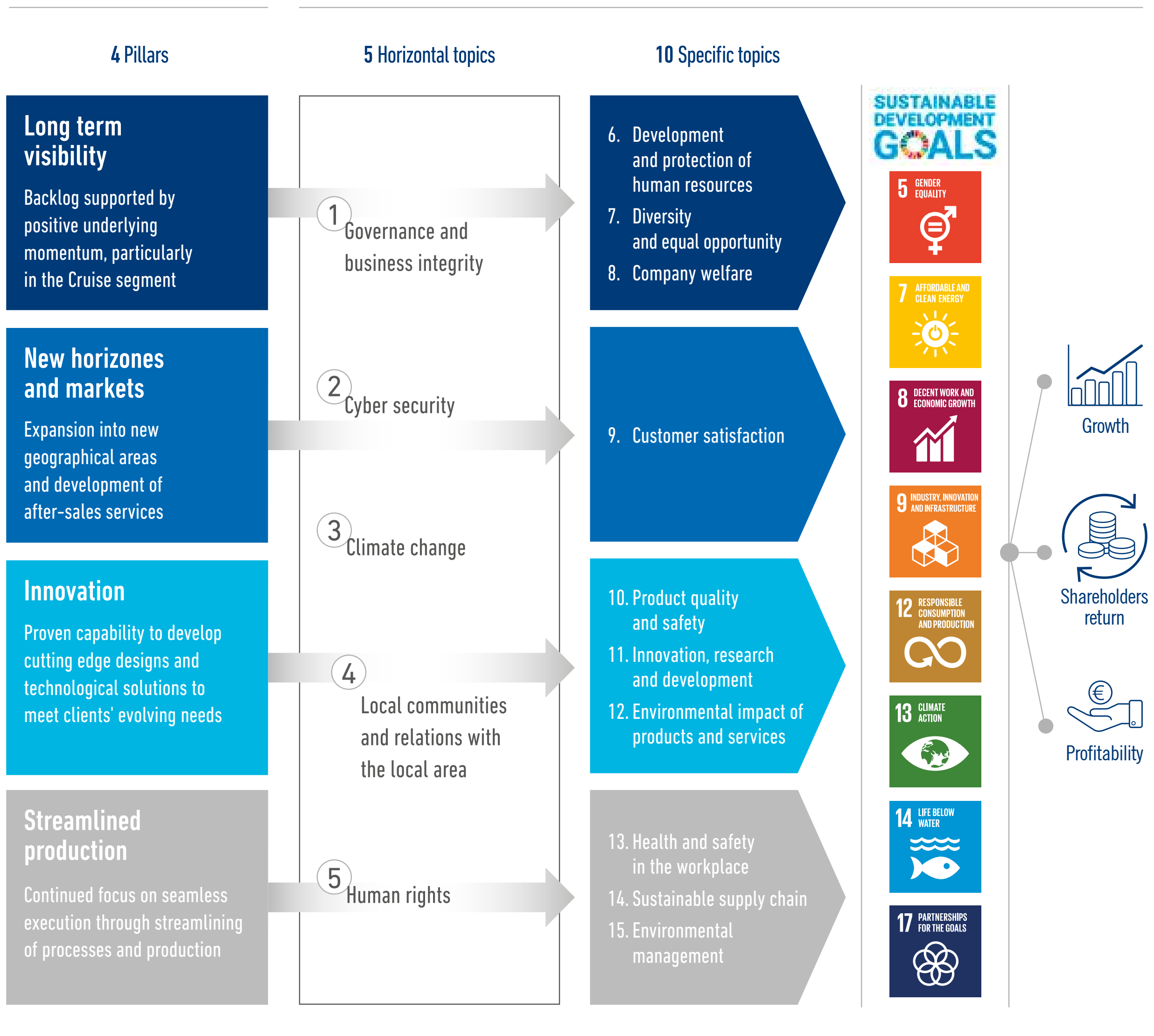
Key aspects on which Fincantieri can play a key role include sustainable mobility, the circular economy and the green transition, digitalization and innovation. As evidence of the Group's profound commitment in this area, numerous agreements have been signed during the year, including the MoU with **MSC and SNAM** for a feasibility study on the design and construction of the **world's first hydrogen-powered cruise ship**, which would enable zero-emission operations in specific navigation areas, as well as the development of the related infrastructure for hydrogen storage. Sustainable mobility is in fact focussed on green hydrogen as a long-term solution for zero emissions from ships, not only while sailing but also while in port. As proof of this, agreements have been signed with **Enel Green Power** for the study of a joint solution for the **production of hydrogen from renewable sources** that can be used in ports, and with **Enel X** for the construction and management of port infrastructures with a low environmental impact and for the electrification of quays for onshore logistics activities, known as **Cold Ironing**.
The partnership initiated in 2020 between **Fincantieri NexTech, Autostrade and IBM** is continuing, aimed at the implementation, marketing and joint maintenance of a new-generation system for monitoring **motorway infrastructure** and keeping it safe.
As part of the circular economy and the green transition, Fincantieri signed an agreement with **ArcelorMittal** and **Paul Wurth Italia** in 2021 for the reconversion of the entire production cycle of the **Taranto steelworks** using environmentally friendly technologies. The Memorandum of Understanding with Eni instead aims to promote initiatives focussed on the energy transition, by identifying a system of integrated solutions for decarbonization projects in the fields of energy, transport and the circular economy.
Fincantieri also recognizes the enormous potential represented by batteries for energy transition and electrification, which is why the **JV Power4Future** has been set up by the Group's subsidiary Fincantieri SI and Faist Electronics. The construction of a site for the production of **lithium-ion batteries** for industrial use is planned, followed by the design, assembly, marketing and after-sales services relating to battery modules and groups.
Digitalization, research and innovation are other key aspects that are part of the Group's long-term strategy of extending its expertise, offering increasingly sophisticated, innovative and environmentally friendly solutions to complex problems. In this regard, an agreement has been signed with **Almaviva** to support the process of **digitalization** of the **transport** and **logistics** segment, promoting a mobility system that is closer to the new needs for moving people and goods, with a special focus on environmental impact and safety.
A letter of intent has been signed with **Comau** for the development of **prototype robotic solutions** in shipyards for the welding of the hull, to be subsequently extended to the infrastructure sector.
In the European Defence sector, **Fincantieri**, **Naval Group**, through the **Naviris** joint venture, and **Navantia** have strengthened their collaboration in the naval defence segment by submitting a bid to the European Defence Fund (EDF) for the Modular Multirole Patrol Corvette (MMPC) program. The objective of the proposal is to maximize synergies and cooperation between European shipbuilding industries by jointly developing a new vessel, **European Patrol Corvette** (EPC), the most important naval initiative within the Permanent Structured Cooperation (PESCO).

On the financial front, Fincantieri finalized the first **trade finance credit facility** in support of a green project for the construction of a green cable layer vessel intended to operate in offshore wind farms and equipped with advanced technologies aimed at reducing polluting gas emissions both during operations and in port.
The Group has also signed a **sustainability-linked construction loan** with **Intesa Sanpaolo** and **Cassa Depositi e Prestiti**, linked to the achievement of the objectives in the Sustainability Plan. This is the first transaction of its kind for the Company, demonstrating the ongoing search for effective tools to support our all-round vision of business.
Fincantieri thus continues to demonstrate its **ability to anticipate megatrends** and explore previously uncharted routes, playing the role of first-player in the arena of technological innovation and sustainability.
Demonstrating the breadth and integrity of its strategy, Fincantieri has received numerous environmental, social and governance awards.

Sustainable strategy

During 2021 Fincantieri demonstrated once again its full ability to leverage the skills acquired in the shipbuilding industry and the strong industrial culture developed over the last twenty years to continue on the path of a sustainable strategy.
Our strategy is based on pillars that include the desire to contribute to creating sustainable value for all our stakeholders, a deep-rooted heritage of engineering and cross-disciplinary project management skills and an industrial culture that focuses on **technological innovation and people**, our greatest asset. Based on our leadership in the shipbuilding segment, where we have one of the most diversified product portfolios in the world with a large customer base and a solid backlog, adopting a strategy of internationalization and diversification over the years, extending our expertise into areas with high technological content and value added.
This approach has allowed us to create a complex **technological platform** capable of integrating different systems and components that are increasingly innovative and able to offer advanced and sustainable solutions in order to increase competitiveness and improve efficiency and effectiveness.
With a view to sustainable business and in line with stakeholder expectations, Fincantieri has set itself specific objectives. In particular, our commitment to **combating climate change** is based on three principles: reducing the impacts directly generated by our activities, developing environmentally sustainable products and services, and establishing and strengthening cooperation with institutions, partners and companies.
The strategic direction adopted has made Fincantieri a cross-functional organization with skills capable of embracing different areas, playing a leading role in the transition to a new production and energy context.
Through an integrated strategy, the Group has set the goal of achieving **economic, financial and production sustainability** through better management of environmental, social, intellectual and human resources. This is why the important (material) topics for the Group have been integrated into its business strategy and why the Fincantieri Group's Sustainability Plan has been implemented. In the path towards the creation of sustainable value, **priority guidelines common to all** business **segments** have been identified, combining them with the **15 sustainability topics**, as well as the **8 sustainable development objectives** that the Group has recognized as relevant to its business and consistent with its strategic guidelines. The **common guidelines** (long-term visibility, new horizons and markets, innovation and lean production) are not only the building blocks of the Group's strategy, but also guarantee that the commitments undertaken by Fincantieri are observed and contribute to attaining the United Nations Sustainability Development Goals (SDGs). The Group has wanted to highlight a strong intention to be a responsible and ethical organization, whose policies are aimed at generating and distributing increasing resources to all stakeholders and with a commitment that is first and foremost shown in the **sustainable management of business**. This sustainable strategy represents an essential enabling factor capable of responding to the challenges posed by the market and helps to guarantee a high level of resilience, the medium-long term development of the Group and the creation of value.

STRATEGIC ORIENTATIONS AND SUSTAINABILITY



At the heart of Fincantieri's approach, research, technological innovation, management of natural resources, the fight against climate change, the respect and preservation of all people are the enabling factors for sustainable and inclusive development, in accordance with the objectives of the United Nations 2030 Agenda and the commitments made by the Group.

ENVIRONMENT

In terms of **environmental responsibility and the fight against climate change**, in 2021 the Group continued its efforts to monitor and reduce the environmental impacts directly generated by its activities, to contribute to limiting global warming through increasingly ecosustainable products and services, and to contribute to research to improve the analysis and management of risks associated with climate change. To achieve these goals, during the year Fincantieri maintained the supply of electricity from renewable sources at a level of over 80% (84% at Group level), developed new technologies capable of reducing emissions and entered into important partnerships with other leading industrial players in the country aimed at protecting the national interest and promoting a low carbon economy. In particular, work began on the first ship in the new liquefied natural gas class for Princess Cruises, a Carnival Corporation brand, and work continued on Zeus, the world's first experimental fuel cell-powered vessel.

SOCIAL

In the **social** sphere, Fincantieri has implemented various actions to tackle the pandemic crisis which, unfortunately, cannot yet be considered over. The Company was a forerunner in the employee vaccination campaign and thanks to this, and to the promptness with which it was launched, the Company has been able to effectively protect the health of its staff and that of its suppliers, the Company's true assets. This project culminated in the opening, at the end of December, of a new vaccination centre at the Monfalcone plant, demonstrating how constructive collaboration between public health and the Company can translate into a focus on the local territory. As a guarantee of the Company's commitment to promoting diversity and equal opportunities, as well as attention to its own people, a company crèche programme was launched, which will soon see the opening of the first crèche at the Trieste headquarters. In addition, a gender pay equity survey was conducted and an action plan was drawn up to raise employee awareness of diversity and inclusion. The Group continues to invest in enhancing the value of its human capital, through training and development programmes aimed at guaranteeing the continuous improvement of technical and managerial skills and through a targeted recruitment policy, with particular attention to the hiring of highly motivated young people capable of internalizing an inclusive and change-oriented company culture, able to fully meet the Group's needs.
The year also saw the continuation of supply chain audits to assess and monitor the most critical suppliers in terms of human rights, health and safety and environmental issues.

GOVERNANCE

With regard to **governance**, the Board of Directors of FINCANTIERI S.p.A. approved the Group's fiscal strategy. Already set out in the objectives of the Sustainability Plan for 2021, this strategy is inspired by the principles outlined in the Corporate Governance Code. It is an essential tool to ensure an effective tax risk control system, a crucial factor in guaranteeing the integrity of the Group's assets and preserving its reputation in the interest of all stakeholders.
The Company's focus on cyber security has gradually intensified in response to the ever-increasing complexity and frequency of cyber attacks carried out against companies with national and international strategic importance and to changes in the regulatory framework. For these reasons, in 2021, further impetus was given to the development of Group cybersecurity, through greater centralization of data protection systems, a control model applied to the entire Group and a pervasive technological update programme.

Ratings and awards

CDP (Carbon Disclosure Project)
In 2021, CDP (formerly the Carbon Disclosure Project) awarded the Group an A- rating on a scale from A, the highest rating, to D for its commitment to combating climate change, and an A- rating in the Supplier Engagement Rating (SER), which assesses the effectiveness and degree of supplier engagement on the same issue.

V.E
V.E., an agency that assesses the integration of social, environmental and governance factors within the sustainability arena, has again placed the Group in the highest range (Advanced) of its 2021 ranking. Fincantieri was placed in first place in the "Mechanical Components and Equipment" segment.

S&P Global
S&P Global assessed the Group for the first time in the Corporate Sustainability Assessment (CSA) questionnaire, with a score of 58/100 on 20 December 2021, ranking 24th out of 186 companies in the IEQ Machinery and Electrical Equipment category.

Sustainalytics
Sustainalytics, a Morningstar subsidiary specializing in ESG risk management, has placed Fincantieri, for the first year, in the "Low Risk" bracket and in 6th place out of 121 companies in the Heavy Machinery and Trucks category.

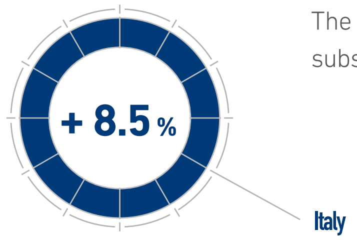
Gaïa Rating
Gaïa Rating, part of the EthiFinance group, has recognized the company's efforts in the ESG area, improving its overall score to 87 points out of 100.

ITQF (German Institute of Quality)
The German Institute of Quality (ITQF) in collaboration with the Institute of Management and Economic Research (IMWF) awarded the "Green Star 2021" seal to Fincantieri, ranking it among Italy's 200 Green Stars and placing it first in the "Engineering, Construction and Infrastructure" segment with a score of 100.

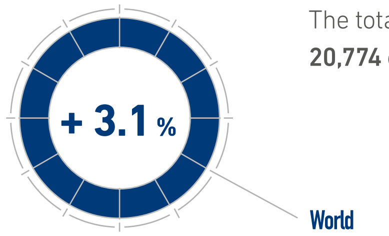
Universum
Universum has ranked Fincantieri in first place for the third consecutive year as "Italy's Most Attractive Employer" among companies in the "Manufacturing, Mechanical and Industrial Engineering" sector, placing it in the overall ranking of the top 30 companies most attractive for university students and young professionals who took degrees in STEM (Science, Technology, Engineering, Math) disciplines.

SCA (Shipbuilders Council of America)
The Shipbuilders Council of America (SCA) awarded Fincantieri Marinette Marine with the "Excellence in Safety Award" and Fincantieri Bay Shipbuilding (Sturgeon Bay) with the "Improvement in Safety Award", two prestigious health and safety awards.

Headcount



The increase is mainly due to the absorption of the workforce of INSO and its subsidiary SOF as well as IDS, acquired during 2021.



The total number of employees increased from 20,150 on 31 December 2020 to **20,774 on 31 December 2021**.

Business outlook

The evolution of reference markets and the Group's performance has been influenced in the last two years by the spread of the COVID-19 pandemic, which has led to: (i) the suspension of cruise activity from March 2020 and a gradual restart from summer 2021, (ii) strong pressure on the liquidity of shipowning companies, supported by the financial markets, export credit agencies, financial institutions, institutional investors and Fincantieri itself, through the granting of payment extensions, (iii) the need to establish even stronger health and safety protocols in the workplace, with consequent impacts on productivity, now fully recovered, as shown by the results for the period and (iv) imbalances in supply and demand in the raw materials markets (i.e. steel).
Specifically, with reference to the cruise business, the rapid recovery of activities is continuing also due to the progressive easing of restrictions, with 264 ships (461 thousand lower berths) in service from 68 brands in March 2022, corresponding to about 75% of the global fleet capacity calculated in lower berths. CLIA's forecasts on the state of the cruise industry suggest that around 100% of fleets will be back in operation by the 2022 summer season. In addition, the major cruise groups are reporting booking levels for the second half of 2022 and for 2023 in line with or above 2019.
Moreover, in the first months of 2022, the Russia-Ukraine conflict provides a further strong element of instability at a geopolitical, economic and financial market level. The macroeconomic effects of this severe crisis, of any further limits on travel and tourism, with possible repercussions for the cruise segment, and of the impact of Western sanctions against Russia are complex and still difficult to estimate in terms of their impact on the value chain of the world economy and international politics.
These events have created, in the short-medium term, a high level of uncertainty with respect to future scenarios, such as a further potential increase in the prices of raw materials and energy, the possible discontinuity of supply chains and production activities, making it impossible to give a precise evaluation, as of today, of the impact on the Group's future performance. The emerging geopolitical scenario may, however, lead in the medium term to a potential positive impact on the entire defence segment as a result of a possible further increase in public spending and the relaunch of a common European plan.
The results achieved by Fincantieri in 2021, however, provide concrete evidence of the effectiveness of the strategic choices made in recent years and the ability to respond to highly critical situations. The maintenance of the large order backlog in the portfolio, the diversification of the business, products and customer base, the investments aimed at making the production process more efficient, the introduction of new technology, and the ability to promptly deal with the health emergency and the strong cohesion shown by management in facing up to the challenges once again demonstrate the Group's solidity and resilience.
In this context, net of the effects of macroeconomic and political uncertainty resulting from the Russia-Ukraine conflict and the continuing health emergency, revenues are expected to grow in 2022, exceeding pre-pandemic estimates, and a consolidation of margins is expected, despite the increase in raw material and energy prices that the Group is experiencing. These results could allow a return to a sustainable dividend policy from 2022 onwards. The net financial position for 2022 is expected to be in line with the year-end figures for 2020.
In the **medium-long term**, net of possible significant effects on global economies due to the conflict in Ukraine as well as further COVID-19 related impacts, Fincantieri remains committed to developing the workload acquired over the years, with deliveries scheduled up to 2029. The Group is also expected to confirm its leadership with the conversion of the soft backlog into orders and the acquisition of further business opportunities in all the areas in which it operates. This growth strategy, aimed at strengthening the Group's positioning in sectors related to shipbuilding, is fundamental to achieve energy transition and the reduction of emissions.
In this context, the Group aims to invest in productive capacity, new technologies, digitalization, and new competencies as well as to adapt the organizational structure in light of the Group's dimensions and its complexity. This is with the aim of continuing its development and further strengthening its competencies, consolidating its competitive advantage within the sector.
For further information, also regarding Fincantieri's multiple sectors, reference should be made to the section below entitled "Business outlook".

Group performance

Order intake, order backlog and deliveries

In 2021, **the Group recorded new orders of euro 3,343 million** compared to euro 4,526 million in 2020, with a book-to-bill ratio (new orders/revenue) of 0.5 (0.8 in 2020). This value was affected by the contraction of the cruise ship market due to the effects of the pandemic, but also showed an excellent result for the Equipment, Systems and Services segment.

(euro/million)

	31.12.2021		31.12.2020 *	
ORDER INTAKE ANALYSIS	Amounts	%	Amounts	%
FINCANTIERI S.p.A.	940	28	2,969	66
Rest of Group	2,403	72	1,557	34
Total	**3,343**	**100**	**4,526**	**100**
Shipbuilding	1,816	54	3,703	82
Offshore and Specialized vessels	508	15	461	10
Equipment, Systems and Services	1,418	43	689	15
Consolidation adjustments	(399)	(12)	(327)	(7)
Total	**3,343**	**100**	**4,526**	**100**

* The comparative figures have been restated following redefinition of the segments.

The **Group's total backlog** reached euro 35.5 billion at 31 December 2021, comprising euro 25.8 billion of backlog (euro 27.8 billion at 31 December 2020) and euro 9.7 billion of soft backlog (euro 7.9 billion at 31 December 2020) with development of the contracts in the portfolio up to 2029.
The backlog and total backlog guarantee about 3.9 years and 5.3 years of work respectively in relation to the 2021 revenues, excluding pass-through activities.
The composition of the backlog by segment is shown in the following table.

(euro/million)

	31.12.2021		31.12.2020 *	
TOTAL BACKLOG ANALYSIS	Amounts	%	Amounts	%
FINCANTIERI S.p.A.	19,942	77	23,953	86
Rest of Group	5,877	23	3,828	14
Total	**25,819**	**100**	**27,781**	**100**
Shipbuilding	22,132	86	26,077	94
Offshore and Specialized vessels	972	4	849	3
Equipment, Systems and Services	3,627	14	1,875	7
Consolidation adjustments	(912)	(4)	(1,020)	(4)
Total	**25,819**	**100**	**27,781**	**100**
Soft backlog**	**9,700**	**100**	**7,900**	**100**
Total backlog	**35,519**	**100**	**35,681**	**100**

* The comparative figures have been restated following redefinition of the segments.
** Soft backlog represents the value of contract options, existing letters of intent and orders at an advanced stage of negotiation not yet reflected in the order backlog.

The table below show the number of vessels, which were delivered, ordered and currently in the order book.

(number of ships)

	31.12.2021	31.12.2020
DELIVERIES, ORDER INTAKE AND ORDER BOOK		
Vessels delivered	19	19
Vessels ordered	15	18
Vessels in order book	91	97

The following table shows the deliveries in 2021 and those scheduled in future years for vessels currently in the order book, analysed by the main business areas and by year.

(number)

	2021	2022	2023	2024	2025	2026	Beyond 2026	Total *
Cruise ships and expedition cruise vessels	8	7	7	6	5	3	1	29
Naval	7	8	7	6	9	2	4	36
Offshore and Specialized vessels	4**	8	14	4				26
Total	**19**	**23**	**28**	**16**	**14**	**5**	**5**	**91**

* Number of vessels in the order book, analysed by the main business units at 31.12.2021.
** For the purpose of representing the Fincantieri Group's operating segments, the VARD yards have been divided between Cruise and Offshore. This is why the cruise ships Coral Geographer and Island Escape, built in an offshore shipyard, have been included in the Offshore and Specialized vessels deliveries.

With regard to the vessel delivered to shipowner Viking, it is worth noticing that the delivery has been anticipated from January 2022 to December 2021. It should be noted that as of December 31, 2021, two vessels have been excluded from the order book due to the failure of the verification of the condition precedent necessary for the contract's effectiveness.
Moreover, thanks to the significant order backlog acquired, the subsidiary Fincantieri Marinette Marine has revised its production planning in order to optimize the development of the backlog, with a revision of the delivery schedule.

Capital expenditure

Capital expenditure in 2021 amounted to euro 358 million, up 15.9% from the previous year. Capital expenditure represented 5.4% of the Group's revenue in 2021 compared to 6.0% in 2020, excluding pass-through activities. Fincantieri's sustainable growth strategy is based not only on increasing its order book, but also on constantly improving product quality and optimizing costs, through continuous development of the production process, strengthening its assets, and increasing its technological standards, both in Italy and abroad.
In the last three years, the Group has invested around euro 946 million in its production units, both in Italy and abroad, to improve its production process. Capital expenditure undertaken during 2021 has mainly aimed at further strengthening the Group's position in the civil and naval shipbuilding segments. The initiatives underway are aimed at adapting the European and US shipyards to the significant backlog acquired and making the production process more efficient and technologically advanced, contributing to improving the margins on orders that are due to enter into production and enabling any exogenous factors to be reabsorbed, such as, for example, the recent increase in the cost of raw materials.
For further detail, please refer to the "Investment Plan" chapter.

(euro/million)

	31.12.2021		31.12.2020	
CAPITAL EXPENDITURE ANALYSIS	Amounts	%	Amounts	%
FINCANTIERI S.p.A.	155	43	193	62
Rest of Group	203	57	116	38
Total	**358**	**100**	**309**	**100**
Shipbuilding	298	83	250	81
Offshore and Specialized vessels	6	2	3	1
Equipment, Systems and Services	30	8	32	10
Other assets	24	7	24	8
Total	**358**	**100**	**309**	**100**
Intangible assets	48	13	77	25
Property, plant and equipment	310	87	232	75
Total	**358**	**100**	**309**	**100**

R&D and innovation

The Group is well aware that Research and Innovation are the foundations for success and future competitiveness. Accordingly, its 2021 income statement accounts euro 155 million in Research and Development expenditure on numerous projects involving product and process innovation; the Group systematically carries out such activities, seen as a strategic prerequisite for retaining its leadership of all high-tech market sectors, now and in the future.
In addition, the Group capitalized euro 20 million in development costs in 2020 for projects with long-term utility. These capitalized projects mainly relate to the development of innovative solutions and systems to improve the efficiency of cruise ships, both in terms of energy balance and reducing environmental impact, as well as the realization of innovative systems to upgrade the technological capacity of certain types of naval vessels. More details on the investment plan can be found in the chapter "Innovation and sustainability".

Group financial results

Presented below are the reclassified consolidated versions of the income statement, statement of financial position and statement of cash flows, the breakdown of consolidated net financial position, in the configuration monitored by the Group, and the principal economic and financial indicators used by management to monitor business performance. It should be noted, with reference to the economic indicators, that the results do not include the costs associated with the impact of the COVID-19 outbreak, mainly related to the production downtime in 2020 caused by the pandemic emergency, the lower production efficiency and the costs of ensuring staff health and safety. This representation excludes elements that the management does not consider indicative of the Group's operating performance and allows a clearer comparison with previous periods.
A reconciliation of these reclassified statements to the IFRS statements can be found later on in this report.

Reclassified consolidated income statement

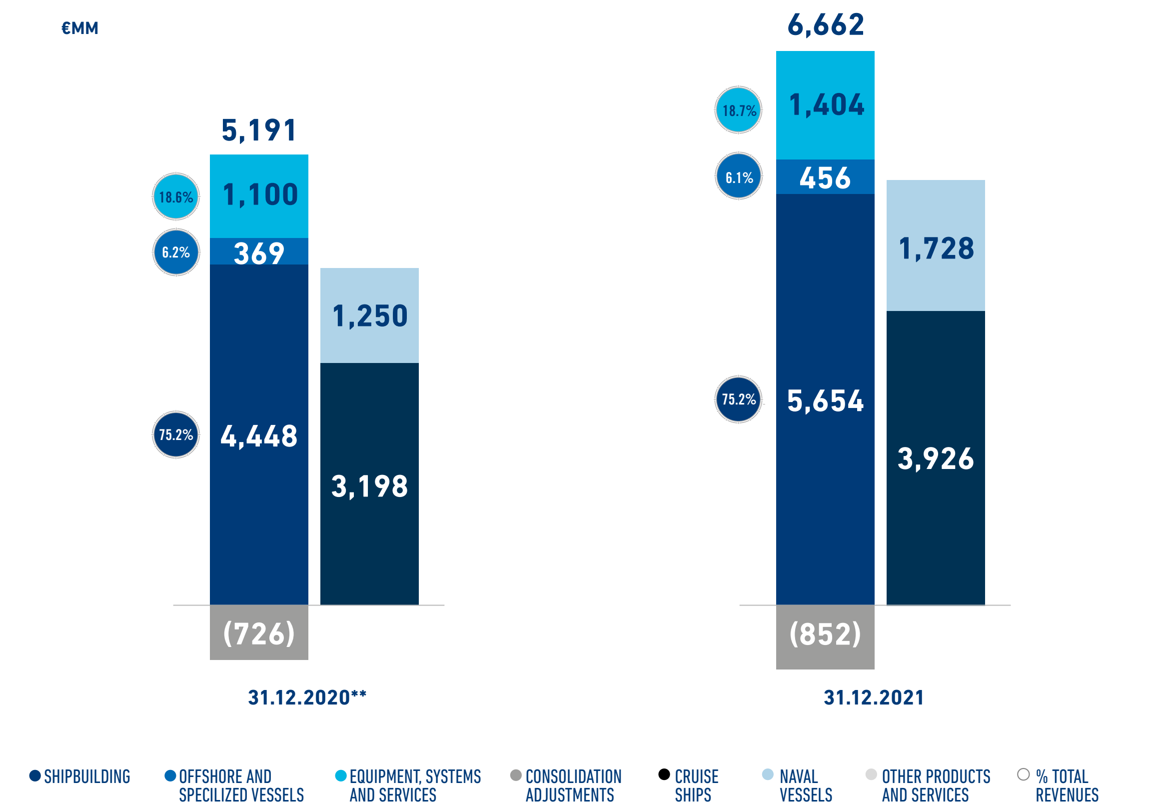
(euro/million)

	31.12.2021 Excluding pass-through activities[1]	31.12.2021	31.12.2020 Excluding pass-through activities[1]	31.12.2020
Revenue and income	6,662	6,911	5,191	5.879
Materials, services and other costs	(5,028)	(5,277)	(3,925)	(4.613)
Personnel costs	(1,076)	(1,076)	(917)	(917)
Provisions	(63)	(63)	(35)	(35)
EBITDA[2]	495	495	314	314
EBITDA margin	7.4%	7.2%	6.1%	5,3%
Depreciation, amortization and impairment	(206)	(206)	(166)	(166)
EBIT	289	289	148	148
EBIT margin	4.3%	4.2%	2.9%	2,5%
Finance income/(costs)		(105)		(131)
Income/(expense) from investments		(14)		(13)
Income taxes		(78)		(46)
Adjusted profit/(loss)[1]		92		(42)
of which attributable to Group		92		(37)
Extraordinary and non-recurring income and expenses		(90)		(258)
- of which costs relating to the impacts deriving from the spread of COVID-19[3]		(30)		(196)
- of which costs related to asbestos litigation		(55)		(52)
- of which other costs linked to non-recurring activities		(5)		(10)
Tax effect of extraordinary and non-recurring income and expenses		20		55
Profit/(loss) for the year		22		(245)
of which attributable to Group		22		(240)

[1] See the definition contained in the section Alternative Performance Measures.
[2] This figure does not include extraordinary and non-recurring income and expenses, including expenses from the impact of the spread of COVID-19; see the contained in the section "Alternative performance measures".
[3] In 2020 the item included Depreciation, amortization and impairment for euro 20 million and finance costs for 9 million.

Revenue and income in 2021 amount to euro 6,662 million, excluding pass-through activities of euro 249 million, an increase of 28.3% compared to 2020, fully confirming the 25-30% growth trend expected for the year. The record-high results are driven by **positive trends in every segment** in which the Company operates. The Shipbuilding segment grew by 27.1% (excluding pass-through activities) with production volumes in the Group's Italian shipyards confirmed at record levels (16.4 million hours worked compared to 13.1 million in 2020 and 15.6 million in 2019), thanks to the strategy implemented by the Group, which enabled a **rapid recovery of production activities** in response to the effects of the pandemic. The Offshore and Specialized vessels segment grew by 23.7%, reflecting the successful repositioning and diversification strategy implemented by the Group with the construction of specialized vessels for the offshore wind sector. The Equipment, Systems and Services segment shows an increase in revenues of 27.7% driven by activities to support the construction of cruise ships and naval vessels.
The proportion of revenues generated by foreign clients in 2021 is **87%** of total revenues (in line with 31 December 2020).

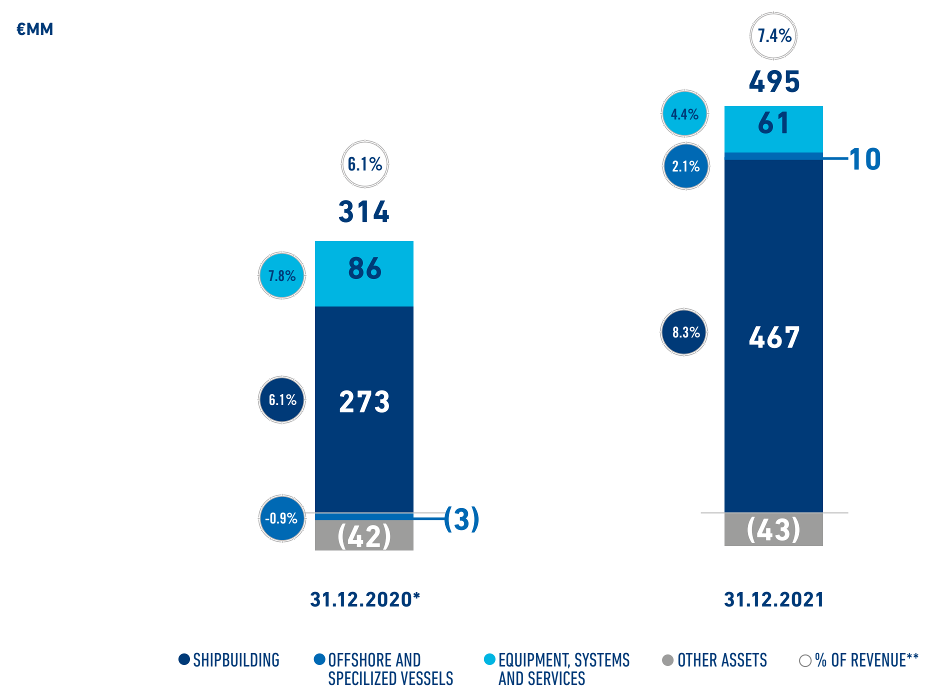
REVENUES ANALYSIS*



* Excluding pass-through activities.
** The comparative figures have been restated following the redefinition of the operating segments.

The Group's **EBITDA** reached a record level of **euro 495 million** (euro 314 million in 2020), benefiting on the one hand from the **increase in volumes**, which fully recovered the losses in 2020 due to the effects of the pandemic, and on the other hand from the **improvement in margins**, achieved thanks to the production efficiency achieved through the revision of design and production processes, more than offsetting the effects of the increase in raw material prices. **EBITDA margin**, excluding pass-through activities, landed at **7.4%**, exceeding expectations at the beginning of the year and up from 6.1% in 2020. This increase is mainly attributable to the Shipbuilding segment (EBITDA margin of 8.3% excluding pass-through activities), which closed 2021 with operating performance at record levels.

EBITDA ANALYSIS



* The comparative figures have been restated following redefinition of the segments.
** Excluding pass-through activities.

EBIT stands at to euro 289 million in 2021 (euro 148 million in 2020), with an **EBIT margin** (EBIT expressed as a percentage of Revenue and income excluding pass-through activities) of 4.3% (2.9% in 2020). The increase in EBIT is attributable to the reasons already illustrated with reference to the Group's EBITDA, despite a higher incidence of depreciation and amortization in 2021 following the capital expenditures made by the Parent Company in recent years to improve the design and production processes.
Finance income/(costs) and Income/(expense) from investments record a net expense of euro 119 million (net expense of euro 144 million at 31 December 2020). The positive change of euro 25 million compared to the previous year is mainly attributable to foreign exchange gains and losses, which improved by euro 33 million (mainly due to the reduction in losses arising from the translation of the loan taken out in US dollars by the Brazilian subsidiary Vard Promar), partially offset by the euro 10 million gain realized in 2020 for the early extinction of the option to purchase the minority shares of an investee.
Income taxes record a net balance of euro 78 million in 2021, compared with a net balance of euro 46 million in 2020, mainly due to the Parent Company.
Adjusted profit/(loss) at 31 December 2021 shows a profit of **euro 92 million** (loss of euro 42 million at 31 December 2020), reflecting the factors discussed above. The Group's share of the Adjusted profit/(loss) is a profit of euro 92 million (loss of euro 37 million in 2020).
Extraordinary and non-recurring income and expenses are negative at euro 90 million (euro 258 million in 2020) and include costs related to asbestos litigation for euro 55 million, the expenses related to COVID-19 for euro 30 million associated with the implementation of the prevention measures adopted to guarantee employee health and safety, and other costs linked to non-recurring operations for euro 5 million. Extraordinary and non-recurring income and expenses at 31 December 2020 included costs associated with the impacts arising from the spread of COVID-19 calculated at euro 196 million, costs related to asbestos litigation for euro 52 million and other costs linked to non-recurring operations for euro 10 million.
The **tax effect of extraordinary and non-recurring income and expenses** is positive and amounts to euro 20 million at 31 December 2021 (euro 55 million in 2020).
Profit/(loss) for the year 2021 is positive at **euro 22** million (negative for euro 245 million at 31 December 2020). The Group's share of the result is a profit of euro 22 million (loss of euro 240 million in 2020).

Reclassified consolidated statement of financial position

(euro/million)

	31.12.2021	31.12.2020
Intangible assets	688	629
Rights of use	116	85
Property, plant and equipment	1,518	1,301
Investments	123	105
Other non-current assets and liabilities	(18)	(25)
Employee benefits	(64)	(60)
Net fixed capital	**2,363**	**2,035**
Inventories and advances	886	881
Construction contracts and client advances	1,182	1,963
Construction loans	(1,075)	(1,325)
Trade receivables	936	602
Trade payables	(2,490)	(2,361)
Provisions for risks and charges	(101)	(73)
Other current assets and liabilities	(8)	111
Net working capital	**(670)**	**(202)**
Net assets (liabilities) held for sale and discontinued operations	**-**	**6**
Net invested capital	**1,693**	**1,839**
Share capital	863	863
Reserves and retained earnings attributable to the Group	(45)	(101)
Non-controlling interests in equity	16	15
Equity	**834**	**777**
Net financial position[1]	**859**	**1,062**
Sources of funding	**1,693**	**1,839**

[1] This figure does not include construction loans and does include non-current financial receivables.

The Reclassified consolidated statement of financial position shows a decrease in **Net invested capital** at 31 December 2021 of euro 146 million compared to the end of the previous year, mainly due to the following factors:

- **Net fixed capital**: with an overall increase of euro 328 million. The most significant effects in particular are i) the increase in Intangible assets of € 59 million, mainly due to the recognition of backlog and client relationships following acquisitions during the year ii) the recording of Rights of use for the new lease contracts signed by some of the subsidiaries; iii) the increase in Property, plant and equipment of euro 217 million, where investments for the year (euro 310 million) and the positive impact of the foreign currency translation of the financial statements (euro 18 million) were partly offset by depreciation and amortization for the period (euro 109 million).
- **Net working capital**: reports a negative balance of euro 670 million (negative for euro 202 million at 31 December 2020) with a decrease of euro 468 million. The main changes related to i) the reduction in Construction contracts and client advances (euro 781 million) as a result of deliveries made during the period and the invoicing in December 2021 of the final instalment for a cruise ship delivered in January 2022 ii) the increase in Trade receivables (euro 334 million) due to the aforementioned invoicing and as a result of the change in the scope of consolidation; iii) the increase in Trade payables (€129 million) as a result of higher volumes; and iv) the reduction of Other current assets and liabilities (euro 120 million) mainly due to the recognition of the payable for income taxes due to CDP net of the tax consolidation credit for the 2020 tax year. Construction loans at 31 December 2021 amounted to a total of euro 1,075 million, a decrease of euro 250 million compared to 31 December 2020, and related to the Parent Company for euro 1,015 million and to the subsidiary VARD for euro 60 million. The reduction in construction loans is related to the delivery in the period of the financed vessels. Given the operational nature of construction loans and particularly the fact that these types of loan are obtained and can be used exclusively to finance the contracts to which they refer, management treats them in the same way as client advances and so classifies them as part of Net working capital.
- **Net assets (liabilities) held for sale and discontinued operations**: the assets and liabilities of the Norwegian shipyard of Aukra have been reclassified among Non-current assets since the conditions that led to them being recorded as held for sale have lapsed.
- **Equity**, amounting to euro 834 million, rose by euro 57 million, mainly due to the Currency translation reserve (euro 32 million) and the Profit for the year (euro 22 million).

Consolidated net financial position

(euro/million)

	31.12.2021	31.12.2020
Cash and cash equivalents	**1,236**	**1,275**
Other current financial assets	**148**	**76**
Current financial liabilities	(105)	(153)
Debt instruments - current portion	(220)	(100)
Current portion of bank loans and credit facilities	(273)	(122)
Current debt	**(598)**	**(375)**
Net current cash/(debt)	**786**	**976**
Non-current financial receivables	**252**	**96**
Non-current financial liabilities	(1,897)	(2,134)
Non-current debt	**(1,897)**	**(2,134)**
Net financial position	**(859)**	**(1,062)**

The reconciliation with the net financial position in the configuration required by CONSOB communication no. DEM/6064293 of 28 July 2006 is provided in Note 33 of the Notes to the Consolidated Financial Statements.

The **consolidated net financial position**[1], which excludes construction loans, shows a negative (debt) balance of euro 859 million (euro 1,062 million debt at 31 December 2020), well beyond the guidance. The reduction in the level of debt was mainly due to the improvement in net working capital as a result of the delivery of eight cruise ships, one more than initially planned, and the collection of part of the commercial extensions granted to shipowners during the most acute phases of the pandemic.
It should also be noted that the Net financial position was still partly impacted by the strategy adopted by the Group of granting payment extensions to clients (euro 195 million at 31 December 2021) in order to safeguard the considerable order backlog acquired and to strengthen relations with shipowner companies.

[1] See the definition contained in the section Alternative Performance Measures.

Reclassified consolidated statement of cash flows

(euro/million)

	31.12.2021	31.12.2020
Net cash flows from operating activities	594	(14)
Net cash flows from investing activities	(535)	(376)
Net cash flows from financing activities	(109)	1,291
Net cash flows for the period	**(50)**	**901**
Cash and cash equivalents at beginning of period	**1,275**	**382**
Effects of currency translation difference on opening cash and cash equivalents	11	(8)
Cash and cash equivalents at end of period	**1,236**	**1,275**

The **Reclassified consolidated statement of cash flows** shows negative **Net cash flows for the period** of euro 50 million (positive euro 901 million in 2020) as a result of a positive cash flow generated by operating activities of euro 594 million (negative euro 14 million in 2020), cash flows from investing activities, which absorbed resources of euro 535 million (euro 376 million in 2020) and financing activities, which absorbed resources of euro 109 million (in 2020 it generated cash of euro 1,291 million).
It should be noted that, at 31 December 2021, net repayments of construction loans amounted to euro 268 million (at 31 December 2020 they had generated cash flows of euro 529 million), with a consequent reduction in cash flow from operations.

Economic and financial indicators

The following table presents additional economic and financial measures used by the Group's management to monitor the performance of its main business indicators in the periods considered. The following table shows the trend in the main profitability ratios and the strength and efficiency of the capital structure in terms of the relative importance of sources of finance between net debt and equity for the years ended 31 December 2021 and 2020.

	31.12.2021	31.12.2020
ROI*	16.4%	8.1%
ROE*	2.7%	-26.8%
Total debt[1]/Total equity	3.0	3.2
Net financial position[2]/EBITDA[3]	1.7	3.4
Net financial position[2]/Total equity	1.0	1.4

* See the definition contained in the section Alternative Performance Measures.
[1] This figure does not include construction loans.
[2] This figure does not include construction loans and does include non-current financial receivables.
[3] This figure does not include Extraordinary and non-recurring income and expenses, including expenses from the impact of the spread of COVID-19. See the definition contained in the section Alternative Performance Measures.

The trend in ROI and ROE compared to 2020 shows the positive operating performance with operating and net profits increasing significantly, while Net Invested Capital decreased due to the effects on Net Working Capital of production dynamics and the delivery plan.
The indicators of the strength and efficiency of the capital structure reflect a stable Total debt and improving Net Financial Position, EBITDA and Equity.

Operational review by segment

Shipbuilding

The Shipbuilding segment is engaged in the design and construction of cruise ships, ferries, naval vessels and mega yachts. Production is carried out at the Group's shipyards in Italy, Europe and the United States.
It should be noted that, following the reallocation of Vard Electro's activities from the Shipbuilding segment to the Equipment, Systems and Services segment, the comparative figures at 31 December 2020 have been appropriately reclassified, and are shown below as restated.

(euro/million)

	31.12.2021	31.12.2020 restated	31.12.2020 published
Revenue and income*	5,903	5,136	5,226
Revenue and income excluding pass-through activities[1]	5,654	4,448	4,538
EBITDA[2]/*	467	273	285
EBITDA margin */**	7.9%	5.3%	5.4%
EBITDA margin */** excluding pass-through activities[1]	8.3%	6.1%	6.3%
Order intake*	1,816	3,703	3,716
Order book*	30,413	33,882	33,929
Order backlog*	22,132	26,077	26,088
Investments	298	250	250
Vessels delivered (number)	15	12	12

* Before adjustments between segments.
** Ratio between segment EBITDA and Revenue and income.
[1] See the definition contained in the section Alternative Performance Measures.
[2] This figure does not include Extraordinary and non-recurring income and expenses, including expenses from the impact of the spread of COVID-19. See the definition contained in the section Alternative Performance Measures.

Revenue and income

Shipbuilding revenues in 2021, excluding pass-through activities, stand at euro 5,654 million, up by 27.1% compared to 2020. Revenues for the period refer to the cruise ship business area for euro 3.926 million (euro 3,198 million at December 31, 2020), up by 22.8% compared to 2020 and to the naval business area for euro 1,728 million (euro 1,250 million at December 31, 2020), up by 38.3% compared with 2020. They respectively account for 52% and 23% of the Group's revenues, highlighting a higher incidence of the naval business area revenues compared to 2020 (54% and 21%).
Revenues for the fourth quarter of 2021 in the **cruise ships business area** once again confirm the excellent results recorded during the year and the full return to normal levels of production activity at the Group's Italian shipyards. **Production volumes** (with 16.4 million hours worked compared to 13.1 million in 2020 and 15.6 million in 2019) remain **at record levels** despite the limitations imposed by the spread of COVID-19. The Group fully met its production schedules with eight cruise ships delivered during the period, including six in the second half of the year, thanks to the rapid resumption of operations, albeit reconfigured to meet the regulations imposed by the pandemic, and the improvement of engineering and production processes initiated in previous years.
The increase in the production value of the **naval vessels business area**, excluding pass-through activities relating to the FREMM vessel delivered in April, reflects the progress made in the Italian Navy's fleet renewal program for which the first LSS (Logistic Support Ship) "Vulcano" was delivered in March, and the orders for the Qatar Ministry of Defence, whose first corvette "Al Zubarah" was delivered in October and the first patrol vessel "Musherib" in January 2022. The business area's revenues also include the contribution of the US subsidiary FMG, which continues to develop the Foreign Military Sales program between the US and Saudi Arabia, which envisages the supply of four Multi-Mission Surface Combatants, and the FFG-62 program.

EBITDA
The EBITDA for the segment at 31 December 2021, at a record value of euro 467 million, recorded a significant increase (+71% compared to euro 273 million in 2020), confirming the strategy outlined by the Group, which has brought operating performance to the level expected pre-pandemic, with increased volumes and margins. The EBITDA margin in fact stands at 8.3%, excluding pass-through activities (7.9% if total revenues are considered), a net increase compared to the 6.1% of 2020 thanks also to the improvements in engineering and production processes mentioned above. This result demonstrates the Group's ability to deliver vessels on time and fully in line with expenditure forecasts. This is even more significant from a management and organizational point of view, as it was achieved despite a continuing pandemic emergency, rising raw material prices and without any impact being recorded on the supply chain or international logistics.

Order intake
In 2021, the new order intake of euro 1,816 million mainly refers to:

- the construction by Fincantieri's US subsidiary Marinette Marine of the second missile-launching frigate under the FFG-62 "Constellation" programme;
- a second LSS (Logistic Support Ship) for the Italian Navy, as part of a programme that also includes a third;
- a vessel for the Italian Coast Guard;
- two LNG barges: one for Crowley Maritime Corporation and one for Northstar Midstream, to be built at the US Sturgeon Bay shipyard (Wisconsin);
- a residential mega-yacht.

Capital expenditure
Capital expenditure on Property, plant and equipment mainly relate to:

- continuation of activities to improve operating areas and infrastructure in the Monfalcone and Marghera shipyards to enable a more efficient development of the considerable backlog acquired. The investment plan for the Marghera shipyard is being finalized and it is expected to be closed by the end of the year;
- the launch of an important investment program in the US sites of Marinette Marine and Bay Shipbuilding shared with the US Navy, to increase their efficiency in order to develop the order backlog resulting from the recently acquired FFG(X) program;
- continuation of activities to increase production capacity and raise the efficiency of production processes at the Romanian shipyards of Vard Tulcea and Vard Braila in order to guarantee adequate support both for hull construction and the long-term program to produce pre-fitted sections of cruise ships for the Group's Italian shipyards;
- continuation of activities to introduce new technologies in particular at the Monfalcone shipyard with regard to the Integrated Environmental Authorization;
- upgrading and improvement of the safety and energy saving standards of machinery, equipment and buildings.

Production
The number of vessels delivered during 2021 is summarized as follows:

(number)	Deliveries
Cruise ships	8
Naval vessels	7

The vessels delivered were:

- "Viking Venus", the first of five cruise ships being delivered by Italian shipyards for the shipowner Viking at the Ancona shipyard;
- "Valiant Lady", the second of four ships ordered by the shipowner Virgin Voyages from the Sestri Ponente shipyard;
- "MSC Seashore", the new flagship of MSC Cruises at the Monfalcone shipyard;
- "Rotterdam", the third vessel in the series for the shipowner Holland America Line at the Marghera shipyard;
- "Silver Dawn", the tenth vessel in the Silversea fleet at the Ancona shipyard;
- "Hanseatic Spirit", the third vessel in a new series of small luxury cruise ships for Hapag-Lloyd Cruises at the Langsten shipyard (Norway);
- "Le Commandant Charcot", a hybrid electric exploration vessel with LNG propulsion, to the French shipowner Ponant at the Søviknes shipyard (Norway);
- "Viking Octantis", the first of two expedition cruise vessels for the customer Viking at the Søviknes shipyard (Norway);
- LSS 'Vulcano', the first vessel of the Italian Navy's fleet renewal programme at the Muggiano (La Spezia) shipyard;
- "Al Zubarah", the first corvette for the Qatari Ministry of Defence at the Muggiano (La Spezia) shipyard;
- one multi-mission frigate (FREMM) at the Muggiano (La Spezia) shipyard;
- LCS 21 'USS Minneapolis St. Paul' and LCS 23 'Coopertown' at the US Marinette shipyard (Wisconsin);
- the first bow section of the series for Chantiers de l'Atlantique in the FLOTLOG ("Flotte logistique") programme to build logistic support vessels (LSS) for the French Navy at the Castellammare di Stabia (Naples) shipyard;
- an LNG barge for the customer Polaris at the US shipyard in Sturgeon Bay (Wisconsin).

Offshore and Specialized vessels

The Offshore and Specialized vessels segment includes the design and construction of high-end offshore support vessels, specialized vessels and vessels for offshore wind farms and open ocean aquaculture, as well as innovative products in the field of drillships and semi-submersible drilling rigs. Fincantieri operates in this market through the VARD group, FINCANTIERI S.p.A. and Fincantieri Oil & Gas S.p.A..
It should be noted that, following the reallocation of Seaonics' activities from the Offshore and Specialized vessels segment to the Equipment, Systems and Services segment, the comparative figures at 31 December 2020 have been appropriately reclassified and are shown below as restated.

(euro/million)		31.12.2021	31.12.2020 restated	31.12.2020 published
Revenue and income*		456	369	389
EBITDA[1]/*		10	(3)	(5)
EBITDA margin*/**		2.1%	-0.9%	-1.3%
Order intake*		508	461	487
Order book*		1,643	1,394	1,436
Order backlog*		972	849	874
Investments		6	3	3
Vessels delivered	number	4	7	7

* Before adjustments between segments.
** Ratio between segment EBITDA and Revenue and income.
[1] This figure does not include Extraordinary and non-recurring income and expenses, including expenses from the impact of the spread of COVID-19. See the definition contained in the section Alternative Performance Measures.

Revenue and income

Revenues from the Offshore and Specialized vessels segment in 2021 amounted to euro 456 million, a significant increase on 2020 (23.7%), demonstrating the Group's successful diversification strategy. The 2021 revenue growth trend reflects the progress of three vessels under construction for the Norwegian Coast Guard and the entry into production of the vessels ordered in the offshore wind segment, with the first SOV (Service Operation Vessel) being delivered in the first quarter of 2022.

EBITDA

The EBITDA of the operating segment at 31 December 2021 remained positive at euro 10 million (negative euro 3 million in 2020), with an EBITDA margin of 2.1% (-0.9% in 2020) in line with the trend in previous quarters, a product of the strategy of reorganization and repositioning in sectors with broader market prospects launched in 2019. As of 31 December 2021, the VARD subsidiary has nine SOVs (plus options for a further four) in its order book, intended for the maintenance of offshore wind farms, which have enabled it to become a leader in the segment.

Order intake

New order intake by the VARD group in 2021 amounted to euro 508 million and mainly related to:

- four Service Operation Vessels (SOV) from North Star Renewables to operate in the Dogger Bank wind farm in the North Sea;
- two Construction Service Operation Vessels (CSOV) for the Norwegian company Rem Offshore built for support and maintenance operations at offshore wind farms around the world;
- two Commissioning Service Operations Vessels for support and maintenance activities worldwide and the conversion of a Platform Supply Vessel (PSV) to a SOV for the Norwegian company Norwind Offshore;
- a fishery vessel for Nergard Havfiske.

Capital expenditure

Capital expenditure in 2021 relates to measures to maintain production efficiency in European and Non-European shipyards.

Production

The number of vessels delivered during 2021 is summarized as follows:

(number)	Deliveries
Fishery&Aqua	1
Expedition cruise	2
Cable laying	1

In detail:

- an expedition cruise unit delivered at the Vung Tau shipyard (Vietnam) to the Australian shipowner Coral Expeditions;
- an expedition cruise unit for the customer Island Escape Cruises at the Vung Tau shipyard (Vietnam);
- a "Leonardo Da Vinci" cable-laying vessel for the customer Prysmian at the Brattvåg shipyard (Norway);
- a fishery vessel delivered at the Vung Tau shipyard (Vietnam) to the shipowner Luntos Co.

Equipment, systems and services

The Equipment, Systems and Services segment includes the following business areas: Services, Complete Accommodation, Electronics, Systems and Software, Mechatronics, Infrastructure. These activities are carried out by FINCANTIERI S.p.A. and by its Italian and foreign subsidiaries.
It should be noted that, following the reallocation of the activities of Vard Electro from the Shipbuilding segment and Seaonics from the Offshore and Specialized vessels segment to the Equipment, Systems and Services segment, the comparison figures at 31 December 2020 shown below refer to the restated values.

(euro/million)	31.12.2021	31.12.2020 restated	31.12.2020 published
Revenue and income*	1,404	1,100	937
EBITDA[1]/*	61	86	76
EBITDA margin*/**	4.4%	7.8%	8.1%
Order intake*	1,418	689	649
Order book*	5,996	3,134	3,045
Order backlog*	3,627	1,875	1,839
Investments	30	32	32

* Before adjustments between segments
** Ratio between segment EBITDA and Revenue and income.
[1] This figure does not include Extraordinary and non-recurring income and expenses, including expenses from the impact of the spread of COVID-19. See the definition contained in the section Alternative Performance Measures.

Revenue and income

Equipment, Systems and Services segment revenues amounted to euro 1,404 million, an increase of 27.7% compared to 2020. This growth is once again mainly attributable to the development of the significant order backlog for services

rendered as part of naval contracts and the Complete Accommodation business area, driven by the cruise volumes generated in the period. The positive performance of the Mechatronics and Electronics, Systems and Software business area is also worthy of note.
In the Infrastructure business area, the reorganization process was started, with the recent change in management, and alignment with the Fincantieri Group strategy aimed at improving management performance and productivity.

EBITDA
The EBITDA of the segment at 31 December 2021 amounted to euro 61 million (euro 86 million at 31 December 2020) with an EBITDA margin of 4.4% (7.8% at 31 December 2020), down in the fourth quarter compared to previous quarters. This contraction is linked to the reduction in margins in the Infrastructure business area, also due to the increase in the price of raw materials, energy and transport.

Order intake
New order intake for the Equipment, Systems and Services segment amounted to euro 1,418 million in 2021 and for the business areas mostly comprises:

- Services: after-sales service and supply of spare parts for the Italian Navy, the U.S. Navy and Coast Guard, and the Qatar Navy; after-sales assistance and supplies for cruise orders and other minor customers; services and other mechanical processing for LCS (Littoral Combat Ship) orders; additional activities on the Through Life Sustainment Management program for the Italian Navy's FREMM vessels; extension of In Service Support (ISS) agreements for the Italian Navy on the "Orizzonte Class" frigates and "Scirè" submarine and for the Algerian Navy on the "BDSL" (Bâtiment de Débarquement et de Soutien Logistique); service activities on steam turbines in the French market;
- Complete Accommodation: supply and after-sales services for cabins, wet units, public areas, kitchens, glazing and complete accommodation packages for the shipowners Viking, TUI, NCL, MSC, Regent and Princess; signed orders for four yachts for Baglietto and a series of strategic refittings for the main shipowners of the Carnival Group;
- Electronics, Systems and Software: maritime orders for the supply of drones for the Egyptian Navy, consultancy for the design of the Integrated Sensor Mast for the Korean Navy's KDDX-class destroyer, supply of an IBS bridge console for Azimut. In the digital segment, the supply of Vmware licences for Acea and the Ministry of Defence is guaranteed, as well as the renewal of subscriptions for the Delphix platform used by TIM. In the defence sector, supply of gyro-stabilized multi-sensor turrets for Carabinieri, Guardia di Finanza and German Armed Forces helicopters, supply of an X/KA/KU-band multi-band antenna system and nine triband dual satellite systems for the customer Leonardo, as well as integrated logistic support for vessels in the Qatar Programme. In the critical infrastructure sector, supply of conveyor belts for Tripoli airport for the customer Aeneas, and a temperature measurement service using a thermoscanner for the Fincantieri Group;
- Mechatronics: naval stabilization and manoeuvring systems for the cruise business and the Italian Navy; turbines for both cruise and non-naval customers (Air Liquide, Nooter Eriksen, ENI); supply and installation of a hybrid-electric propulsion system for a tourist ferry, as well as energy storage systems; systems for nuclear power stations (ITER in France and temporary power station depot in Italy); remote management and control systems for on-board material handling;
- Infrastructure: contract for the construction of the MSC group's new cruise terminal at the Port of Miami, the cruise hub for North America and the Caribbean, with a multi-storey central body and two quays of approximately 750 metres in total; contract for the roofing and other maintenance works at the Taranto steelworks; reconstruction of the bridge over the River Magra, in Albiano, which collapsed in April 2020; construction of the new Vado Ligure dam; construction of the sea works and dredging of the Darsena Europa in Livorno, in a temporary consortium with other companies.

Capital expenditure
Capital expenditure in 2021 mainly relates to:

- continuation of the upgrading of the operating areas and infrastructure of the Fincantieri Infrastructure plant in Valeggio sul Mincio following the award of major contracts for steel structures and for the development of activities to support shipbuilding;
- implementation of efficiency measures for the production process of Marine Interiors, particularly with regard to the production of cabins and wet units.

Other activities

Other activities primarily refer to the costs incurred by corporate headquarters for directing, controlling and coordinating the business that are not allocated to other operating segments.

(euro/million)	31.12.2021	31.12.2020
Revenue and income	2	2
EBITDA[1]	(43)	(41)
EBITDA margin	*n.a.*	*n.a.*
Capital expenditure	24	24

n.a. not applicable.
[1] See the definition contained in the section Alternative Performance Measures.

Capital expenditure
The main initiatives relate to capital expenditure on:

- development of information systems to support the Group's growing activities and optimize processes, with particular reference to the upgrading of management systems and implementing these systems in the main subsidiaries of the Group;
- ongoing work to install an integrated system for ship design (CAD) and project lifecycle management (PLM), aimed at improving the efficiency and effectiveness of the engineering process;
- introduction of digitalization aimed at (i) strengthening the introduction of Industry 4.0 principles into shipbuilding (e.g. artificial intelligence, automation, IoT, virtual reality) and (ii) use Robotic Process Automation tools and advanced analysis/reporting systems.

As in previous years, investment in renewing the Group's network infrastructure and hardware continued.

Risk management

Fincantieri's Internal Control and Risk Management System (ICRMS) consists of a set of tools, organizational structures, and corporate procedures which seek to contribute - through a process of identification, assessment, management and monitoring of the main risks - to a sound and correct management of the Company, in a way that is consistent with the predetermined objectives defined by the Board of Directors.
This system, defined according to leading international practices, is based on three traditional levels of control:

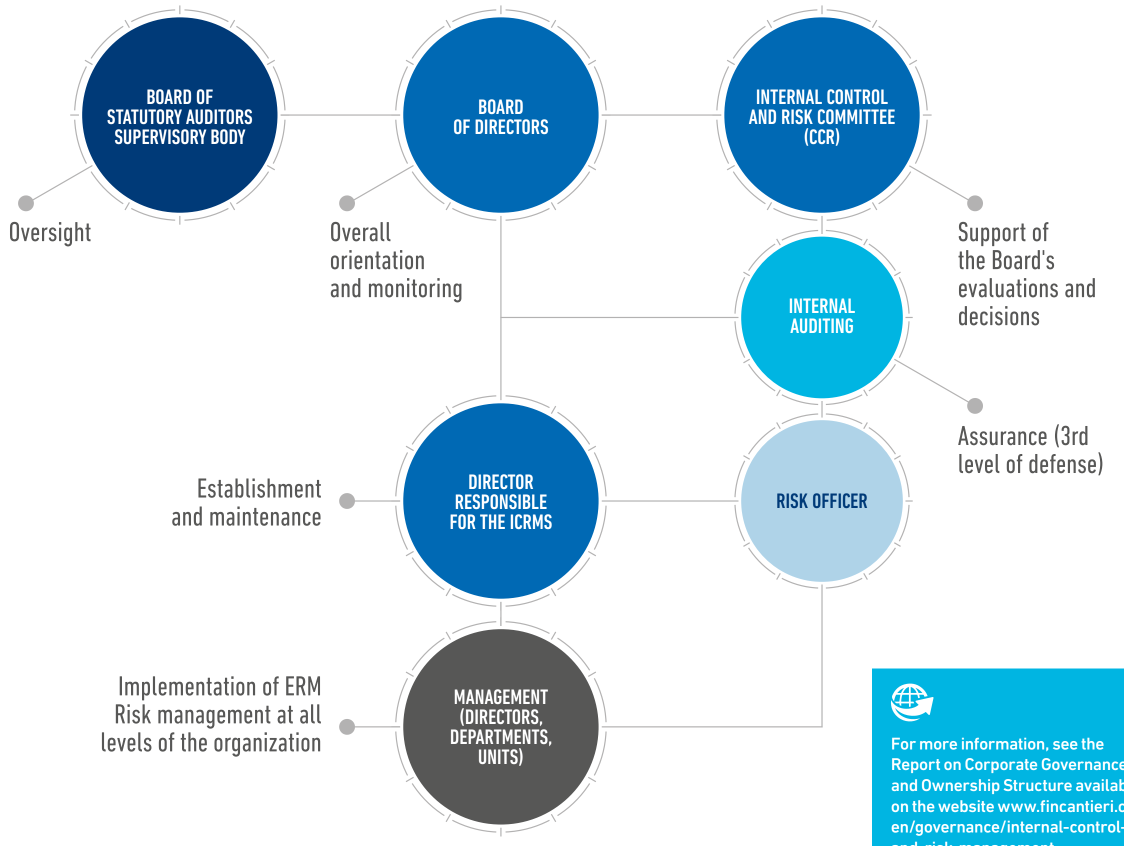
- 1st level: the operational departments identify and assess risks and implement specific actions to manage them;
- 2nd level: the functions in charge of risk management define risk management methods and tools, and conduct monitoring activities;
- 3rd level: the Internal Auditing department provides independent assessments of the entire system.

Fincantieri has adopted a Risk Management Policy, setting out the general principles it intends to pursue in order to implement the guidelines of the ICRMS adopted by the Board of Directors, that define the methods by which the main risks affecting the Parent Company and its subsidiaries are identified, measured, managed and monitored.

Risk management model

In order to implement the above-mentioned guidelines, Fincantieri has been adopting an Enterprise Risk Management (ERM) model for some time now. This model complies with the principles contained in the Corporate Governance Code of listed companies, taking the "CoSO ERM-Integrated Framework" as its reference, in order to identify and manage risks in a uniform manner throughout the Group.

The risk management process is carried out using a continuous approach involving different organizational structures, with different roles and responsibilities.



For more information, see the Report on Corporate Governance and Ownership Structure available on the website www.fincantieri.com/en/governance/internal-control-and-risk-management

The **Director in Charge of the ICRMS**, a role attributed to the Chairman of the Board of Directors, ensures that the ICRMS is an integral part of the Group's business ethic and operations, activating to this end appropriate information, communications and training processes as well as disciplinary and remuneration systems which incentivise the proper management of risks and discourage conduct that is contrary to the principles dictated by those processes. The Director in Charge of the ICRMS also verifies that the ICRMS is capable of reacting promptly to significantly risky situations and facilitates the identification and prompt implementation of corrective actions.
The **Risk Officer** is responsible for:

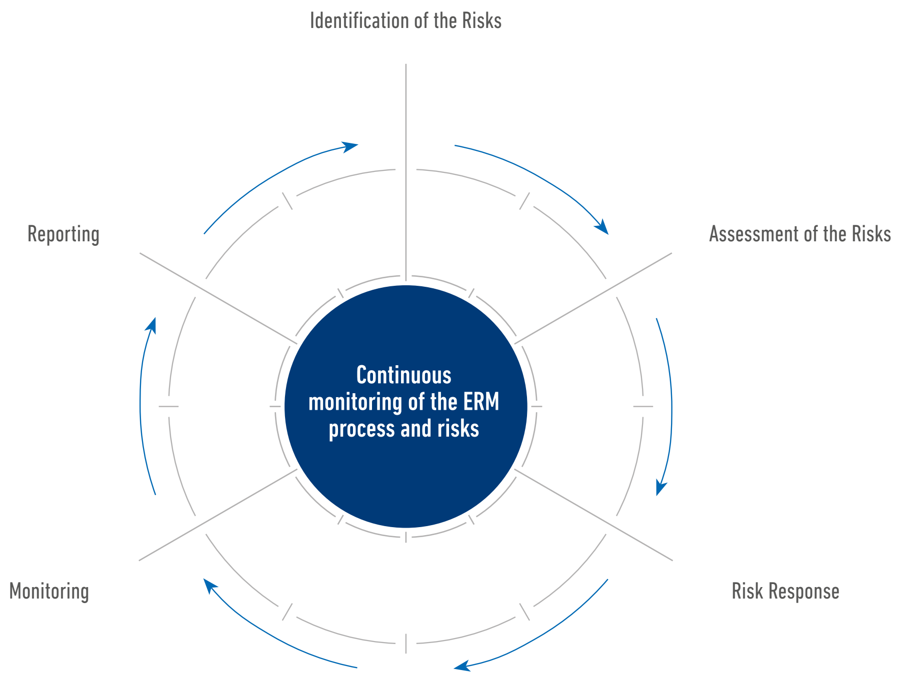
- supporting the Director in Charge of the ICRMS in determining the methodologies to identify, evaluate and monitor the main business risks;
- coordinating the activities of risk management and of support to management, verifying compliance with the ERM methods defined by Fincantieri;
- periodic reporting to the bodies responsible for the ICRMS on the risk management process.

The Risk Officer is not in charge of managing specific risks, which is the responsibility of management, but is responsible for implementing an integrated risk management process. The Risk Officer provides high-level support for the dissemination of risk culture.

Management is responsible for implementing ERM within the business processes under its remit, identifying, assessing and managing risks that may have an impact on the defined objectives.

The risk management process

Risk management is a continuous and recurring process, spread throughout the organization, that involves the systematic and repeated identification, assessment, treatment and monitoring of risks.

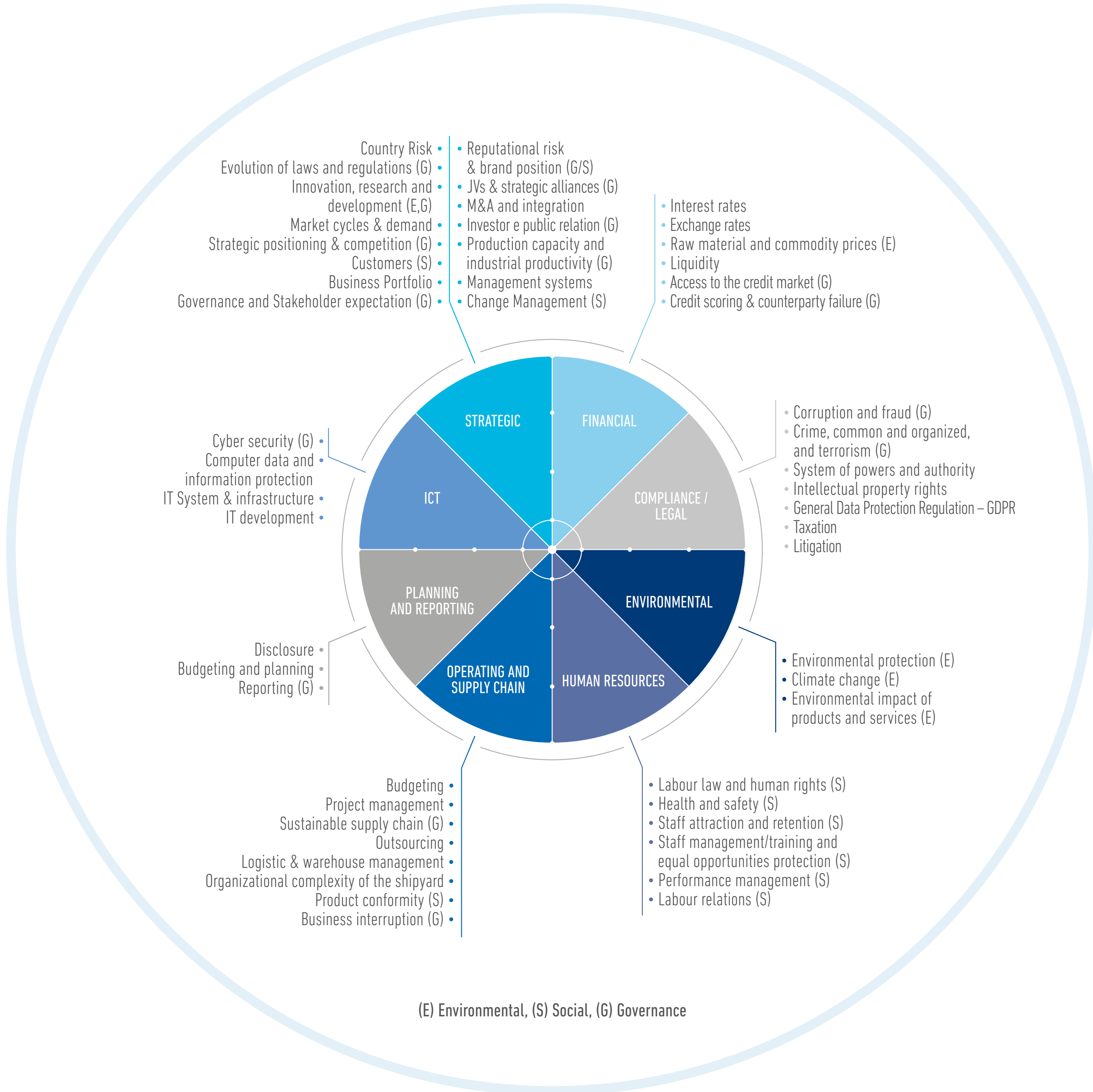


Identification

The identification of possible existing risks, in relation to the defined strategic objectives, is carried out periodically in line with the time horizon of the company's strategic plan or whenever environmental factors inside or outside the Group make it necessary.
In 2021, the Group's risk catalogue (the so-called Risk Universe) was completely revised with a view to fully integrating sustainability, business and compliance aspects.

The **Group's Risk Universe** consists of **52 risks**, divided into **8 macro-categories**, including **29 ESG** (Environmental - Social - Governance) risks.

RISK UNIVERSE



The Risk Officer periodically updates the **Risk Management Model**, which maps the persons responsible for managing and monitoring the risks identified, i.e. the Risk Owner, reflecting in it any changes in the organizational structure.

Assessment

Each identified risk is assessed according to the parameters of probability of its occurrence over the plan horizon and its impact. Assessment scales are used to make the risks comparable. These are defined by the Director in Charge of the ICRMS, with the support of the Risk Officer, based on the Risk Appetite and Risk Tolerance thresholds approved by the Board of Directors. The impact assessment is broken down into 8 types:

- **economic and financial**
- **social (community)**
- **human capital**
- **operational**
- **environmental**
- **intellectual capital**
- **assets**
- **reputational**

Assessment of each risk is carried out at Inherent level (i.e., the theoretical risk assumed in achieving the objectives) and at Actual Residual level (i.e., the risk that remains following the establishment of internal control procedures implemented to mitigate the probability and impact related to the occurrence of the risk event) and, as part of the assessment, each Risk Owner identifies the main prevention / mitigation measures in place and assesses their relative level of adequacy.
The combination of probability of occurrence and impact determines the risk rating, which enables the comparison of the risks under assessment and representation of Fincantieri's overall exposure, comparing it with the defined thresholds, in order to identify the priorities for action for the subsequent risk response strategies.

Risk response

The definition of the management strategy is based on the risk assessment (mitigate, accept, transfer, avoid). For risks within their purview, the Risk Owner is responsible for identifying response plans for risks identified as critical and high and for submitting them, with the support of and through the Risk Officer, to the Director in Charge of the ICRMS. In this phase, if the need arises, the Risk Owner is asked to identify and plan specific prevention / mitigation initiatives in addition to those already in place, in order to bring risks back to a level considered acceptable and consequently keep the risk profile within the set limits.
Having identified further actions and controls to be implemented, the Risk Owner carries out an assessment of their expected mitigating effect in terms of probability of occurrence and/or impact of the risk, determining the rating of the expected residual risk.

Monitoring

The internal and external context is subject to possible changes and it is therefore necessary to regularly monitor the risk portfolio in order to assess its dynamics and verify the operational effectiveness of the defined response strategies. Risk monitoring activities and their management is carried out at least once a year, by repeating the steps described above, and, during the year, with specific verification and/or analysis activities on:

- the existence, traceability and risk mitigation capacity of the controls identified as in place during the risk assessment;
- the additional controls to be implemented and their implementation status;
- any changes in the risk profile following macro changes in the scenario (reassessment of inherent, actual residual and expected residual risk);
- the most significant risks (e.g., root cause analysis, impact analysis, risk management and monitoring system).

Reporting

The Risk Officer, having completed the assessment and result consolidation process, prepares specific reports for the various actors of the ICRMS. The results of the ERM process are used:

- by the ICRMS actors to provide the necessary assurance to the Corporate Bodies regarding the identification of the main business risks, as well as the reasonable certainty that they are managed in accordance with the limits defined for value creation;
- by the Board of Directors when drawing up the Report on Corporate Governance and Ownership Structure providing information on the subject;
- by Internal Audit as information elements for the preparation of specific risk-based audit plans.

The 52 risks identified and included in the Risk Universe have been assessed in terms of their probability and impact by Fincantieri's Middle and Top Management. On the basis of the assessment, the most relevant risks (Top Risks at an inherent level) have been identified and analysed in detail, classified by category and accompanied by information on the relative potential impacts and the main existing controls.

STRATEGIC RISKS

Production capacity and industrial productivity

Risk that insufficient production capacity (either its own or that of its suppliers), excess capacity or incorrect distribution of workloads on the basis of available production capacity (plant, space and workforce) prevents the Group from meeting market demand and achieving optimum levels of efficiency and profitability. The risk may arise due to inadequate analysis of the production cycle (in terms of frequency and medium-term vision), force majeure events and inadequate maintenance or innovation of the equipment supporting the production process that fails to take into account energy efficiency and possible impacts on the environment.

Management methods

Production complexity is managed at different levels and in an integrated and cross-functional manner. Scenario analyses make it possible to optimize the distribution of workloads in the short/medium/long term on the basis of available production capacity and to monitor it over time thanks to the planning of activities, hours and resources by job, plant and production plant and to periodic monitoring of the progress of individual schedules (production, engineering, purchasing) and of the job as a whole. Periodic inter-functional committees analyse workloads and identify possible critical areas for action (resources, structural investments, logistical solutions). Particular attention is paid to checking the supply chain, both in terms of capacity (e.g.: lack of resources) and performance. The efficiency of suppliers is in fact constantly monitored through appropriate KPIs, with the timely identification and activation of recovery actions where critical issues are found. In order to create synergies and economies of use, the Group, in addition to certain common purchasing strategies, also acts through optimization of the production process. In addition, particular attention is paid to strategic investment planning, including the implementation of new projects in the areas of robotics, automation and energy-efficient solutions. The systems and their maintenance are periodically checked and prompt action is taken when necessary.

"Investment Plan" chapter
"Sustainable supply chain" chapter

Business Portfolio

Risk that senior management does not have relevant or timely information (e.g. market trends, sudden changes in specific markets of interest, competitors) to adequately define the product portfolio or the balance between its segments with a view to long-term sustainability, with a consequent negative impact on the Group's overall future performance.

Management methods

Risk mitigation measures include: i) optimization of technical know-how acquired in order to develop economic efficiency within the production chain and in the negotiation of outsourced activities; ii) vertical integration of production (e.g. cabins); iii) increasing the range of technological solutions supplied as a lever for developing the after-sales segment; iv) using engineering, organizational and management skills for complex works as a lever for expanding into niches of the construction market; v) strategies aimed at strengthening the Group's positioning in the foreign defence market, in order to present itself as prime contractor and create a solid, long-term relationship with the customer.

"Core markets" chapter
"Innovation and sustainability" chapter

HUMAN RESOURCES RISKS

Health and safety

Risk that the Group does not invest enough in the protection of health and safety in the workplace with consequent damage to its own employees and any third parties involved in company activities. This risk may arise due to slow or inadequate adaptation of internal processes to satisfy the provisions of current and emerging regulations, an inadequate system for the management and control of health and safety risks related to company activities and related mitigation actions, incorrect or inadequate performance of ordinary and/or extraordinary maintenance, and/or the absence of adequate systems for identifying contamination, and/or catastrophic risks, or poor training, information and awareness of individuals.

Management methods

The Group constantly monitors regulatory and legislative developments, incorporating updates into its processes and procedures and verifying their correct implementation through internal and external audits. Internal procedures are in place for the identification, assessment and management of risks that could compromise people's health and safety, including the analysis of near misses with a view to early intervention and prevention. Particular attention is also paid to the dissemination and strengthening of the culture of prevention and protection and increasingly responsible individual behaviour, through the necessary training and information on accident prevention and emergency management and actions to raise awareness of compliance with the rules and procedures aimed at internal and external staff. The production plants and departments are ISO 45001 certified. In the area of health, safety and environment, regular meetings are held to review and promptly resolve any issues. With regard to the COVID-19 health emergency, each site applies the protocol governing measures to combat and contain the spread of the virus as set out in national and company regulations.

"Health and safety in the workplace" chapter

Staff attraction and retention

Risk that the Group is unable to attract and retain highly qualified and competent management personnel with a high level of diversity in terms of age, nationality and gender, or to enhance the organizational structure with figures capable of managing the Group's growth and ensuring business transformation.

Management methods

Fincantieri extensively applies an Employer Branding strategy in order to promote internally and externally the quality of its brand as a workplace, together with an Employee Value Proposition strategy aimed at satisfying the needs and expectations of employees. The remuneration policy adopted includes all variables and there is an ongoing employee engagement programme (Fincantieri for the Future) to retain qualified and competent personnel.

"People" chapter

Labour relations

Risk that the Group does not manage its relations with its staff and trade union representatives adequately and transparently, resulting in hostility and/or a breakdown in relations. This risk may lead to strikes and slowdowns/interruptions in production.

Management methods

In addition to monitoring the correct application of the National Collective Bargaining Agreement and the current supplementary agreements, Fincantieri adopts a participatory model that is developed through the activities of various commissions defined by the supplementary agreement itself, which in some cases, in addition to trade unions, allow for the direct involvement of workers. Scheduled round tables are held monthly in each operational unit with workers' representatives and local trade unions on various issues, such as the status of contracting companies, the COVID-19 emergency management plan and the management of the related preventive containment measures, productivity issues, environmental and safety aspects. The flow of information and discussion is constant, also thanks to the Meetings of the Bilateral Joint Technical Body and unscheduled meetings with workers representatives and local trade unions on contingent issues in order to anticipate any criticalities. Where necessary, the cooling off procedures set out in the supplementary agreement are applied in order to avoid or contain production stoppages. In addition, meetings are held at least once a month at both site and central level on staff management issues (overtime, absenteeism, disciplinary issues, etc.).

"People" chapter
"Sustainable supply chain" chapter

OPERATING RISKS AND SUPPLY CHAIN

Project Management

Risk that the project management activities are inadequate and do not allow continuous and timely monitoring of the correctness and efficiency of the entire contract development process, resulting in failure to meet contractual and quality requirements, delays and/or additional costs with a consequent negative impact on the expected contract margin.

Management methods

The Group manages its projects through dedicated structures that control all aspects (contractual, technical/design, scheduling, economic and qualitative) of the contract life cycle (design, procurement, construction and outfitting). The identification, assessment and management of project risks is carried out through a structured and continuous risk management process. Contracts with suppliers include the possibility of applying penalties for delays or hold-ups attributable to such suppliers. In order to monitor the progress of both individual orders and the order portfolio and to promptly identify any critical issues and share corrective actions to be taken, there are regular meetings and discussions at different levels. The contracts entered into with customers provide that, in the event of a "force majeure event" preventing the regular construction of the job order, such as a government order, a pandemic or a war, the Company would not be required to pay penalties to the shipowner for late delivery.

"Sustainable supply chain" chapter

Organizational complexity of the shipyard

Risk that inefficient management of resources (internal and external personnel, production facilities, areas), due to inadequate medium/long-term planning, an ineffective control system, inefficient distribution of workloads or problems relating to the management of the complexities and risks associated with product diversification, generates slowdowns/interruptions in the production process, compromising the company's defined targets in terms of volumes, times, costs and quality.

Management methods

To manage processes of such complexity, the Group implements procedures and work plans designed to manage and monitor the implementation of each project throughout its duration. Constant dialogue channels are established between the Group entities in order to safeguard the integration processes; occasionally Parent Company resources are included. In addition, the Group has adopted a flexible production structure in order to respond efficiently to fluctuations in vessel demand in the various business areas. This flexible approach allows the Group to overcome capacity constraints at individual shipyards and to work on more than one contract at the same time while ensuring that delivery dates are met. The Group is implementing actions aimed at improving the production and design processes in order to strengthen competitiveness and increase productivity. The risk is closely related to the "Production capacity and industrial productivity" risk.

"Investment Plan" chapter

ENVIRONMENTAL RISKS

Climate change

Risk that a catastrophic event resulting from acute weather phenomena (storms, floods, earthquakes, fires or heat waves) and/or chronic weather phenomena, i.e. long-term climate change (changes in temperature, rising sea levels, reduced water availability, loss of biodiversity, etc.), could damage assets or cause a production stoppage for the Group and/or its suppliers, and prevent the Group from carrying out its operational activities by interrupting the value chain or slowing down the supply chain.

Management methods

In order to prevent or limit potential damage to assets and/or production stoppages due to adverse weather events, each production plant has specific emergency plans, subject to periodic verification through internal and third-party audits, as well as procedures governing studies and checks on the positioning of ships, moorings, scaffolding, cranes and related safety and warning systems. Maintenance activities also contribute to limiting damage from extraordinary weather events. The entire system is geared towards identifying, assessing and managing site-specific risks and limiting the potential impacts on the company's assets, as well as in general terms the environmental and social impacts that could result. To date, the economic/financial and asset-related risks arising from acute weather events are covered by insurance policies that reduce the possible direct and indirect impact of business interruption. Crisis Management Teams are also in place to manage emergencies and evacuation plans from countries where Group personnel are permanently present.

"Fincantieri for the climate" chapter
Sustainability report - The challenge of climate change and risk management

ICT RISKS

Cyber security

Risk that the Group suffers a cyber attack aimed at identity, data and information theft (e.g. confidential/privileged information, sensitive data, bank credentials, etc.), temporary suspension of company services or sabotage of computer systems, exploitation of the computing power of company computers for criminal purposes, resulting in reputational damage, loss of turnover, loss of customers and suppliers, sanctions and compensation claims, up to and including business interruption.

Management methods

Fincantieri has equipped itself with a set of tools designed to prevent and/or intercept computer attacks, such as a system for correlating computer-related events, a notification system to warn about suspicious emails (phishing), and a system for blocking requests to Internet domains classified as malicious. A threat intelligence service and preventive security checks through vulnerability assessments and penetration tests are also in place to enhance security. Any IT incidents are managed through structured processes that allow for prompt reactions. In order to increase awareness of cyber risks, staff training/information and awareness-raising initiatives are conducted.

"Cyber security" chapter

Computer data and information protection

Risk that company information, especially sensitive and confidential information, may be accessed by unauthorized internal or third-party personnel, who may make unlawful use of it, modify it or delete it with serious prejudice to the Group and its stakeholders.

Management methods

Fincantieri adopts an integrated Quality and Information Security Management System certified to ISO 9001:2015 and ISO/IEC 27001:2013. As part of the Information Security Policy Architecture model, various policies, procedures and processes are in place to mitigate risk, together with the latest specific organizational and technological safeguards aimed at limiting access to services and information according to the "Least Privilege" and "Defence in Depth" principles and at protecting, through proactive, preventive and reactive controls, information systems and the information managed within them. Networks and systems are maintained in order to remove any obsolescence that might weaken the perimeter of defence against fraudulent or unauthorized access to data. Cyber security risk mitigation measures help mitigate the risk of integrity and confidentiality of company data managed through information systems.

"Information and data security" chapter

IT system & infrastructure

Risk that IT systems (e.g. software, networks, etc.) are unreliable, ineffective / inefficient, or compromised by interventions of internal or third-party personnel, with a detrimental effect on data and/or business processes. In addition, the risk that the technology used in ICT is outdated and does not save energy.

Management methods

Fincantieri carries out periodic checks in order to guarantee secure, reliable and efficient IT systems; the checks and consequent corrective actions concern in particular hardware obsolescence, antivirus coverage of both servers and workstations, the segregation of networks and systems between the various Group companies and LAN networks. With reference to the security aspects, there is also a periodic revalidation of the system administrators, who have extensive access privileges to IT systems, and constant monitoring of access to 'core' systems through the Security Information & Event Management (SIEM) system, which allows 'abnormal' accesses to be intercepted and generates automatic alerts for timely verification and management by the Security Operation Centre. With reference to the SAP management system, periodic checks are also carried out on access to the system through emergency users (Firefighter) by FC IT staff or third parties; access and any interventions in the production environment through these types of users are in fact traced and verifiable a posteriori at any time.

"Cyber security" chapter

COMPLIANCE/LEGAL RISKS

Crime, common and organized, and terrorism

Risk of common or organized crime events occurring inside or outside the Group's premises to the detriment of people and company assets, productivity and business continuity. This includes risks related to industrial security and the protection and safeguarding of state secrets and classified information and information for exclusive circulation, as well as risks related to the physical security of assets (tangible and intangible) and human resources.

Management methods

In order to contain the risk of unlawful influence and infiltration into the company's business, the Group, also with the help of referenced Commercial Information Companies, checks to ensure that suppliers and third parties meet reputational requirements, monitoring them over time and defining phase-out plans for the cases deemed to be at higher risk, also within the "Suppliers Observatory". Threat Intelligence activities are also carried out, through the collection and analysis of information from publicly available sources, in order to analyse known or emerging criminal risk scenarios, including in foreign areas of interest to the company. Any physical security needs are detected through Physical Security Vulnerability Assessments. There is also close cooperation with institutions and judicial police bodies, ensuring, in the relevant operational areas, the necessary support and that the highest risk cases are reported to the Prefectures in compliance with the National Legality Framework Protocol. Numerous risk prevention and/or mitigation measures are in place in all operating units, such as, for example, controls on the access of people, vehicles and goods entering and leaving, surveillance activities inside the premises, anti-intrusion perimeter controls, controls on access to ships under construction, etc. Management and control procedures also cover classified information and information for exclusive circulation in compliance with regulations on the administrative protection of State secrets, as well as industrial information. In order to increase awareness of security issues, the Group offers training activities to all personnel entering Fincantieri sites and shipyards.

"Health and safety in the workplace" chapter
"Sustainable supply chain" chapter

FINANCIAL RISKS

Raw material prices

Risk that changes in the price of raw materials will impact the Group's production costs. This risk may arise, for example, as a result of catastrophic events affecting the supply chain, as a result of changes in customs policies or international import/export agreements or as a result of momentary or structural imbalances between supply and demand.

Management methods

In order to prevent and protect against the impact of raw material price changes on production costs, there is a continuous review of risk exposure by monitoring price trends and implementing commercial (steel) or financial (copper and diesel) hedging policies, where necessary and possible. The Group takes into consideration predictable increases in the components of contract costs when determining the offer price and evaluates the possibility of sharing risk with customers. At the time of signing the contract, fixed-price purchase options will already have been defined for some of the vessel's principal components. In addition, the market and the Authority's resolutions on electricity and gas are actively monitored, in order to take advantage of the best conditions in good time.

Note 4 "Financial risk management" of the Consolidated Financial Statements

Liquidity

Risk associated with the Group's inability to repay its current financial liabilities or to meet unforeseen cash requirements, related to lower or higher than expected cash receipts or disbursements.

Management methods

To mitigate liquidity risk and guarantee a sufficient level of financial flexibility, the Group constantly maintains a buffer of available funding sources that is more than adequate for its expected future needs, even in the event of unfavourable cash scenarios, diversifies its sources of funding in terms of duration, counterparty and technical form, and constantly monitors the trend in its own cash flows in order to anticipate and promptly manage any needs and/or criticalities. It should be noted that there are no covenants included in the Group's loan agreements.

Note 4 "Financial risk management" of the Consolidated Financial Statements

With reference to financial risks, see Note 4 of the consolidated financial statements.

Core markets

Reference scenario

All economic sectors are facing a changing regulatory environment from which new challenges and opportunities may emerge, especially with regard to the development of the green economy.
The International Maritime Organization (IMO), which oversees ship safety and environmental regulations, has set **carbon footprint** targets: by 2030, a 40% reduction in average CO2 intensity per tonne/mile, and by 2050, a reduction in total annual greenhouse gas emissions of at least 50% compared to 2008 levels (and a 70% reduction in CO2 emissions per tonne/mile), which is in line with the European target.
The European Commission has made it a priority for Europe to become the first climate neutral continent by 2050, with an intermediate target of reducing greenhouse gas emissions by at least 55% compared to 1990 levels by 2030. In support of this plan, the EU has drawn up a series of proposals ("**Fit for 55**") which modify the regulatory environment, with significant implications for businesses. "Fit for 55" includes, for example, the definition of a carbon pricing and emissions trading scheme to be extended to shipowners, the gradual introduction of the CBAM (Carbon Border Adjustment Mechanism) and a taxonomy of activities, i.e. a classification system that establishes which investments are environmentally sustainable and therefore eligible for funding.
These measures may directly or indirectly influence market dynamics, trigger inflationary pressures, especially on complex products such as ships resulting from the integration and assembly of thousands of components, or affect the company's ability to attract financing.
The cluster of shipbuilding companies and suppliers is inevitably called upon to invest in new technologies and to make progress in the development of zero-impact products and production processes. However, a **green revolution in maritime transport** requires a holistic approach that must embrace the efforts of the shipping industry, the provision of support tools for green research and investment, the definition of energy policies to ensure the availability of green energy in adequate quantities and at appropriate prices, the adaptation of port infrastructures, the diffusion of a new awareness on the part of shipowners and users of maritime transport and, last but not least, the spread of new business models.
Another element in the change taking place is **digital technologies** (and, consequently, security issues) which will have a profound impact on products and processes.
Digitalization involves the introduction of predictive diagnostics and widespread automation (backed up by big data and artificial intelligence), which should guarantee savings in terms of operating costs thanks to the carrying out of activities remotely, the optimization of the ship's operating parameters, and the application of condition-based maintenance techniques with a reduction in possible downtime and related costs.
In terms of 'service', digitalization means that crews and passengers do not perceive any technological discontinuity between what is available on board and on the ground, and it is also possible to track the presence and behaviour of passengers, 'anticipate' and direct their purchasing habits and maximize the profitability of space on board, being able to continuously check its use and collecting essential data for any sudden changes of use.
It is clear that, irrespective of expectations regarding the trend in demand, the ongoing change in the **regulatory and technological scenario** is particularly stimulating for companies in the sector, posing **new challenges** in addition to the traditional ones of pursuing competitiveness and efficiency, which are essential to guaranteeing the Company's future in the long term.

Cruise ships

The crisis induced by the pandemic **abruptly interrupted the long phase of expanding demand** for cruise ships. Since 2014, the demand for cruise ships has reached levels never experienced in the past, having undergone a strong acceleration justified by i) the increased interest in cruises within the tourism market; ii) the strong performance of traditional markets and the opening up of new markets (Asian market) which have pushed the main players to invest in order to attack them; iii) the entry of new investors who attract new customer segments with dedicated travel formulas.
The growth in investments was related to the expected favourable trend in the number of cruise passengers: according to CLIA (Cruise Lines International Association), in 2019[1] passengers carried reached 30 million and a target of 32 million was forecast for 2020 (CAGR 2010-2019: +5.3%).
The pandemic halted this positive outlook without, however, undermining the segment's fundamentals: only two orders were finalized in 2020-2021.
The spread of the epidemic caused the suspension of cruise activity from mid-March 2020, the immobilization of the entire fleet and the cancellation of revenues for all the companies. Attempts to restart in late summer 2020 foundered as the second wave spread. **A gradual restart took place from the summer of 2021**, initially with a limited number of ships and itineraries, mainly on a national basis in terms of both the country of origin of passengers and the destinations of the voyage, and in compliance with strict health regulations which limited the occupancy rate of the ships.
The restart was led by Europe (Italy and Germany in primis) at the end of May, followed towards July by the United States, following the interpretation and application of a strict system of rules set by the Centers for Disease Control and Prevention (CDC). The expiry of the Conditional Sailing Order (CSO) was postponed from 1 November to 15 January 2022, after which it became an optional guideline. However, with the advancement of the Omicron variant, in late December 2021 the CDC advised against Americans going on a cruise, regardless of their vaccination status.
Alaska and Canada have also authorized travel, while the cruise ban will remain in place in Australia until mid-February 2022, unless further delayed. New Zealand similarly postponed the gradual reopening to international travel from January to the end of February 2022 as a precautionary measure to reduce the risk of the Omicron variant.
The spread of the **vaccination campaign** was one of the **fundamental** elements for the **restart**: almost all brands have introduced a vaccination requirement, which applies to crew but also to cruise passengers, with some exceptions depending on the target clientele (age and nationality), and in any case have adopted a strict screening system using testing.
In terms of progression, in November 2021 the declarations of the **major cruise lines** left room for **optimism**: it was estimated that 70% of the fleet would be operational again at the end of the year, with an occupancy rate of up to 80%. According to initial estimates, the number of cruise passengers carried in 2021 should be 6 million, compared to 5.8 million in 2020 (volume achieved almost entirely in the first three months of 2020). This trend of cautious but steady recovery that emerged in 2021 could be slowed down by the emergence of the Omicron variant in early 2022.
A **resumption of** large-scale international **operations** is however **expected from the second half of 2022**, leading to the achievement of pre-COVID levels in terms of passengers carried in 2023.
This prediction mirrors the outlook for the tourism sector in general: the latest survey (September 2021 - UNWTO United Nations World Tourism Organization) showed that most experts expect international tourism to return to pre-COVID levels by 2023 at the earliest. It will take between 2.5 and 4 years to return to 2019 levels.
The new wave of the pandemic linked to the Omicron variant is a source of concern for the tourism sector in general, including the cruise industry, introducing further uncertainty about the prospects for recovery.

[1] Source: CLIA - Cruise Lines International Association.

In this context, the evolution of the cruise ship market appears to be characterised in the medium/long term by a recovery in demand for new cruise ships, in relation both to expectations of growth in the number of passengers, with a trend similar to the pre-COVID one, and the phasing-out of older cruise ships; in the short/medium term, there is still uncertainty about the timing of the definitive end to the current pandemic, about the requirements for the adoption of the new environmental standards and about the greater exposure of customers to financial institutions, which could make it difficult to obtain further resources for the launch of new programmes.
The spread of the epidemic also had a major impact on shipbuilding companies, which, in addition to incurring extra costs directly related to the pandemic and the adoption of appropriate sanitary measures, had to **revise** their **production schedules** in order to meet customer needs and **avoid cancellations**, while preserving their order books.
The **order book** for the shipyards at 31.12.2021 remains high however, comprising 64 ships of more than 10,000 gross tonnage with a total of 160 thousand lower berths.
As regards Fincantieri, the Group remains committed to developing the considerable order backlog acquired, with ships on delivery until 2027, and converting the soft backlog into firm orders.
The battle against the pandemic has seen Fincantieri involved in the development of innovative solutions to prevent contagion on-board ships; in particular, in close cooperation with the virology laboratory of the International Centre for Genetic Engineering and Biotechnology (ICGEB), it has developed an innovative air sanitation system called "Safe Air", which will significantly improve air quality and air cleaning on board. MSC Crociere was the first company to adopt this technology.

Naval vessels

As for the **naval sector**, global **defence budgets** continued to **grow** in 2021, reaching: US$ 2.06 trillion the persistence of the pandemic has not so far caused any reversal of this trend, as happened in the past during the economic and financial crisis.
Major geopolitical events that have produced impacts on the naval segment include the **AUKUS partnership** between Australia, the UK and the US, announced in September 2021, which resulted in Australia cancelling its order to France (Naval Group) for 12 conventional submarines in favour of a nuclear-powered submarine built in partnership with the UK and US.
Also in the light of the strengthening of this alliance, the European Union has accelerated in the direction of setting up a Union Rapid Response or Intervention Force, an initiative that is part of a broader package of proposals finalized by the EU foreign and defence ministers last November, the "**Strategic Compass**" of the EU, on internal and external security for the coming decades, including the definition of targets for priority military capabilities and technologies.
These events confirm that industrial policy in the defence sector cannot ignore the geopolitical situation, the country's interests and foreign policy guidelines, in a context that requires increasing size and competitiveness, on pain of marginalization.
Not only is the European Union increasingly confronted with multiple threats (increased tensions between powers, problems of illegal immigration, terrorism, etc.), but demands on individual European countries to take responsibility for their own security within NATO and as part of the common European security and defence policy have also increased.
Several member states have stressed the need to develop shared military capabilities. In this regard, in 2021 **Fincantieri, Naval Group and Navantia** started to work together on a programme that will be the **first joint naval defence capability in Europe**: this is the European Patrol Corvette (EPC), a naval initiative within the Permanent Structured Cooperation (PESCO). On 9 December, the consortium led by Fincantieri, Naval Group and Navantia and coordinated by Naviris submitted a bid to the European Defence Fund (EDF) for the MMPC tender. The objective of the proposal is to maximize synergies and cooperation between European shipbuilding industries by jointly developing a new unit (the EPC), ensuring European sovereignty in the second-line naval

vessels segment. Four countries are expected to take part (Italy, France, Spain and Greece), with six countries involved in the co-financing (Italy, France, Spain, Greece, Denmark and Norway). Three shipbuilding companies (Fincantieri, Naval Group and Navantia) are included, coordinated by Naviris, as well as forty companies for naval systems and components.

Offshore and Specialized vessels

The demand for ships in the offshore oil & gas sector is influenced by energy trends and policies.
Specifically, with regard to the **price of oil** during 2021, the upward trend observed since the second half of 2020 has been reinforced: in the early months of 2020, oil reached a low of US$ 9.12 in April, before rising again and fluctuating between US$ 50 and US$ 51 since mid-December. **In 2021, the threshold of US$ 80 was breached** in October and then again in January 2022, driven by the Kazakh crisis.[1] However, this flare-up is considered transitory and is attributable both to the acceleration in energy demand following the recovery in economic activity and to the cautious policy of Opec+ in terms of raising production caps.
The long crisis that has hit the offshore segment has led to an acceleration in the fleet rationalization process, with the exit of less efficient vessels and a slow but progressive rebalancing between demand and supply for both drillships and drilling rigs and support vessels for Exploration & Production activities.
Generally speaking, jackup and floating rig operations are expected to grow (+5% in the period 2021-2025[2]), which will also benefit the Offshore Support Vessel (OSV) sector, where the utilization rate is improving, more markedly for large PSVs.
According to the International Energy Agency (IEA), the **demand for renewable energy** has reached **new records**, confirming the trend towards replacement of an economy based on the exploitation of energy from fossil fuels with one linked to the world of renewables.[3]
The offshore wind sector, in which Europe retains its leadership, is **growing strongly**. It is estimated that new offshore wind farm projects, with varying degrees of progress and credibility, will increase total capacity from the current 33.4 GW to over 240 GW in 2030.
Over the last few years there has been a demand for specialized vessels due to the increased complexity associated with the construction and operation of wind farms further from the shore, in deep water and with increasingly large turbines. In particular, the **demand for** new-generation **Service Operations Vessels (SOVs)** has **grown**. The order book for these at the end of 2021 amounted to 20 vessels (all ordered in the two-year period 2020-2021), of which 10[4] relate to **VARD**.
The Norwegian subsidiary ranks **first** not only **in terms of portfolio size** but also in terms of **customer diversification**.
Demand for wind farm construction and maintenance vessels (vessels for the installation of foundations and turbines as well as SOV units) is expected to remain strong in the coming years, as new wind farms are expected to be built worldwide.

[1] Source: www.eia.gov
[2] Source: Rystad Energy Rig Cube.
[3] Source: World Energy Outlook 2021, October 2021, IEA (International Energy Agency).
[4] Includes an order for the conversion of a Platform Supply Vessel (PSV) to a SOV.

Investment plan

The growth strategy of the Fincantieri Group requires, in addition to an increase in the order book, an ever greater focus on **product quality and cost optimization**. The achievement of these objectives requires an across the board commitment and the implementation of multiple initiatives, among which the continuous development and enhancement of assets is of particular importance.

In particular, the significant work being carried out on assets in order to successfully execute the growing order backlog is enabling the Group to optimize the management of its production process, improving **quality and efficiency**.

In the last three years, the Group has invested around € 946 million in its production units, both in Italy and abroad, to make its **production process safer and more efficient**. The main interventions focused on:

- adaptation of the operating areas and infrastructure of the Italian shipyards, with a particular focus on the Monfalcone and Marghera sites, to enable completion of the significant order backlog acquired. The significant production investment plan launched at these two shipyards, which has led to the acquisition of the latest machinery and equipment as well as a more efficient configuration of production processes, has reached its final stage and will soon be fully operational;
- increasing the efficiency of production processes in the Vard Tulcea and Vard Braila shipyards, increasingly involved in the construction of hulls and major sections of cruise ships to support the Group production network;
- commencement in the United States of the shipyard modernization programme and the implementation of projects to increase production efficiency and support fulfilment of the order backlog acquired (in particular, the programme for the construction of the FFG(X) frigates);
- further improvement in the safety standards of machinery, equipment and buildings.

In addition, the Group is pursuing multiple initiatives to further raise its technological standard through the introduction of **advanced robotics solutions** and the launch of a major **digitalization programme**. In this area, the most important initiatives concern:

- increased automation of the production process at the Marghera shipyard, through the introduction of a new semi-automatic line, about 300 metres long, for the production of panels and ship blocks. The new line, which features state-of-the-art plant solutions and is directly interconnected to the manufacturing logistics system for data exchange, will significantly increase the efficiency and quality of the production process, enabling Fincantieri to respond more effectively and precisely to the shipyard's growing workload;
- the development of prototype robotic solutions for steel welding, also through partnerships with leading companies operating in related sectors. The first step in this project, which is scheduled to be tested at Fincantieri sites in 2022, will involve the design and construction of a welding robot-vehicle, consisting of an anthropomorphic robot with a welding head and a tracked vehicle that will be guided by a remote control system. This solution will make the process more efficient and increase the quality of finishes, especially in areas that are more difficult for a human operator to reach;
- the introduction of high-tech Mixed Reality and Augmented Reality instruments to support the production process which, through the use of special visors, will allow the assembly plan for the various components to be projected directly onto the production blocks.

The set of measures implemented and under development is expected to contribute positively to the margins on projects, allowing for coverage of any exogenous factors such as, for example, the increase in raw material costs recorded in the last period.

Obviously, all these considerations cannot be separated from close attention to the environment and the social context in which the Group operates. In 2021 Fincantieri made **significant investments** in the area of **sustainability**, both in Italy and abroad, mainly with the aim of:

- optimizing energy consumption;
- introducing tools for monitoring water consumption and reducing waste;
- increasing the safety of its workers;
- reducing noise pollution;
- aligning shipyard standards with environmental regulations.

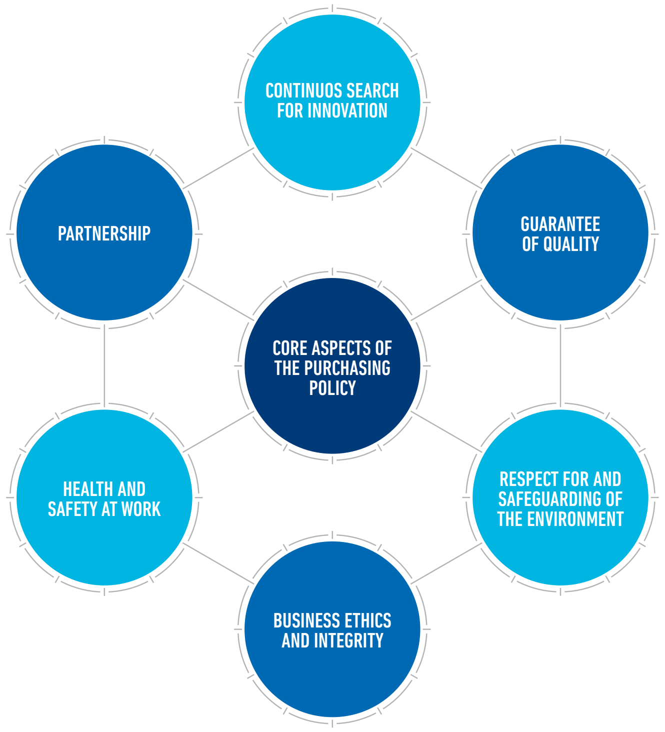
Fincantieri believes that value can only be created through **sustainable and responsible management of growth**, which will generate benefits for all stakeholders. In this context, Fincantieri is bringing ESG issues to the centre of its processes and this is also reflected in its investment management.

Accordingly, the 'Guidelines for assessing investments according to sustainability principles' were introduced in 2021, with the aim of integrating the analysis of the environmental and social impact of initiatives into the investment assessment process.

Sustainable supply chain

Development of a responsible and sustainable supply chain is part of a broader corporate vision that actively enhances and protects social and environmental responsibility, fully integrating them in the strategic guidelines. Suppliers are an integral part of this strategy and they are asked to share the **Purchasing Policy**, the primary goal of which is to communicate the Group's commitment to strengthening the development of solid and long-lasting relationships with its partners in order to pursue a common goal of sustainable development together.

The core aspects of our Purchasing Policy are:

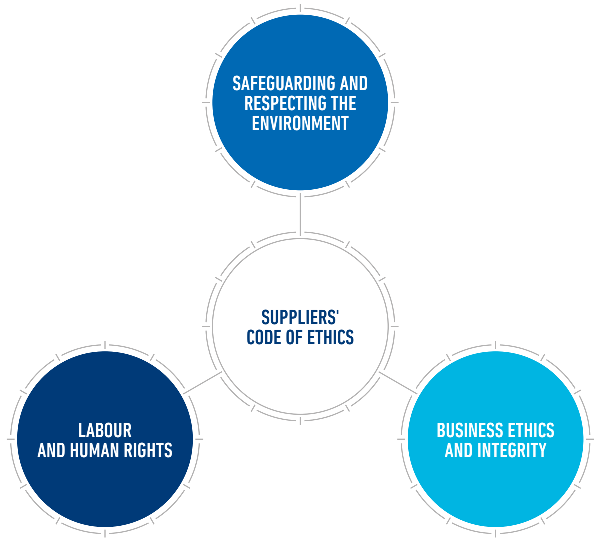


The Purchasing Policy is available on the website
www.fincantieri.com/it/sostenibilita/economica/catena-di-fornitura

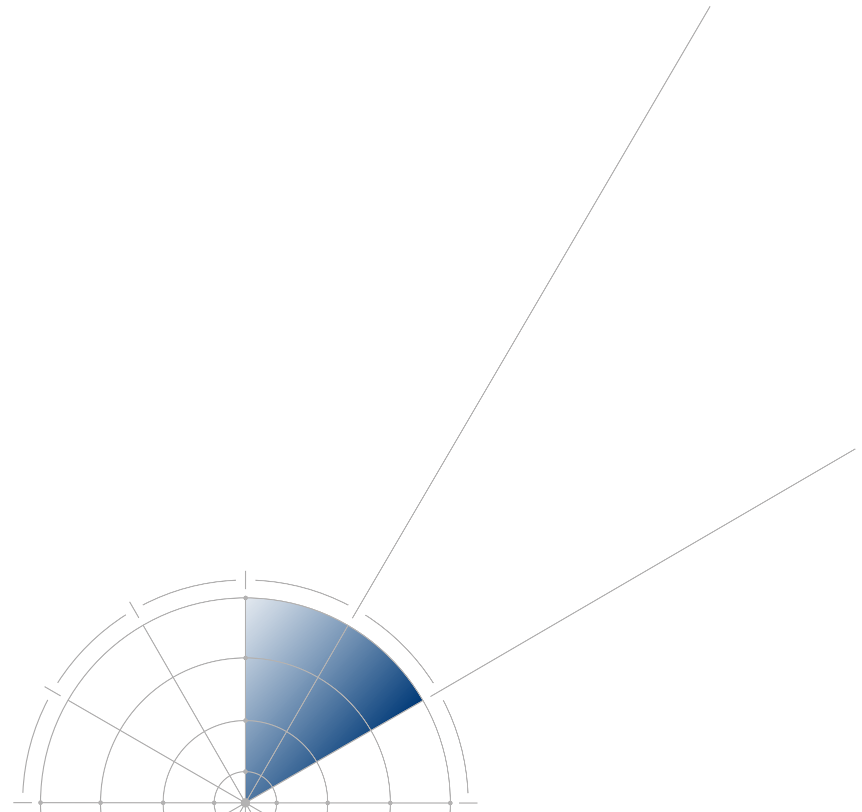
The awareness of the supply chain's strategic nature and the need to coordinate a vast and diversified network of suppliers make the search for long-term partner relationships characterized by transparency, collaboration and mutual respect, essential.
In this respect, it is extremely important that suppliers respect the **Code of Conduct** that Fincantieri has implemented, which contains the principles and rules that must be observed.

In order to strengthen the bond with our suppliers, the **Suppliers' Code of Ethics** has been drafted and approved by the Board of Directors. This document is intended to convey the **values**, **principles** and **responsibilities** defined by the Code of Conduct, the Charter of Sustainability Commitments and the Sustainability Plan. It has been defined based on national and international best practices and principles. The document was developed by the Procurement Department with the involvement of other corporate functions (Sustainability, Human Resources, Internal Auditing, Legal Affairs), it was shared with Italian and foreign subsidiaries and subsequently published on our website and company intranet.

The Code is based on three fundamental pillars:



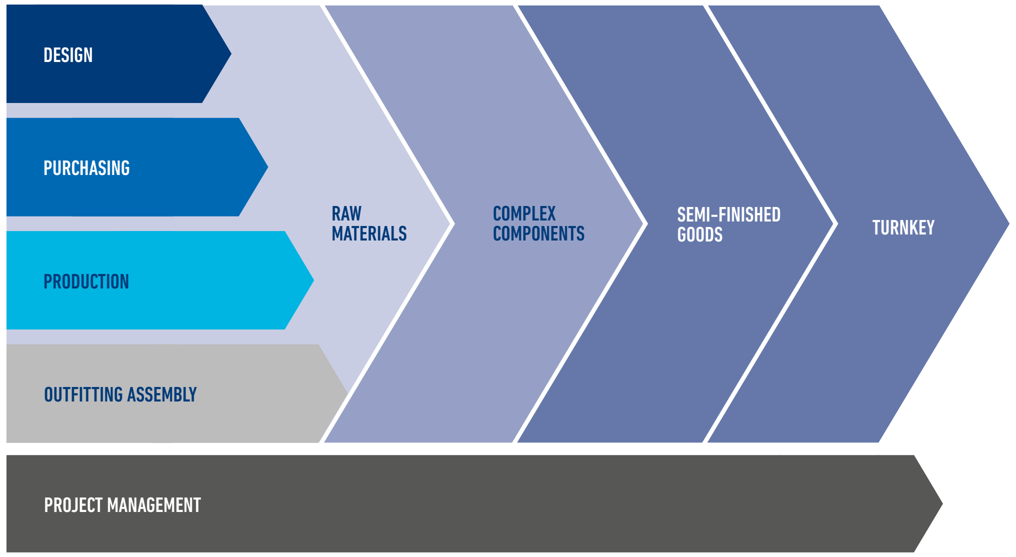
The Suppliers' Code of Ethics is available on the website
www.fincantieri.com/globalassets/sostenibilita2/responsabilita-economica/fincantieri_codice_etico_fornitori2.pdf



Supplier base

As regards the shipyard, approximately 80% of the finished product is made with the contribution of our suppliers: Fincantieri works as de facto system integrator, taking responsibility for the project as a whole. Awareness of the strategic nature of the supply chain and the need to coordinate a vast and varied network of suppliers has led to a focus on long-term partner relationships based on transparency, collaboration and mutual respect.

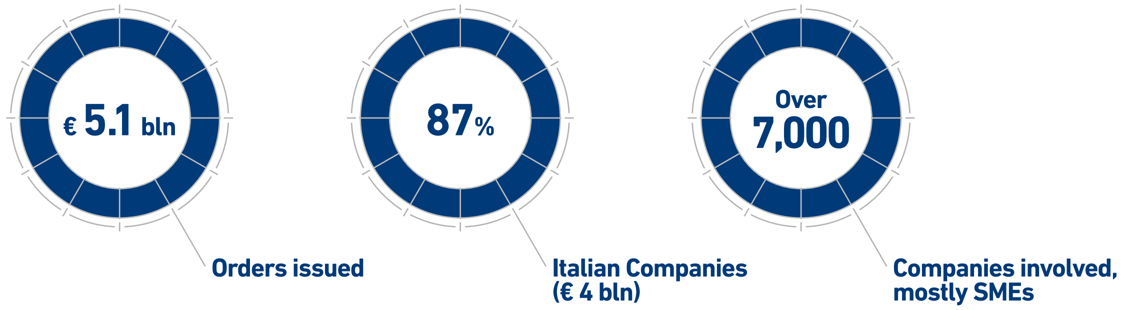
FINCANTIERI'S SUPPLY CHAIN



The continuation of the emergency situation due to the COVID-19 pandemic has not harmed relationships with suppliers or our business continuity. All supply chain risk mitigation controls and measures established by the Crisis Management Team proved effective in dealing with an extraordinary event such as the pandemic. Each production unit, according to its characteristics, has implemented the necessary actions for the proper and safe continuation of yard activities, ensuring constant communication with the entire supply chain.
In view of the current moment in history and the importance of the supply network for the shipbuilding sector, we are committed to supporting our supply chain from a financial perspective as well.
With the aim of facilitating access to credit for our suppliers, we have entered into a series of reverse factoring agreements with some of the leading Italian financial operators, providing the supply chain with the possibility of monetizing receivables due from the Parent Company and/or its main subsidiaries before their natural due date, at predefined economic conditions.
Reverse factoring agreements, which have been enhanced in recent years to better support suppliers' needs, support the supply chain by optimizing supplier payment flows, increasing their liquidity and facilitating access to credit on favourable terms.

Supply chain numbers

As regards the Italian activities, Fincantieri acts as leader and group hub for a large number of Small and Medium Enterprises (SMEs), an important factor in the flexibility and wealth creating capacity of local production systems, allowing them to access projects of great breadth and value, taking on a global market they would otherwise be excluded from due to their small size.
This network of Italian SMEs are highly specialized in various macro-sectors (such as suppliers of furniture, air conditioning systems, electrical/electronic systems, etc.).
In particular, through our shipyards, we contribute to the maintenance and development of the industrial system of the regions in which we operate.



Management of contracting companies

The Company's production model, structured to operate as an integrated system that makes use of both in-house and external skills, technologies and production capacities, requires the broad participation of the resources involved and the sharing of common values, conduct and goals.
On this premise, and in a logic of continuous improvement, action to significantly reduce the use of the supply chain for some specific activities (insulation, painting) has continued and will affect other labour intensive activities in the future.
With identical goals, further unbundling/insourcing initiatives inherent to systems and fitting out activities have been implemented, which include:

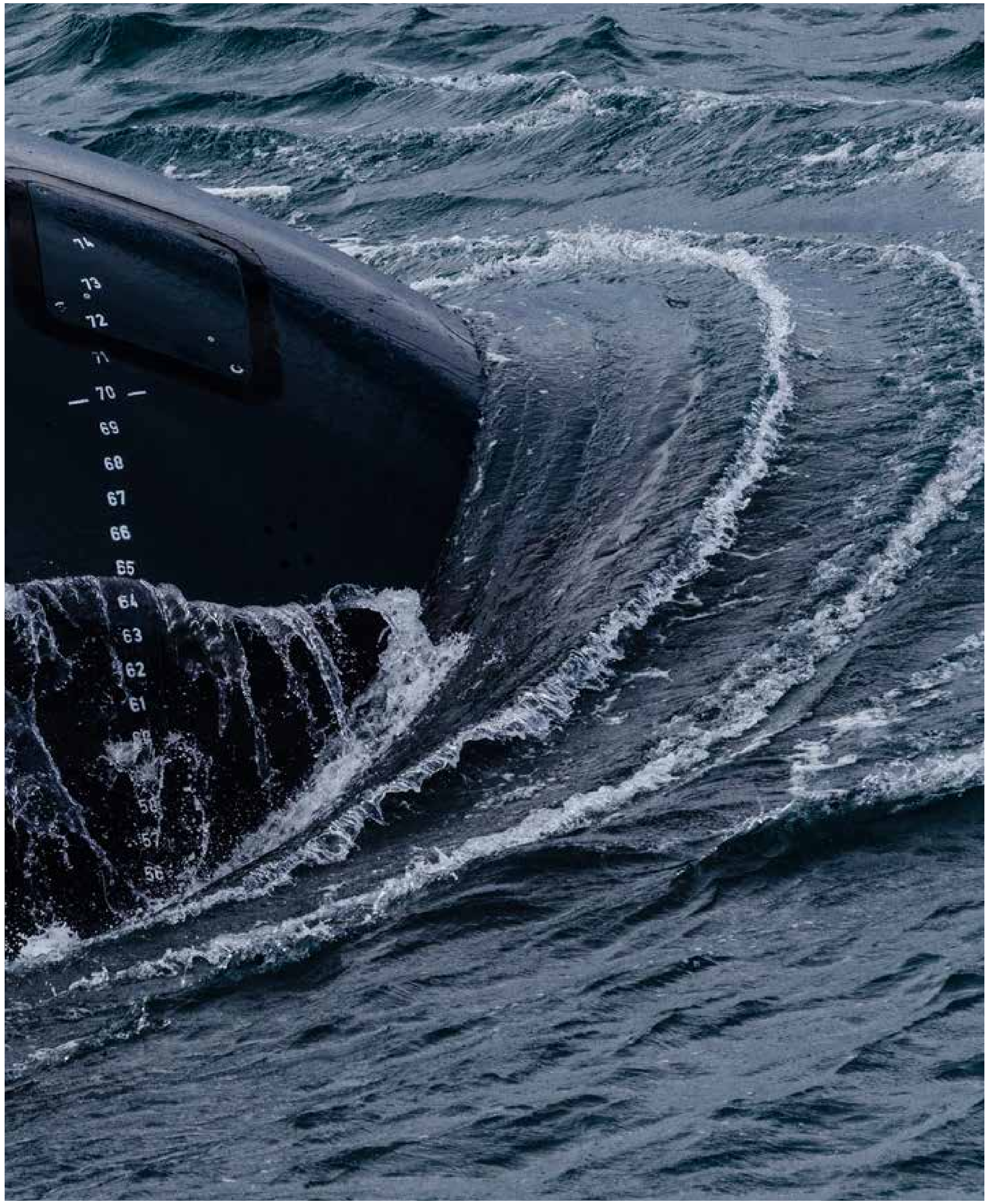
- the design and realization of naval interiors such as public areas, catering, cabins and wet units;
- high-tech activities such as those in the IT and electronics area as well as in automation, integrated physical security and logistics;
- the design, production and supply of innovative integrated systems in the field of system engineering and electrical, electronic and electromechanical industrial components.

We have also intensified initiatives aimed at consolidating the relationship with suppliers considered strategic, in particular for supply activities and turnkey contracts, through the definition of long-term partnerships that can encourage the continued presence of those workers on the territory, thus also responding to the expectations expressed by institutional stakeholders.
The stabilization of companies and the reduction of worker turnover can in fact allow local authorities to improve the planning of infrastructure and social services, as well as result in a more effective management of integration policies.
In 2021, the Company made further investments to improve the logistics infrastructure of support services for the employees of external companies, particularly as regards changing rooms, canteens and car parks.

The entire supply process, starting from the qualification phase - and their inclusion in the Register of Suppliers - and the awarding of orders, is subject to controls and constraints aimed at checking that they meet their legal obligations, in particular with regard to the rights of employees. Further controls are envisaged when entering the individual sites and during the entire time they remain at the operating units.
These guidelines were shared at the trade union level and implemented in the most recent company agreements, the latest being the one signed at national level on 26 May 2021.

Qualification and monitoring

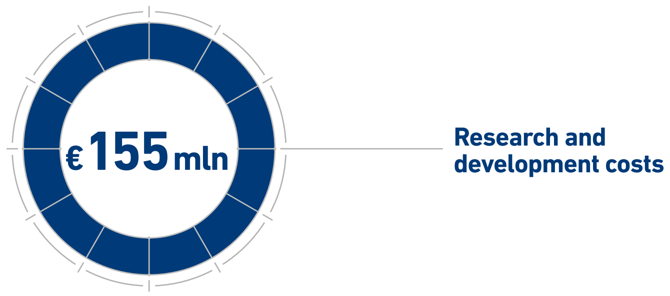
Development and efficiency of the Fincantieri supply chain starts immediately at the supplier selection phase, which follows a documented procedure in order to guarantee impartiality and equal opportunities for all the parties involved.
Management and the continuous improvement of a pool of trusted and innovative suppliers is essential in order to achieve the goals we have set for ourselves at Group level in economic and sustainability terms. Fincantieri's purchasing office provides suppliers with **constant technical support** for all activities connected to the selection and qualification process, including those concerning sustainability. The supplier base is recognized as a significant asset for the whole Company, and as such it should be valued and protected. This is why we have developed a stringent **qualification** and performance **monitoring** process for strategic suppliers, based on the evaluation of economic, technical, reputational, social and environmental aspects by the relevant corporate bodies, so as to ensure compliance with and observance of Fincantieri standards.
In this sense, the **collection of environmental and social information** is active during the pre-qualification stage, e.g. possession of certifications for occupational health and safety management systems and for environmental and energy management systems, as well as information on discharges and emissions, renewable sources, types of waste produced and accidents.
Prominence is given to issues related to **safety**, the **environment** and **protection of labour rights**, with a specific focus on **ethical and reputational aspects** during both the qualification and the monitoring phases. Evaluation of certain fundamental aspects, such as technical/professional suitability, the regularity of contributions and remuneration of employees, and the existence of a structure dedicated to safety at work, takes place during both the pre-qualification document collection phase and the quality inspection phase at the supplier's premises, as well as during entry in our shipyards. In addition, for all suppliers operating in Fincantieri production units, it is verified that the **contractual minimum** is consistent with the relevant National Collective Bargaining Agreement (CCNL), while for foreign companies it is verified that equal treatment compared to that established by the Italian CCNL is observed.
A stringent performance monitoring process is carried out so that suppliers can maintain their "qualified status" and to promptly manage any critical issues.
A supplier remains qualified as long as the reasons for its inclusion in the Register of Suppliers continue to exist and until the monitoring of its performance is considered critical to the point of expulsion.
Fincantieri monitors the supply chain using a **life cycle** management approach to reduce the environmental and social impact of a product or service over its entire lifetime to a minimum. In particular, sensitivity towards and respect for the environment is spread along the whole production chain, and this has led to increasing exchanges of information and documents with suppliers.
As part of the supplier monitoring system, we use a continuous performance evaluation system, in which all the relevant corporate departments take part (**balanced scorecard**), in order to guarantee that the required standards are met over time. Through the use of specific purchase methods adapted for the different product categories, we are committed to obtaining the best conditions and performance throughout the entire life cycle of the product.
Moreover, the main problems are examined through cross-involvement within **Supplier Oversight**, the body that gathers the different functions and departments. Supplier Oversight closely monitors critical suppliers and makes decisions after examining these critical issues, which may lead to the identification of improvement plans for the individual supplier and, where necessary, to the definition of the timescale and methods for phasing out that supplier.



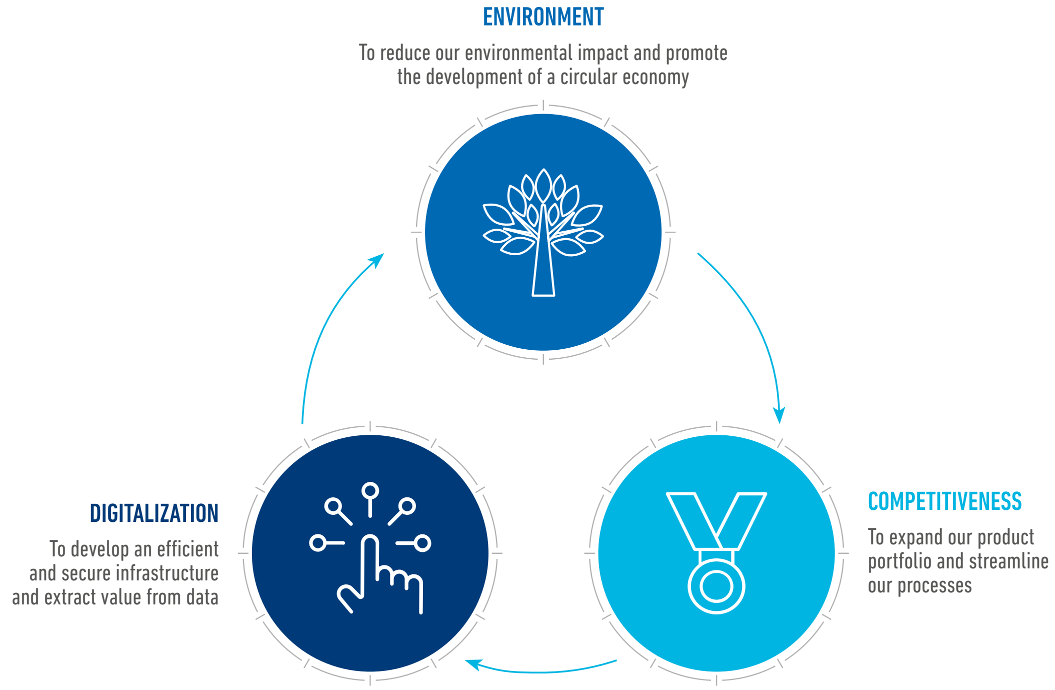
Innovation and Sustainability

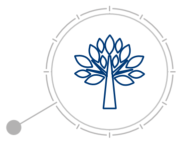
Fincantieri's main objective is to maintain and strengthen its world leadership in all the high value-added segments in which the Group operates, aiming to acquire, to maintain and to strengthen its role of global leader. Fincantieri is attentive to potential commercial, regulatory and environmental developments, continually seeking innovative and high value-added solutions that anticipate customers' needs. The Group's competitive advantage lies in the capability to design and deliver highly technological and customized solutions, this is especially evident in the integration of complex systems.
In the current environment, where the challenges associated with the green and digital transition combinated with the impacts of COVID-19 impose a radical transformation of business models, the Group has confirmed its position as one of the most competitive global players, thanks to its flexibility and ability to adapt to significant changes in market needs. The latter requires the adoption of a continuous process of change in order to develop new technologies to implement the product portfolio and recover productivity.
The ability to understand and anticipate changes in the markets in which it operates and the constant updating of products and processes are therefore the key features of the Fincantieri Group.

Innovation strategy



The Group has identified three technological directions to guide and streamline its innovation efforts:





Environment

For many years, the concept of environmental protection the environment has established itself as one of the guidelines for innovation processes and has acquired fundamental importance for the sustainability of human activity on the planet.
Fincantieri is committed to further increasing the level of sustainability of its contracts and reduce their carbon footprint, throughout the product life cycle. These objectives are the cornerstones of its vision and stimulate innovation activities including reducing air and water emissions, improving on-board waste management, and reducing noise and vibrations. This approach requires all new technologies be directed towards the decarbonization and the transition to green fuels.

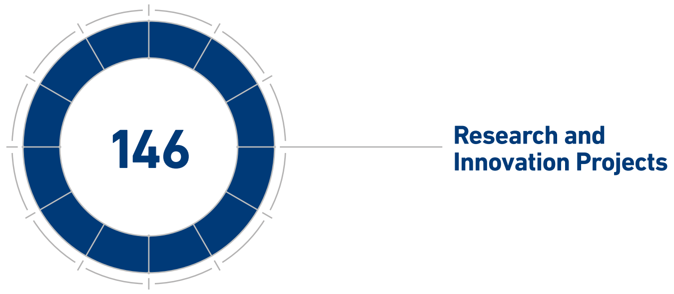
Digitalization

The digital transition is the foundation of the latest industrial revolution, currently underway, which is preparing the ground for a radical change in our business. The pervasive use of smart devices, the Internet of Things (IoT) and artificial intelligence, is already having impacts in most industries, including the design, manufacturing and construction processes in segments related to the maritime sector and other sectors in which Fincantieri operates.
The world of digitalization poses significant challenges in the development of pervasive and efficient network infrastructures, in the management of ever-increasing amounts of data, and in the extraction of value from the analysis of the data itself.
These concepts also have important repercussions on the whole value chain, from the design of new systems, their monitoring and maintenance in the after-sales phase, as well as strong implications on cyber security aspects. Great importance is given to the modelling of possible cyber attack risks and the countermeasures to be taken both at a logical and a physical level to prevent these eventualities. These logics and models are applied to the Group's products and infrastructures, both in the naval and in the civil segments.

Competitiveness

Maintaining and enhancing global competitiveness and leadership is one the main objectives of the Fincantieri Group. The current technological transition sees the emergence of breakthrough solutions. Their applicability to the production processes is constantly evaluated in order to seize the best opportunities to increase company performance.
With this in mind, the Group is committed to perfecting all phases of design and production in the shipyard and to studying methodologies, technical solutions and innovative materials. This process of continuous improvement is accompanied by essential training and educational activities in order to develop and update skills.
A working group dedicated to identifying the evolution of customer needs has been set up to identify and anticipate the needs of the market in which the Group operates. This information is used to identify the necessary technologies, the technological gap to make them operational and consequently the development path to follow, which will be based on real research and industrialization projects.

Main projects



In 2021, at Group level, over 140 Research and Innovation (R&I) projects have been conducted, funded either through own resources or by means of the use of European, national and regional R&I programmes. Some of the projects are carried out by means of close cooperation with universities and research institutes, by awarding of specific assignments or the funding of PhD fellowships, research grants, or tenured and temporary positions in partner universities. All the projects can be classified within three technological directions, which represent Fincantieri's vision for the future.

Environment

The main active projects related to these issues are:

- **FUCELL** (2018-2023): with the collaboration of the University of Trieste and its spin-off, CEnergy, Fincantieri has opened a new laboratory in the Area Science Park of Trieste. The project aims to test the operation of a power generation plant for marine applications, consisting of a hydrogen production, compression, storage and distribution plant to power fuel cell system combined with a system of super capacitors. In the future, once the authorizations have been obtained from the classification and flag authorities, with whom Fincantieri is already in dialoguing, the technologies developed within the project - appropriately scaled - will be able to be transferred on board ship, generating new business opportunities and revenues for the Fincantieri Group. The application of fuel cells on board has the advantage not only of reducing polluting emissions (GHG, NOx, SOx, particulates), but also of increasing the energy efficiency and the vibro-acoustic comfort of the ship.
- **TECBIA - Technologies with low environmental impact** (2018-2022): a project conducted in cooperation with the Italian National Research Council (CNR) and the Universities of Genoa, Naples and Palermo, with the contribution of Ministry of Economic Development. The project sets out to realize a laboratory ship of approximately 25 metres long to study energy generation technologies with low environmental impact to be installed on vessels. The ship, called Zeus - Zero Emission Ultimate Ship, will be powered exclusively by fuel cells.
- **GreenCruise** (2019-2022): development and testing of new tools, processes and methods for increasing product sustainability. The project aims to develop technologies, design and production processes and prototyping for verification and testing of different solutions capable of making future large cruise ships safer and more environmentally friendly.

- **EALING** - European flagship action for cold ironing in ports (2020-2022): the project aims to accelerate the deployment of On-shore Power Supply solutions (OPS) in EU maritime ports.
- **GREENSHIP** - Towards zero ship emissions (2019-2022): the project aims to develop an e-learning course to train training a new figure on board ship: the Emissions Manager, in compliance with the new IMO requirements.
- **Zero Coaster** (2020-2023): the project, managed by the subsidiary VARD, aims to develop a new class of zero-emission bulk carrier for coastal navigation.
- **TEOREMA** - Technological solutions for multi-objective offshore energy platforms (2019-2022): the project will enable us to design and test innovative offshore energy technologies through the development of two technologically advanced platform concepts for the production of wind, solar and wave power as well as Microbial Fuel Cell (MFC) technologies.

Digitalization

The main projects related to these issues which are already active or in advanced state of preparation are:

- **SECURENAV1** (2020-2023): in collaboration with the University of Genoa, the project focuses on the analysis and development of guidelines for integrating defense-in-depth and security-by-design strategies within production processes. The project aims to implement a security-by-design approach aimed at promoting an increase in the level of cyber security maturity throughout the supply chain involved in the creation of the ship product. Thanks to the development of this approach, measures adopted early on in the stages of product design and construction, when ICT components are not yet integrated on board, will allow for a reduction of the costs associated with cyber security risk mitigation actions.
- **ECHO** - European network of Cybersecurity centres and competence Hub for innovation and Operations (2019-2023): project, funded under the Horizon 2020 Programme, which aims to develop a new coordinated and integrated approach to proactively incentivise the EU's cyber defence through efficient cross-sectoralpartnerships.
- **FLARE** - FLooding Accident REsponse (2019-2022): cooperative project, funded under the Horizon 2020 programme, for the development of a risk-based methodology in order to assess and control the risk of flooding in real time on board passenger ships.
- **CYMON** (2020-2021): the project, funded by the START 4.0 Competence Centre, aims to create a hybrid platform, able to run both on a normal desktop PC and on a head mounted display. The latter will enable interaction with the digital twin of an infrastructure. The display will show the image of the physical object you are looking at, accompanied by a series of digitally superimposed information, following the augmented reality paradigm.
- **KPN IPIRIS** - Improving Performance in Real Sea (2020-2023): a project developed by the subsidiary Vard Design to increase the digitalization of design and construction processes in order to achieve the greenhouse gas emissions targets laid down by the IMO.
- **TETI** - Innovative technologies for control, monitoring and safety at sea (2021-2023): the project entails the study and development of innovative technologies to be used in monitoring the environment and safety at sea. Project activities are aimed at optimizing sensors to be used for remote control and real-time interconnections. In addition, the project includes activities aimed at the design and experimental implementation of smart float systems.

Competitiveness

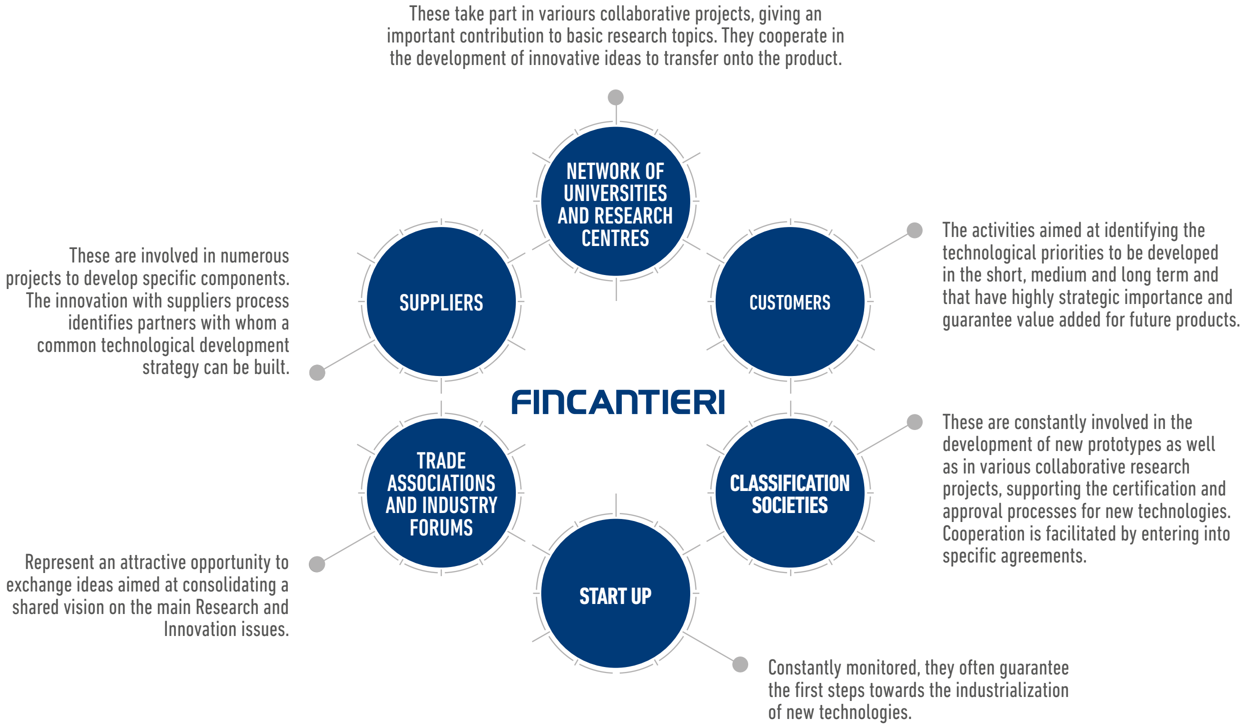
The main active projects related to these issues are:

- **ALS04** – Automated Laser Scanner Operations (2020-2023): a collaborative project, funded by the Autonomous Region of Friuli Venezia Giulia, involving other industrial partners (MarineLab and Studio Zerouno) and the Universities of Trieste and Udine. The project focuses on the research and development of optoelectronic control systems based on laser scanner technology in order to create a working prototype for the three-dimensional measurement of ship blocks and sections. The use of such technology is expected to result in less reliance on manual operations, reducing the overall time required to survey and process data and optimizing the performance of the design and production system, as well as less need for repairs which is expected to generate and annual saving of about 1.25% on the cost of the hull. Important positive effects on business are expected as a result of the activities and collaborations developed within the project; an increase in the perceived quality and satisfaction of our customers, as well as the creation of know-how and specific skills that will allow us to maintain and strengthen our competitive advantage.
- **Hull Production 4.0** (2020-2023): the project, financed by the Ministry of Economic Development, aims to optimize hull production processes by integrating production and quality control processes, in order to apply standards and methods that are as uniform as possible across the Group's various production plants. The project will ensure the development of advanced laser and vision systems to support processes and the construction of demonstrators at the Castellammare di Stabia and Palermo yards.
- **IFuture** (2020-2023): programme agreement for the establishment of a research and innovation centre within Isotta Fraschini Motori for the development of a new family of engines for industrial applications, a remote monitoring system and a new engine for marine applications that is based on hybrid technologies and integrates digital tools that optimize its performance.
- **SEABAT** - Solutions for large batteries for waterborne transport (2021-2024): a project, funded under the Horizon 2020 Framework Programme (in which Fincantieri SI and Vard Electro participate), aimed at developing the concept design of a fully electric ship by combining a modular high-energy battery system, new converters and innovative manufacturing technologies derived from the automotive sector.
- **SEA DEFENCE** - Survivability, Electrification, Automation, Detectability, Enabling Foresight of European Naval Capabilities in Extreme Conditions (2020-2023): the project, funded under the European Defence Industrial Development Programme (EDIDP), aims to provide the European Commission and Member States with elements that indicate which are the emerging technologies for the next generation naval vessels in relation to future operational scenarios. These technologies will be the focus of European Defence Fund (EDF) investments during the 2021-2027 framework programme.
- **STESS** - Systems and Technologies to Improve After Sales Services (2018-2021): the project, financed by the Ministry for Economic Development, aims to develop prototype technologies, guidelines and processes that, in the future, will enable the supply and delivery of a comprehensive after-sales service in a bundle with Fincantieri products.

Cooperation

To maximize innovative capabilities, Fincantieri adopts an open working method open to collaborations with other industry and academic actors that can contribute systematically to an enrichment of its expertise. The Group continuously researches and proposes collaborations with partners operating upstream in the value chain, or with other stakeholders working to innovate tools, products and services in the segments in which Fincantieri operates.
In this regard, long-term relationships are promoted through the creation of wide-ranging cooperative development programmes. Aware of the significant boost that these can provide, Fincantieri constantly aims to expand its partnership networks at local and international level.

In embracing the Open Innovation model, the Group takes into account a wide range of stakeholders, shown below:



Fincantieri strongly believes in the possibility of creating value in a collaborative way and, for this reason, has developed a dense network of relationships and participation in various regulatory and institutional round tables, both in Italy and in the main countries where the Group operates.

A common strategy: from global to local level

In the area of partnerships, those activated to implement the Group's vision and to jointly define the documents and actions that contribute to establishing and pursuing the sectoral strategic priorities, at local, national and supranational level, are particularly important. To this end, Fincantieri maintains numerous relationships with other industry partners, universities and research institutes, and various associations and forums.
The Group aims to regularly strengthen **partnerships with the entire supply chain** to create added value and positive spillover throughout the chain, through co-design activities and sharing of best practices. Fincantieri held a webinar with its suppliers in December 2021, dedicated to innovation and sustainability, to jointly discuss the strategy for the future.
On the associative level, during the year, Fincantieri actively participated in the work of the main European sectoral organizations. One of the most important strategic partners of the European Commission is represented by the **European Waterborne Platform TP**, of which Fincantieri is an active member. The platform aims to maintain continuous dialogue between all stakeholders in the maritime, naval, port, logistics and blue growth fields (the latter being an expression that brings together various economic activities including, for example, fisheries, aquaculture, maritime tourism, maritime biotechnology, production of renewable energy from oceans, deep sea mining), through the consolidation of a shared vision aimed at identifying European priorities for Research and Innovation. In 2021, Waterborne TP adopted its new Strategic Research and Innovation Agenda (SRIA), focused on issues related to Blue Growth, digitalization, infrastructure, and port logistics.
Waterborne TP, along with the European Commission, is the driving force behind the co-programmed European partnership, **Zero-emission Waterborne Transport**, which officially launched in June 2021. The partnership's ambitious goal is to provide and demonstrate zero-emission solutions for all ship types and services before 2030, enabling zero-emission waterborne transport before 2050.
Fincantieri has contributed to the work of the industry associations **SEA Europe** and **Hydrogen Europe**. The former is the European association representing shipyards and manufacturers of maritime equipment; the latter is the European association representing the industry and research for the development of hydrogen technologies and fuel cells. In particular, Hydrogen Europe supported the creation of the institutionalized European partnership, Clean Hydrogen for Europe, launched in late 2021. The Association continues to provide support to the **European Clean Hydrogen Alliance**, of which Fincantieri Group is also a participant. A set of innovative and viable investment projects along the hydrogen value chain, formed at the initiative of the Alliance and unveiled in November 2021, includes two project proposals from Fincantieri.
Internationally, the Fincantieri Group cooperates with:

- **EuroYards**, an association of leading European manufacturers, where it actively contributes to the activities of the technical committee and the working group on product and process digitalization;
- The **Cooperative Research Ships** consortium, focused on the study of hydrodynamic, structural and general issues related to large ships, both from an operational and design point of view.
- **European Council For Maritime Applied R&D** (ECMAR), industry association that aims to develop a common strategy for European research in the maritime sector.
- **AeroSpace and Defence Industries Association of Europe** (ASD), an association for the competitive development of European aerospace, space, defence and security industries.
- **Smart Marine SFI**, centre for innovation in collaboration with The Foundation for Industrial and Technical Research (SINTEF), whose main focus is to increase the potential of the Norwegian maritime sector within the sustainable waterborne transport segment.
- **Move SFI**, centre for innovation in collaboration with Norwegian University of Science and Technology (NTNU), whose activities are focused on increasing the value of maritime operations by developing IT knowledge, methods and tools.
- **National Shipbuilding Research Program** (NSRP), a program funded by the U.S. government to carry out research and innovation initiatives with the dual objective of reducing total cost and improving the capabilities of commercial vessels, providing a cooperative framework for managing, focusing, developing and sharing research and development, leveraging best practices in shipbuilding and repair.

As part of its Italian activities, Fincantieri has contributed to the work of the **National Technology Clusters (NTC)** and of the **regional technology districts** to which we adhere. At both national and regional level, collaborations enable the creation of synergies across different supply chains, identification of future cross-sectoral research trajectories and efficient targeting of available resources.
Finally, at the Italian level, Fincantieri belongs to several associations and sectoral initiatives: the Italian Hydrogen and Fuel Cells Association (**H2IT**), the Italian Association for Industrial Research (**AIRI**), the Federation of Italian Companies for Aerospace, Defence and Security (**AIAD**) and the two Competence Centres **START4.0** and **MediTech**, for the promotion of new Industry 4.0 solutions in the infrastructure and engineering sectors, respectively.
The Group's cooperation activities are often supported by the **CETENA** research centre, which, thanks to its experience in research and consultancy in the maritime field since 1962, represents the cornerstone of the Group's pre-competitive research and engineering. CETENA's main competences range from fluid dynamics to structural design, including the application of innovative materials, from energy efficiency and the control of emissions to safety issues at sea and onboard, and from the development of software and simulation systems to sea trials and lab activities.

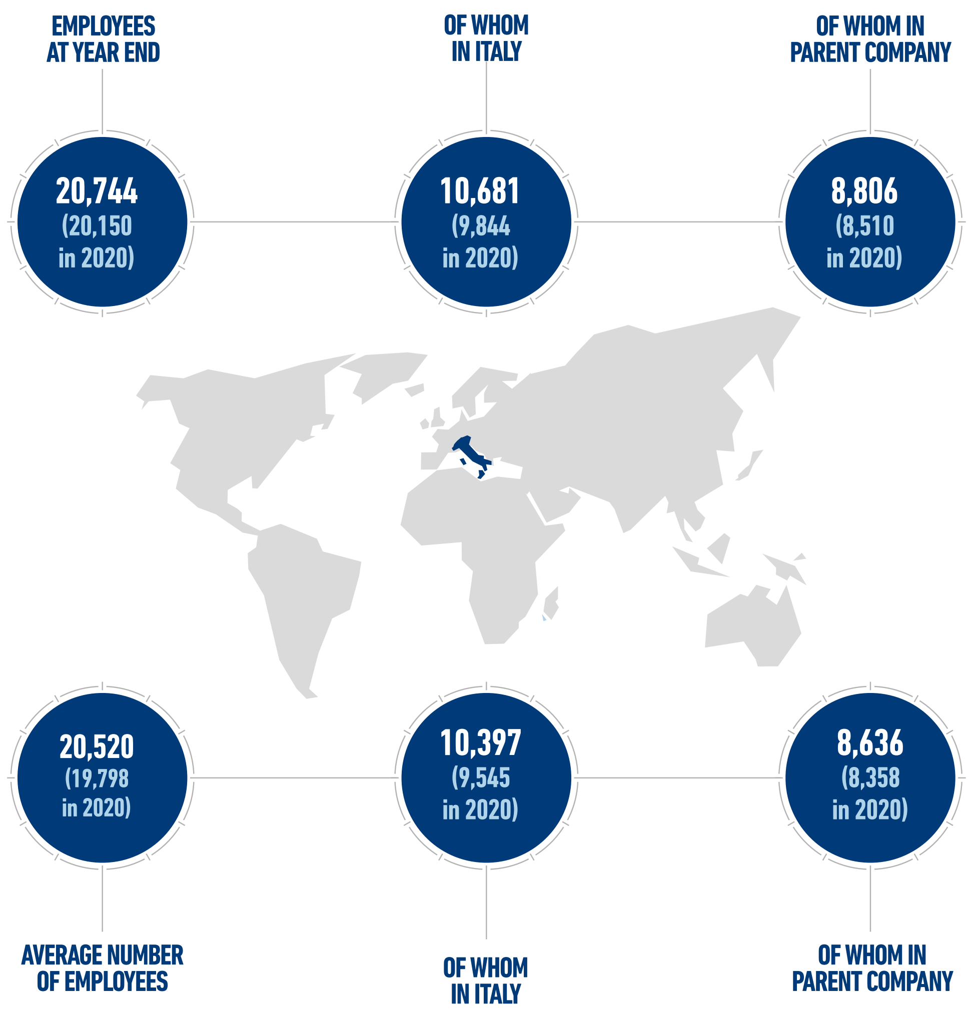
People

The year 2021 confirmed that only a community of people who recognize and are aware of themselves, who work with commitment towards a shared goal and who know how to achieve quality performance with a constantly forward-looking perspective, can overcome the obstacles and difficulties of an international scenario made particularly complex by the effects of the COVID-19 pandemic. The men and women of Fincantieri were able to meet this challenge as well, testifying with their commitment and awareness that they are the key to the success of a Group that is always looking towards the challenges and innovations of the future.
The Group's People Strategy, defined over the years through the One Vision project, an ambitious HR transformation program at a global level, is developed precisely in this direction. It aims to achieve successful performance and design a sustainable future through continuous investment in improving the employee experience and constant enhancement of diversity, demonstrating even further that inclusiveness is an essential value for complex organizations.
Our commitment to the effective implementation of the Group's People Strategy was recognized in 2021 by the Top Employers Institute, a company that has certified the quality of people management and development processes as well as the work environment, including Fincantieri in the pool of companies certified as **Top Employer Italy 2022**.
Fincantieri rejects any form of discrimination based on ethnicity, skin colour, gender, age, disability, sexual orientation, religion, political opinions, nationality and social background and undertakes to develop and maintain an inclusive work environment, free from all forms of violence or harassment, as is stated in its **Policy on Human Rights – Commitment for the respect of human rights and diversity**.

Sustainability Report – People - Diversity and equal opportunity

The Group's headcount in Italy recorded a net increase of 624 resources, as the balance of the 2,301 people hired and 745 people acquired as the result of entry into the Group of new companies, net of leavers.

HEADCOUNT



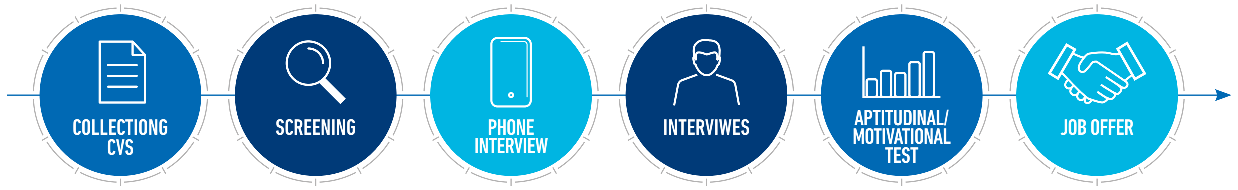
Development and safeguarding of human resources

As part of the One Vision project, in 2021 we defined our Employee Value Proposition, **Fincantieri, People Ahead**, which represents the link between employer branding strategies and the specific actions of managing, training and developing our people, i.e. that set of priorities shared between the Company and its employees, able to generate the best prospects for the Group and at the same time for individuals, within an organization able to listen to and satisfy individual needs and expectations, while enhancing skills and experience.

Talent Acquisition & Employer Branding

In a national and international job market characterized by a growing mismatch between supply and demand (professional mismatch), especially for STEM subjects (Science, Technology, Engineering and Mathematics) and the consequent "war for talent", we are committed to working to continue to be a most attractive employer, as recognized by the **2021 Universum award**, granted for the student category as well as the young professional category, and by the **Top Employer Italy** certification.

SELECTION PROCESS



Fincantieri's selection process is structured and transparent. It is built on the principles of equality and inclusiveness in order to ensure equal opportunities for all individuals regardless of age, ethnicity, nationality, religion, gender, disability, sexual orientation, political affiliation, marital and socioeconomic status. It guarantees a thorough evaluation of candidates in terms of technical and cross-functional skills, aptitudes, experience and professional aspirations, without impairment of judgement or unconscious bias, and it uses internationally certified personality and motivational questionnaires.

The year 2021 was characterized by the design and implementation of initiatives for the continuous improvement of processes, increasingly tailored to the needs of candidates and of strategic and innovative actions in the area of **employer branding**, as well as the launch of targeted **recruiting** initiatives, especially aimed at recent graduates and young professionals.

In particular, social network presence has been further strengthened and new collaborations with start-ups aimed at young talent have been launched. A collaboration has been initiated with Tutored, an online platform for university students and founded by young entrepreneurs, through which the Company has offered dedicated webinars and interviews with company testimonials.

The investment in employer branding initiatives has led, during 2021, to the receipt, for Italy alone, of more than **19,000 applications** through the "Work with us" section on the company website, leading to 778 hires, 60% of whom are under the age of 35.

In order to attract and retain the best talents, we have developed an innovative format dedicated to them. It includes an online and in-person selection process with gamification and the insertion of young talents in the Group through a national and international **job rotation path** over a 24-month period. The project aims to accelerate the growth of participants by encouraging the development of managerial as well as technical skills. In 2021, the path involved the Administration, Finance and Control area.

Positioning ourselves among the most attractive companies, especially with regard to professionals in our industry, means ensuring a positive **candidate experience** throughout the selection process. Therefore, over the year we activated two surveys aimed at assessing the degree of candidate satisfaction during the various phases of the recruitment process.

This attention to monitoring the quality of the experience that Fincantieri people have throughout their career extends to the process of leaving the Company. A structured **exit interview** questionnaire was developed in 2021, which is administered to an employee who has decided to leave the Company and it is the starting point for the exit interview. The questionnaire aims to investigate the overall degree of satisfaction with the Fincantieri Group and the experience accrued, as well as the reasons that prompted the employee to resign.

Fincantieri consolidated cooperation with secondary schools, universities and business schools in 2021 in order to create a stronger synergy between the world of work and the academic and training world. Important social responsibility projects were also launched, aimed at encouraging young people's orientation to the world of work starting from middle school, through company professionals who suggest professional models and profiles that students can identify with, as well as field trips to experience the reality of business.

Talent Management

Strengthening skills, enhancing experiences, creating the best possible conditions to express the potential and increase the motivation of employees, these are the key drivers of Fincantieri's talent management process. Over the years, prioritizing growth from within, a **network of talents** and **professionals** has been built up, ready to face new scenarios and work challenges with a strong orientation towards business development and sustainability. As part of the One Vision project - which aims to encourage and accelerate the global adoption of a single Group culture a new **Skills Model** was defined in 2021 that is common to all companies, in order to guide people's behaviour in line with the Company's strategy, culture and values, aligned with the current competitive environment, but projected onto evolving scenarios. The Skills Model, called the **Excellence Map**, represents the basic reference for the main HR processes, such as recruiting, development, training and evaluation, and ensures transparency in the definition of career paths consistent with people's skills and expectations.

Training

Training is guaranteed to all Group employees without distinction of contract, level, grading or organizational position.
In 2021, Fincantieri invested 5.1 million euros in **training**, **coaching** and **mentoring** programs with the aim, on the one hand, of enhancing and disseminating the Group's distinctive know-how and, on the other, developing and enhancing new cross-functional skills with a view to continuous training. Despite the continuing pandemic, the commitment to training initiatives has remained at high levels thanks to the use of new ways of engaging participants, namely **blended methods**, which will be continued in the coming years in order to blend the flexibility and potential of digital training with the effectiveness and interactivity of in-person training.
To ensure the skills needed to achieve the company's objectives are maintained and that professional profiles are constantly updated, in recent years we have increasingly stepped up our use of **customized training programs** based on roles and experience, in addition to compulsory courses aimed at the entire company population, which are constantly updated on the basis of current legislation and corporate procedures.
The strategic role of the **Corporate University**, Fincantieri's in-house management training school, has been confirmed. It consists of technical-managerial training courses aimed at increasing employees' skills at various stages of their professional development. In 2021, more than 19,000 hours of training were provided and 440 employees were involved. Particular importance was given to sustainability topics, which have been integrated in the Corporate University courses since 2019, and, in the three-year period 2019-2021, over 650 employees received training on these topics.
During 2021, training activities were primarily focused on 4 areas.

TRAINING PROGRAMS

TECHNICAL KNOW-HOW

Training initiatives aimed at increasing, transferring and monitoring the technical skills that represent a key element for Fincantieri. The **knowledge transfer** process, on the one hand, consolidates the knowledge and experience gained in certain areas by senior resources and, on the other, ensures the rapid integration of young talent. In 2021, the technical courses focused on: design regulations and software, welding techniques, digital and technological skills, project management, knowledge of foreign languages, training courses in preparation for obtaining certifications and licences, especially in the areas of production, ICT, and project management. The tool used extensively to raise technical and managerial skills is on-the-job training, which is particularly effective for learning in the production process.

ONBOARDING

In 2021, a structured onboarding programme for new hires was established to support them in understanding the Group's business, culture and values and in building their professional network. The programme is an important part of the focus that Fincantieri gives to everyone who begins a professional career in the Group and it is given in blended form through various tools: company gadgets, digital welcome kit, with information, documents, videos and insights with various content, e-learning on topics of interest across the different business areas, and a welcome breakfast with the top management. The onboarding program is also extended to young people on internships, who participate in an induction day, when they are offered the opportunity to get to know the Group better, facilitating the creation of a community among Fincantieri's young resources.

LEADERSHIP

For several years now, Fincantieri has been continuously investing in the development of an effective and inclusive leadership model for employees already in management positions and for those who have the potential to become the leaders of the future. The importance the Group attaches to this issue is further highlighted in the new Skills Model and in the managerial training path called Fincantieri Next, developed in 2021 in collaboration with SDA Bocconi. This training program provides a comprehensive overview of the most current scenarios and orientations of business management, with the aim of stimulating new approaches and perspectives in areas such as: strategy, innovation, sustainability, digital transformation and intercultural leadership. The **coaching** and mentoring that the Company offers to its managers and young talents are effective tools that contribute to the diffusion of the Group's leadership model.

COMPULSORY AND INSTITUTIONAL TRAINING

The Group constantly invests in the development of training courses on issues considered strategic such as health, safety at work and the environment, legislative compliance and compliance with company procedures, training which is not limited to fulfilment of legal obligations. With this in mind, in 2021, Fincantieri has been committed to developing and updating the skills of its employees with regard to Legislative Decree 231/2001, anticorruption, IT security, risk management, but also with regard to legislation on environmental sustainability and the classification and protection of information.

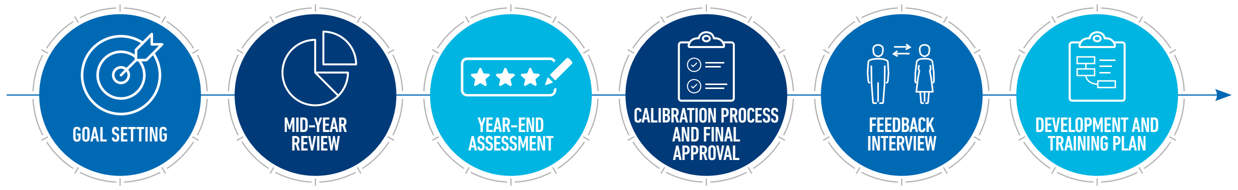
During the year, initiatives were organized for experiential **team building**, a skill that is of great strategic value for the Group's success, especially in a complex and constantly evolving context. The goal of these initiatives is to promote a climate of collaboration, foster communication and teamwork, create a shared team identity, value individual characteristics, and develop an inclusive work environment.

Evaluation processes

A key element behind the development and growth of our people is the **feedback culture**. This is a tool for dialogue and understanding that is present in all evaluation processes and which, through constructive and ongoing exchange, enables employees to reflect on their strengths, areas for improvement and motivational levers in which to invest.
The evaluation processes, which are based on the **Group Skills Model**, are structured to ensure transparency in the relationship between the assessor and the assessee and the objectivity of the assessment itself:

- **Performance appraisal**: a new Performance Management model, that is common at global level, was developed in 2021 and includes the assignment of individual goals to the entire white collar and management population. This is a strategically important process because it connects employees - their roles, skills and results - to business strategies and goals. The foundational and preparatory elements of the new process are self-assessment and the self-assignment of role objectives, as they increase people's engagement and empowerment.

PERFORMANCE APPRAISAL



The new Performance Management model evaluates two complementary drivers: individual goals (WHAT) and behaviours (HOW), which are linked to the skills in the Excellence Map.
Meritocratic policies are linked to the Performance Management process that are aimed at recognizing and enhancing the results achieved, as well as the professional growth paths of employees.
- **360° assessment**: a development tool intended for all managers with at least five staff members. It aims to assess the typical skills of team managers, such as feedback, delegation, management and development of team members and recognition of others. The tool enables the assessment carried out by the person concerned to be compared with those of their manager, colleagues and collaborators, highlighting the most significant gaps, areas of strength and areas for improvement, as a starting point for subsequent self-development actions. During 2021, nearly 600 resource managers in Italy were involved.
- **Potential appraisal**: an assessment activity that focuses on the person in a forward-looking way, regardless of the role held, with the aim of supporting, on the one hand, the Company in defining job rotation paths, succession plans and organizational changes by mapping the wealth of skills and experience, and, on the other, the employees by highlighting strengths, areas for improvement and motivations for growth. In 2021, nearly 150 employees were involved in potential appraisal.

People Development

The training activities and the evaluation and development processes carried out during 2021 and the evidence that emerged from them were the basis on which to carry out **people review** activities, a fundamental management tool for enhancing human capital and defining **professional growth paths** and **succession plans** for key positions. These are updated on an annual basis in order to ensure the Group's continuity and competitiveness and to identify any new talent to be included as "successors".
People development activities also enable "high potential" people to be identified, namely resources with greater potential and usefulness in the Company, on which to invest using defined growth paths, job rotation, national and international mobility actions, training actions, coaching and mentoring paths, so that in the future they can play key roles in driving the business.
Young resources with high potential are included in the **Talent Project** designed for them. Since 2020, 3 editions of the project have been launched involving 114 young people. A professional development path is defined within the company for each participant. This path includes a short/medium-term growth plan with job rotation and mobility actions (also abroad), specific training that focuses on both technical and leadership skills and participation in a mentoring program lasting two years.
In order to further encourage mobility, especially international mobility structured **job rotation** programmes have been developed to which all employees, both experienced and junior, have access. These projects, launched through the **internal job posting** platform, aim to enhance internal resources, promoting the development of new experiences and knowledge and the growth of technical and cross-functional skills. During 2021, there were 17 international job rotation opportunities at the Group's offices in the United States, Indonesia, China and Qatar, in addition to the program promoted by the U.S. subsidiary, Fincantieri Marine Group, with the aim of offering a pool of employees the opportunity to gain professional experience at one of the Group's Italian offices.

Wellbeing for people

Fincantieri's **welfare model** has a positive impact on people's wellbeing and responds to the evolutionary processes of the job market and the company, making it possible to improve working relationships and the organizational climate. This model has increased the level of attractiveness of the organization and its work environment, raising the level of employee engagement and their sense of belonging, confirming Fincantieri's interest in and commitment to improving the living conditions and wellbeing of its employees and their families.
The welfare tools are aimed at employees in general of FINCANTIERI S.p.A., including part-time and fixed term employees and are also recognized for the employees of Italian subsidiaries and/or associates falling within the scope of the supplementary labour agreement.
The Social Bonus has particular significance in the welfare system. It is paid annually and exclusively in **welfare services** and any unused bonus amounts are automatically allocated to the individual employee's supplementary pension fund. At the same time, to provide an incentive to allocating a part of the variable bonus to the use of welfare services, employees who decide to use it in this direction are awarded an increase of 10% of the value. In 2021, 25% of the overall performance bonus allocated was converted into welfare services. To help an employee benefit from company welfare, a website has been made available through which employees can access a wide range of goods and services, such as:

- training activities;
- assistance for family members;
- sports, wellness, travel, etc.;
- the supplementary pension and health program, which supplement the measures already defined in the National Collective Bargaining Agreement (CCNL) and the company's supplementary labour agreement;
- repayments on mortgages, nurseries, public transportation or train season tickets, etc.

A new **corporate conventions portal** reserved for Group employees has also recently been activated. This new platform provides a wide range of discounts on products and services of different categories related to national and international brands.
With regard to **supplementary health care**, Fincantieri is a member of the Health Fund for Steelworkers, called MètaSalute, with a supplementary health care plan for employees and dependent family members, also covered free of charge. Participation in the Contractual Fund, reinforced by additional coverage specifically established by Fincantieri with the operator, guarantees the provision of health services that are diversified and with high limits, insured both directly, through the facilities contracted with the operator and in the form of reimbursement.
Fincantieri also guarantees the opportunity for **pensioners** to continue to make use of the supplementary health care benefits with a contribution paid for by them.
Flexible working arrangements have been maintained in order to reconcile the protection of workers' health and safety with the need for continuity of production activities during the pandemic. In particular, extensive use has been made of **smart working** at sites and yards where it is compatible with work activities. It should also be remembered that Fincantieri has already signed an agreement in 2020 with the National Trade Unions to make smart working structural after the emergency period. The agreement is designed to achieve significant increases employees' personal well-being, not only fostering a better balance between work and personal needs, but also developing their professional skills by enhancing their degree of autonomy and orientation towards objectives and results, strengthening the trust relationship with their managers.
As part of Fincantieri's welfare system, of particular importance is the well-established network of **company clubs** that organize initiatives that meet the needs of personnel, such as "after-school" activities, recreational, sports and cultural activities, holiday camps, and support for the purchase of schoolbooks for employees' children. Due to the health emergency, in the last two years, the clubs have not organized the traditional holiday camps in seaside or mountain resorts for employees' children but, in order to support families, the company summer camps were expanded.

In 2021, around 8,200 registered members, including current and former Fincantieri employees, benefited from the activities of the 9 company clubs at national level.
A study has been launched for the creation of a **company crèche** at the various Italian company sites, which can support parents in managing their children during working hours. The project was created through a survey that collected information useful for defining the steps of the project.
On the whole, employees have shown a strong interest in the initiative, beyond expectations, and also provided useful suggestions on how to define the service.
The first company crèche will be set up at the headquarters of the Merchant Shipping Division in Trieste and, once fully operational, will be able to accommodate 38 children, including 3 places reserved for external users. Implementation of the project will continue, in the short term, with the creation of the crèche for employees of the Monfalcone shipyard, which will be housed in the former Workers' Hotel, a structure that testifies to Fincantieri's centuries-old tradition of social welfare work and its historical link with the local territory. The project will then continue with the gradual implementation of facilities at the other sites concerned.
In 2021, the **change management process** launched some time ago in the Company continued, focusing on people by creating relationships based on trust and transparency, with the aim of listening to the needs and requirements of everyone, improving the quality of working life and gathering and developing suggestions and ideas.
Fincantieri Marine Group provides benefits to all employees working for at least 30 hours a week. Benefits include enrolment in the Group Health Medical Plan, which includes health, dental and ophthalmic cover, the cost of which is borne partly by the company and partly by the employee. Additional benefits are available that are not included in the above plans, such as the on-site clinic, vacation and holiday pay, the policy on short/long-term disability, life insurance for accidental death & dismemberment, the retirement plan and the employee assistance program.
In Norway and Vietnam, VARD provides all permanent employees with medical care, in-house catering services and life insurance, while in Romania these benefits are guaranteed for Vard Tulcea.

Industrial relations

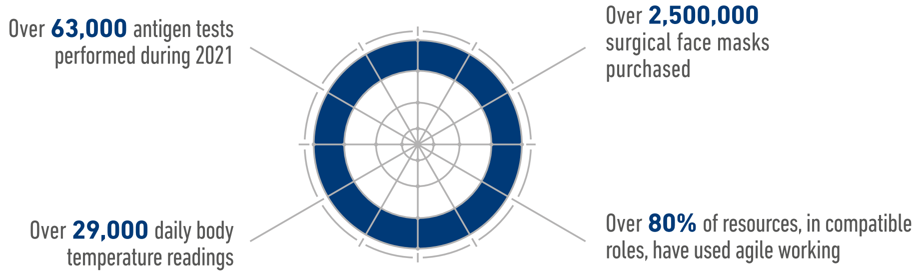
Industrial relations in Fincantieri are characterized by a participatory model defined by the 2016 supplementary labour agreement, which covers multiple Bodies that envisage the involvement of trade unions and the direct presence of workers.
The **Advisory Committee** is a strategically important body and it is composed of six company representatives and six trade union representatives, and meets annually for information and consultation between the Parties on issues such as market scenarios and competitive positioning, economic performance, alliances and strategic partnerships, business strategies, technological innovation, safety at work, training and retraining, relations with educational institutions and/or universities, and employment trends.
The Committee also meets when there are changes in the company and ownership structure, considerable organizational changes, significant changes in labour policy, restructuring and/or reorganization projects and restructuring and development programs.
The supplementary agreement governs the operation of the **Joint National Committee on Safety at Work** and the **Joint National Training Committee**. The Joint National Committee on Safety at Work analyses aspects related to the health and safety of employees as well as environmental factors of importance for the company as a whole. This Committee also monitors the development of operational projects implemented at individual sites that are closely linked to safety and environmental issues. The Joint National Training Committee is responsible for analysing training needs, evaluating and approving plans involving resources from different operating units and monitoring the progress and effectiveness of the training provided. As part of the Committee's activities, specific agreements were signed aimed at using the resources available in Fondimpresa.

Each company site has a **Bilateral Joint Technical Body** and a **Committee on Safety and Environment** which, by systematically involving all resources, aim to increase the motivation and participation of employees in the change and innovation processes, combining the necessary increases in efficiency and productivity with the improvement of working conditions and the environment.
In relation to the growing process of internationalization and with a view to encouraging the full involvement of Group workers, Fincantieri is committed, together with the trade unions, to setting up a special working group for the establishment of the **European Works Council** (EWC), which will be devoted to informing and consulting the workers of EU-wide companies.
A focus on **work-life balance** is already included in the National Collective Bargaining Agreement for steelworkers, where a worker dealing with serious family situations can take a period of leave of absence of up to two years.
In March 2021, an agreement was signed with the National Trade Union Organizations (OSNs) to introduce **Solidarity Holidays**. Workers may voluntarily give up, free of charge, their accrued rest and vacation time to colleagues who need to provide constant care for young children, seriously ill children and victims of gender-based violence. This opportunity, which is useful when dealing with delicate situations and needs of a personal and family nature, also intends to promote a system of mutual support, creating a sense of collective responsibility in the construction of a positive and supportive company climate.
On 26 May 2021, Fincantieri signed an important trade union agreement with the OSNs and the Trade Union Coordination Executive on the issue of **contracting**.
The agreement, starting with sharing what is already regulated by the supplementary contract in force, confirms the validity of the initiatives developed by Fincantieri in recent years and defines significant lines of action such as: the strengthening of actions against irregularities, the simplification and reduction of subcontracting activities in "labour intensive" areas, also through the launch of automation projects and the involvement of satellite businesses in sustainability issues. The agreement also highlights the need to strengthen the technical and professional skills of the shipbuilding industry through the extension of initiatives with local authorities for the preparation of recruiting and training/retraining programs, as well as strengthening the possibility for workers in satellite businesses to exercise their trade union rights.
On 7 December 2021, an agreement was signed again with the OSNs and with the Executive of the Trade Union Coordination, regarding the **extension of the supplementary contract** nearing its expiry, which will be valid until 30 June 2022, confirming the application and the effects of the regulatory and economic aspects for this additional period.
Employees are guaranteed **freedom of association** throughout the Group. In 2021, 49% of employees are registered with trade unions.
In all the countries where the Group operates there are contracts or agreements that regulate the employment relationship.
The VARD group has implemented a model of industrial relations that is strongly oriented towards dialogue with trade unions in order to identify and provide impetus for the conversions needed to ensure a stable and profitable future for the group.

Health and safety in the workplace

The COVID-19 pandemic, which greatly affected the last two years, has prompted the adoption of specific measures to protect the health of workers, to allow the continuation of company activities in the presence of this social risk which has been added to those typical of the production cycle.
The updating of the protocols and measures adopted by FINCANTIERI S.p.A. has been the subject of constant sharing with the employers of the various sites and of all Italian and foreign subsidiaries, in order to enable a uniform application of good practices to contain the pandemic phenomenon in line with the orders issued by the competent authorities.

Initiatives to manage the COVID-19 pandemic



The data refer to FINCANTIERI S.p.A..

Both Italian and foreign companies have maintained the initiatives and containment measures adopted in 2020, in line with the models developed by the Crisis Management Team set up to manage the pandemic at Group level (temperature measurement, constant use of surgical masks, sanitization of work environments, organization of activities over several shifts).
During 2021, FINCANTIERI S.p.A. and its Italian subsidiaries have pursued further initiatives with a view to preventing and containing COVID-19 infections, actively collaborating with the competent Local Health Authorities, to make vaccinations available to its own personnel and to the personnel of the satellite businesses. Management of the vaccination process, facilitated by the possibility of enjoying paid leave, took place in different ways: in hubs set up within the various operating units, as occurred, among others, at the Monfalcone and Riva Trigoso sites, or at easily accessible external facilities.
Similar initiatives have been implemented at VARD's shipyards in Romania.
In addition, all the measures already activated previously were maintained and implemented, such as the possibility of using smart working, where compatible, and the preferential use of IT for meetings, as well as the execution of antigen tests on samples of the working population for the early detection of people who test positive, including those who are asymptomatic. The flu vaccine was also made available to all personnel concerned.

Following the entry into force of the regulatory requirement that mandates possession of a valid "green pass" in order to have access to workplaces, FINCANTIERI S.p.A. and its Italian subsidiaries have organized themselves to carry out activities to verify the validity of COVID-19 Green Passes for all those who need to access the various sites (mass control).

Towards Zero Accidents

The continuity in the development of the Towards Zero Accidents project is guaranteed by a tried and tested organization capable of supporting both direct employees and the workers of contractor companies through their involvement in the various initiatives.
For the constant monitoring of production processes and for an effective dissemination of good practices, **coordination meetings** on safety and the environment are organized which, at least every two weeks, are carried out directly in the production areas and involve the participation of all the supervisors involved in production and the workers' safety representatives.
Meetings of the **Quality and Safety Committees** are also held periodically in each production plant. The purpose of these meetings, which are attended by shipyard management and first reports, is to monitor production processes in relation to quality and safety at work issues and to discuss any issues that have arisen during joint inspections of production areas and during meetings of the Safety and Environment Commission.
Similarly, in the United States, the Fincantieri Marine Group organizes monthly meetings involving Health & Safety and Environment managers and union representatives to analyse and share the results of accident monitoring, performance indicators and the main updates to the safety management system.
With the aim of preventing any kind of accident affecting both people and the environment, the subsidiary VARD is continuing with its Vision Zero project and envisages additional tools and initiatives:

- using the Safety Observation tool to report any anomalies found;
- reporting health and safety indicators at the monthly management meetings;
- organizing an internal accident prevention week;
- electing an internal commission for the prevention of accidents;
- the internal distribution, based on the Group's guidelines, of a booklet with the ten golden rules for health and safety at work.

At both Group level and at the level of the individual site, the trend in injury data and rates for employees and the workers of contractors is constantly monitored and systematically reported to the various levels of responsibility as well as Top Management. The individual events that have led to accidents, as well as near misses, are the subject of detailed analysis and the dynamics that emerge suggest any necessary corrections. The majority of injuries consist of falls or impacts against fixed parts, with the main involvement of the injured person's lower limbs and hands.
Coordination meetings involving site prevention and protection managers are also held quarterly. Chaired by the Company's Health, Safety & Environment (HSE) manager, these meetings involve analysing the data collected, sharing best practices and examining issues of common interest in order to identify improvement proposals on which to focus the Group's activities.
The process of **assessing** the specific **risks** present in each workplace is the subject of specific company guidelines and consequent operational procedures; the same risks are the subject of safety training provided to all employees.
The Company's best performance and health and safety improvement objectives are benchmarks used to constantly monitor and stimulate the performance result and determine the related economic impact on the people in managerial and supervision roles as part of **variable remuneration** mechanisms.

Together in Safety

The multimedia support Together in Safety is available in all Italian shipyards. It is a valid tool to inform all the resources involved in the production process and promote correct behaviour, including from an environmental perspective.
This is a **training video**, with a duration of around three hours, aimed at employees of subcontractors (a user catchment of around 30,000 people), and it is available in the 10 languages most commonly used in Fincantieri shipyards. The tool provided specific information on each of the production units in Italy and on the occupational hazards that characterize shipbuilding activities and it must be watched in the classroom when people enter the Group's production plants for the first time.

Memorandum of understanding with INAIL

In 2019, a Memorandum of Understanding was signed between the National Institute for Insurance against Accidents at Work (INAIL) and Fincantieri which aims to develop a safety at work culture and implement activities and projects with the goal of systematically reducing accidents and occupational diseases.
The MoU, which follows on from long-term cooperation, determines the scope and implementation methodologies of activities aimed at protecting workers' health and safety.
During 2021, **three events** (webinars) were organized, with remote participation of over 300 people per event, where very current issues were covered such as:

- the analysis of cross-functional risk factors and new ways of organizing work in a particular period such as the present, characterized by a widespread use of agile work (smart working);
- the importance of the human factor for a real cultural change in occupational health and safety;
- the importance of near misses as an opportunity to learn and monitor performance on these issues.

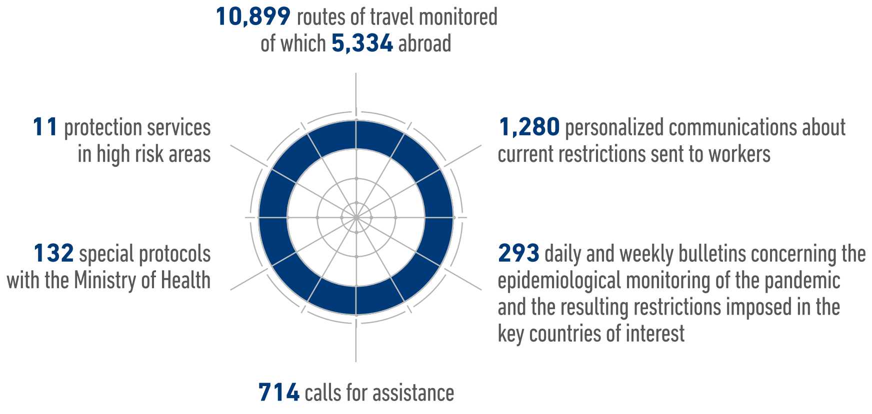
Supplier evaluation

Contractors are already subject to evaluation from a financial, quality, contractual and production perspective in order to access the Supplier Register and are subject to periodic behavioural checks using a predefined format, and also through **scorecards** focused on suppliers' performance in health, safety and environmental issues. The assessments by the various shipyards, with the direct involvement of the various production areas, have led to the calculation of the overall performances of the companies and are subject to permanent monitoring within Supplier Oversight. As envisaged in the Sustainability Plan, in 2021 the entire base of main contractors and suppliers with exempt contracts with a significant presence within FINCANTIERI S.p.A. shipyards was evaluated for a total number of 1,012 assessments.

Security

Owing to the more frequent presence of Group employees who travel or are on secondment abroad, with the Travel Security program we have developed an ongoing mapping of risks in foreign countries which has guaranteed the security of travelling employees and the sustainability of the locations associated with business operations.

INITIATIVES TO HANDLE TRAVEL SAFETY DURING THE COVID-19 PANDEMIC - 2021



In 2021, the number of business trips to foreign countries increased again compared to the first year of the pandemic, which had dramatically reduced their frequency. The complexity and volatility of the global pandemic scenario made it necessary to carry out extraordinary supervision of every route considered at risk, which Fincantieri ensured through a double verification process that involved the validation of over **5,000 foreign routes**.
An advanced training programme was launched for travellers heading to high-risk areas, thanks to which around 100 people were trained in 2021, with the aim of reinforcing the Group's safety culture,
Through the activation of a **Crisis Management** system (abroad), **15** contingency plans have been drawn up and updated for the most important foreign sites and locations where the Company is present. The plans are managed by special crisis committees (CMTs) which include, in addition to employers, travellers and the heads of the Security and of the relevant Health and Safety departments, the heads of all functions involved in the travel and personnel management process.
In accordance with corporate procedures, each CMT met at least twice a year, to update team members on the evolution of risks present in local scenarios and for training activities based on contingency plans. A Crisis Management software platform is also active. It allows committees to meet virtually to manage possible crisis situations even when on the move or when the Company is closed (at night or on holidays). In 2021, **22** new crisis team members were trained in the use of the platform through one-to-one training.
The travel risk management system is being gradually extended to the Group's subsidiaries as the need for it is identified.

ISPS Code implementation

As envisaged by the Sustainability Plan, 2021 saw the implementation of the **International Ship and Port Facility Security** (ISPS) Code, Chapter XI-2 of the SOLAS Regulation developed by the International Marine Organization (IMO): a comprehensive set of rules to enhance ship and port facility security in order to mitigate the risk of acts of terrorism and other unlawful acts. On the basis of the types of ships interacting with the areas pertaining to Fincantieri, the relevant authority has determined its obligation for the Arsenale Triestino San Marco, Muggiano and Palermo shipyards, while considering the Monfalcone and Marghera shipyards as occasional. The necessary professional figures had already been identified at these shipyards, and the planned activities and facilities had been implemented. Following on from the commitment to maintain an effective system of corporate governance and risk management, the same mitigation methodologies have been extended to the Ancona, Castellammare di Stabia, Sestri Ponente, Riva Trigoso shipyards and the Trieste, Rome and Genoa offices, while informing all staff accessing the sites about the main organizational measures, rules of conduct and how to report abnormal events. Training of Fincantieri employees continued in 2021 with the provision of an interactive and customized e-learning course aimed at familiarizing them with security issues.

ISO 45001 and SA 8000 certifications

ISO 45001 certification is an international standard that defines the requirements for certifying the occupational health and safety management System.
100% of the **Group's Italian production plants** are ISO 45001 certified, while during the year the companies Fincantieri Infrastructure S.p.A. and Fincantieri SI S.p.A. also achieved ISO 45001 certification, with the aim of minimizing risks and constantly improving health and safety levels.
The VARD group obtained OHSAS 45001 certification for the Romanian Braila and Tulcea shipyards, as well as for the Vietnamese Vung Tau shipyard, ending the process launched in recent years of migrating to the new standard.
U.S. subsidiary Marinette Marine Corporation has also obtained ISO 45001 certification, at the end of the same process of migrating from the old to the new standard.
In addition, the Vietnamese company Vung Tau and some Italian companies such as Fincantieri Infrastructure, FINSO and Fincantieri NexTech have **SA 8000** (Social Accountability) certification, an international standard aimed at certifying certain aspects of company management pertaining to corporate social responsibility. These are:

- respect for human rights;
- compliance with labour law;
- protection against child labour;
- guarantees of occupational health and safety.

It was decided to certify these companies either because of their particular geographic location (Vietnam) or because of the type of business that makes it necessary to pay more attention to corporate responsibility issues.

Internet site www.fincantieri.com/it/sostenibilita/certificazioni

Fincantieri for the climate

One of the greatest challenges facing humanity today is climate change, where an ecological transformation of technology, economy and society is essential.
The European Commission has made it a priority for Europe to become the first climate neutral continent by 2050, with an intermediate target of reducing greenhouse gas emissions by at least 55% compared to 1990 levels by 2030.
In support of this ambitious plan, the European Union has drawn up a series of 'Fit for 55' proposals, which transform the regulatory environment, with significant repercussions for businesses.
The Group's commitment in this area takes the form of a series of **mitigation** and **adaptation** actions.
As a key player, Fincantieri wants to contribute to the fight against climate change through a strong commitment on three main areas:

- reducing the impacts directly generated by its activities;
- reducing indirect impacts, i.e. actions related to the development of eco-sustainable products and services and to the value chain;
- working in partnership with institutions and other market players.

FINCANTIERI'S COMMITMENTS TO AN ENVIRONMENTALLY SUSTAINABLE ECONOMY

TO REDUCE DIRECT IMPACTS

- Implementation of **energy efficiency** measures and reduction in emissions of carbon dioxide (CO_2) and other pollutants
- Conservation of natural resources, **biodiversity** and reduction of **environmental** impacts
- **Raising** employee's **awareness** on the environmental impact and promoting good behaviour

TO REDUCE INDIRECT IMPACTS

- Development of **environmentally sustainable products and services** with the aim of contributing to a circular and low-carbon economy
- Promoting and sustaining a **responsible supply chain** that shares our values and is based on lasting relationships founded on integrity, transparency and respect

TO WORK IN PARTNERSHIP WITH INSTITUTIONS AND OTHER MARKET PLAYERS

- Supporting **research** to improve **analysis and management** of the risks associated with climate change

Physical and transition climate risks

For the purpose of identifying, assessing and monitoring the main corporate risks ("Risk Universe"), as described in detail in the "Risk Management" chapter, Fincantieri has adopted Enterprise Risk Management (ERM) processes and systems, into which specific sustainability risks have been integrated. Starting from these, six risks have been selected which are linked to climate related issues, exploring with the various responsible functions the Group's total exposure to these risks and the actions specifically implemented to mitigate them.

The six climate risks to which Fincantieri is exposed fall within the following three macro areas of impact:

MACRO AREAS OF IMPACT	FINCANTIERI CLIMATE RISKS	MACRO RISK CATEGORIES
PHYSICAL IMPACTS	1. Business Interruption	Physical risks – Acute
	2. Climate change	Physical risks – Chronic and Acute
MARKET TRENDS	3. Environmental impact of products and services	Transition risks - Technological Reputational, Market, Political and Legal
	4. Raw material and commodity prices	Transition risks – Market
REGULATION	5. Evolution of laws and regulations	Transition risks - Policies and laws Reputational, Market
	6. Investor and public relations	Transition risks – Reputational

Physical risks are associated with increased economic costs and financial losses due to the increased severity and frequency of extreme weather events related to climate change. They include **acute** risks and risks related to long-term climate change, i.e. **chronic** risks.
Transition risks are associated with the transition to a low-carbon economy and are closely related to changes in the social, economic and political environment, as well as changes in the CO_2 pricing framework and regulatory restrictions.
Transition risks also include reputational risks: not undertaking a gradual decarbonization process could, in fact, have a negative impact on the company's reputation and, consequently, on its financial results.
Climate change **mitigation** and adaptation efforts undertaken by the Company may also represent an opportunity, for example looking at the development of new technologies and the roll-out of new products and services with reduced environmental impact. Finally, analysing the impacts, climate change could prevent the Company from carrying out its activities, limiting the operation of the entire value chain and leading to a significant increase in costs. Below is a complete and detailed description of the climate-related risks to which the Group is exposed, the related management methods implemented and the associated opportunities.

1. BUSINESS INTERRUPTION

Among the expected consequences of climate change are more frequent extreme weather events. These phenomena, which are no longer isolated, could compromise business operations, causing business interruptions and damage to strategic assets (including supply chain activities), affecting ship delivery dates and leading to possible penalties for the Group.

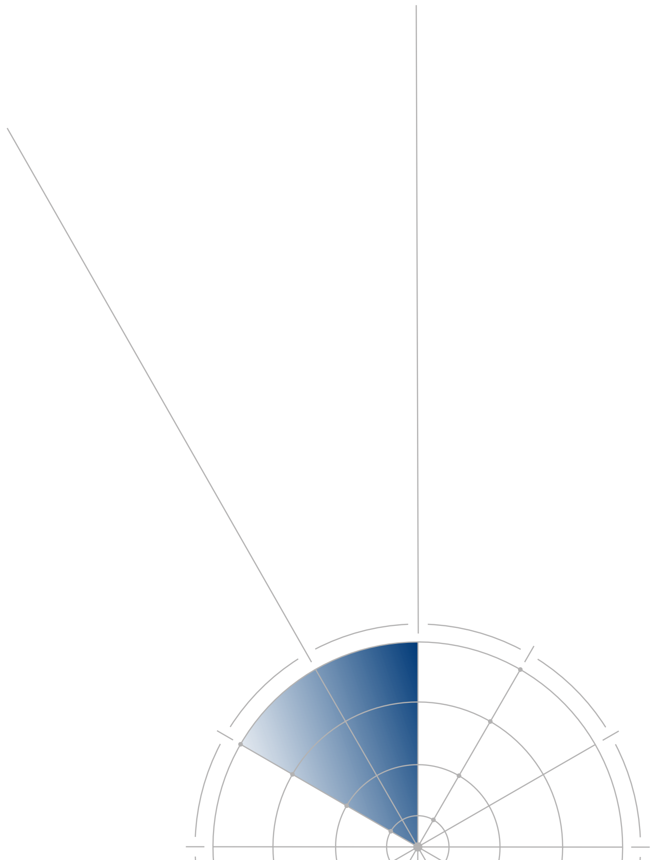
Management methods

In order to mitigate the exposure to this risk, the Group performs an annual test of the **Disaster Recovery** infrastructure, which includes detailed instructions on how to respond to unplanned incidents (natural disasters and extreme weather events, cyber attacks and/or other disruptions, etc.). The plan includes strategies to minimize the effects of an impending event in order to ensure business continuity by leveraging the potential of the cloud.

In addition, measures have been adopted to **identify and analyse** potential and alternative **new suppliers** through periodic direct (internet, trade fairs, etc.) and indirect (e-procurement, promoters) scouting activities focused on critical areas. The latter are identified through periodic interviews and mapping relevant ship items and/or specific needs related to the production context and the available supplier base.

Opportunities

Research into and analysis of new suppliers allows the **identification of commercial partners** who are able to respond promptly and resiliently to Fincantieri's requests, even in adverse situations, guaranteeing operational continuity. In addition, it is possible to consolidate partnerships with new suppliers and thus strengthen the value chain, working together to **reduce the environmental impact** of the Group.



2. CLIMATE CHANGE

Company activities may be negatively impacted or interrupted if the Company is affected by acute or chronic events, or indirectly through its supply chain, delaying the production cycle and changing the distribution of production between the Group's sites, also requiring new ways of managing the production process or the structure of the shipyard itself.

Management methods

In order to manage the risk in question, Fincantieri has implemented a series of mechanisms, including the internal definition of specific rules for the **management of emergencies** in the event of adverse weather conditions, which outline measures and behaviour to be adopted when extreme weather events occur.

A **wind monitoring** system has been set up in addition to the forecasting system already described in the internal rules, providing for the installation in a strategic position within the shipyard (determined through a preliminary study by the subsidiary CETENA) of a sensor inserted in an anemometric station. This system will provide specific weather data for the shipyard area, timely, easily accessible by a greater number of users and through different interfaces (desktop, tablet, smartphone, etc.) as well as time histories for the last two years.

Some of Fincantieri's own **equipment** has been fitted with specific systems to mitigate exposure to the physical risk arising from more frequent extreme weather phenomena. For example, all cranes located in the outside areas of the shipyard are equipped with a storm brake system. In addition, the Mooring Plan for the outfitting quays of ships under construction is prepared by a specialist third party entity, who issues a study including the impact of prevailing winds and storms.

The risk in question is mitigated by the constant commitment to maintaining and operating management systems in all production sites and all business units certified according to the **ISO 14001** (Environmental Management System) international standard. In particular, a risk and opportunity analysis extended to include climate risks has been defined in accordance with the standard.

The **water discharges** from the sites, which are checked every six months, are equipped with clapet (non-return) valves which do not allow high water from the sea to enter, and are only activated at the outlet during discharge.

With regard to the specific risk of **lightning**, the sites have updated their risk assessment, highlighting a tolerable value and stressing that all structures are protected. In addition, all earthing and lightning protection systems are subject to regular checks and inspections to assess their safety.

With a view to the future, the Group prepares and implements specific **maintenance activities** to limit the damage caused by extraordinary climatic events (storms, floods, earthquakes, fires, heat waves, etc.) and preserve the functionality and efficiency of the various items of equipment.

In order to limit the impact resulting from atmospheric events linked to climate change, the Group has taken out specific insurance policies to protect all of its yards against economic damage from catastrophic events.

In 2021, at the Monfalcone, Marghera, Riva Trigoso, Ancona, Muggiano and Sestri shipyards, an analysis commissioned by the insurers was carried out according to the international standard JH 143 (standardized procedure for the international insurance market), which provides for the review and assessment of the procedures and controls of the shipyard quality and safety systems. This principle is reflected in various aspects of the analysis, including those relating to fire risk management and prevention and safety in general. The result of the survey is summarised in a 'rating' assigned on a scale from A (best result) to E (worst result). All the shipyards have a rating higher than B.

Opportunities

Strengthening the capacity to respond to extreme events can result in improved capacity to meet customer requirements and demands, minimizing the effects of extreme events on the Group's production processes.

3. ENVIRONMENTAL IMPACT OF PRODUCTS AND SERVICES

Risk that the Company fails to develop products or services which can minimize environmental impact throughout their entire life cycle, by failing to consider regulatory indications and good practices for the reduction of impacts, including the implementation of products with a circular approach.

Management methods

In order to mitigate the risk in question, the Group actively takes part in national, European and international round tables with the aim of monitoring and directing the evolution of regulations and standards applicable to the maritime sector, which will subsequently be applied in the development of new products.
The Group considers **scouting** for innovative technological solutions with reduced environmental impact (hydrogen technologies, carbon capture, renewable energy sources, etc.) to be of absolute importance in managing the transition risk connected with the impact of the products offered on the market. This takes place through market surveys and the startup observatory, so as to monitor the emergence of ideas that may be useful for the development of new products.
Fincantieri also constantly monitors **the evolution of green technologies on the market** (ships powered by alternative fuels such as hydrogen and ammonia) and continually promotes **technologically innovative** products or services with a reduced environmental impact (projects for the production of energy on board ships using fuel cells, the prototyping of more environmentally friendly and safer solutions for cruise ships, the design of solutions for the production of energy from offshore renewable sources, etc.).
To avoid a negative impact on the climate and its reputation, Fincantieri ensures that during product development and construction, all decisions associated with the design process are in line with the Group's Environmental Policy and the principles of ecological design.
Research projects in the broader environmental field, such as CO_2 capture, are also monitored with a view to the future. Periodic meetings are set up with suppliers developing green technologies to obtain evidence of their performance in terms of measurable benefit to the Group's carbon footprint.
Finally, a **Group Innovation Call for Proposals** has been activated and executed, with open initiatives and the active involvement of external players (supply chain, research centres and universities) in order to create a structured flow of developing research and innovation initiatives (R&I), ensuring that projects are consistent with the Company's strategic guidelines, and, in particular, with the targets related to environmental protection.

Opportunities

Participation in round tables at a national, European and international level allows Fincantieri to **monitor and influence** the evolution of regulations and standards.
Scouting for innovative solutions, monitoring the evolution of green technologies on the market and the Group's Innovation Call for Proposals offer the opportunity to **develop products** with innovative technologies with reduced environmental impact, anticipating customer and regulatory requirements, while confirming Fincantieri's leadership position in an expanding market.

4. RAW MATERIAL AND COMMODITY PRICES

From the development of new products aligned with emerging regulatory requirements to the demands of customers increasingly sensitive to climate change issues, so many factors are increasingly linked to the increase in the price of raw materials and commodities. This may be influenced by new regulations, e.g. on carbon intensive products (CBAM), or by catastrophic events affecting the supply chain.

Management methods

The Group continuously monitors current and future commodity price trends. Coordination between project controllers and purchasing departments allows risk exposure to be managed by increasing production efficiency and implementing financial hedging policies where applicable. An analysis/monitoring report is also prepared with the estimated final impacts, depending on the market situation, specific business needs, geographical factors or changing regulatory and geopolitical contexts (e.g. related to environmental or macroeconomic issues).

Opportunities

The implementation of increasingly precise monitoring systems for prices of raw materials and commodities makes it possible to make **better-informed decisions** and to integrate these assessments into **the development of new products**, while also focusing on making production processes **more efficient**. This system makes the Group **less susceptible** to price trends in raw materials, with possible positive impacts on the cost structure (especially for energy).

5. EVOLUTION OF LAWS AND REGULATIONS

Fincantieri's business and the different sectors in which it operates are highly complex, so changing its strategy, product/service portfolio or adapting to regulations requires a long implementation time. In particular, the increasing specific and complex nature of new regulations aimed also at preventing climate change requires the Company to implement targeted actions for the various business areas in which it operates.

Management methods

Participating in regular meetings with Ministries to present its point of view as a shipbuilder on the various IMO regulations specific to the sector in which it operates allows the Group to identify possible evolving scenarios and mitigate the risk arising from the evolution of laws and regulations. In fact, Fincantieri bases its product development assessments on the decarbonization strategy and the directives defined by the regulatory bodies.
At the same time, a system is in place to **monitor and update the regulatory framework on a biannual basis**, e.g. for developments related to EU ETS and CBAM. The Group makes use of this information for the design of ship equipment and systems via the environmental regulation observatory for specific projects. In addition, analyses of the national **regulatory framework** of the Country of interest are undertaken by the commercial function during the tender/contract management phase to ensure alignment with the specific provisions.
In order to provide evidence of environmental compliance, the Principles of Environmentally Sustainable Design procedure is issued at the pre-contractual design stage to ensure and measure the environmental sustainability of the specific vessel, and the Environmental Profile document is subsequently issued during post-contractual design, summarizing the results obtained from the previous document.

Opportunities

Opportunity to be an **active player** and participant in regulatory development in the naval industry, bringing attention to issues relevant to the Group.
The monitoring and contextual update of the regulatory framework to which Fincantieri is subject allows it to **anticipate** regulatory changes also in the development of its products and services.

6. INVESTOR AND PUBLIC RELATIONS

The adoption of an appropriate company communications and public relations strategy on climate change supports the Group's fulfilment of the expectations of ESG rating agencies, investors and stakeholders in general.

Management methods

The Group pays particular attention to preserving relations with its investors and the set of relationship and communication activities aimed at building and consolidating long-term relationships with the different stakeholders. In order to mitigate the reputational risk, Fincantieri oversees the activities involved in drawing up the Sustainability Report and integrating the additional information required by rating companies in order to ensure transparency and completeness.
The Group also adheres to the CDP initiative and fills in the relevant questionnaire in cooperation with the departments most involved in environmental issues. Once the score has been obtained, it proceeds with implementation of the gap analysis to identify possible improvement actions, also with the aim of continuously refining its own performance and improving perceptions of the Group among investors.
At the same time, the Sustainability Plan is periodically revised, with the direct contribution of the departments, in order to externalize and formalize Fincantieri's strategic vision of sustainability and to outline the commitments undertaken by the Group. The continuous updating of the Plan allows for an alignment with the evolution of the international economic, regulatory and social context in which it operates.
The Group has implemented specific projects for the TCFD report, in line with the Task Force's recommendations, and plans to set targets for reducing greenhouse gas emissions in line with the SBTi initiative, aligning itself with the level of decarbonization required to keep the global temperature increase below 1.5°C.
In order to inform investors about the activities implemented by the Group in terms of sustainability and consolidate long-term relations, Fincantieri is taking part in the Italian Sustainability Week.
Lastly, the Group is constantly pursuing and refining its stakeholder engagement process, with the aim of continuously comparing and listening to the needs of those who could be affected by and/or influence the Group's decisions.

Opportunities

By consolidating relations with its stakeholders and the broader investment community, transparent reporting and adherence to specific initiatives, such as sustainability ratings, Fincantieri has the opportunity to **strengthen its image** and become a **point of reference** for its various stakeholders on sustainability and climate change issues.

Cyber Security

Fincantieri's focus on **cyber security** has gradually intensified in response to the ever-increasing complexity and frequency of cyber attacks carried out against companies with national and international strategic importance and to changes in the regulatory framework.

The sophistication of cyber threats, made possible by the increasingly aggressive operations of organized international groups, requires the constant adjustment of the company's defences and processes for protecting IT assets, as an additional element to protect the industrial know-how and market competitiveness of the Fincantieri Group. The European and national regulatory framework also makes it necessary to continuously adapt corporate governance, incorporating new security standards applicable in the technological, organizational and procedural areas.

A mature approach to cyber security is also essential to support the strategic development of the naval product, which is characterized by high technological complexity. As such, it is exposed to cyber threats requiring the engineering of appropriate security solutions, compatible with the extremely varied nature of the on-board systems.

For these reasons, in 2021, further impetus was given to the development of Group cyber security through:

- actions for a greater centralization of data protection systems;
- a control model applied throughout the Group;
- a pervasive technology upgrade program.

Central IT system and industrial platforms

The following projects were completed in 2021 with the aim of developing a central information technology system and support platforms to bolster protection of industrial networks.

1. Expansion of the perimeter of the technological protection infrastructure for FINCANTIERI S.p.A. and its Italian subsidiaries falling within the ICT services of the Parent Company in order to counter modern cyber security threats by implementing:

   - a security email gateway service, required to protect and control incoming and outgoing emails;
   - anti-malware technology, both at the client and server level, to protect against viruses and threats with endpoint detection and response. With this system, vulnerabilities on devices are monitored and constant analysis is performed, which allows even the most recent threats to be intercepted;
   - an extension of the Security Information and Event Management (SIEM) infrastructure with new components on standard virtual hardware;
   - a privileged access management (PAM) strategy to protect against threats such as theft of credentials or illegitimate use of privileges;
   - a Domain Name System (DNS) platform that determines whether a request is secure, malicious or risky.

2. Automation and centralization of cyber incident detection and management processes through the introduction of Security Orchestration, Automation and Response (SOAR) technologies that allow the organization to collect data and reports related to security threats and incidents from a variety of sources. Thanks to this, some of the incident analysis and triage has been automated, defining and guiding response activities and thus limiting human intervention.
3. Development of tools, processes and methodologies to support compliance with Regulation (EU) No. 2016/679 (GDPR) and international data protection and security standards (ISO 27001/9001). In order to assess the need to perform a Data Protection Impact Assessment (DPIA) and extract any extra security requirements for each solution, the preliminary risk analysis process, which is used to identify high risk processing, was reviewed. The security requirements for each type of solution were also reviewed and updated. The company's cyber risk management approach was also improved with the introduction of cyber risk management platforms and the definition of a reference framework based on the main international standards to be adopted at Group level. The approach has also been extended to product level, through the definition and implementation of security requirements to be adopted from the early stages of development or during refitting to mitigate cyber risk. The **ISO 27001** certification was also confirmed in 2021 for FINCANTIERI S.p.A., confirming compliance with the level of reliability required by international standards, which represent deeper integration with the information technology required by the personal data protection obligations. In addition to the certification held by the Parent Company, Fincantieri's subsidiaries NexTech, CETENA and Isselnord have also obtained ISO 27001 certification. Further projects are underway to obtain the above certification in subsidiaries such as VARD and E-phors.
4. Adoption of a programme to protect industrial networks supporting ship production through a security assessment and the development of a new architecture for managing Operational Technology (OT) systems and implementation of more robust security measures to ensure data usability, integrity and confidentiality.

Always with the aim to standardize and ensure high standards of cyber security at Group level, in line with the evolution of cyber threats and with the structuring of the reference regulatory context, the governance and organization of cyber security was updated with the creation, in November 2021, of a new **Group Cyber Security function** that reports directly to the General Manager, responsible for:

- defining and implementing cyber security policies applicable to the Group;
- ensuring the continuous monitoring of the logical perimeter of Fincantieri and the timely reaction to any attempt to compromise it;
- defining the strategic drivers for the development of cyber security solutions, also ensuring adequate processes for verifying and controlling the electronic and IT supply chain;
- defining and promoting the Group's methodology for cyber risk assessment and mitigation, in line with industry best practices and current policies.

The responsibility for the new function has been attributed to the Group Vice President Cyber security (GVP Cyber security), who therefore holds the role of **Chief Information Security Officer (CISO)** for the Fincantieri Group and is responsible for:

- defining a cyber security strategy;
- establishing and maintaining an up-to-date corporate cyber security organization;
- implementing protection programs;
- designing and enforcing procedures to mitigate cyber risks;
- managing compliance with cyber security regulatory requirements.

The **Security Committee** was also set up in order to pursue the continuous improvement of processes and to evaluate investments in support of the Company's Information Security.

The Committee, which keeps Top Management punctually informed, is chaired by the General Manager and is composed of the heads of the following departments: Security, Information Technology, Group Cyber Security

and the Risk Officer. Depending on the issues to be addressed, additional individuals such as the Chief Financial Officer (CFO) or other department heads may be asked to participate.
In terms of the Group cyber plan, the following initiatives were implemented in 2021:

- implementation of the Secure Ship Development Lifecycle model, for managing cyber security aspects related to product development processes, in the subsidiary VARD;
- definition of protection models and frameworks for complex naval platforms in civil and naval environments;
- sharing document templates, policies and requirements in the cyber security field with VARD.

In addition to these project elements, traditional monitoring activities are carried out on a continuous basis to ensure the security level of the services and of Fincantieri's networks, in particular:

- periodic IT security assessments aimed at identifying and remedying any gaps;
- awareness campaigns for employees, aimed at improving awareness of cyber risks and shedding light on the most widespread social engineering attack techniques and the organizational and behavioural methods for neutralizing them.

Due to the **COVID-19 pandemic** the Group had to face an additional cyber risk scenario linked to the massive number of people who began to work from home. This introduced new risks tied to the use of "untrusted", and notoriously more exposed, domestic networks. For this reason a review of the protection technologies more in line with the new working from home requirements became necessary. These demand operational flexibility and a strong focus on distributed collaboration.
Fincantieri - in its capacity as a strategic company for the national economic system as well as international big player - continues to collaborate with the **State Police and other important national institutions** by sharing information on significant cyber events recorded on its IT infrastructure and has launched other partnerships with **international government authorities** to counter the threat and increase the security and resilience levels of the critical infrastructures of the countries in which it operates.
Fincantieri also presents itself increasingly as a business with strong cyber security know-how for **naval engineering products** and in the maritime field in general. On this last front, it has started a close collaboration with the University of Genoa for the development of a naval "cyber range" aimed at faithfully replicating the electronic environment on board for the training of defence capabilities of civil and naval fleets.

Information and personal data security

To ensure full adoption of the principles of the protection of personal data, during 2018, Fincantieri launched a process of adaption to new regulation on personal data protection, Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (General Data Protection Regulation – GDPR), which ended on 25 May 2018 with the Company's adoption of a personal data protection system.
The founding principles on which the personal data protection system adopted by FINCANTIERI S.p.A. is based are expressly contained in the Policy on General Principles of the Data Protection System (Privacy Policy) which regulates, among other things, the main processes needed to ensure the protection envisaged by the relevant legislation. With this Policy we undertake to establish and maintain over time a control model aimed at protecting the personal data collected and processed as part of the processes inherent to the activities of FINCANTIERI S.p.A., promoting the development of a pervasive privacy culture at Group level. With this in mind, in addition to the dissemination of privacy statements to the data subjects and instructions to personnel authorized to process personal data, a verification and control of the main data processing operations was carried out as well as training for employees of the Parent Company that was also extended to the Italian subsidiaries.

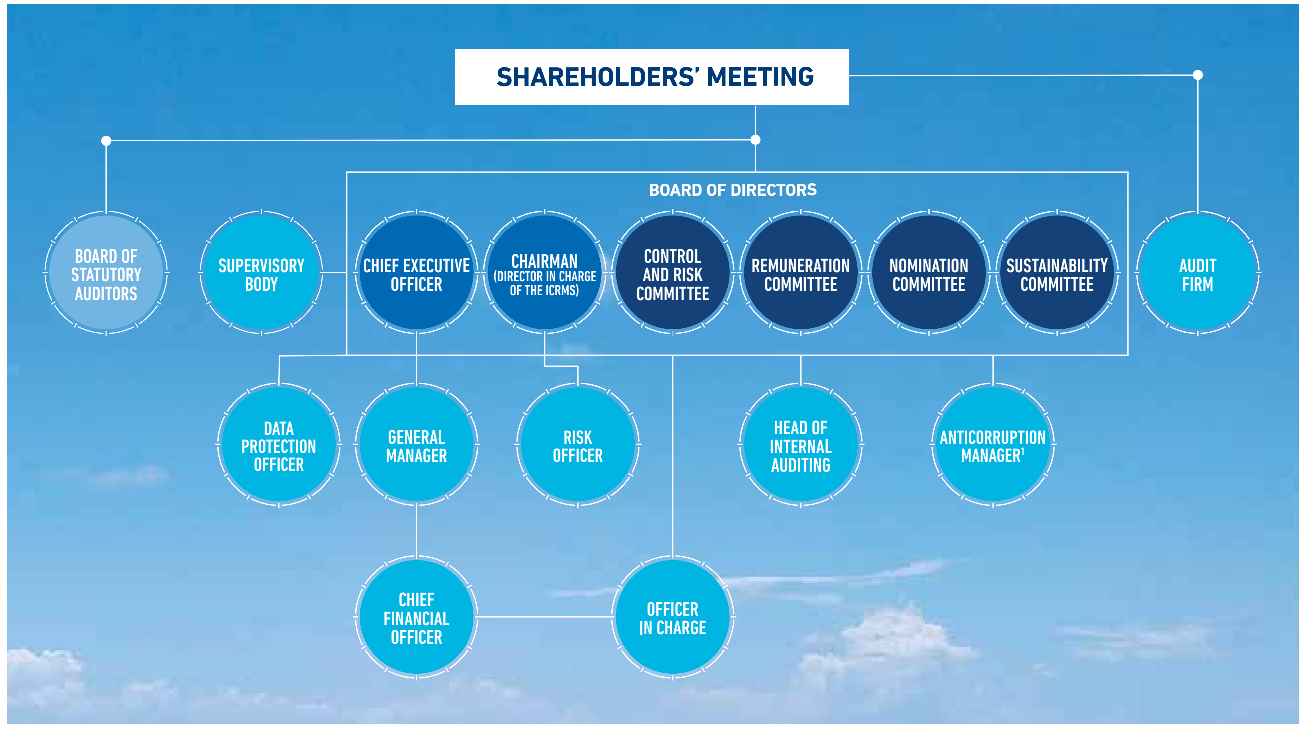
The personal data protection system was laid out in detail in a specific Data Protection System Manual and by operational procedures that identify certain processes that are especially critical such as management of data breaches and management of requests from data subjects asserting their rights.
During the 2021 financial year, confirming the Company's focus on personal data protection, FINCANTIERI S.p.A. appointed its own Data Protection Officer (DPO) who reports directly to the Board of Directors, and who is responsible for the following tasks, among others:

- informing/supporting FINCANTIERI S.p.A. and its employees on data protection regulatory obligations;
- overseeing compliance with regulatory requirements and the Company's privacy policies;
- providing opinions on Data Protection Impact Assessments (DPIAs), ensuring and documenting their conduct at company level;
- cooperating with the supervisory authority (in Italy, Garante Per la Protezione dei Dati Personali);
- serving as a point of contact for the supervisory authority on matters related to data processing.

The DPO has supported FINCANTIERI S.p.A. in the planned review and updating of the Company's Data Protection System and has provided advice and training in the field of data protection to company functions, responding to more than one hundred requests for advice.
Moreover, in full compliance with the regulations and internal procedures, FINCANTIERI S.p.A. has promptly responded to the requests from data subjects exercising their rights.
As regards foreign subsidiaries, Fincantieri Marine Group LLC, complying with the provisions of the Health Insurance Portability and Accountability Act (HIPAA), has prepared a detailed document on the protection of employees' health data, providing a training course to those who have access to such information. Information containing personal data is filed and accessible only to authorized personnel.

Corporate governance

The "Report on Corporate Governance and Ownership Structure" (the "Report") required by Art. 123-*bis* of the Consolidated Law on Finance is a stand-alone document approved by the Board of Directors on 23 March 2022, and published in the "Ethics and Governance" section of the Company's website at www.fincantieri.com.
The Report has been prepared in accordance with the recommendations of the Corporate Governance Code and taking into account the recommendations for the format of the report on corporate governance and ownership structure drawn up by Borsa Italiana S.p.A. (IX Edition January 2022).
The Report contains a general and complete overview of the corporate governance system adopted by FINCANTIERI S.p.A. It presents the Company's profile and the principles underlying the way it conducts its business; it provides information about the ownership structure and adoption of the Corporate Governance Code, including the main governance practices applied and the main characteristics of the system of internal control and risk management; it contains a description of the operation and composition of the governing and supervisory bodies and their committees, roles, duties and responsibilities.
The criteria for determining the compensation of the directors are set out in the "Report on the policy regarding remuneration and fees paid", prepared in compliance with the requirements of Art. 123-*ter* of Italy's Consolidated Law on Finance and Art. 84-*quater* of the Consob Issuer Regulations, and published in the "Ethics and Governance" section of the Company's website.



[1] Head of the Compliance Department for the prevention of corruption in accordance with UNI ISO 37001:2016.

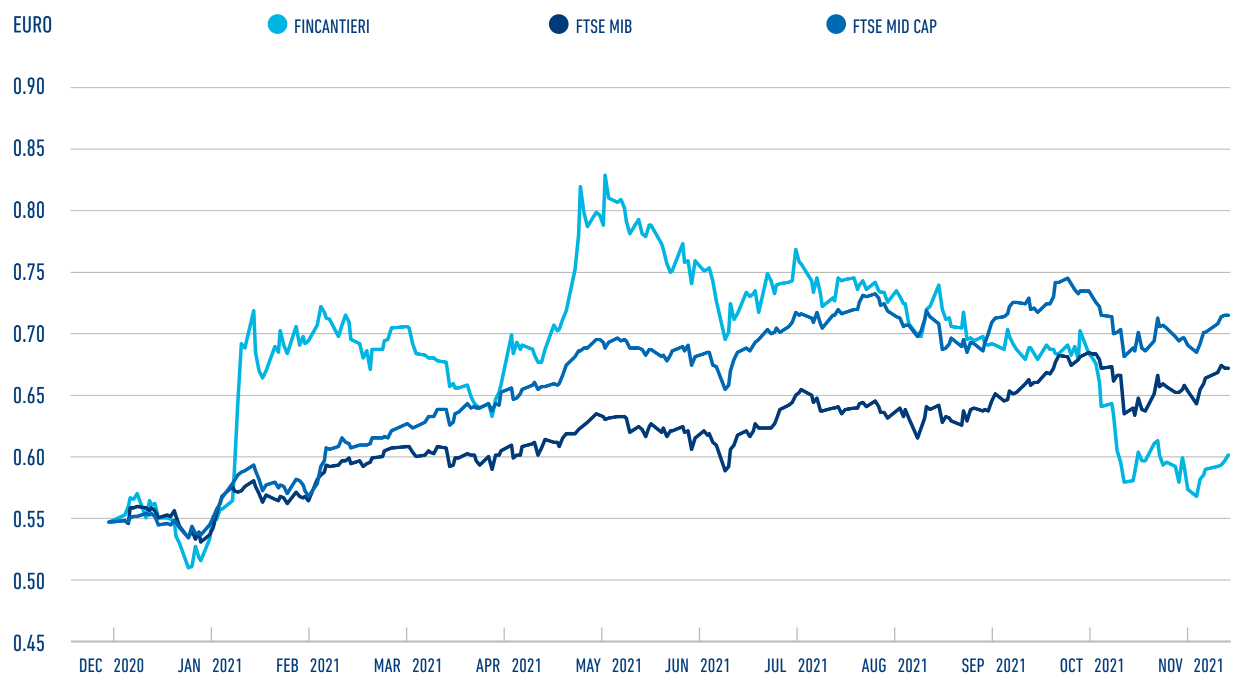
Other information

Stock performance

The performance of the stock in 2021 recorded a positive trend, rising from a price of euro 0.55 per share on 30 December 2020 to euro 0.60 per share on 30 December 2021. The FTSE MIB, the index comprising Italy's 40 largest stocks, rose by 23.0% over the same period, while the FTSE Mid Cap index, which includes Fincantieri, rose by 30.8%.
During 2021, the stock market performance of FINCANTIERI S.p.A. shares showed a positive trend, benefiting from the results achieved during the year, which highlighted the Group's resilience in coping with the spread of the pandemic and its capacity for growth in line with management expectations.
The average price of the stock during the year was euro 0.69 per share, with a peak value for the period of euro 0.83 recorded on 10 June, in line with the announcement of the award of the contract for the Indonesian navy.
The stock closed the year, on 30 December 2021, with a price of euro 0.60 per share corresponding to a market capitalization of approximately euro 1,026 million.
In terms of volumes, a total of 923 million shares were traded, with an average daily trading volume of around 3.6 million shares.
At 31 December 2021, Fincantieri's share capital of euro 862,980,725.70 was held as follows: 71.32% by CDP Industria S.p.A., 28.50% by the general market and 0.18% in own shares.

KEY FIGURES		31.12.2021	31.12.2020
Share capital	euro	862,980,725.70	862,980,725.70
Ordinary shares issued	Number	1,699,651,360	1,699,651,360
Own shares	Number	3,012,414	4,540,441
Market capitalization *	euro/million	1,026	932
PERFORMANCE			
Price at year end	euro	0.60	0.55
Year high	euro	0.83	0.92
Year low	euro	0.51	0.42
Average price	euro	0.69	0.64

* Number of shares outstanding multiplied by reference share price at period end.



Other significant events in the period

JANUARY

On **25 January 2021**, Naviris, the 50/50 joint venture between Fincantieri and Naval Group, officially received ISO 9001:2015 and AQAP 2110 certifications from Lloyd's Register, in accordance with the NATO Supplementary Regulations for major defence suppliers. These certifications are a further step in the development of the joint venture, whose aim is to manage export and cooperation programs for surface vessels as well as research and development projects.

FEBRUARY

On **3 February 2021**, Fincantieri officially started its activities within the SEA Defence project. The project, which started last December and was selected under the European Defence Development Programme (EDIDP 2019), aims to define a roadmap to develop technologies to be included in the next generation of naval platforms.

On **8 February 2021**, Fincantieri, through its subsidiary E-phors, which specializes in the provision of cyber security services and products, delivered a pilot training course, in partnership with the Italian Academy of the Merchant Navy, with the aim of introducing Deck Officers to the fundamentals of cyber security.

On **11 February 2021**, Naviris, the 50/50 joint venture between Fincantieri and Naval Group that is in charge of developing cooperation programs, and Navantia signed a Memorandum of Understanding (MoU) aimed at expanding industrial cooperation for the European Patrol Corvette (EPC) program, the most important naval initiative under the European Permanent Structured Cooperation (PESCO) project.

MARCH

On **24 March 2021**, Enel X and Fincantieri signed a letter of intent to cooperate in the construction and management of new generation port infrastructure, with a low environmental impact, and for the electrification of onshore logistics activities. The agreement, initially dedicated to national projects, concerns the implementation of cold ironing (the technology for supplying shore-to-ship power while the ships are at berth during stopovers); management and optimization of energy exchange in new infrastructure; electricity storage and generation systems, including use of renewable sources, and the application of fuel cells.

On **31 March 2021**, the RV Laura Bassi, the only Italian icebreaking and oceanographic research vessel, operated by the Italian National Institute for Oceanography and Applied Geophysics (OGS), on return from its mission in the Antarctic, arrived at the Fincantieri shipyard in Trieste (Arsenale Triestino San Marco – ATSM), where it will undergo important and delicate work to complete its scientific outfitting for studying and exploring the entire marine ecosystem. Work on the vessel will be carried out by Fincantieri, which will work together with a group of companies from the local area.

APRIL

On **26 April 2021**, Fincantieri - through its subsidiary Fincantieri NexTech - and Almaviva, a leading Italian group in digital innovation, have signed a cooperation agreement to support the acceleration of the digitalization process in the transport and logistics sector. The aim is to promote a mobility system that is closer to the new needs for moving people and goods, with special focus on the environmental impact and safety.

MAY

On **20 May 2021**, Fincantieri and Comau, two Italian companies, global leaders in their respective sectors, signed a letter of intent to develop prototype robotic solutions for steel welding and, subsequently, for the realization of series of machines initially for Fincantieri's shipyards. The agreement was signed by Paolo Carmassi, CEO of Comau, and Fabio Gallia, Fincantieri's General Manager.

On **28 May 2021**, Fincantieri SI - a subsidiary of Fincantieri and leader in the integration of electric propulsion systems and complex electromechanical plants in the marine (cold ironing) and onshore sector - and Faist Electronics - a subsidiary of Faist Group specialized in the development and supply of complete electrical energy storage systems including control and power electronic devices, established the joint venture Power4Future, focused on the production of lithium-ion batteries, which are highly strategic in many industrial sectors and considered a source of competitive advantage for companies and countries that have the technology.

JUNE

On **10 June 2021**, during MADEX (International Maritime Defense Industry Exhibition) 2021, one of the main naval exhibitions in the Asia Pacific area, Fincantieri signed a contract with Daewoo Shipbuilding & Marine Engineering (DSME) to support the conceptual design of the new class of aircraft carriers "CVX" for the Republic of Korea's Navy (South Korea). The program for the first-in-class vessel envisages the tender for the basic design starting in the second half of 2021, while the detailed design and construction will begin in subsequent years.

JULY

On **19 July 2021**, Fincantieri topped the list of Most Attractive Employers in the Manufacturing, Mechanical and Industrial Engineering sector published by Universum, a Swedish company that ranks the most attractive companies for Italian university students using a detailed questionnaire.

On **26 July 2021**, the Cruise Division of the MSC group, the third largest cruise group in the world, Fincantieri, one of the largest shipbuilding groups in the world, and SNAM, one of the world's leading energy infrastructure operators, signed a Memorandum of Understanding (MoU) to jointly assess the conditions for the design and construction of the world's first hydrogen powered cruise ship, which would enable zero-emission operations in specific navigation areas, as well as the development of the related infrastructure for hydrogen storage.

AUGUST

On **5 August 2021**, Fincantieri and Enel Green Power signed a memorandum of understanding with the aim of defining an integrated solution for the production, supply, management and use of green hydrogen for port areas and long-range maritime transport. The two companies intend to apply the excellence and know-how achieved in their respective sectors to identify potential sustainable and innovative solutions.

OCTOBER

On **19 October 2021**, Eni and Fincantieri signed a Memorandum of Understanding (MoU) to cooperate on promoting initiatives aimed at energy transition, by identifying a system of integrated solutions in decarbonization projects in the fields of energy, transport and the circular economy.

NOVEMBER

On **2 November 2021**, Fincantieri and Navantia reached an agreement for a Memorandum of Understanding (MoU) to strengthen their relationship and evaluate the benefits of increased cooperation in the naval and maritime field. The two companies will evaluate opportunities related to the Italian and Spanish navies, including joint projects and participation in the development of the next destroyers and other naval platforms that will be part of the future European Defence Force.

DECEMBER

On **1 December 2021**, Fincantieri topped for the third year running the list of Most Attractive Employers in the Manufacturing, Mechanical and Industrial Engineering sector published by Universum, a Swedish company which, through a detailed questionnaire, has certified the most attractive companies for young professionals with more than five years' seniority.

On **8 December 2021**, the consortium led by Fincantieri, Naval Group and Navantia and coordinated by Naviris (a joint venture between Fincantieri and Naval Group), submitted a bid for the Modular and Multirole Patrol Corvette (MMPC) programme, confirming their willingness to work together to develop Europe's first joint naval defence capability.

On **10 December 2021**, CDP, the independent non-profit organization for environmental reporting, formerly known as the Carbon Disclosure Project, awarded Fincantieri an A-rating for the second consecutive year, for the work carried out last year. The Group therefore remains in the highest band of merit (on a scale of measurement from D, minimum, to A, maximum), strengthening its leadership also in the fight against climate change.

On **13 December 2021**, Fincantieri acquired a stake in DIDO (Decision Intelligence for in-Depth Optimization), an Italian startup specializing in the development of models for complex industrial systems, and artificial intelligence and machine learning algorithms, based on expertise developed by a group of professors from Milan Polytechnic. Thanks to this operation, by 2022 Fincantieri will have a digital decision intelligence platform, the first of its kind in Italy.

On **15 December 2021**, Mubadala Investment Company PJSC and Fincantieri signed a Memorandum of Understanding (MoU) aimed at initiating potential partnerships in the field of advanced technologies and naval, maritime and industrial services.

On **23 December 2021**, Intesa Sanpaolo, Cassa Depositi e Prestiti and Fincantieri finalized a "sustainability-linked" construction loan linked to the achievement of specific performance indicators set out in the 2018-2022 Sustainability Plan for a maximum amount of €300 million. This is the first transaction of its kind for the shipbuilding Group and the proceeds will be used to cover the financial needs associated with the construction of a cruise ship due for delivery in 2023.

Key events after the reporting period ended 31.12.2021

On 17 January 2022, in the presence of the Minister for Equal Opportunities and the Family, Elena Bonetti, the Chief Executive Officer of Fincantieri, Giuseppe Bono, the General Secretaries of FIM, FIOM and UILM, Roberto Benaglia, Francesca Re David and Rocco Palombella, and the Minister herself signed an agreement for the creation of company crèches to support parents. The first one will be inaugurated in Trieste early this year at the headquarters of the company's Merchant Shipping Division and will be named 'Fincantesimo'. This will be followed by a nursery school for employees of the Monfalcone shipyard, to be set up in the Albergo Operai (former workers' hostel), a symbolic place for Fincantieri's historical link with the local area. The implementation of the project will then continue with the gradual implementation of the service in the other company sites.
On 27 January 2022, Fincantieri and ENEA signed a memorandum of understanding to identify areas of common interest for the development of a portfolio of research and innovation programmes. The main areas include energy efficiency, technologies and systems for power generation from renewable sources, for the production, transport and distribution of hydrogen, fuel cells, the circular economy, management and control strategies for Smart Ports and Smart Cities, materials technologies and sustainability projects in the marine and terrestrial environment.
On 10 February 2022, BNP Paribas Italian Branch and Fincantieri finalized an agreement to transform credit guarantees of up to €700 million granted by the bank into a "sustainability-linked Guarantees Facility". The agreement has a minimum duration of more than four years and is the first transaction of its kind for the shipbuilding group.
On 10 March 2022, the construction of the new MSC Crociere Terminal began in Miami with the "laying of the foundation stone". The project, built by Fincantieri Infrastructure in the city considered to be the world capital in terms of cruise tourism, will be the largest and most advanced terminal in the United States, as well as one of the main ones on an international scale, and will be able to host up to three new-generation, low environmental impact ships at the same time, such as MSC Crociere's future liquefied natural gas (LNG) ships due to enter service in the coming months, handling up to 36,000 passengers a day.
On 22 March 2022 Fincantieri Marine Systems North America (FMSNA), a company specializing in the marketing of naval systems, services and components that is part of the US subsidiary Fincantieri Marine Group (FMG), was awarded the contract for the maintenance of the US Navy's Avenger class minesweepers.
On 23 March 2022, the Temporary Grouping of Companies made up of Società Italiana Dragaggi, agent, Fincantieri Infrastructure Opere Marittime, Sales and Fincosit, signed with the Port System Authority of the Northern Tyrrhenian Sea the contract for the construction of maritime defence works and dredging relating to the first implementation phase for the Europa Platform. The contract has a total value of around euro 383 million, with Fincantieri's share close to euro 100 million.
Starting from the early months of 2022, as explained in more detail in the "Outlook" section below, the outbreak of the Russia-Ukraine war marked the beginning of a period of great instability at a global level, both in geopolitical and economic terms. This context, which is still evolving, makes it particularly complex to assess the impact of future scenarios on the Group's business and performance.

Business outlook

The evolution of reference markets and the Group's performance has been influenced in the last two years by the spread of the COVID-19 pandemic, which has led to: (i) the suspension of cruise activity from March 2020 and a gradual restart from summer 2021, (ii) strong pressure on the liquidity of shipowning companies, supported by the financial markets, export credit agencies, financial institutions, institutional investors and Fincantieri itself, through the granting of payment extensions, (iii) the need to establish even stronger health and safety protocols in the workplace, with consequent impacts on productivity, now fully recovered, as shown by the results for the period and (iv) imbalances in supply and demand in the raw materials markets (i.e. steel).
Specifically, with reference to the cruise business, the rapid recovery of activities is continuing also due to the progressive easing of restrictions, with 264 ships (461 thousand lower berths) in service from 68 brands in March 2022, corresponding to about 75% of the global fleet capacity calculated in lower berths. CLIA's forecasts on the state of the cruise industry suggest that around 100% of fleets will be back in operation by the 2022 summer season. In addition, the major cruise groups are reporting booking levels for the second half of 2022 and for 2023 in line with or above 2019.
Moreover, in the first months of 2022, the Russia-Ukraine conflict provides a further strong element of instability at a geopolitical, economic and financial market level. The macroeconomic effects of this severe crisis, of any further limits on travel and tourism, with possible repercussions for the cruise business, and of the impact of Western sanctions against Russia are complex and still difficult to estimate in terms of their impact on the value chain of the world economy and international politics.
These events have created, in the short-medium term, a high level of uncertainty with respect to future scenarios, such as a potential increase in the prices of raw materials and energy, the possible discontinuity of supply chains and production activities, making it impossible to give a precise evaluation, as of today, of the impact on the Group's future performance. The emerging geopolitical scenario may, however, lead in the medium term to a potential positive impact for the entire defence sector as a result of a possible further increase in public spending and the relaunch of a common European plan.
The results achieved by Fincantieri in 2021, however, provide concrete evidence of the effectiveness of the strategic choices made in recent years and its ability to respond to highly critical situations. The maintenance of the large order backlog in the portfolio, the diversification of the business, products and customer base, the investments aimed at making the production process more efficient, the introduction of new technology, the ability to promptly deal with the health emergency and the strong cohesion shown by management in facing up to the challenges once again demonstrate the Group's solidity and resilience.
In this context, net of the effects of macroeconomic and political uncertainty resulting from the Russia-Ukraine conflict and the continuing health emergency, revenues are expected to grow in 2022, exceeding pre-pandemic estimates, and a consolidation of margins is expected, despite the increase in raw material and energy prices that the Group is experiencing. These results could allow a return to a sustainable dividend policy from 2022 onwards. The net financial position for 2022 is expected to be in line with the year-end figures for 2020.

For the **Shipbuilding** segment, the volume of activity continues to grow due to the development of the significant order backlog already acquired. In the **Cruise ships** segment, during 2022, six ships are scheduled to be delivered by the Group's Italian shipyards (Discovery Princess, delivered in January at the Monfalcone shipyard, Viking Mars and Neptune, Virgin Resilient Lady, Norwegian Prima, MSC Seascape) and one ship in the luxury-niche segment by VARD's cruise division (Viking Polaris). A further consolidation of the performance recently achieved is also expected, in particular thanks to (i) the renewal of production processes and technological solutions implemented and currently being completed in the Monfalcone and Marghera shipyards and (ii) the improved efficiency of the Romanian shipyards and the consequent reduction in the cost of the major sections produced.
In the **naval vessels** business area, the growth in business volumes is guaranteed by the development of existing programmes and the current investment plant for (i) the expansion of the US shipyards and (ii) the modernization of the production systems of the integrated naval (military) shipyard. In addition, the strengthening of skills in the design and implementation of complex projects continues, in order to develop the group in the international market as a supplier of integrated solutions for naval defence, including in the submarine segment. In 2022, seven ships are due to be delivered in the Italian integrated shipyard (for the Italian Navy and for the Qatar Navy, with the OPV Musherib delivered in January), where the start of work on vessels for the Indonesian Navy is also foreseen. One commercial vessel is scheduled for delivery at the Group's US shipyards, where the programmes for the construction of Littoral Combat Ships for the US Coast Guard, vessels for the Royal Saudi Navy and FFG(X) frigates for the US Navy are ongoing.
In the **Offshore and Specialized vessels** segment, work is continuing on diversification into new geographical areas and markets and expansion of the range of offshore support vessels on offer, with a strong focus on the main segments of the diversification strategy (offshore wind and fishing). Eight vessels are scheduled for delivery in 2022, including the trawler delivered to Nergard in January.
For the **Equipment, Systems and Services** segment, the following are expected:

- in the **Services** business area, the development of the backlog with contracts for the Italian Navy and the Qatari Ministry of Defence, as well as repairs and minor conversions;
- in **Complete Accommodation**, an increase in volumes for cruise applications (cabins, wet units, public areas, catering, glazing) driven by a greater number of prototypes and increased activity on the Chinese market;
- for **Electronics, Systems and Software**, the growth of non-captive volumes for third parties, for the supply of systems for the monitoring and security of critical infrastructure and IT security solutions, as well as the continuation of activities to integrate the companies in the perimeter for the development of operational and commercial synergies;
- in the **Mechatronics** business area, work to consolidate the supply of naval components and systems continues, as well as the supply of high-tech equipment for related sectors. In addition, activities are continuing for the start-up of battery production through the company Power4Future;
- for **Infrastructure**, the execution of ongoing international projects and the integration and restructuring of the companies in the business to take advantage of diversification opportunities in the facility management segment.

In the **medium-long term**, net of possible significant effects on global economies due to the conflict in Ukraine as well as further COVID-19 related impacts, Fincantieri remains committed to developing the workload acquired over the years, with deliveries scheduled up to 2029. The Group is also expected to confirm its leadership with the conversion of the soft backlog into orders and the acquisition of further business opportunities in all the areas in which it operates. This growth strategy, aimed at strengthening the Group's positioning in sectors related to shipbuilding, is fundamental to achieve energy transition and the reduction of emissions.
In this context, the Group aims to invest in productive capacity, new technologies, digitalization, and new competencies as well as to adapt the organizational structure in light of the Group's dimensions and its complexity. This is with the aim of continuing its development and further strengthening its competencies, consolidating its competitive advantage within the sector.

Transactions with the controlling company and other group companies

In compliance with the provisions of the Regulations concerning related party transactions adopted under Consob Resolution no. 17221 of 12 March 2010 and subsequent amendments and additions ("Consob Regulation"), FINCANTIERI S.p.A. has adopted Rules for Related Party Transactions ("RPT Rules") with effect from 3 July 2014. Subsequently, on 3 December 2015, the Company also adopted the "Management of Related Party Transactions" Procedure ("RPT Procedure") in order to describe and define the process, terms and operating procedures for the proper management of related party transactions. Both the RPT Rules and the RPT Procedure were revised, with effect from 1 July 2021, in order to incorporate the changes made by Consob with resolution no. 21624 of 10 December 2020 to the Consob Regulation.
As far as related party transactions in the year are concerned, these do not qualify as either atypical or unusual, since they fall within the normal course of business by the Group's companies. Such transactions are conducted under market terms and conditions, taking into account the characteristics of the goods and services involved. Information on related party transactions, including those required by the Consob Communication of 28 July 2006, is presented in Note 33 of the Notes to the Financial Statements at 31 December 2021.

Purchase of own shares

The Shareholders' Meeting held on 8 April 2021 authorized the Board of Directors to purchase ordinary shares on the market for, among other things, the share incentive plans approved by the Company or by its subsidiaries. In consideration of the provisions of Decree Law No. 23 of 8 April 2020, the authorization to purchase own shares was requested for a period starting from 1 January 2021, or from the subsequent different date on which the prohibition laid down by the same Decree would have ceased, until 9 December 2021. At 31 December 2021, the own shares in portfolio amounted to 3,012,414 (equal to 0.18% of the Share Capital) for a total value of euro 2,967 thousand. No own shares were purchased during 2021.

Italian stock market regulations

Art. 15 of the Italian Stock Market Regulations (adopted by Consob Resolution no. 20249 of 28 December 2017) sets out the listing conditions for companies that control companies incorporated in and governed by the laws of non-EU countries. With reference to the regulatory requirements concerning the listing conditions for controlling companies, incorporated in and governed by the laws of non-EU countries, that are material to the Consolidated financial statements, it is reported that at 31 December 2021, the Fincantieri subsidiaries falling under the scope of the above article are the VARD group and the FMG group. Suitable procedures have already been adopted to ensure that these groups comply with these regulations.
In accordance with the disclosures required by Consob Communication no. DEM/6064293 dated 28 July 2006, it is reported that no atypical and/or unusual transactions took place during 2021.

Sustainability report

Fincantieri Group's Sustainability Report 2021 was approved by the Board of Directors on 23 March 2022 and published on the Company's internet site at the address www.fincantieri.it in the "Sustainability" section.

Alternative performance measures

Fincantieri's management reviews the performance of the Group and its business segments, also using certain indicators not envisaged by IFRS. In particular, EBITDA, in the configuration monitored by the Group, is used as the main earnings indicator, as it enables the Group's underlying profitability to be assessed without the impact of volatility associated with non-recurring items or extraordinary items outside the ordinary course of business (see the reclassified consolidated income statement given in the section commenting on the Group's economic and financial results); the EBITDA configuration adopted by the Group may not be consistent with the configuration adopted by other companies.
As required by Consob Communication no. 0092543 of 3 December 2015 which implements the ESMA Guidelines on Alternative Performance Measures (document no. ESMA/2015/1415), the components of each of these measures are described below:

- EBITDA: this is equal to earnings before taxes, before finance income and costs, before income and expenses from investments and before depreciation, amortization and impairment, as reported in the financial statements, adjusted to exclude the following items:
  - provisions for costs and legal expenses associated with lawsuits brought by employees for asbestos-related damages;
  - costs related to the impacts deriving from the spread of COVID-19 mainly refer to the failure to absorb fixed production costs during the shutdown period, the impact of reduced efficiency resulting from the implementation of the preventive measures adopted, and the costs for sanitary aids and expenses to ensure employee health and safety;
  - costs relating to reorganization plans and non-recurring other personnel costs;
  - other extraordinary income and expenses.
- EBIT: this is equal to EBITDA after deducting recurring depreciation, amortization and impairment of a recurring nature (this excludes impairment of goodwill, intangible assets and property, plant and equipment recognized as a result of impairment tests).
- Adjusted profit/(loss): this is equal to profit (loss) for the year before adjustments for non-recurring items or those outside the ordinary course of business, which are reported before the related tax effect.
- Net fixed capital: this reports the fixed assets used in the business and includes the following items: Intangible assets, Rights of use, Property, plant and equipment, Investments and Other non-current assets and liabilities (including the fair value of derivatives classified in non-current Financial assets and non-current Financial liabilities) net of Employee benefits.
- Net working capital: this is equal to capital employed in ordinary operations which includes Inventories and advances, Construction contracts and client advances, Construction loans, Trade receivables, Trade payables, Provisions for risks and charges, and Other current assets and liabilities (including Income tax assets, Income tax liabilities, Deferred tax assets and Deferred tax liabilities, as well as the fair value of derivatives classified in current Financial assets and current Financial liabilities).
- Net invested capital: this is equal to the total of Net fixed capital, Net working capital and Net assets (liabilities) held for sale and discontinued operations.
- Net financial position monitored by the Group includes:
  - Net current cash/(debt): cash and cash equivalents, held-for-trading securities, current financial receivables, current bank debt (excluding construction loans), current portion of medium-long term loans and credit facilities, other current financial liabilities;
  - Net non-current cash/(debt): non-current financial receivables, non-current bank debt, bonds, other non-current financial liabilities.
- ROI: Return on Investment is calculated as the ratio between EBIT and the arithmetic mean of Net invested capital at the beginning and end of the reporting period.
- ROE: Return on equity is calculated as the ratio between Profit/(loss) for the period and the arithmetic mean of Total Equity at the beginning and end of the reporting period.
- Total debt/Total equity: this is calculated as the ratio between Total debt and Total equity.
- Net financial position/EBITDA: this is calculated as the ratio between the Net financial position, as monitored by the Group, and EBITDA, in the configuration used by the Group as described above.
- Net financial position/Total equity: this is calculated as the ratio between the Net financial position, as monitored by the Group, and Total equity.
- Revenue and income excluding pass-through activities: these exclude the portion of revenues that relates to sales contracts with pass-through activities and which have a contra-entry in the cost item; pass-through activities are those contracts for which the Group invoices the entire contractual amount to the end customer but does not directly manage the construction contract.
- Provisions: these refer to increases in the Provisions for risks and charges, and impairment of Trade receivables and Other non-current and current assets.

Reconciliation of parent company profit/(loss) for the year and equity with the consolidated figures

As required by the Consob Communication of 28 July 2006, the following table provides a reconciliation between equity and profit/(loss) for the year of the Parent Company FINCANTIERI S.p.A. with the consolidated figures (Group and non-controlling interests).

(euro/000)

	31.12.2021		31.12.2020	
	Equity	Profit/(loss) for the year	Equity	Profit/(loss) for the year
Parent Company Financial Statements	**1,770,738**	**125,225**	**1,634,815**	**963**
Share of equity and net result of consolidated subsidiaries, net of carrying amount of the related investments	(951,288)	(89,709)	(840,909)	(81,440)
Consolidation adjustments for difference between purchase price and corresponding book value of equity	234,271	(7,715)	221,017	(7,242)
Reversal of dividends distributed by consolidated subsidiaries to the Parent Company		(581)		(81,688)
Joint ventures and associates accounted for using the equity method	(3,488)	(15,436)	11,998	(2,537)
Elimination of intercompany profits and losses and other consolidation adjustments	(107,157)	9,995	(110,099)	(68,113)
Exchange translation differences from line-by-line consolidation of foreign subsidiaries	(124,495)		(155,356)	
Equity and profit for the year attributable to owners of the parent	**818,582**	**21,779**	**761,467**	**(240,058)**
Non-controlling interests	15,655	37	15,100	(4,463)
Total consolidated equity and profit/(loss) for the year	**834,237**	**21,815**	**776,567**	**(244,521)**

Reconciliation of the reclassified financial statements used in the Report on operations with the mandatory IFRS statements

Consolidated income statement

(euro/million)

	31.12.2021		31.12.2020	
	Amounts in IFRS statement	Amounts in reclassified statement	Amounts in IFRS statement	Amounts in reclassified statement
A - Revenue and income		**6,911**		**5,879**
Operating revenue	6,799		5,782	
Other revenue and income	113		97	
Recl. to I - Extraordinary and non-recurring income and expenses	(1)			
B - Materials, services and other costs		**(5,277)**		**(4,613)**
Materials, services and other costs	(5,311)		(4,727)	
Recl. to I - Extraordinary and non-recurring income and expenses	34		114	
C - Personnel costs		**(1,076)**		**(917)**
Personnel costs	(1,085)		(987)	
Recl. to I - Extraordinary and non-recurring income and expenses	9		70	
D - Provisions		**(63)**		**(35)**
Provisions	(111)		(80)	
Recl. to I - Extraordinary and non-recurring income and expenses	48		45	
E - Depreciation, amortization and impairment		**(206)**		**(166)**
Depreciation, amortization and impairment	(206)		(186)	
Recl. to I - Extraordinary and non-recurring income and expenses			20	
F - Finance income/(costs)		**(105)**		**(131)**
Finance income/(costs)	(105)		(140)	
Recl. to I - Extraordinary and non-recurring income and expenses			9	
G - Income/(expense) from investments		**(14)**		**(13)**
Income/(expense) from investments	(14)		(13)	
Recl. to I - Extraordinary and non-recurring income and expenses				
H - Income taxes		**(78)**		**(46)**
Income taxes	(58)		9	
Recl. to L - Tax effect of extraordinary and non-recurring income and expenses	(20)		(55)	
I - Extraordinary and non-recurring income and expenses		**(90)**		**(258)**
Recl. from A - Revenue and income	1			
Recl. from B - Materials, services and other costs	(34)		(114)	
Recl. from C - Personnel costs	(9)		(70)	
Recl. from D - Provisions	(48)		(45)	
Recl. from E – Depreciation, amortization and impairment			(20)	
Recl. from F – Finance income/(costs)			(9)	
L - Tax effect of extraordinary and non-recurring income and expenses		**20**		**55**
Recl. from H – Income taxes	20		55	
Profit/(loss) for the year		**22**		**(245)**

Consolidated statement of financial position

(euro/million)

	31.12.2021		31.12.2020	
	Amounts in IFRS statement	Amounts in reclassified statement	Amounts in IFRS statement	Amounts in reclassified statement
A - Intangible assets		**688**		**629**
Intangible assets	688		629	
B - Rights of use		**116**		**85**
Rights of use	116		85	
C - Property, plant and equipment		**1,518**		**1,301**
Property, plant and equipment	1,518		1,301	
D - Investments		**123**		**105**
Investments	123		105	
E - Other non-current assets and liabilities		**(18)**		**(25)**
Derivative assets	5		4	
Other non-current assets	48		27	
Other liabilities	(65)		(39)	
Derivative liabilities	(6)		(17)	
F - Employee benefits		**(64)**		**(60)**
Employee benefits	(64)		(60)	
G - Inventories and advances		**886**		**881**
Inventories and advances	886		881	
H - Construction contracts and client advances		**1,182**		**1,963**
Contract assets	2,639		3,124	
Contract liabilities	(1,361)		(1,161)	
Onerous Contracts Provision	96			
I - Construction loans		**(1,075)**		**(1,325)**
Construction loans	(1,075)		(1,325)	
L - Trade receivables		**936**		**602**
Trade receivables and other current assets	1,285		982	
Recl. to O - Other assets	(349)		(380)	
M - Trade payables		**(2,490)**		**(2,361)**
Trade payables and other current liabilities	(2,850)		(2,627)	
Recl. to O - Other liabilities	360		266	
N - Provisions for risks and charges		**(101)**		**(73)**
Provisions for risks and charges	(197)		(73)	
Onerous Contracts Provision	96			
O - Other current assets and liabilities		**(8)**		**111**
Deferred tax assets	109		78	
Income tax assets	15		12	
Derivative assets	15		10	
Recl. from L - Other current assets	349		380	
Deferred tax liabilities	(70)		(51)	
Income tax liabilities	(30)		(7)	
Derivative liabilities and option fair value	(35)		(45)	
Recl. from M - Other current liabilities	(360)		(266)	
P - Net assets (liabilities) held for sale and discontinued operations				**6**
NET INVESTED CAPITAL		**1,693**		**1,839**
Q - Equity		**834**		**777**
R - Net financial position		**859**		**1,062**
SOURCES OF FUNDING		**1,693**		**1,839**

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Consolidated statement of financial position

(euro/000)

	Note	31.12.2021	of which related parties Note 33	31.12.2020	of which related parties Note 33
ASSETS					
Non-current assets					
Intangible assets	6	687,993		629,043	
Rights of use	7	115,927		85,165	
Property, plant and equipment	8	1,518,214		1,301,024	
Investments accounted for using the equity method	9	96,097		78,590	
Other investments	9	26,661		26,179	
Financial assets	10	256,251	50,625	99,985	52,165
Other assets	11	47,416	678	26,941	628
Deferred tax assets	12	109,181		77,963	
Total non-current assets		**2,857,740**		**2,324,890**	
Current assets					
Inventories and advances	13	885,688	109,268	881,499	216,215
Contract assets	14	2,638,946		3,124,554	
Trade receivables and other current assets	15	1,285,337	86,954	983,390	148,042
Income tax assets	16	14,704		11,901	
Financial assets	17	162,939	2,611	85,391	1,418
Cash and cash equivalents	18	1,236,180		1,274,642	
Total current assets		**6,223,794**		**6,361,377**	
Assets classified as held for sale and discontinued operations	36	**-**		**5,785**	
TOTAL ASSETS		**9,081,534**		**8,692,052**	
EQUITY AND LIABILITIES					
Equity	19				
Equity attributable to owners of the parent					
Share Capital		862,981		862,981	
Reserves and retained earnings		(44,399)		(101,513)	
Total Equity attributable to owners of the parent		**818,582**		**761,468**	
Attributable to non-controlling interests		15,655		15,100	
Total Equity		**834,237**		**776,568**	
Non-current liabilities					
Provisions for risks and charges	20	86,277		58,288	
Employee benefits	21	63,664		59,675	
Financial liabilities	22	1,913,837	14,106	2,159,651	20,772
Other liabilities	23	53,574		30,251	
Deferred tax liabilities	12	70,101		50,527	
Total non-current liabilities		**2,187,453**		**2,358,392**	
Current liabilities					
Provisions for risks and charges	20	110,526		14,264	
Employee benefits	21	19		12	
Contract liabilities	24	1,361,471		1,161,160	
Trade payables and other current liabilities	25	2,850,092	172,682	2,628,981	309,956
Income tax liabilities	26	30,069		6,617	
Financial liabilities	27	1,707,667	95,889	1,746,058	111,339
Total current liabilities		**6,059,844**		**5,557,092**	
Liabilities directly associated with Assets classified as held for sale and discontinued operations	36	**-**		**-**	
TOTAL EQUITY AND LIABILITIES		**9,081,534**		**8,692,052**	

Consolidated statement of comprehensive income

(euro/000)

	Note	2021	of which related parties Note 33	2020	of which related parties Note 33
Operating revenue	28	6,799,577	119,981	5,782,402	142,486
Other revenue and income	28	112,596	12,187	97,052	14,594
Materials, services and other costs	29	(5,310,717)	(578,908)	(4,727,896)	(897,378)
Personnel costs	29	(1,085,182)		(986,259)	
Depreciation, amortization and impairment	29	(205,996)		(186,988)	
Provisions	29	(111,283)		(80,076)	
Finance income	30	77,579	708	71,688	770
Finance costs	30	(182,956)	(3,323)	(211,888)	(2,495)
Income/(expense) from investments	31	813		129	
Share of Profit/(Loss) of investments accounted for using the equity method	31	(14,730)		(11,888)	
Profit/(Loss) for the year before taxes		**79,701**		**(253,723)**	
Income taxes	32	(57,886)		9,203	
Net Profit /(Loss) from continuing operations		**21,815**		**(244,520)**	
Net Profit/(Loss) from discontinued operations	36				
Profit/(Loss) for the year (A)		**21,815**		**(244,520)**	
attributable to owners of the parent from continuing operations		21,778		(240,057)	
attributable to non-controlling interests from continuing operations		37		(4,463)	
Net basic Earnings/(Loss) per share (euro)	33	0.01286		(0.14173)	
Net diluted Earnings/(Loss) per share (euro)	33	0.01271		(0.14055)	
Net basic Earnings/(Loss) per share from continuing operations (Euro)	33	0.01286		(0.14173)	
Net diluted Earnings/(Loss) per share from continuing operations (Euro)	33	0.01271		(0.14055)	
Other Comprehensive Income/(Losses), net of tax (OCI)					
Gains/(Losses) from remeasurement of employee defined benefit plans	19-21	(1,382)		(464)	
Total Gains/(Losses) that will not be reclassified to profit or loss, net of tax	19	**(1,382)**		**(464)**	
- attributable to non-controlling interests		**(5)**		**(1)**	
Effective portion of Gains/(Losses) on cash flow hedging instruments	4-19	5,799		649	
Gains/(Losses) arising from changes in OCI of investments accounted for using the equity method	9				
Gains/(Losses) arising from fair value measurement of securities and bonds at fair value through comprehensive income					
Exchange Gains/(Losses) arising on translation of foreign subsidiaries' financial statements	19	32,396		(30,887)	
Total Gains/(Losses) for the year that may be subsequently reclassified to profit or loss, net of tax	19	**38,195**		**(30,238)**	
- attributable to non-controlling interests		**2,142**		**(1,803)**	
Total Other Comprehensive Income/(Losses), net of tax (B)	19	**36,813**		**(30,702)**	
- attributable to non-controlling interests		**2,137**		**(1,804)**	
Total Comprehensive Income/(Loss) for the year (A) + (B)		**58,628**		**(275,222)**	
Attributable to owners of the parent		56,454		(268,955)	
Attributable to non-controlling interests		2,174		(6,267)	

Consolidated statement of changes in equity

(euro/000)

	Note	Share Capital	Reserves, retained earnings and profit/(loss)	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total
1.1.2020	19	**862,981**	**155,517**	**1,018,498**	**31,351**	**1,049,849**
Business combinations					481	481
Share Capital increase						
Share Capital increase – non-controlling interests					189	189
Acquisition of non-controlling interests			10,447	10,447	(10,668)	(221)
Dividend distribution						
Reserve for long-term incentive plan			4,067	4,067		4,067
Reserve for purchase of own shares						
Put option on non-controlling interests			(2,328)	(2,328)		(2,328)
Other changes/roundings			(351)	(351)	14	(337)
Total transactions with owners			**11,925**	**11,925**	**(9,984)**	**1,941**
Net Profit/(Loss) for the year			(240,057)	(240,057)	(4,463)	(244,520)
OCI for the year			(28,898)	(28,898)	(1,804)	(30,702)
Total comprehensive income for the year			**(268,955)**	**(268,955)**	**(6,267)**	**(275,222)**
31.12.2020	19	**862,981**	**(101,513)**	**761,468**	**15,100**	**776,568**
Business combinations						
Share Capital increase						
Share Capital increase – non-controlling interests						
Acquisition of non-controlling interests			(3,262)	(3,262)	(1,632)	(4,894)
Dividend distribution						
Reserve for long-term incentive plan			5,627	5,627		5,627
Reserve for purchase of own shares						
Put option on non-controlling interests			(1,641)	(1,641)		(1,641)
Other changes/roundings			(64)	(64)	13	(51)
Total transactions with owners			**660**	**660**	**(1,619)**	**(959)**
Net Profit/(Loss) for the year			21,778	21,778	37	21,815
OCI for the year			34,676	34,676	2,137	36,813
Total comprehensive income for the year			**56,454**	**56,454**	**2,174**	**58,628**
31.12.2021	19	**862,981**	**(44,399)**	**818,582**	**15,655**	**834,237**

Consolidated statement of cash flows

(euro/000)

	Note	31.12.2021	31.12.2020
Gross cash flows from operating activities	34	**497,063**	**120,685**
Changes to working capital			
- inventories		20,689	(61,336)
- contract assets and liabilities		719,325	(665,328)
- trade receivables		(276,876)	63,988
- other current assets and liabilities		(14,110)	93,771
- other non-current assets and liabilities		(1,084)	(10,228)
- trade payables		33,688	103,673
Cash flows from working capital		**978,695**	**(354,775)**
Dividends paid			
Interest income received		16,902	4,880
Interest expense paid		(74,655)	(70,419)
Income taxes (paid)/collected		16,089	(36,557)
Utilization of provisions for risks and charges and for employee benefits	20-21	(74.666)	(86,522)
Net cash flows from operating activities			
- Continuing operations		**862,365**	**(543,393)**
Net cash flows from operating activities			
- Discontinued operations			
Net cash flows from operating activities		**862,365**	**(543,393)**
- of which related parties		32,161	188,339
Investments in:			
- intangible assets	6	(47,986)	(76,584)
- property, plant and equipment	8	(309,816)	(232,744)
- equity investments	9	(2,976)	(2,707)
- cash out for business combinations, net of cash acquired		220	(520)
Disposals of:			
- intangible assets	6	538	233
- property, plant and equipment	8	1,855	2,501
- equity investments	9	137	547
- change in other current financial receivables	33	(61,213)	(64,578)
Change in non-current financial receivables:			
- disbursements	33	(116,667)	(2,166)
- repayments	33	689	
Cash flows from investing activities		**(535,219)**	**(376,018)**
- of which related parties		(2,399)	(15,253)
Change in non-current financial liabilities:			
- disbursements	33	235	1,450,772
- repayments	33	(4,069)	(999)
Change in current bank loans and credit facilities			
- disbursements	33	2,528,743	3,290,829
- repayments	33	(3,000,978)	(2,926,182)
Change in current bonds/commercial papers			
- disbursements	33	597,800	1,245,200
- repayments	33	(477,800)	(1,220,000)
Repayment of financial liabilities for leasing	33	(20,523)	(19,592)
Change in other current financial liabilities	33	831	259
Change in receivables for trading financial instruments	33		
Change in payables for trading financial instruments	33		
Acquisition of non-controlling interests in subsidiaries	33	(1,748)	(221)
Net capital contributions by non-controlling interests	33		189
Purchase of own shares	33		
Cash flows from financing activities	33	**(377,509)**	**1,820,255**
- of which related parties		(922,116)	907,540
Net cash flows for the year		**(50,363)**	**900,844**
Cash and cash equivalents at beginning of year	18	**1,274,642**	**381,790**
Effect of exchange rate changes on cash and cash equivalents		11,901	(7,992)
Cash and cash equivalents at end of year	18	**1,236,180**	**1,274,642**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Form, contents and other general information

This document is an English language translation of the official Italian version and is not provided in the European Single Electronic Format (ESEF) and hence it is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. The legally required ESEF-format is filed in Italian language on the eMarket Storage platform (www.emarketstorage.com), as well as on Company website (www.fincantieri.com).

The Parent Company

FINCANTIERI S.p.A. (hereinafter "Fincantieri" or the "Company" or the "Parent Company" and, together with its subsidiaries, the "Group" or the "Fincantieri Group") is a public limited company with its registered office in Via Genova no. 1, Trieste (Italy), and is listed on the Mercato Telematico Azionario (Italy's electronic stock market) organized and managed by Borsa Italiana S.p.A.
As at 31 December 2021, 71.32% of the Company's Share Capital of euro 862,980,725.70 was held by CDP Industria S.p.A.; the remainder was distributed between a number of private investors (none of whom held significant interests of 3% or above) and own shares (of around 0.18% of shares representing the Parent Company's Share Capital). It should be noted that 100% of the Share Capital of CDP Industria S.p.A. is owned by Cassa Depositi e Prestiti S.p.A. (hereinafter also referred to as "CDP"), 82.8% of whose Share Capital is in turn owned by Italy's Ministry of Economy and Finance.
Furthermore, CDP, with registered office in via Goito 4, Rome, prepares the Consolidated Financial Statements of the Group to which the Company belongs and which are available on the website www.cdp.it in the "CDP Group" section.

Principal activities of the Group

The Group operates through the following three segments:

- **Shipbuilding**: encompassing the cruise ships and expedition cruise vessels, naval vessels, ferries and mega yacht business areas;
- **Offshore and Specialized vessels**: encompassing the design and construction of high-end offshore support vessels for the Oil & Gas industry and offshore wind farms, specialized ships, vessels for open ocean aquaculture, as well as a range of innovative products in the field of drill ships and semi-submersible drilling rigs;
- **Equipment, Systems and Services** includes the following business areas: i) Services, which includes ship repairs and conversions, logistic support, refitting, training and after-sales services, ii) Complete Accommodation, which includes the fitting out of cabins, public areas, catering, wet units and windows, iii) Electronics, Systems and Software, which focuses on advanced technological solutions, from the design and integration of complex systems (system integration) to telecommunications and critical infrastructure, iv) Mechatronics, i.e., integration of mechanical components and power electronics in naval and onshore applications and v) Infrastructure, which includes the design, construction and installation of steel structures for large-scale projects as well as the production and construction of maritime works and the supply of technology and facility management for the health segment, industry and the service sector.

It should be noted that, starting from 2021, the activities of Vard Electro and Seaonics have been reallocated from the Shipbuilding and Offshore and Specialized Vessels segments to the Equipment, Systems and Services segment, respectively, and the comparative figures at 31 December 2020 have been restated accordingly.

Basis of preparation

The Consolidated Financial Statements of the Fincantieri Group have been prepared in compliance with IFRS, meaning all the International Financial Reporting Standards, all the International Accounting Standards ("IAS"), and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") previously known as the Standing Interpretations Committee ("SIC"), which, as at the reporting date of the Consolidated Financial Statements, had been endorsed by the European Union in accordance with the procedure laid down in Regulation (EC) no. 1606/2002 of the European Parliament and European Council dated 19 July 2002, and in compliance with Legislative Decree 38/2005 and Consob Communication no. 6064293 dated 28 July 2006 concerning disclosures.
The statutory audit of the Consolidated Financial Statements is the responsibility of Deloitte & Touche S.p.A., the firm appointed to perform the statutory audit of the separate financial statements of the Parent Company and its main subsidiaries.
The present Consolidated Financial Statements as at and for the year ended 31 December 2021 were approved by the Company's Board of Directors on 23 March 2022.
The IFRSs have been consistently applied to all the accounting periods presented in the current document.
The Consolidated Financial Statements have been prepared on a going concern basis, since the Directors have verified that there are no financial, operating or other types of indicators that might cast significant doubt upon the Group's ability to meet its obligations in the foreseeable future and particularly within the 12 months from the end of the reporting period based on expected cash flows available at the date the financial statements are approved. In particular, it should be noted that the Group's financial capacity at 31 December 2021 makes it possible for the Group to support the financial requirements expected over the next 12 months. The Group's estimates and projections have been prepared taking into account the agreements defined to date with the shipowners, which, on the one hand, envisage the deferment of payment of part of the instalments due during construction of the cruise contracts and, on the other, the redefinition of the schedule of planned deliveries for 2022 as a result of the COVID-19 pandemic.
The Consolidated Financial Statements have been prepared under the historical cost convention, except for those financial assets and financial liabilities for which fair value measurement is compulsory.

Accounting standards, amendments and interpretations applicable to financial years ended 31 December 2021

A brief description of the accounting standards, amendments and interpretations applicable to financial statements as at and for the year ended 31 December 2021 is provided below. The list excludes those standards, amendments and interpretations concerning matters not applicable to the Group.

Accounting standards, amendments and interpretations applicable with effect from 1 January 2021

On 27 August 2020, the IASB published amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2, which supplement the requirements already issued in 2019 on the replacement of the benchmark interest rate as a result of the reform introduced previously. The amendments entered into force on 1 January 2021.
On 31 March 2021, the IASB published an amendment called "COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)" with which it extended by a year the period of application of the amendment issued in 2020. The 2021 amendment, available only to entities that had already adopted the 2020 amendment, applies from 1 April 2021 and early adoption is permitted. The adoption of these amendments has had no significant impact on the Consolidated Financial Statements at 31 December 2021.

Accounting standards, amendments and interpretations not yet adopted but for which early application is permitted

On 14 May 2020, the IASB published the following amendments:

- Amendments to IFRS 3 Business Combinations. The amendments are intended to update the reference in IFRS 3 to the Conceptual Framework in its revised version, without resulting in any changes to the requirements of IFRS 3;
- Amendments to IAS 16 Property, Plant and Equipment. The purpose of the amendments is not to allow the amount received from the sale of goods produced in the test phase of the asset to be deducted from the cost of property, plant and equipment. These sales revenues and related costs will therefore be recognized in the income statement;
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The amendment clarifies that all costs directly attributable to the contract must be taken into account when estimating whether a contract is onerous;
- Annual Improvements 2018-2020: amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and to the Illustrative Examples of IFRS 16 Leases.

All the amendments will enter into force on 1 January 2022 but early adoption is permitted; however, the Group has not taken up this option. To date, no significant impact is expected from the application of these amendments.

Accounting standards, amendments and IFRS interpretations not yet approved by the European Union

At the date of this document, the relevant bodies of the European Union have not yet concluded the ratification process necessary for the adoption of the amendments and standards described below.
On 7 May 2021, the IASB published the Amendments to IAS 12 Income Taxes: "Deferred Tax related to Assets and Liabilities arising from a Single Transaction." The aim of the document is to clarify the accounting for deferred tax on certain transactions such as leases and decommissioning obligations. The amendments will enter into force on 1 January 2023.
On 12 February 2021, the IASB published the Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: "Disclosure of Accounting policies". The aim of the document is to help companies decide which accounting policies to use in financial statements. The amendments will enter into force on 1 January 2023.
On 12 February 2021, the IASB published the "Definition of Accounting Estimates (Amendments to IAS 8)." The definition of change in accounting estimates is replaced by a definition of accounting estimate. According to the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty" and a change in accounting estimate is made as a result of new information or new developments and not to correct an error. The amendments will enter into force on 1 January 2023.
On 23 January 2020, the IASB published an amendment called "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The document aims to clarify how to classify debts and other short-term or long-term liabilities. The amendments will enter into force on 1 January 2023.
Any impact of these new standards, amendments and interpretations is not material to the Group's Consolidated Financial Statements.

Presentation of financial statements

The Group presents its statement of financial position using a "non-current/current" distinction, its statement of comprehensive income using a classification based on the nature of expenses, and its statement of cash flows using the indirect method. It is also noted that the Group has applied Consob Resolution no. 15519 of 27 July 2006 concerning financial statement formats.

Presentation currency

These financial statements are presented in Euro which is the currency of the primary economic environment in which the Group operates. Foreign operations are included in the Consolidated Financial Statements in accordance with the principles set out in the following notes.
The Consolidated Financial Statements, like the accompanying notes, are presented in thousands of euro (euro/000).
If, in certain cases, amounts are required to be reported in a unit other than euro/000, the monetary unit of presentation is clearly specified.

Note 2 - Scope and basis of consolidation

Scope of consolidation

Appendix 1 presents a list of the companies included in the scope of consolidation, including information about the nature of their business, location of their registered offices, the countries in which they operate, amount of Share Capital, the interests held and the companies which hold them.
During 2021 the following companies were incorporated which are included in the scope of consolidation:

- on 12 January 2021, Fincantieri Infrastructure USA Inc. incorporated the subsidiary Fincantieri Infrastructure Florida Inc. in which it holds 100% of the Share Capital. The company, based in Miami, Florida, will focus on maritime and land infrastructure and construction works;
- on 31 March 2021, Fincantieri SI S.p.A. incorporated a joint venture, FINMESA S.c.a.r.l., in which it holds 50% of the Share Capital. The company, currently dormant, is based in Milan, and will mainly focus on the design and construction of power generation plants from photovoltaic renewable sources;
- on 27 April 2021, the Parent Company incorporated the company Fincantieri Services Doha L.l.c., in which it holds 100% of the Share Capital. The company, based in Qatar, is currently dormant and will focus on maintenance of waterborne transport vessels;
- on 30 June 2021, Fincantieri SI S.p.A. incorporated a joint venture, Power4Future S.p.A., in which it holds a stake of 52%. The company, based in Calderara di Reno (Bologna), is dormant at a 31 December 2021 and will focus mainly on the design, production and installation of electricity storage products;
- on 11 October 2021, Fincantieri Infrastructure S.p.A. incorporated the associate company 2F PER VADO S.c.a.r.l., in which it holds a 49% stake. The company, based in Genoa, will focus mainly on the execution of works and the provision of services, also of a general nature, for the consortium member companies, as well as the execution of all the works necessary for the construction of the "New Vado Ligure Breakwater" for the Western Ligurian Sea Port Authority;
- on 14 December 2021, Fincantieri SI incorporated a joint venture, ERSMA 2026 S.c.a.r.l., in which it holds a 20% stake. The company, based in Rome, is intended to operate as a consortium for the design and execution of demolition and upgrade activities at the ERSMA building in Caorso (PC).

During 2021 the following extraordinary transactions were recorded:

- on 2 February 2021, the 15% stake held by S.E.A.F. S.p.A. in the subsidiary CETENA S.p.A. was sold to Fincantieri NexTech S.p.A. The transaction had no impact on the Consolidated Financial Statements;
- on 4 February 2021, the entire shareholding held by Fincantieri S.p.A. in the subsidiaries Issel Nord S.r.l. (100%), SEASTEMA S.p.A. (100%), E-PHORS S.p.A. (100%) and CETENA S.p.A. (71.10%) was transferred to Fincantieri NexTech S.p.A. On the same day, the subsidiary Fincantieri NexTech S.p.A., by resolution of the Extraordinary Shareholders' Meeting, cancelled its own shares and then increased its Share Capital from euro 10,791,563 to 12,000,000. The capital increase was paid for through the contribution of the shareholdings. Following this contribution, the Parent Company's shareholding in the subsidiary Fincantieri NexTech S.p.A. increased from 92.50% to 100%. The transaction had no impact on the Consolidated Financial Statements;
- on 12 March 2021, the 100% stake held by S.E.A.F. S.p.A. in the subsidiary Marine Interiors S.p.A was sold to FINCANTIERI S.p.A. The transaction had no impact on the Consolidated Financial Statements;
- on 1 June 2021, the Parent Company, through its subsidiary Fincantieri Infrastructure S.p.A., finalized the acquisition of the INSO business unit – SOF. More details on the operation can be found in Note 37;
- on 1 July 2021, Vard Group AS acquired the minority shares of the subsidiary Seaonics AS, increasing its stake in the latter from 56.40% to 100%;
- on 27 July 2021, Luxury Interiors Factory S.r.l., a wholly-owned subsidiary of Marine Interiors Cabins S.p.A., was merged by incorporation into its parent company. As the statutory, accounting and tax effects of the merger take effect from 01 August 2021, the merger resulted in Luxury Interiors Factory S.r.l. being removed from the scope of consolidation. This transaction had no impact on the perimeter of the Consolidated Financial Statements;
- on 31 July 2021 FINCANTIERI S.p.A. completed the purchase of 85% of the Share Capital of the company T.T.M. Team Turbo Machines SAS. The subsidiary acquired is based in La Trinité De Thouberville (France) and specializes in the installation, maintenance and repair of gas turbines, power generation plants and related components. More details on the operation can be found in Note 37;
- on 2 August 2021 FINCANTIERI S.p.A. and its subsidiary Fincantieri Holding B.V. sold their respective 80% and 20% shareholdings in the subsidiary Fincantieri Do Brasil Partecipacoes S.A. to the subsidiary Vard Niteroi Ltda, 99.99% owned by Vard Group AS and 0.01% owned by Vard Electro Brazil Ltda. Fincantieri Do Brasil Partecipacoes S.A. subsequently incorporated Vard Niteroi Ltda through a reverse merger. On 21 September 2021, the acquiring company also changed its name to Vard Niteroi RJ SA, which is 99.99% owned by Vard Group AS and 0.01% owned by Vard Electro Brazil Ltda. This transaction had no impact on the perimeter of the Consolidated Financial Statements;
- on 3 September 2021, the subsidiary Fincantieri NexTech S.p.A. acquired a 90% stake in the Share Capital of I.D.S. Ingegneria dei Sistemi S.p.A.. The subsidiary acquired is based in Pisa and is active in the design, construction, installation and maintenance of systems for both civil and military applications. More details on the operation can be found in Note 37;
- on 9 November 2021, the Extraordinary Shareholders' Meeting of the subsidiary Fincantieri Europe S.p.A. resolved on the early dissolution of the Company and its subsequent liquidation. The dissolution of the company is effective as of 11 November 2021, the date of registration of the resolution with the Companies Register, and has resulted in Fincantieri Europe S.p.A. being removed from the scope of consolidation;
- on 9 December 2021, the date of cancellation at the Companies Register, the dissolution of the companies Vard Seaonics Holding AS, VBD1 AS (formerly Vard Contracting AS) and Vard Contracting AS, all wholly owned by Vard Group, took effect;
- on 16 December 2021, the subsidiary Seastema S.p.A., a wholly-owned subsidiary of Fincantieri NexTech S.p.A., was merged by incorporation into its parent company. As the statutory, accounting and tax effects of the merger take effect on 1 January 2022, the merger did not result in Seastema S.p.A. leaving the scope of consolidation. This transaction had no impact on the perimeter of the Consolidated Financial Statements;
- on 17 December 2021, MI S.p.A., a wholly-owned subsidiary of Marine Interiors S.p.A., acquired 100% of the Share Capital of Marine Project Solutions S.c.a.r.l., thus becoming its sole shareholder. The subsidiary acquired is based in Vittorio Veneto (TV) and its corporate purpose is to carry out commercial and executive activities in support of its shareholders in the market for supplies and interior outfitting and glazing in the shipbuilding segment. More details on the operation can be found in Note 37;
- on 31 December 2021, Vard Electro Braila S.r.l., a wholly-owned subsidiary of Vard Electro AS, was merged into Vard Electro Tulcea S.r.l. (now Vard Electro Romania S.r.l.), with subsequent transfer of all assets and liabilities of Vard Electro Braila S.r.l. Although the statutory, accounting and tax effects of the merger took effect on 31 December 2021, Vard Electro Braila S.r.l. will remain within the scope of consolidation until it is liquidated or deleted from the Companies Register.

With regard to movements in investments in associates and joint ventures, accounted for using the equity method, the following transactions took place during 2021:

- on 23 February 2021, Vard Group AS sold all its shares held in the associated company Olympic Challenger KS. This resulted in the company no longer being included within the consolidation;
- on 28 May 2021, Vard Group AS subscribed to a capital increase of its shareholding in the company Island Offshore XII PSV AS (now Island Discoverer AS) through the contribution of a vessel previously recorded under Assets under construction. The company is based in Ulsteinvik, Norway, and is the owner of the ship Island Discoverer. As part of the same transaction, Vard Group AS increased its stake in the subsidiary Island Offshore XII Ship AS from 35.66% to 46.90%;
- on 30 September 2021, FINCANTIERI S.p.A. acquired an equity investment equal to 30% of the Share Capital of the associated company DIDO S.r.l. The company, with registered offices in Milan, is an Italian startup specializing in the development of complex industrial system models, artificial intelligence algorithms and machine learning.

The Consolidated Financial Statements at 31 December 2021 have not been affected by any significant transactions or unusual events except as reported in the Notes to the Consolidated Financial Statements.

Basis of consolidation

Subsidiaries

The Consolidated Financial Statements incorporate the financial statements of all entities (subsidiaries) controlled by the Group.
The Group controls an entity (including structured entities) when it is exposed, or has rights, to variable returns from its involvement with this entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date that control is obtained until the date control ceases. Costs incurred during the acquisition process are expensed in the year incurred.
Assets and liabilities, income and expenses arising from transactions between companies included in the consolidation are eliminated in full; also eliminated are profits and losses arising from intragroup transfers of fixed assets, profits and losses arising on the intragroup sale of assets that are still in inventory of the purchasing company, impairment and impairment reversals relating to investments in consolidated companies and intragroup dividends. The portion of capital and reserves attributable to non-controlling interests in consolidated subsidiaries and the portion of profit or loss for the year attributable to non-controlling interests are identified separately within the financial statements. Losses attributable to non-controlling interests that exceed the non-controlling interest in an investee's capital are allocated to equity attributable to non-controlling interests.
Changes in a parent's ownership interest in a subsidiary that do not result in acquisition/loss of control are accounted for as equity transactions. The difference between the price paid and the share of net assets acquired is recorded against equity attributable to the Group as gains/losses arising on the sale of shares to non-controlling interests.
If the Group loses control of a subsidiary, it recalculates the fair value of the investment retained in the former subsidiary at the date control is lost, recognizing any difference in profit or loss as gains or losses attributable to the parent. This value will also correspond to the remaining investment's initial carrying amount classified as an investment in an associate or joint venture or as a financial asset. Lastly, the Group will account for all amounts previously recognized in other comprehensive income for that subsidiary, in the same way as if the parent had disposed of the related assets or liabilities directly. This may result in a reclassification of such gains or losses from equity to profit or loss.
Appropriate adjustments are made to the financial statements of subsidiaries to ensure conformity with the Group's accounting policies.

The reporting date of subsidiary companies is aligned with that of the Parent Company; where this is not the case, subsidiaries prepare specific financial statements for use by the Parent Company.

Associates

Associates are those entities over which the Group has significant influence, which is usually presumed to exist when it holds between 20% and 50% of the entity's voting power. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method described below.
The carrying amount of these investments reflects the Group's share of the associate's equity, adjusted, if necessary, to reflect the application of IFRSs, as well as the higher values attributed to assets and liabilities and any goodwill identified on acquisition. Appropriate adjustments are made to the financial statements of investments accounted for using the equity method to ensure conformity with the Group's accounting policies.
The Group's share of profits or losses is recognized from the date significant influence is acquired until the date such influence ceases. If, as a result of losses, an associate reports negative equity, the carrying amount of the investment is reduced to zero and the Group recognizes a liability for the additional losses only to the extent that it has incurred legal or constructive obligations or made payments on behalf of the associate. Changes in the equity of investments accounted for using the equity method which are not represented by profits or losses reported through its income statement, are recognized as an adjustment to consolidated equity.
Unrealized profits and losses arising from transactions between associates accounted for using the equity method and the Parent Company or its subsidiaries are eliminated to the extent of the Group's interest in the associate; unrealized losses are eliminated unless they represent an impairment loss.

Joint arrangements

The Group applies IFRS 11 to classify investments in joint arrangements, distinguishing them between joint operations and joint ventures according to the contractual rights and obligations of each investor. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement, while a joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.
Interests in joint ventures are accounted for using the equity method, while in the case of joint operations, each party to the joint operation recognizes the specific assets to which it is entitled and the specific liabilities for which it has obligations, including its share of any assets and liabilities held/incurred jointly, and its share of the revenue and expenses under the terms of the joint arrangement.
Appropriate adjustments are made to the financial statements of joint ventures to ensure conformity with the Group's accounting policies.

Translation of the financial statements of foreign operations

The financial statements of subsidiaries and associates are prepared in their "functional currency", being the currency of the primary economic environment in which they operate. For consolidation purposes, the financial statements of each foreign company are translated into Euro, which is the Group's functional currency and the presentation currency for its Consolidated Financial Statements.
The criteria for translating the financial statements of companies expressed in a currency other than the Euro are as follows:

- assets and liabilities are translated using the closing exchange rate at the year-end reporting date;
- income and expenses are translated using the average exchange rate for the reporting period/year;
- the "currency translation reserve" reports the differences arising on the income statement's translation at an average rate as opposed to a closing rate, as well as the differences arising on the translation of opening equity at a different rate to that applied to closing equity;
- goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated initially at the acquisition- date exchange rate and subsequently adjusted to the closing exchange rate.

The exchange rates used to translate the financial statements of Group companies with a "functional currency" other than the Euro are as follows:

	2021		2020	
	12-month average	Closing rate at 31-Dec	12-month average	Closing rate at 31-Dec
US Dollar (USD)	1.1827	1.1326	1.1422	1.2271
Australian Dollar (AUD)	1.5749	1.5615	1.6549	1.5896
UAE Dirham (AED)	4.3436	4.1595	4.1947	4.5065
Canadian Dollar (CAD)	1.4826	1.4393	1.5300	1.5633
Brazilian Real (BRL)	6.3779	6.3101	5.8943	6.3735
Norwegian Krone (NOK)	10.1633	9.9888	10.7228	10.4703
Indian Rupee (INR)	87.4392	84.2292	84.6392	89.6605
New Romanian Leu (RON)	4.9215	4.9490	4.8383	4.8683
Chinese Yuan (CNY)	7.6282	7.1947	7.8747	8.0225
Swedish Krona (SEK)	10.1465	10.2503	10.4848	10.0343

Business combinations

Business combinations under which the acquirer obtains control of the acquiree are accounted for in accordance with the provisions of IFRS 3 - Business Combinations, using the acquisition method. The cost of acquisition is represented by the acquisition-date fair value of the assets acquired, the liabilities assumed, and equity instruments issued. The identifiable assets acquired, and liabilities and contingent liabilities assumed are recognized at their acquisition-date fair values, except for deferred tax assets and liabilities, assets and liabilities for employee benefits and assets held for sale, which are recognized in accordance with the applicable accounting standards for these items. The difference between the cost of acquisition and the fair value of the assets and liabilities acquired is recognized, if positive, under intangible assets as goodwill or, if negative, after reassessing the correct measurement of the fair values of the assets and liabilities acquired and the cost of acquisition, it is recognized directly in profit or loss as income. Acquisition-related costs are accounted for as expenses in the period incurred.

The cost of acquisition includes contingent consideration, recognized at its acquisition-date fair value. Subsequent changes in fair value are recognized in profit or loss or other comprehensive income if the contingent consideration is a financial asset or liability. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for directly in equity. If, in a business combination, control is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value and recognizes the resulting gain or loss in profit or loss.

Acquisitions of non-controlling interests in entities which are already controlled by the acquirer or disposals of non-controlling interests that do not involve a loss of control are treated as equity transactions; therefore, any difference between the cost of acquisition/disposal and the related share of net assets acquired/sold is accounted for as an adjustment to the Group's equity.

When controlling interests of less than 100% are acquired, only the portion of goodwill attributable to the Parent Company is recognized. The value of non-controlling equity interests is determined in proportion to the non-controlling interest in the acquiree's net identifiable assets. Acquisition-related costs are recognized in profit or loss on the date the services are received.

In the event that call and put options are granted on minority interests, if the Group has already acquired the right to obtain the risks/benefits associated with the minority interests, the minority interests will not be recognized in the consolidated financial statements and the Group will account for the transaction as if it had already acquired control over the aforementioned minority interests subject to options (early acquisition method). A financial liability equal to the present value of the exercise price of the option will also be recognized. If, on the other hand, the non-controlling interests have retained the current right to obtain the risks/benefits associated with the non-controlling interests, the non-controlling interests will continue to be recognized at the value of their share of the net assets acquired and the financial liability will be recognized as an adjustment to group equity (joint ownership method). In any case, subsequent changes in the fair value of the financial liability will be recognized in profit or loss. If such options are negotiated separately from the acquisition of control with non-controlling interests or subsequent to the acquisition of control and still give rise to the acquisition of the non-controlling interests, then the transaction will be accounted for as an equity transaction, i.e. as an adjustment to group equity, because it is not a transaction that qualifies as a business combination.

Under the early acquisition method, if the option is exercised, the financial liability will be settled by payment of the exercise price equal to its fair value at the date of exercise. If the option is not exercised, the Group will have effectively sold the related non-controlling interest without loss of control at a price equal to the value of the financial liability and the difference with respect to the carrying value of the non-controlling interest will be accounted for as an equity transaction, i.e. as an adjustment to Group equity.

In the joint interest method, if the option is exercised, there will be an increase in the shareholding of the subsidiary with the consequent elimination of the minority interests with a balancing entry in group equity, while the financial liability will be extinguished at its carrying amount equal to fair value. If the option is not exercised, the financial liability will be reclassified to the same equity component as at initial recognition.

National tax consolidation

Since 2013, FINCANTIERI S.p.A., together with its subsidiaries Isotta Fraschini Motori S.p.A. and Fincantieri Oil & Gas S.p.A., has been subject to the tax regime governed by Art. 117 et seq. of Presidential Decree 917/1986, namely National Tax Consolidation, headed up by Cassa Depositi e Prestiti S.p.A. The National Tax Consolidation agreement was renewed in 2019 for another three years until financial year 2021.

Note 3 - Accounting standards

1. Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance, that are controllable and able to generate future economic benefits. Such assets are carried at purchase cost and/or internal production cost, including expenses directly attributable to preparing assets for their intended use, less accumulated amortization and any accumulated impairment losses. Any borrowing costs incurred during and for the development of an intangible asset are capitalized as part of the asset's cost. Assets qualifying as "assets acquired in a business combination" are recognized separately only if their fair value can be measured reliably. Intangible assets are amortized unless they have an indefinite useful life. Amortization commences when the asset is available for use and is allocated on a systematic basis over its useful life. The criteria used to identify and determine any impairment losses for intangible assets can be found in paragraph 4 below.

1.1 Goodwill

Goodwill is not amortized but is tested annually for impairment, or whenever specific events or changed circumstances indicate that it might be impaired. It is not permitted to reverse a previously recognized impairment loss. After initial recognition, goodwill is carried at cost less any accumulated impairment losses. On loss of control of a subsidiary, the gain or loss on disposal takes into account the residual value of previously recognized goodwill.

1.2 Concessions, licenses, trademarks and similar rights

Concessions, licenses and similar rights, acquired in a business combination, are recognized at their acquisition-date fair values and systematically amortized over the shorter of their expected period of use and the length of the right's ownership.
Trademarks are considered to have an indefinite useful life and so are not amortized, but are tested annually for impairment, or whenever specific events or changed circumstances indicate that they might be impaired.

1.3 Client relationships and order backlog

Client relationships and order backlog are recognized only if acquired in a business combination.
Client relationships are amortized over the expected life of such relationships (10-20 years).
The order backlog represents the expected residual value of orders existing at the acquisition date. This value is amortized on a straight-line basis over expected useful life.

1.4 Research and development costs

Expenditure on research is recognized as an expense when it is incurred. Expenditure on developing new products and processes is capitalized and recognized as an intangible asset only if all the following conditions are satisfied:

- the development project is clearly identified and the related costs are identifiable and can be measured reliably;
- the technical feasibility of the project can be demonstrated;
- the intention to complete the project and sell the intangible assets generated can be demonstrated;
- a potential market exists for the intangible asset or, if it is used internally, the asset is of demonstrable utility;
- adequate technical and financial resources are available to complete the project.

Capitalized development costs are amortized over the period the expected future income from the project will arise. Useful life varies depending on the project and ranges from 5 to 10 years.

1.5 Industrial patents and intellectual property rights

Amortization of industrial patents and intellectual property rights is calculated on a straight- line basis so as to allocate the cost incurred for acquiring the rights over their estimated useful life or the term of the related contracts, if shorter. Amortization begins when the acquired rights become effective. The cost of software licenses is amortized on a straight-line basis over 3 years.

1.6 Incremental costs to obtain contracts and fulfil contracts

The incremental costs to obtain the contract are the costs an entity incurs to obtain the contract with the customer that it would not have incurred if it had not obtained the contract (for example, a sales commission). As permitted by IFRS 15, these costs can be capitalized if they are expected to be recovered.
Costs to perform the contract are capitalized only if they meet all the following conditions: i) they are directly related to the contract or to a planned contract, which the company can specifically identify; ii) they allow the company to dispose of new or increased resources to be used to perform (or continue to perform) the contractual obligations; iii) they are expected to be recovered.
The asset recognized from the capitalization of the incremental costs to obtain contracts and to fulfil contracts is amortized systematically and in a manner corresponding to the transfer to the customer of the goods or services to which the asset refers.

2. Rights of use

The new accounting standard IFRS 16 "Leases" defines a standard form for recognising leasing contracts, eliminating the distinction between operating and financial leases, and providing for the recognition of an asset for the right to use the good and a liability for the lease. A contract is, or contains, a lease if, in return for consideration, it gives the right to control the use of a specified asset for a period of time.
Assets for the right to use leased assets are initially valued at cost, and subsequently depreciated over the term of the lease contract defined during the analysis, taking into account any extension or termination options that can reasonably be exercised. The cost of right to use assets includes the initially recognized value of the lease liability, the initial direct costs incurred, the estimate of any restoration costs to be incurred at the end of the contract and the advance payments relating to the lease made at the date of first transition net of any lease incentives received.
The related liabilities for leased assets are initially measured at the present value of the payments due for the fixed lease payments to be made at the date of signing the lease agreement and for the exercise price of the purchase option and redemption option if reasonably exercisable, discounted using the interest rate implicit in the lease, if determinable, or the marginal lending rate at the date. Liabilities for leased assets are subsequently increased by the interest that accrues on these liabilities and decreased in correlation with the lease payments. Liabilities for leased assets are in any case restated to take account of changes in the payments due for the lease, adjusting the right of use asset for the same value. However, if the carrying amount of the asset underlying the right of use is zero and there is a further reduction in the valuation of the lease liability, that difference is recognized in profit or loss.
In the event of changes in the lease agreement, these changes are accounted for as a separate lease when rights of use are added to one or more underlying assets and the lease consideration increases by an amount that reflects the separate price for the increase in the asset leased. In relation to changes that are not accounted for as a separate lease, the lease liability is restated by discounting the lease payments due using a revised discount rate, based on the new lease term. These adjustments to liabilities are accounted for by making a corresponding change in the asset underlying the right of use, recording any gain or loss relating to the partial or total termination of the contract in the income statement.
No rights of use assets are recognized in relation to: i) short-term leases; ii) leases where the underlying asset is of low value. Payments due for these types of lease contracts are recognized as operating expenses on a straight-line basis.

The income statement recognizes, under operating costs, depreciation of right of use assets and, in the financial section, the interest payable accrued on the lease liability, if not capitalized. The income statement also includes: i) instalments relating to short-term leases of modest value, as allowed by IFRS 16 in a simplified manner; and ii) variable lease instalments, not included in the determination of the lease liability (e.g. instalments based on the use of the leased asset).

3. Property, plant and equipment

Items of property, plant and equipment are stated at their historical purchase or production cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to preparing the assets for their intended use, as well as any costs of dismantling and removing the assets which will be incurred as a result of contractual obligations to restore assets to their original condition. Any borrowing costs incurred during and for the development of an item of property, plant and equipment are capitalized as part of the asset's cost.
Assets under concession are stated at cost, including estimated dismantling and removal costs, arising as a consequence of contractual obligations to restore an asset to its original condition, less accumulated depreciation calculated over the shorter of the asset's estimated useful life and the term of the individual concessions.
Expenditure incurred after acquiring an asset and the cost of replacing certain parts is capitalized only if such expenditure increases the asset's future economic benefits. Routine repair and maintenance costs are recognized as expenses in the period incurred. If the costs of replacing certain parts of an asset are capitalized, the residual value of the parts replaced is charged to profit or loss.
Depreciation is charged on a straight-line basis so as to depreciate assets over their useful lives. If a depreciable asset consists of separately identifiable parts, whose useful lives differ significantly from other parts of that asset, each part is depreciated separately in accordance with the component approach. The Group has estimated the following useful lives for its various categories of property, plant and equipment:

CATEGORIES	USEFUL LIFE (years)
Industrial plant, machinery and equipment:	
- Industrial buildings and dry docks	33 - 47
- Plant and machinery	7 - 25
- Equipment	4 - 12
Assets under concession	Useful life or term of concession, if shorter
Leasehold improvements	Useful life or term of lease, if shorter
Other assets	4 - 33

Land is not depreciated. The residual values and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at least at every financial year-end.
The criteria used to identify and determine any impairment losses for property, plant and equipment can be found in paragraph 4 below.

4. Impairment of non-financial assets

Property, plant and equipment and intangible assets are reviewed at the end of each reporting period to identify any indication of impairment. If any such indication exists, the recoverable amount of such assets is estimated and if this is lower than the carrying amount, the difference is recognized in profit or loss as an impairment loss. Intangible assets with indefinite useful lives, such as goodwill, are not amortized but are tested annually for impairment, or more often, whenever there are signs that such assets might be impaired.
The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use, defined as the present value of the future cash flows expected to be derived from that asset. If an asset does not generate cash inflows that are largely independent of the cash inflows from other assets, its value in use is determined with reference to the cash-generating unit to which the asset belongs. When calculating an asset's value in use, its expected cash flows are discounted using a discount rate reflecting current market assessments of the time value of money for the period of investment and risks specific to that asset. Value in use is determined, net of tax, using a post-tax discount rate, since this method produces broadly similar values to those obtained by discounting pre-tax cash flows at a pre-tax discount rate. An impairment loss is recognized in profit or loss when an asset's carrying amount is higher than its recoverable amount. If the reasons for an impairment loss cease to exist, it may be reversed in whole or in part through profit or loss, except in the case of goodwill, whose impairment can never be reversed; if an impairment loss is reversed, the asset's new carrying amount may not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in the past.

5. Other investments

Investments in companies other than subsidiaries, associates and joint ventures (generally where the interest is less than 20%) are classified as financial assets carried at fair value, which normally corresponds, during first inclusion, to the amount of the operation inclusive of the transaction costs directly attributed to it. Subsequent changes in fair value are recognized in profit or loss (FVPL) or, if the option envisaged by the standard is exercised, in other comprehensive income (FVOCI) under the item "FVOCI reserve". For investments valued at FVOCI, impairment losses are not recorded in comprehensive income, neither are the accumulated profits or losses if the investment is sold. The dividends distributed by the investee are recorded in comprehensive income only when:

- the Group's right to receive the dividend matures;
- it is probable that the economic benefits arising from the dividend will flow to the Group;
- the amount of the dividend can be reliably measured.

6. Inventories and advances

Inventories are recorded at the lower of purchase or production cost and net realizable value, defined as the estimated selling price in the ordinary course of business less selling costs. The cost of inventories of raw, ancillary and consumable materials and finished products and goods is determined using the weighted average cost method.
The cost of production includes raw materials, direct labor costs and other costs of production (allocated on the basis of normal operating capacity). Borrowing costs are not included in the value of inventories.
Slow-moving and obsolete inventories are suitably written down to align their value with the net realizable amount.

7. Contract assets and liabilities

The Contract assets and liabilities are recognized depending on the method for transferring control of the good or service to the customer. If control is transferred gradually as the good is built or the service is rendered, the assets are recognized with reference to the value of the agreed contractual consideration plus any grants available under specific laws which have reasonably accrued at the period-end reporting date, in accordance with the cost-to-cost method, taking into account the stage of completion of the contract and any expected risks. If, however, control is transferred at the moment of final delivery of the good or completion of all the services contracted, the assets are recognized at purchase cost.
If two or more contracts are concluded at the same time (or almost at the same time) with the same customer (or related parties of the customer), they are recorded as a single contract when they meet one or more of the following criteria: i) they were negotiated together for a single business purpose, ii) the contract prices are interdependent, or iii) the goods or services promised in the contract represent a single obligation to the customer.
A contract is recognized as a single asset when it identifies a single contractual obligation, i.e. if the promise is to transfer one single good/service to the customer or a series of goods/services that are substantially the same are transferred to the customer over a period of time using the same methods. If different contractual obligations are identified in the contract, these are recognized as separate assets arising from the same contract with the customer. Contract changes are recognized as a new contract if those changes include new separate goods or services and the price of the contract change represents the stand-alone selling price charged for the additional assets and services, otherwise the additional asset is accounted for as a single contract together with the original contract. In particular, if the original contract i) provides for the construction of an additional asset at the option of the customer or ii) may be amended to include the construction of an additional asset and in both cases the price is closely interrelated to the original contract, the construction of the additional asset is treated as a combined part of the original contract.
The stage of completion is measured by calculating the proportion that contract costs incurred for work performed to the reporting date bear to the estimated total costs for each contract.
Contract assets are reported as the costs incurred plus profit recognized to date, net of the related liabilities, i.e. the progress billings issued. The calculation is performed on a contract-by-contract basis. If the difference arising under this calculation is positive, it is classified as an asset under "Contract assets", while if it is negative, the difference is classified as a liability under "Contract liabilities".
If it is expected that the completion of a contract may give rise to a loss at the gross margin level, this is recognized in full in the period in which it becomes reasonably foreseeable. If the expected loss relates to an Contract assets, the value of the provision is presented as a direct adjustment to the value of the contractual asset. If, on the other hand, it relates to a contractual liability, the value of the provision is shown in the provisions for risks and charges as "provision for onerous contracts". Provisions and utilization of this provision for onerous contracts are included in Operating revenue under the heading "Changes in Contract assets and liabilities".
Any borrowing costs incurred for specific loans during and for the development of construction contracts are treated as expenses of the specific job.
Shipbuilding contracts are closed for accounting purposes three months after a vessel's delivery; in the case of vessels for government defense forces (naval vessels), the delivery date is the issue date of the acceptance report.

8. Financial liabilities

Financial liabilities, inclusive of loans and borrowings, trade payables, other payables and other liabilities, other than derivatives, are initially recognized at fair value and then measured at amortized cost, less repayments of principal already made.
Payables and other liabilities are classified as current liabilities, unless the Group has a contractual right to extinguish its obligations more than twelve months from the reporting date. Financial liabilities are derecognized when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires. For derivative liabilities, please refer to paragraph 9.5.

8.1 Reverse factoring

In order to ensure easier access to credit for its suppliers and given the importance of the supply chain to the shipbuilding industry, the Parent Company has entered into factoring agreements, typically in the technical form of reverse factoring. Based on these agreements, the supplier has the discretionary option to sell receivables due from the Parent Company or some subsidiaries to a finance company and receive the amount owed before the due date; in addition, the supplier also has the option to agree with the Parent Company to extend the due date beyond that shown in the invoice. Such further extensions can be either interest-bearing or non-interest bearing. In consideration of the fact that the object of the obligation corresponds to the supply of goods and services used in the normal operating cycle and that the sale of the receivable is agreed with the supplier, the Group has decided to classify payables referring to reverse factoring transactions in the item "Trade payables and other current liabilities", providing further details on these transactions in Notes 4 and 25.

9. Financial assets

The Group classifies financial assets according to the categories identified by IFRS 9:

- financial assets measured at amortized cost;
- financial assets measured at fair value through other comprehensive income (FVOCI);
- financial assets measured at fair value through profit or loss (FVTPL).

9.1 Financial assets measured at amortized cost

Financial assets are classified in this category if both of the following conditions are met: i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and ii) the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. These mainly concern trade receivables and loans. Except for trade receivables, which do not contain a significant financial component, other receivables and loans are initially recognized at fair value. Trade receivables which do not contain a significant financial component are recognized at the price defined for that transaction (determined as per IFRS 15 Revenue from contracts with customers). The assets belonging to this category are subsequently measured at amortized cost using the effective interest method. Impairment losses for these receivables is determined using a forward-looking approach with a three-step model: 1) recognition of expected credit losses that have had no increase in credit risk in the first 12 months since initial recognition of the asset; 2) recognition of lifetime expected credit losses at the moment the credit risk increased significantly since initial recognition of the asset; interest revenue is calculated on gross carrying amount; 3) recognition of further lifetime expected credit losses at the moment in which the loss occurred; interest revenue is calculated on the net carrying amount (the amortized cost is reviewed because the internal rate of return changes since the trigger event affects cash flows).

9.2 Financial assets measured at fair value through other comprehensive income (FVOCI)

Financial assets are classified in this category if both of the following conditions are met: i) the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and ii) the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. This category also includes equity instruments (investments in companies in which the Group exerts neither control nor considerable influence) for which the Group applies the option permitted by this standard to measure these instruments at fair value with an effect on overall profitability (see section 4 above).
These assets are initially recognized at fair value; in subsequent measurements, the value calculated during recognition is updated again and any changes in fair value are recognized in other comprehensive income. Any impairment losses, interest revenues and gains or losses from exchange rate differences are recorded in profit and loss.

9.3 Financial assets measured at fair value through profit or loss (FVTPL)

All financial assets that do not meet the conditions, in terms of business model or cash flow characteristics, for measurement at amortized cost or at fair value through other comprehensive income are classified in this category. These are mainly derivatives; this category includes listed and unlisted equity instruments that Group has not irrevocably decided to classify as FVOCI at initial recognition or during transition. The assets falling under this category are classified among current and non-current assets depending on their maturity and reported at fair value at the moment of their initial recognition. During subsequent measurement, the profits and losses arising from the fair value measurements are recorded in the consolidated income statement for the period in which they were recognized.

9.4 Impairment on financial assets measured at amortized cost

Impairment of financial assets measured at amortized cost is calculated on the basis of an expected credit loss model. According to this model, financial assets are classified as at Step 1, Step 2 or Step 3 depending on their level of credit worthiness since initial recognition.
In particular:

- Stage 1: includes i) newly acquired receivables, ii) receivables that have not had a significant worsening of the credit risk since the initial recognition date and iii) receivables with low credit risk;
- Stage 2: includes receivables that, while not non-performing, have had a significant worsening of the credit risk since the initial recognition date;
- Stage 3: includes non-performing receivables.

For receivables belonging to Stage 1, impairments are equal to the expected credit loss calculated over a period of up to one year. For receivables belonging to Stages 2 or 3, impairments are equal to the expected credit loss calculated over the entire duration of the exposure.
The criteria for determining impairment on receivables are based on discounting the expected cash flows for the principal and the interest. To calculate the current value of flows, the essential elements are those identifying the estimated receipts, the related receipt dates and the discounting rate to be applied. In particular, the loss is the difference between the recognition value and the current value of the estimated cash flows, discounted at the original interest rate of the financial asset.
These assets are classified as current assets, except for the portion falling due after more than 12 months, which is included in non-current assets.

9.5 Derivatives

The derivatives used by the Fincantieri Group are intended to hedge its exposure to currency risk primarily on sale contracts and, to a lesser extent, on procurement contracts denominated in currencies other than the functional currencies, and its exposure to interest rate risk on loans and to price risk relating to certain commodities.
Derivative instruments are initially recognized at fair value on the derivative contract's inception date.
Following initial recognition, changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognized as an operating or financial component of the income statement according to the nature of the instrument. If derivative instruments do qualify for hedge accounting, any subsequent changes in their fair value are treated in accordance with the specific rules of the IFRS 9 set out below. For each derivative financial instrument designated as a hedging instrument, the Group must formally document the relationship between hedging instruments and hedged items, as well as its risk management objectives, hedging strategy and verifying hedge effectiveness. The effectiveness of each hedge must be assessed, both at hedge inception and on an ongoing basis. A hedging transaction is usually regarded as highly "effective" if, at inception and during its life, the change in the hedged item's fair value, in the case of fair value hedges, and in the expected future cash flows, in the case of cash flow hedges, substantially offsets the change in fair value of the hedging instrument.
Changes in the fair value of derivative assets or liabilities that qualify as fair value hedges are recognized in profit or loss, along with any changes in the fair value of the hedged item.
In the case of cash flow hedges intended to offset the cash flow risks relating to a highly probable forecast transaction, fair value changes after initial recognition in the effective portion of the derivative hedging instrument are recognized in "Other comprehensive income" and included in a separate equity reserve. Amounts recognized through other comprehensive income are reclassified from equity to profit or loss, among the operating items, in the same period that the hedged forecast cash flows affect profit or loss. If the hedge is not perfectly effective, the fair value change in the ineffective portion of the hedging instrument is immediately recognized in profit or loss. If, during the life of a derivative hedging instrument, the expected transaction for which hedging was made is no longer expected to occur, the portion of the "reserves" relating to this instrument is immediately reclassified to profit or loss for the period. Conversely, if the derivative instrument is sold or no longer qualifies as an effective hedge, the portion of the "reserves" representing changes in the instrument's fair value recognized up until then through other comprehensive income remains separately in equity until the hedged forecast transaction occurs, at which point it is reclassified to profit or loss. The fair value of financial instruments quoted on public markets is determined with reference to quoted prices at the end of the period. The fair value of unquoted instruments is measured with reference to financial valuation techniques: in particular, the fair value of interest rate swaps is measured by discounting the expected future cash flows, while the fair value of foreign currency forwards is determined on the basis of market exchange rates at the reporting date and the rate differentials expected between the currencies concerned.
Financial assets and liabilities measured at fair value are classified in the three hierarchical levels described below, in order of the priority attributed to the inputs used to determine fair value. In particular:

- Level 1: financial assets and financial liabilities whose fair value is determined using quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: financial assets and financial liabilities whose fair value is determined using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (primarily: market exchange rates at the reporting date, expected rate differentials between the currencies concerned and volatility of the relevant markets, interest rates and commodity prices);
- Level 3: financial assets and financial liabilities whose fair value is determined using inputs not based on observable market data.

Financial assets are derecognized when the rights to receive cash flows from the financial asset expire and the company has transferred substantially all the risks and rewards of ownership and the related control of the financial asset.

10. Grants from Government and other public entities

Government grants are recognized in the financial statements when there is reasonable assurance that the recipient will comply with the conditions attaching to them and that the grants will be received.

10.1 Capital grants

Government grants related to property, plant and equipment are classified as deferred income under non-current "Other liabilities". This deferred income is then recognized as income in profit or loss on a straight-line basis over the useful life of the asset for which the grant was received.

10.2 Grants related to income

Grants other than those related to assets are credited to profit or loss as "Other revenue and income".

11. Cash and cash equivalents

Cash and cash equivalents include cash on hand, current accounts and demand deposits with banks and other highly liquid short-term investments that are readily convertible into cash and which are subject to an insignificant risk of change in value.

12. Employee benefits

Post-employment benefits are defined on the basis of formal and informal arrangements which, depending on their characteristics, are classified as "defined contribution" plans and "defined benefit" plans. In defined contribution plans, the employer's obligation is limited to the payment of contributions to the state or to a trust or separate legal entity (fund) and is determined on the basis of the contributions due.
Liabilities for defined benefit plans, net of any plan assets, are determined using actuarial techniques and are recognized on an accrual basis over the period of employment needed to obtain the benefits.
Defined benefit plans include the employee severance benefit, payable to employees of the Group's Italian companies under article 2120 of the Italian Civil Code, that accrued before the reform of this benefit in 2007.
The amount recognized in the financial statements is calculated on an actuarial basis using the projected unit credit method; the discount rate used by this method to calculate the present value of the defined benefit obligation reflects the market yield on bonds with the same maturity as that expected for the obligation. The calculation relates to the employee severance benefit already accrued for past service and, in the case of Italian subsidiaries with less than 50 employees, incorporates assumptions concerning future salary levels. Further to the reform of employee severance benefit under Italian Law 296 dated 27 December 2006, the actuarial assumptions no longer need to consider future salary levels for Italian subsidiaries with more than 50 employees. Any actuarial gains and losses are recorded in the "Valuation reserves" forming part of equity and immediately recognized in the statement of comprehensive income.
For Italian employee severance benefits that have accrued after 1 January 2007 (which are treated like defined contribution plans), the employer's obligation is limited to the payment of contributions to the state or to a trust or separate legal entity (fund) and is determined on the basis of the contributions due. There are no additional obligations for the Company to pay further amounts.

13. Share-based incentive plans

Medium/long-term share-based incentive plans are a component of remuneration for the beneficiaries; therefore, for plans that entail remuneration in equity instruments, the cost is represented by the fair value of these instruments at the grant date and is recognized in "Personnel costs", over the period between the grant date and the maturity date, against a specially created Equity reserve. Changes in fair value after the grant date have no effect on the initial value. The estimate of the number of rights that will mature until expiry is updated at the end of each period. The change in the estimate is reflected in the adjustment of the Equity reserve for the share incentive plan, against "Personnel costs".

14. Provisions for risks and charges

Provisions for risks and charges relate to costs and expenses of a specific nature of certain or probable existence, but whose timing or amount are uncertain as at the reporting date. Provisions are recognized when: i) a present legal or constructive obligation is likely to exist as a result of a past event; ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; iii) the amount of the obligation can be estimated reliably.
The amount recognized as a provision is the best estimate of the amount that an entity would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that time; provisions for onerous contracts are recognized at the lower of the cost required to settle the obligation, net of the expected economic benefits arising from the contract, and the cost of terminating the contract.
Where the effect of the time value of money is material and the obligation settlement date can be estimated reliably, the amount of the provision is determined by discounting the expected cash outflows to present value using the average rate on company debt that takes account of the risks specific to the obligation; any increase in the amount of a provision due to the effect of the time value of money is recognized in the income statement under "Finance costs".
Contingent liabilities, meaning those relating to obligations that are only possible, are not recognized but are disclosed in the section of the notes to the financial statements reporting commitments and risks.

15. Revenue, dividends, finance income and costs

Revenue from contracts with customers are recognized based on the time control of the goods and/or services is transferred to the customer. If control is transferred gradually as the good is built or the service is rendered, revenues are recognized over time, i.e. as the activities gradually progress. If, however, control is not transferred gradually as the good is built or the service rendered, revenues are recognized at a point in time, i.e. at the moment of final delivery of the good or completion of service provision. The Group has chosen to measure the percentage of completion of the contracts over time using the cost-to-cost method. When it is probable that total lifetime contract costs will exceed total lifetime contract revenue, the expected loss is immediately recognized as an expense in the income statement.
Revenue earned up to the reporting date from contracts denominated in a currency other than the functional currency is translated into the functional currency using: i) the hedged exchange rate (if currency risk has been hedged - see Section 9.5 above) or ii) in the absence of hedging transactions, the actual exchange rate used for the part of the contract already billed and the period-end rate for the part still to be billed.
Retentions or other amounts which can be contractually reclaimed by customers are not recognized until any post-delivery obligations have been fully satisfied.
Dividends received from investee companies not consolidated on a line-by-line basis and with the equity method, are recognized in profit or loss when:

- the Group's right to receive the dividend matures;
- it is probable that the economic benefits arising from the dividend will flow to the Group;
- the amount of the dividend can be reliably measured.

Finance income and costs are recognized in profit or loss in the period in which they accrue. Finance costs include the interests on the extension which are recognised based on the use of reverse factoring agreements. Cash flows related to dividends and interest income and expense are reported in the statement of cash flows under cash flows from operating activities.

16. Income taxes

Income taxes represent the sum of current and deferred taxes.
Current income taxes are calculated on taxable profit for the year, using tax rates that apply at the end of the reporting period.
Deferred income taxes are income taxes that are expected to be paid or recovered on temporary differences between the carrying amount of assets and liabilities and their tax bases. Deferred tax liabilities are usually recognized for all taxable temporary differences, while deferred tax assets, including those for carry forward tax losses, are recognized to the extent it is probable that taxable profit will be available against which the temporary differences can be recovered. No deferred tax liabilities are recognized for temporary differences relating to goodwill.
Deferred tax liabilities are recognized on taxable temporary differences relating to investments in subsidiaries, associates and joint ventures, except in cases when both the following conditions apply: (i) the Group is able to control the timing of the reversal of such temporary differences and (ii) the temporary differences are unlikely to reverse in the foreseeable future.
Deferred income taxes are determined using tax rates that are expected to apply to the period when the related differences are realized or settled.
Current and deferred income taxes are recognized in profit or loss with the exception of taxes relating to items which are directly debited or credited to equity, in which case the tax effect is also recognized directly in equity.
Deferred tax assets and liabilities are offset if, and only if, income tax is levied by the same taxation authority, there is a legally enforceable right of offset and the outstanding net balance is expected to be settled.
Taxes not related to income (levies), such as property tax, are reported in "Other costs".
Cash flows related to income tax are shown in the statement of cash flows under cash flows from operating activities.

17. Earnings per share

17.1 Basic earnings per share
Basic earnings per ordinary share are calculated by dividing profit or loss attributable to owners of the Parent Company by the weighted average number of ordinary shares outstanding during the period, excluding own shares.

17.2 Diluted earnings per share
Diluted earnings per ordinary share are calculated by dividing profit or loss attributable to owners of the Parent Company by the weighted average number of ordinary shares outstanding during the period, excluding own shares, and adjusting to take account of the number of potential shares that could be issued.

18. Own shares

Own shares are recognized as a reduction of Equity. The original cost of the own shares and the income arising from sale at a later date are shown as movements in Equity.

19. Subjective accounting estimates and judgements

Preparation of financial statements requires management to apply accounting policies and principles that, in some circumstances, are based on difficult, subjective estimates and judgements based on past experience and other assumptions deemed to be reasonable and realistic under the related circumstances. The application of such estimates and assumptions affects the amounts reported in the financial statements, namely the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows, and in the accompanying disclosures. The ultimate amount of items derived using such estimates and assumptions could differ from that reported in the financial statements because of the inherently uncertain nature of the assumptions and conditions on which the estimates were based.
Below is a brief description of the items, with regard to the Fincantieri Group's sectors of business, most affected by the use of estimates and judgements and for which a change in the underlying assumptions could have a material impact on the consolidated financial results.

19.1 Revenue recognition for contracts with clients
Like with other large, long-term contracts, shipbuilding contracts are dated well before product completion, sometimes even a long time before. Contracts now seldom include price adjustment formulae, while clauses providing for the possibility of additional consideration for additions or variations apply only to significant modifications in the scope of work.
The margins expected to be achieved upon the entire project's completion are recognized in profit or loss according to the stage of contract completion. Accordingly, correct recognition of Contract assets and margins relating to work in progress requires management to estimate correctly the costs of completion, and incremental costs, as well as delays, additional costs and penalties that could reduce the expected margin. In support of such estimates, management uses a system of contract risk management and analysis to monitor and quantify the risks relating to these contracts. The amounts recognized in the financial statements represent management's best estimate using these systems and procedures.

19.2 Provisions for risks and charges
The Group recognizes provisions for legal and tax risks and outstanding litigation where a negative outcome is considered probable. The amount of the provisions relating to such risks represents management's best estimate at the current date. This estimate takes the available information into account and is derived by adopting assumptions that depend on factors that may change over time.

19.3 Deferred tax assets
The recognition of deferred tax assets is based on expectations about the Group's future taxable profit and the possibility of transferring certain tax benefits to companies participating in the CDP national tax consolidation. The assessment of future taxable profit for the purposes of recognizing deferred tax assets depends on factors that can change over time and so have a material impact on the recoverability of deferred tax assets.

19.4 Impairment of assets
The Group's property, plant and equipment and intangible assets with indefinite useful lives are tested for impairment at least annually or more often in the presence of evidence indicating that the carrying amount of such assets is not recoverable.

The impairment loss is determined by comparing an asset's carrying amount with its recoverable amount, defined as the higher of the asset's fair value less costs to sell and its value in use, determined by discounting the expected future cash flows expected to be derived from the asset net of costs to sell. The expected cash flows are quantified using information available at the time of the estimate on the basis of subjective assessments of future variables (prices, costs, rates of growth in demand, production profiles) and are discounted using a rate that takes into account the risks specific to the asset concerned.
Goodwill and other intangible assets with indefinite useful lives are not amortized; the recoverability of their carrying amount is reviewed at least annually and whenever there is an indication that the asset may be impaired. Goodwill is tested for impairment at the lowest level (cash-generating unit "CGU") within the entity at which management assesses, directly or indirectly, the return on the investment that includes such goodwill. When the carrying amount of the cash-generating unit, including the attributed goodwill, is higher than its recoverable amount, the difference is an impairment loss that is charged first against the value of goodwill until fully absorbed; any loss not absorbed by goodwill is allocated pro-rata to the carrying amount of the other assets in the cash-generating unit.

19.5 Business combinations

The recognition of Business Combinations involves allocating to the acquired company's assets and liabilities the difference between the purchase price and the net book value of the net assets acquired. For most of the assets and liabilities, the allocation of this difference is performed by recognizing the assets and liabilities at their fair value. The unallocated portion is recognized as goodwill if positive, and if negative, it is taken to profit or loss. Management uses available information for the purposes of the allocation process and, in the case of the most significant Business Combinations, external valuations.

19.6 Medium/long-term share-based incentive plans

For medium/long-term share-based incentive plans, the estimate of the number of rights that will mature until expiry is updated at the end of each period. The change in the estimate is reflected in the adjustment of the specially created Equity reserve for incentive plans, against "Personnel costs".

19.7 Subsequent events

In accordance with the provisions of IAS 10 Events after the Reporting Period, the Group analyses business events occurring after the reporting date, in order to verify whether they should be used to adjust the amounts recognized in the financial statements, or to reflect elements that had not been previously recognized.
The explosion of geopolitical tensions and the subsequent conflict in early 2022 between Russia and Ukraine represent a strong element of instability that may lead to international, humanitarian and social crises of significant dimensions, with strong negative impacts on the populations and economies of those countries. This context further increases market volatility, and the risk of international sanctions being used as a deterrent by some of the countries involved could have a significant impact on trade and their domestic economic activity. The macroeconomic effects of this severe crisis and the impact of Western sanctions against Russia on the value chain of the world economy and international politics are complex and still difficult to estimate. These events have created, in the short/medium term, a high level of uncertainty with respect to future scenarios, such as a further potential increase in the prices of raw materials and energy, the possible discontinuity of supply chains and production activities, making it impossible to give a precise evaluation, as of today, of the impact on the Group's future performance.
The Fincantieri Group has no current activities or investments in Russia and Ukraine, nor financing relationships with companies or financial institutions operating in these countries. In addition, the Group has no employees based in, or repatriated from, these areas. There are active contracts in place exclusively with certain Russian customers, which in 2021 accounted a level of turnover that was insignificant (equal to approximately 0.5% of total Revenue and income) as was the residual portion of receivables still to be collected.

With reference to the indirect effects of the conflict such as the potential increase in prices, and in particular raw material and energy prices, which are already rising sharply due to the post-pandemic recovery, the Group has implemented hedging policies for the purchase of gas and energy, as well as marine fuel. In addition, the Group has initiated a specific plan to mitigate the risk related to the supply of strategic materials such as steel, partially sourced from Ukraine.
The Group has considered the above events as events occurring after the year-end reporting date that do not require adjustments to the financial statements and whose impact cannot in any case be determined at this time. As a result, the valuation of balances in the financial statements, and in particular those relating to contracts, tangible and intangible fixed assets, including goodwill, and deferred tax assets, was made without taking into account the effects that the aforementioned international crisis may have.

19.8 Impacts of COVID-19

The impacts of COVID-19 on the Group's activities in 2020 were mainly due to the suspension of production activities at Italian shipyards and plants, while the Group's foreign shipyards did not experience any particular slowdowns in production. The production shutdown in Italy led to the deferment of revenues with a loss of EBITDA due to the lack of progress on shipbuilding orders during the shutdown. In 2021 there was a full recovery of production volumes in the Group's Italian yards, with 16.4 million hours worked compared to 13.1 million in 2020 and 15.6 million in 2019, thanks to the strategy implemented by the Group, which enabled a rapid recovery of production activities in response to the effects of the pandemic.
In the health and safety area, Fincantieri continued its efforts, initiated during 2020, to contain the spread of COVID-19. The updating of the protocols and measures has been the subject of constant sharing with the Employers of the various sites and of all Italian and foreign subsidiaries, in order to enable uniform application of good practices to contain the pandemic phenomenon in line with the orders issued by the competent authorities. The timely implementation of safety measures and actions to combat the spread of the virus have made it possible to significantly limit the number of cases of infection among all resources employed at the Group's Italian sites. The containment measures adopted by Fincantieri to manage and combat the epidemic include: monitoring of entry by measuring body temperature, checks on COVID-19 certification ("Green Pass") and, where necessary, staggered access, and requiring compliance with social distancing, training and monitoring of employees travelling to areas considered at risk, the establishment of a Crisis Management Team for the emergency at FINCANTIERI S.p.A. level and the extension of the use of smart working to all professional roles for which such work is compatible. Fincantieri has also offered to share its testing and screening capabilities with the communities in which it operates, easing pressure on the local health system.
In the cruise segment, Fincantieri established active dialogue with shipowners from last year onwards, on the one hand by suspending payment of the shipowner instalments scheduled for ships under construction and, on the other, by redefining the planned schedule of deliveries. The deliveries scheduled for 2021 have been met, in line with the commitments made to shipowners. The strategy followed by the Group has allowed it to keep the backlog, which amounted to euro 25.8 billion as at 31 December 2021, intact and allows visibility up to 2029.
As regards support to cruise operators, mention should also be made of the debt holiday on export financing granted to shipowners, provided they confirm existing orders. This measure was originally due to expire on 31 March 2021 but has been extended for another 12 months and envisages the suspension of repayment of the capital instalments and the consequent reshaping of the repayment plan over the subsequent four years.
With reference to the cruise business, the rapid recovery of activities is continuing, also due to the progressive easing of restrictions, with 264 ships (461 thousand lower berths) in service from 68 brands in March 2022, corresponding to about 75% of the global fleet capacity calculated in lower berths. CLIA's forecasts on the state of the cruise industry suggest that around 100% of fleets will be back in operation by the 2022 summer season. In addition, the major cruise groups are reporting booking levels for the second half of 2022 and for 2023 in line with or above 2019. Against this backdrop, the results achieved by the Group in the segment, both in terms of volumes and results, are extremely positive. For further information on trends and results, please refer to the Report on Operations.

In preparing the 2021 Consolidated Financial Statements, the going concern assumptions and the existence of any impairment indicators were verified particularly with regard to the possible effects of COVID-19, as reiterated, in line with the 2020 financial year, by ESMA in its Public Statement no. 32-63-1186 of 29 October 2021 "European common enforcement priorities for 2021 annual financial reports". In fact, the effects of COVID-19 may affect the ability to continue as a going concern and highlight the existence of one or more indicators of impairment, making it necessary to analyse the impact on the Group's main activities in order to identify whether an impairment test is required.

It should be noted that the Group's financial capacity at 31 December 2021 makes it possible for the Group to support the financial requirements expected over the next 12 months. The estimates have also been prepared considering the agreements defined to date with the shipowners as a result of the COVID-19 pandemic. More information on this aspect can be found in Note 4.

With reference to any impairment indicators resulting from the possible effects of COVID-19, it should be noted that in addition to the positive results described above in terms of revenues and production volumes, which attest to a full recovery, the Group has maintained the substantial order backlog acquired and closed 2021 with EBITDA at record levels of euro 495 million.

For the CGUs to which goodwill is allocated, the impairment test at 31 December 2021 was performed using the projections of future cash flows of subsidiaries, based on the best information available at the time of the estimate, provided by the management of the subsidiaries to the Parent Company. This information takes into account the effects that can be estimated to date on the operations of subsidiaries as regards the current situation, including those arising from the pandemic. More details can be found in Note 6.

In addition, the possible impacts of COVID-19 were taken into account when assessing the recoverability of receivables and Contract assets, but no significant effects were identified.

No other assets or areas of the financial statements have been identified that are significantly impacted at 31 December 2021 by the effects of COVID-19.

At Fincantieri Group level, the Company's stock market capitalization at 31 December 2021 is still higher than consolidated equity at that date, confirmation of the excellent results achieved, also in response to the effects of the COVID-19 pandemic.

If there are no developments relating to the spread of the COVID-19 virus with currently unforeseeable repercussions, the Group expects to continue in 2022 along the growth path achieved in 2021, thanks to the development of the substantial order backlog acquired, confirming the growth trends outlined by the Group before the pandemic and a consequent improvement in margins, as illustrated in detail in the Report on Operations.

Note 4 - Financial risk management

The principal financial risks to which the Group is exposed are credit risk, liquidity risk and market risk (in particular currency, interest rate and commodity price risk).
The management of these financial risks is coordinated by the Parent Company, which decides, in close collaboration with its operating units, whether and how to hedge these risks.

Credit risk

The Fincantieri Group's receivables essentially comprise amounts owed by private shipowners for shipbuilding contracts, by the Italian government both for grants receivable and for supplies to the country's military services, by the US Navy and US Coast Guard and by the Qatari Armed Forced Navy, for shipbuilding contracts.
The Fincantieri Group carries out checks on the financial soundness of its customers, including through information obtained from the main credit risk assessment agencies, and constantly monitors counterparty risk, also during the construction phase of orders, reporting any critical cases to top management and assessing the action to be taken depending on the specific case. The Group also maintains a constant dialogue with its customers, undertaking initiatives to support them where deemed essential for the maintenance or growth of the order book; for example, following the COVID-19 pandemic, the Group showed its willingness to redefine the delivery plans for cruise ships and to grant payment extensions for part of the commercial instalments due in 2020 and 2021, in order to allow both parties to deal with and successfully manage the pandemic crisis.
The Fincantieri Group's customers often make use of credit arrangements to finalize the placement of orders, which are guaranteed by the national Export Credit Agency. This method of financing allows the Fincantieri Group to be certain that the client will have the funds to meet its contractual obligations during construction and upon delivery of the ships. The package of measures launched to support cruise operators, following the COVID-19 pandemic, includes a debt holiday on export financing granted by export credit agencies to shipowners, which included the suspension of repayment of the capital instalments from 1 April 2020 to 31 March 2021 and the consequent reshaping of the repayment plan over the subsequent four years. During 2021, this measure was extended by a further 12 months until 31 March 2022, with a rescheduling of the repayment plan over the following five years. This facility is granted on condition that existing orders are confirmed.
With reference to the credit risk, it should also be noted that during the execution of the contract, the Group keeps the ship at its shipyards and the contracts provide for the possibility for Fincantieri, in the event of default by the shipowner, to retain the ship and the advances received. The ship during construction is in fact a guarantee until the delivery date when payment is made, which is, moreover, often guaranteed, as mentioned, by export credit agencies.
The provision for onerous contracts is set aside when the contract is acquired or when the costs expected to be incurred are updated and it becomes apparent that the costs necessary to complete the contract exceed the contractual revenues of the contract. The provision for onerous contracts recognized is deducted from the contracts to which it relates up to the amount of the contracts and included in the provisions for risks if the net amount is negative.
The following tables provide a breakdown by risk class of the exposure as at 31 December 2021 and 2020 based on the nominal value of receivables before any provision for impairment of receivables:

(euro/000)

		31.12.2021							
			Past due						
	Note	Not yet due	0 - 1 month	1 - 4 months	4 - 12 months	Beyond 1 year	Gross total	Provision for impairment of receivables	Net total
Trade receivables:									
- from public entities	15	4,054	198	304	1,386	15,237	21,179		21,179
- indirectly from public entities*	15	13,337	798		14,058	115	28,308		28,308
- from private shipowners	15	610,865	67,726	82,680	29,957	74,798	866,026	(62,386)	803,640
- from associates and joint ventures	15	68,090	812	918	7,703	4,928	82,451		82,451
Total trade receivables		**696,346**	**69,534**	**83,902**	**53,104**	**95,078**	**997,964**	**(62,386)**	**935,578**
Other receivables:									
- from associates	11				678		678		678
- for government grants	11-15	60,357					60,357		60,357
- from others	11-15	180,080	91	46	27	25,333	205,577	(22,420)	183,157
- from controlling companies (tax consolidation)	15	2,339					2,339		2,339
- from related parties	15								
- for income and indirect taxes	15-16	78,303	80			355	78,738	(142)	78,596
Total other receivables		**321,079**	**171**	**46**	**705**	**25,688**	**347,689**	**(22,562)**	**325,127**
Contract assets	14	**2,638,946**					**2,638,946**		**2,638,946**
Financial receivables:									
- from associates and joint ventures	10-17	49,978			1,564		51,542		51,542
- other	10-17	326,936		421		15,694	343,050	(12,071)	330,979
- for government grants financed by BIIS	17								
Total current financial assets		**376,914**	**-**	**421**	**1,564**	**15,694**	**394,592**	**(12,071)**	**382,521**
Advances, prepayments and accrued income									**167,342**
Total		**4,033,285**	**69,705**	**84,369**	**55,373**	**136,460**	**4,379,191**	**(97,019)**	**4,449,514**

* These are receivables due from customers that manage work commissioned by public entities, which are therefore the effective debtors.

(euro/000)

		31.12.2020							
			Past due						
	Note	Not yet due	0 - 1 month	1 - 4 months	4 - 12 months	Beyond 1 year	Gross total	Provision for impairment of receivables	Net total
Trade receivables:									
- from public entities	15	3,636	505	94	209	16,747	21,191		21,191
- indirectly from public entities*	15	24		258	12,947		13,229		13,229
- from private shipowners	15	221,423	76,274	94,586	30,663	71,720	494,666	(34,108)	460,558
- from associates and joint ventures	15	105,142	56	55	592		105,845		105,845
Total trade receivables		**330,225**	**76,835**	**94,993**	**44,411**	**88,467**	**634,931**	**(34,108)**	**600,823**
Other receivables:									
- from associates	11					628	628		628
- for government grants	11-15	12,257	1,426				13,683		13,683
- from others	11-15	213,029	1,609	6,408		19,972	241,018	(18,385)	222,633
- from controlling companies (tax consolidation)	15	35,773					35,773		35,773
- from related parties	15	741					741		741
- for income and indirect taxes	15-16	67,674	2,184		2	330	70,190	(327)	69,863
Total other receivables		**329,474**	**5,219**	**6,408**	**2**	**20,930**	**362,033**	**(18,712)**	**343,321**
Contract assets	14	**3,124,554**					**3,124,554**		**3,124,554**
Financial receivables:									
- from associates and joint ventures	10-17	28,345				20,430	48,775		48,775
- other	10-17	81,349	9,091	18,408		12,439	121,287	(4,261)	117,026
- for government grants financed by BIIS	17	131					131		131
Total current financial assets		**109,825**	**9,091**	**18,408**	**-**	**32,869**	**170,193**	**(4,261)**	**165,932**
Advances, prepayments and accrued income									**164,490**
Total		**3,894,078**	**91,145**	**119,809**	**44,413**	**142,266**	**4,291,711**	**(57,081)**	**4,399,120**

* These are receivables due from customers that manage work commissioned by public entities, which are therefore the effective debtors.

Liquidity risk

Liquidity risk is associated with the Group's inability to repay its current financial and commercial liabilities or to meet unforeseen cash requirements, related to lower or higher than expected cash receipts or disbursements. In 2021, the Group recorded a negative net financial position (monitored by the Group) of euro 859 million (negative for euro 1,062 million in 2020). The configuration monitored by the Group, for which a reconciliation with the configuration required by the European Securities and Markets Authority (ESMA) is provided in Note 33, does not include construction loans (amounting to euro 1,075 million at 31 December 2021) which the Group's management considers appropriate to include in working capital.

The main debt items are loans outstanding with credit institutions, current bank debt and commercial paper related to the trend in working capital and other current financial liabilities.

The Group has a solid capital position with sufficient liquidity and credit facilities that are adequately diversified in terms of duration, counterparty and technical form to meet its current financial requirements and their foreseeable evolution in the medium term.

With reference to Payables to suppliers for reverse factoring, these refer to agreements aimed at guaranteeing easier access to credit for suppliers and are based on contractual structures in which the supplier has the discretionary option to sell receivables due from the Group to a finance company and receive the amount owed before the due date. In addition, the supplier in addition, the supplier also has the option to agree with the Group to extend the due date beyond that shown in the invoice. Such further extensions can be either interest-bearing or non-interest bearing and they can be included in a range from 0 to 220 additional days.

Payables to suppliers for reverse factoring at December 31, 2021 amount to euro 593 million and represent the value of invoices assigned by suppliers and formally recognized as liquid and collectable by the Group and in deferment at that date on the basis of further extensions granted by suppliers with respect to the normal contractual payment terms.

The liquidity risk associated with reverse factoring is considered to be low in view of: i) the contractual agreements, which provide that if one or more agreements are terminated, they must, by formal agreement between the parties, continue to operate for the existing contracts. Therefore, in addition to not being able to request immediate payment of the deferred amounts, the institutions will also have to keep the existing contractual relationships with the suppliers in force until natural expiry; ii) the diversification achieved with the involvement of 10 different operators and with a concentration not exceeding 31% of the value at a given date. It should also be noted, in relation to other forms of financing, that at 31 December 2021 the Group had euro 2.5 billion of unused financial capacity, including euro 1.2 billion of cash and cash equivalents and euro 1.3 billion of unused credit facilities.

The following tables show the contractual maturities of trade and financial liabilities, other than derivatives, calculated before interest which, depending on the loan or form of finance, may be at a fixed or floating rate. Regarding the existence of covenant clauses included in the loan agreements, refer to Notes 22 and 27.

(euro/000)

				31.12.2021			
	Note	On demand	Within 1 year	Between 1 and 5 years	Beyond 5 years	Contractual cash flows	Carrying amount
Liabilities included among "Current and non-current financial liabilities"*							
Financing and loans**	22-27	2,637	1,373,629	1,763,707	37,155	3,177,128	3,116,123
BIIS loans	27		267	894	117	1,278	1,259
Bond and commercial papers	27		220,200			220,200	220,200
Financial liabilities for leasing IFRS 16	22-27	237	24,023	77,104	54,803	156,167	119,167
Other financial liabilities	22-27		76,350	33,500	292	110,142	102,820
Liabilities included among "Trade payables and other current liabilities"							
Payables to suppliers	25	210,059	1,670,663	16,141	21	1,896,884	1,896,884
Payables to suppliers for reverse factoring	25		593,260			593,260	593,260
Indirect tax payables	25	2,843	9,786			12,629	12,629
Other payables	25	9,138	338,432	9,877	2,267	359,714	359,714
Advances, prepayments and accrued income	25						58,412
Income tax liabilities							
Income tax liabilities	26	783	29,286			30,069	30,069
Total		**225,697**	**4,335,896**	**1,901,223**	**94,655**	**6,557,471**	**6,510,537**

* Does not include Derivative liabilities, for which reference should be made to the section "Fair value of derivatives".
** This item includes medium/long-term financial liabilities, bank credit facilities repayable on demand and construction loans.

(euro/000)

				31.12.2020			
	Note	On demand	Within 1 year	Between 1 and 5 years	Beyond 5 years	Contractual cash flows	Carrying amount
Liabilities included among "Current and non-current financial liabilities"*							
Financing and loans**	22-27	1,149,568	299,464	2,070,283	2,045	3,521,360	3,481,219
BIIS loans	27	133				133	131
Bond and commercial papers	27		100,200			100,200	100,200
Financial liabilities for leasing IFRS 16	22-27		16,183	40,911	47,920	105,014	86,670
Other financial liabilities	22-27	21,255	118,545	19,107	229	159,136	151,730
Liabilities included among "Trade payables and other current liabilities"							
Payables to suppliers	25	453,891	1,392,888	47,557	20	1,894,356	1,894,356
Payables to suppliers for reverse factoring	25		466,341			466,341	466,341
Indirect tax payables	25	1,831	8,735			10,566	10,566
Other payables	25	6,373	217,200	139		223,712	223,712
Advances, prepayments and accrued income	25						56,880
Income tax liabilities							
Income tax liabilities	26	1,634	4,983			6,617	6,617
TOTAL		**1,634,685**	**2,624,539**	**2,177,997**	**50,214**	**6,487,435**	**6,478,422**

* Does not include Derivative liabilities, for which reference should be made to the section "Fair value of derivatives".
** This item includes medium/long-term financial liabilities, bank credit facilities repayable on demand and construction loans.

Market risk

The financial risks affecting the Group specifically involve the risk that the fair value or future cash flows of assets/liabilities may fluctuate due to changes in the exchange rate of currencies in which the Group's commercial or financial transactions are denominated, due to changes in market interest rates or to changes in commodity prices.
In pursuing its business objectives, the Group does not intend to take on financial risks. If this is not possible, such risks are assumed only if they relate to the Group's core business and their impact can be neutralized (where possible) through hedging instruments.
Apart from using financial instruments, currency risk can be hedged by entering into loan agreements in the same currency as the sale contract, or cash balances can be established in the same currency as supply contracts.

Raw material price risk

The risk that changes in the price of raw materials will impact the Group's production costs. This risk may arise, for example, as a result of catastrophic events affecting the supply chain, as a result of changes in customs policies or international import/export agreements or as a result of momentary or structural imbalances between supply and demand.
In order to prevent and protect against the impact of raw material price changes on production costs, there is a continuous review of risk exposure by monitoring price trends and implementing commercial (steel) or financial (copper and diesel) hedging policies, where necessary and possible. The Group takes into consideration predictable increases in the components of contract costs when determining the offer price and evaluates the possibility of sharing risk with customers. At the time of signing the contract, fixed-price purchase options will already have been defined for some of the vessel's principal components. In addition, the market and the Authority's resolutions on electricity and gas are actively monitored, in order to take advantage of the best conditions in good time.

Currency risk

Exposure to currency risk arises when shipbuilding contracts are denominated in foreign currencies and when goods and materials are purchased in currencies other than the functional currency.
Currency risk is managed using forward contracts or currency options, which are arranged according to the expected timing of foreign currency cash inflows and outflows; where possible, payments and receipts in the same currency are matched.
Currency risk management seeks to hedge all of the Group's foreign currency inflows, but only the largest foreign currency outflows.
During 2021, the Group was exposed to currency risk primarily in connection with a contract for a cruise ship built in Italy whose price was denominated in US dollars, delivered during the year, and some contracts for vessels built in Norway whose prices were denominated in euros. This risk was mostly mitigated using the hedging instruments mentioned above. Please refer to Note 5 for the sensitivity analysis.

Interest rate risk

Interest rate risk is defined as follows:

- uncertainty in the cash flows relating to the Group's assets and liabilities because of fluctuations in interest rates; this risk is mitigated using cash flow hedging instruments;
- fluctuations in the fair value of the Group's assets and liabilities because of changes in market interest rates; this risk is mitigated using fair value hedging instruments.

Floating-rate assets and liabilities are exposed to the first of these risks, while fixed-rate assets and liabilities are exposed to the second risk.

At 31 December 2021, ten interest rate swaps were in place to hedge the interest rate risk on medium and long-term loans, amounting to euro 1,345 million (as a result of the hedges, more than 80% of non-current loans are at fixed rates).
Refer to Note 22 for an analysis of the fixed-rate and variable-rate loans and to Note 5 for the sensitivity analysis of the impact of a potential generalized variation in interest rates.

Capital management

The objective of the Fincantieri Group is to create value for shareholders and to support future development by maintaining an adequate level of capitalization that allows it to access external sources of financing at acceptable rates.

Fair value of derivatives

Other current and non-current financial assets and Other current and non-current financial liabilities include the fair value measurements of derivative financial instruments, as presented in the following table. All the derivatives in Cash Flow Hedge and Fair Value Hedge have been checked to see that they meet the effectiveness requirements laid down by IFRS 9 and, if a component of ineffectiveness is found, it is recorded in profit or loss.

(euro/000)

	31.12.2021			
	Positive fair value	Notional amount	Negative fair value	Notional amount
CASH FLOW HEDGING DERIVATIVES				
Interest rate swaps	466	1,210,625	4,537	134,375
Forward contracts				
FAIR VALUE HEDGING DERIVATIVES				
Forward contracts	8,644	272,765	10,542	325,044
HEDGING DERIVATIVES WHICH DO NOT QUALIFY FOR HEDGE ACCOUNTING				
Forward contracts	8,228	173,225	6,038	318,045
Futures	3,902	12,289	1,468	16,870

(euro/000)

	31.12.2020			
	Positive fair value	Notional amount	Negative fair value	Notional amount
CASH FLOW HEDGING DERIVATIVES				
Interest rate swaps			14,254	1,345,000
Forward contracts	4,024	564,228		
FAIR VALUE HEDGING DERIVATIVES				
Forward contracts	8,356	193,919	25,828	536,472
HEDGING DERIVATIVES WHICH DO NOT QUALIFY FOR HEDGE ACCOUNTING				
Forward contracts	569	26,149	12,429	387,902
Futures	2	188	3,009	14,545

With reference to cash flow hedging derivatives, the change in the fair value of the hedged items is perfectly offset by the change in the value of the hedging instruments (negative for euro 17 million in 2021) and therefore no ineffective portion has been recognized.
The hedged items are recorded under Contract assets and liabilities in the Group Statement of Financial Position (see Notes 14 and 24).
The balance and movements of the cash flow hedge reserve in the year are shown in the table to this Note.
The fair value hedging instruments cover changes in the value of hedged firm commitments included in Other current and non-current assets/liabilities shown in Note 11, 15, 23 and 25.
The following tables provide an analysis of the maturity of derivative contracts. The amount included in these tables represents undiscounted future cash flows, which refers to just the intrinsic value.

(euro/000)

	31.12.2021			
	Within 1 year	Between 1 and 5 years	Beyond 5 years	Total
CURRENCY RISK MANAGEMENT				
Outflow	659,576	387,370		1,046,946
Inflow	707,709	382,695		1,090,404
INTEREST RATE RISK MANAGEMENT				
Outflow	4,537	746		5,283
Inflow		1,213		1,213
RAW MATERIAL PRICE RISK MANAGEMENT				
Outflow	9,897	20,464		30,361
Inflow	11,484	21,312		32,796

(euro/000)

	31.12.2020			
	Within 1 year	Between 1 and 5 years	Beyond 5 years	Total
CURRENCY RISK MANAGEMENT				
Outflow	1,216,748	161,569		1,378,317
Inflow	1,207,162	159,500		1,366,662
INTEREST RATE RISK MANAGEMENT				
Outflow	5,025	9,229		14,254
Inflow				
RAW MATERIAL PRICE RISK MANAGEMENT				
Outflow	6,253	8,390		14,643
Inflow	4,618	7,017		11,635

The fair value of derivative financial instruments has been calculated considering market parameters at the year-end reporting date and using widely accepted measurement techniques. In particular, the fair value of forward contracts has been calculated with reference to year-end exchange rates and interest rates for the different currencies.

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Movements in the cash flow hedge reserve and impact of derivative instruments on profit or loss

The following table presents movements in the cash flow hedge reserve and the effect of derivative instruments on profit or loss:

(euro/000)

	Equity			
	Gross	Income taxes	Net	Profit or loss
1.1.2020	**(11,453)**	**992**	**(10,461)**	**(70,329)**
Change in fair value	(11,696)	1,884	(9,812)	
Utilizations	11,453	(992)	10,461	(10,461)
Other income/(expenses) for risk hedging				5,010
Finance income/(costs) relating to trading derivatives and time-value component of hedging derivatives				(39,865)
31.12.2020	**(11,696)**	**1,884**	**(9,812)**	**(45,316)**

(euro/000)

	Equity			
	Gross	Income taxes	Net	Profit or loss
Change in fair value	(5,240)	1,227	(4,013)	
Utilizations	11,696	(1,884)	9,812	(9,812)
Other income/(expenses) for risk hedging				16,625
Finance income/(costs) relating to trading derivatives and time-value component of hedging derivatives				(30,170)
31.12.2021	**(5,240)**	**1,227**	**(4,013)**	**(23,357)**

Financial assets and liabilities by category

The following table analyses financial assets and liabilities by category together with their fair value (IFRS 13) at the year-end reporting date:

(euro/000)

	31.12.2021					
	A	B	C	D	Total	Fair value
Investments carried at fair value	4,397	22,269			**26,666**	**26,666**
Derivative financial assets	20,774	466			**21,240**	**21,240**
Other financial assets			397,950		**397,950**	**405,187**
Other non-current assets			47,416		**47,416**	**47,416**
Trade receivables and other current assets			1,285,337		**1,285,337**	**1,285,337**
Cash and cash equivalents			1,236,180		**1,236,180**	**1,236,180**
Derivative financial liabilities	(18,048)	(4,537)			**(22,585)**	**(22,585)**
Other financial liabilities	(36,509)			(3,562,409)	**(3,598,918)**	**(3,602,144)**
Other non-current liabilities				(53,554)	**(53,554)**	**(53,554)**
Trade payables and other current liabilities				2,850,108	**2,850,108**	**2,850,108**

(euro/000)

	31.12.2020					
	A	B	C	D	Total	Fair value
Investments carried at fair value	3,757	22,422			**26,179**	**26,179**
Derivative financial assets	8,953	4,024			**12,977**	**12,977**
Other financial assets			172,399		**172,399**	**174,642**
Other non-current assets			26,941		**26,941**	**26,941**
Trade receivables and other current assets			983,390		**983,390**	**983,390**
Cash and cash equivalents			1,274,642		**1,274,642**	**1,274,642**
Derivative financial liabilities	(41,292)	(14,254)			**(55,546)**	**(55,546)**
Other financial liabilities	(30,085)			(3,820,078)	**(3,850,163)**	**(3,847,041)**
Other non-current liabilities				(30,251)	**(30,251)**	**(30,251)**
Trade payables and other current liabilities				(2,628,981)	**(2,628,981)**	**(2,628,981)**

Key:
A = Financial assets and liabilities at fair value through profit or loss.
B = Financial assets and liabilities at fair value through equity (including hedging derivatives).
C = Financial assets and receivables carried at amortized cost (including cash & cash equivalents).
D = Financial liabilities carried at amortized cost.

Fair value measurement

The following tables show the financial instruments that are measured at fair value at 31 December 2021 and 2020, according to their level in the fair value hierarchy.

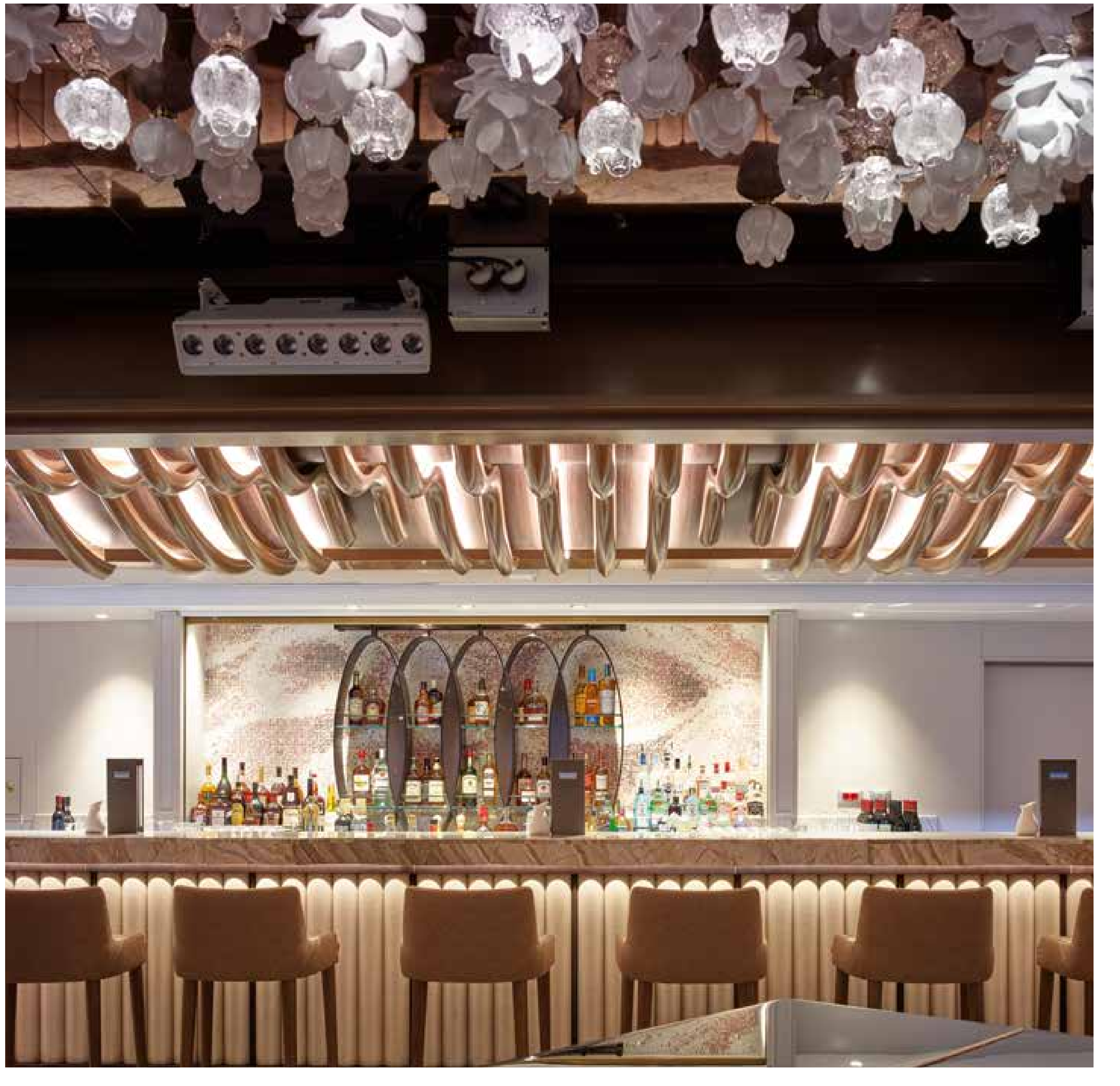
(euro/000)

	31.12.2021			
	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Equity instruments	4,255		142	4,397
Debt instruments			11,000	11,000
Financial assets at fair value through comprehensive income				
Equity instruments	1,487		20,782	22,269
Debt instruments				
Hedging derivatives		21,240		21,240
Trading derivatives				
Total assets	**5,742**	**21,240**	**31,924**	**58,906**
Liabilities				
Financial liabilities at fair value through profit or loss			36,509	36,509
Hedging derivatives		22,585		22,585
Trading derivatives				
Total liabilities		**22,585**	**36,509**	**59,094**

(euro/000)

	31.12.2020			
	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Equity instruments	95		3,662	3,757
Debt instruments			11,000	11,000
Financial assets at fair value through comprehensive income				
Equity instruments			22,422	22,422
Debt instruments				
Hedging derivatives		12,977		12,977
Trading derivatives				
Total assets	**95**	**12,977**	**37,084**	**50,156**
Liabilities				
Financial liabilities at fair value through profit or loss			30,213	30,213
Hedging derivatives		55,546		55,546
Trading derivatives				
Total liabilities		**55,546**	**30,213**	**85,759**

Financial assets at fair value through comprehensive income classified as Level 3 relate to equity investments carried at fair value. Level 3 also includes the financial liabilities relating to the fair value changes of options on equity investments whose fair value, recorded through comprehensive income, is calculated using valuation techniques whose inputs are not observable on the market. The item includes the option held by minority shareholders of the American group FMG, for euro 23,133 thousand, the increase in which since 2020 is due to the negative effect of translating the balance expressed in foreign currency and the option held by minority shareholders of the Fincantieri NexTech group for euro 8,734 thousand (unchanged compared to 31 December 2020). As part of the acquisition transactions that took place in 2021, the option held by minority shareholders of the IDS group for euro 2,127 thousand, the option held by minority shareholders of the subsidiary Team Turbo Machines for euro 1,400 thousand and the option held by minority shareholders of the FINSO group for euro 1,115 thousand were recognized in the financial statements.



Note 5 - Sensitivity analysis

Currency risk

With regard to currency risk, the Group has performed a sensitivity analysis, both including and excluding the effect of hedging derivatives, in order to estimate the impact on pre-tax profit of a reasonable variance in the principal exchange rates to which the Group is most exposed against the functional currencies of the Parent Company and its subsidiaries (involving an appreciation/ depreciation of the foreign currency against the functional one). The analysis looks at exposure to currency risk, as defined by IFRS 7, and therefore does not consider the effects arising from translation of financial statements of foreign companies with a functional currency other than the Euro. In addition, the analysis has not examined the effect of exchange rate fluctuations on the valuation of Contract assets and liabilities, because the latter does not qualify as a financial asset under the IAS 32 definition. The variances for individual cross-currencies have been measured against the average 6-month volatility observed in 2021 for individual exchange rates.

(euro/million)

	31.12.2021		31.12.2020	
	Effect on pre-tax profit	Pre-tax effect on equity	Effect on pre-tax profit	Pre-tax effect on equity
USD vs EUR				
Including hedging derivatives				
Appreciation of the USD vs EUR	5	5	5	(37)
Depreciation of the USD vs EUR	(5)	(5)	(4)	32
Excluding hedging derivatives				
Appreciation of the USD vs EUR	9	9	-	-
Depreciation of the USD vs EUR	(8)	(8)	-	-

(euro/million)

	31.12.2021		31.12.2020	
	Effect on pre-tax profit	Pre-tax effect on equity	Effect on pre-tax profit	Pre-tax effect on equity
EUR vs NOK				
Including hedging derivatives				
Appreciation of the EUR vs NOK	10	(29)	(16)	(59)
Depreciation of the EUR vs NOK	(12)	34	19	72
Excluding hedging derivatives				
Appreciation of the EUR vs NOK	-	(39)	(8)	(51)
Depreciation of the EUR vs NOK	-	46	9	62

(euro/million)

	31.12.2021		31.12.2020	
	Effect on pre-tax profit	Pre-tax effect on equity	Effect on pre-tax profit	Pre-tax effect on equity
USD vs BRL				
Including hedging derivatives				
Appreciation of the USD vs BRL	(6)	(6)	(11)	(11)
Depreciation of the USD vs BRL	6	6	11	11
Excluding hedging derivatives*				
Appreciation of the USD vs BRL	(11)	(11)	(11)	(11)
Depreciation of the USD vs BRL	11	11	11	11

* The USD/BRL exposure is expressed net of USD construction loans, contracted with the purpose of hedging USD exposures.

(euro/million)

	31.12.2021		31.12.2020	
	Effect on pre-tax profit	Pre-tax effect on equity	Effect on pre-tax profit	Pre-tax effect on equity
Other currencies				
Including hedging derivatives				
Appreciation of other currencies	(9)	(9)	(7)	(7)
Depreciation of other currencies	9	9	7	7
Excluding hedging derivatives				
Appreciation of other currencies	(9)	(9)	(7)	(7)
Depreciation of other currencies	9	9	7	7

Interest rate risk

Similarly, a sensitivity analysis has also been performed to estimate the impact of a potential general change in benchmark interest rates of +/- 50 basis points on an annualized basis. The estimated effects on profit or loss involve a negative impact of approximately euro 86 thousand in the event of a 0.50% increase in interest rates and a negative impact of euro 669 thousand in the event of a 0.50% reduction.

Note 6 - Intangible assets

(euro/000)

	Goodwill	Client Relationships and Order Backlog	Development costs	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Contractual costs	Other intangibles	Intangibles in progress and advances	Total
- cost	261,196	209,190	181,504	132,656	28,127	61,834	21,715	95,577	991,799
- accumulated amortization and impairment losses	(394)	(90,797)	(100,693)	(109,551)	(7,474)	(11,818)	(16,577)		(337,304)
Net carrying amount at 01.01.2020	**260,802**	**118,393**	**80,811**	**23,105**	**20,653**	**50,016**	**5,138**	**95,577**	**654,495**
Movements in 2020									
- business combinations	1,829		225		8		103		2,165
- additions			1,935	12,772	473	25,000	185	36,219	76,584
- net disposals					(4)		(1)	(231)	(236)
- reclassifications/other	1	1	9,891	17,684	547	-	19	(28,506)	(363)
- amortization		(10,198)	(27,276)	(14,844)	(1,673)	(23,161)	(1,221)		(78,373)
- impairment losses	(65)		(23)						(88)
- exchange rate differences	(16,724)	(6,033)	(201)	(77)	(1,654)		(170)	(282)	(25,141)
Closing net carrying amount	**245,843**	**102,163**	**65,362**	**38,640**	**18,350**	**51,855**	**4,053**	**102,777**	**629,043**
- cost	246,302	197,635	193,396	162,900	26,829	86,834	21,169	102,777	1,037,842
- accumulated amortization and impairment losses	(459)	(95,472)	(128,034)	(124,260)	(8,479)	(34,979)	(17,116)		(408,799)
Net carrying amount at 31.12.2020	**245,843**	**102,163**	**65,362**	**38,640**	**18,350**	**51,855**	**4,053**	**102,777**	**629,043**
Movements in 2021									
- business combinations	12,786	51,923	118	388	5,660	1,182	126	3,448	75,361
- additions			1,313	10,378	1,340		778	34,177	47,986
- net disposals			(1)		(7)		(90)	(440)	(538)
- reclassifications/other			16,804	8,077	953		(148)	(31,750)	(6,064)
- amortization		(11,207)	(26,574)	(18,733)	(2,399)	(17,753)	(1,026)		(77,692)
- impairment losses	(96)		(481)						(577)
- exchange rate differences	13,850	4,217	189	22	1,457		99	370	20,204
Closing net carrying amount	**272,383**	**147,096**	**56,730**	**38,772**	**25,354**	**35,284**	**3,792**	**108,582**	**687,993**
- cost	272,950	258,895	213,662	184,504	49,096	88,882	20,399	108,582	1,196,970
- accumulated amortization and impairment losses	(567)	(111,799)	(156,932)	(145,732)	(23,742)	(53,598)	(16,607)		(508,977)
Net carrying amount at 31.12.2021	**272,383**	**147,096**	**56,730**	**38,772**	**25,354**	**35,284**	**3,792**	**108,582**	**687,993**

More details about business combination can be found in Note 37.

Capital expenditure in 2021 amounted to euro 47,986 thousand (euro 76,584 thousand in 2020) and mainly related to:

- the development of information systems to support the Group's growing activities and optimise process management, with particular reference to the upgrading of management systems and the introduction of these systems in the Group's main subsidiaries;
- ongoing work to implement an integrated system for ship design (CAD) and project lifecycle management (PLM), aimed at improving the efficiency and effectiveness of the engineering process;
- the introduction of digitalization initiatives aimed at (i) strengthening the introduction of Industry 4.0 principles into shipbuilding (e.g. artificial intelligence, automation, IoT, virtual reality) and (ii) use Robotic Process Automation tools and advanced analysis/reporting systems.

During 2021, the Group also spent euro 155 million in research costs for various projects involving product and process innovations (euro 144 million in 2020), that will allow the Group to retain its leadership of all high-tech market sectors for the foreseeable future.

"Concessions, licenses, trademarks and similar rights" include euro 16,334 thousand for trademarks with indefinite useful lives, reflecting the expectation for their use and deriving from the acquisition of the American shipyards (namely Marinette and Bay Shipbuilding); these trademarks have been allocated to the cash-generating unit (CGU) representing the American group acquired. In any case, these assets of the FMG CGU have been tested for impairment and no need for impairment has emerged.

The exchange rate differences mainly reflect movements in the period by the Norwegian krone and the US dollar against the euro.

"Goodwill" amounts to euro 272,383 thousand at 31 December 2021. The increase compared to 31 December 2020 mainly consists of euro 6,512 thousand due to the acquisition of the IDS group by the NexTech group and euro 6,178 thousand due to the acquisition of the Metalsigma Tunesi business unit by MI S.p.A. It should be noted that the goodwill arising from the acquisition of the IDS group was allocated to the Fincantieri NexTech group CGU as it represents the synergies achievable through the integration of the newly acquired group within the Fincantieri NexTech group, while the goodwill of MI S.p.A. was allocated to the Furniture CGU. More details can be found in Note 37.

The recoverable amount of goodwill is estimated, in accordance with IAS 36, using the unlevered version of the Discounted Cash Flow model whereby an asset's value in use is calculated on the basis of estimated future cash flows discounted at an appropriate rate. Cash flow projections beyond the explicit period covered by the most recent budgets/forecasts are extrapolated using the perpetuity growth method to determine terminal value; the growth rates used ("g rate") are in line with the long-term average growth rates predicted for the markets in which the individual CGUs operate.

For the purpose of impairment testing, the Group uses future cash flow projections based on the best information available at the time, which can be inferred from the forecast data for the period 2022-2026. This information is based on the forecasts prepared and approved by the subsidiaries' management at 31 December 2021.

The growth rate, which is used to estimate cash flows beyond the stated forecast period, is determined in light of market data, and in particular using the average inflation expected over the reference period of the cash flows. Expected future cash flows have been discounted using the WACC (Weighted Average Cost of Capital) for the individual sectors to which the CGUs refer and, if necessary, adjusted to take account of the risk premium/discount of the specific country in which business is conducted. The WACC used for discounting purposes is a post-tax rate applied consistently to the relevant cash flows.

The cash flow projections used reflect the current conditions of the CGUs being tested, while the values of WACC and "g rate" used are consistent with management expectations of performance in the markets concerned.

It should be noted that following the reallocation of the Vard Electro group and the Seaonics group to the Equipment, Systems and Services segment, the related cash flows, previously allocated respectively to the VARD Cruise CGU and to the VARD Offshore and Specialized Vessels CGU, were transferred to the new VARD Systems

and Components CGU, in accordance with the criteria with which the Group's management uses operating segment data in its decision-making processes. Consequently, cash flows relating to this company have been reallocated to the new VARD Systems and Components CGU. In line with this approach, the carrying amount of goodwill was also reallocated to the new CGU in proportion to the fair value of Vard Electro and Seaonics determined on the basis of their value in use (calculated using the discounted cash flow method) at the date of the last impairment test (31 December 2020), which represents the best approximation of the fair value of the CGUs.
The table below shows the allocation of goodwill to the different CGUs, specifying for each one the criteria for determining the recoverable amount, the discount and growth rates used and the period of the cash flows.

	Goodwill	Recoverable amount	post-tax WACC	g rate	Cash flow period
CGU					
FMG Group	70,205	Value in use	6.4%	2.5%	5 years
VARD Offshore and Specialized vessels	59,558	Value in use	5.7%	1.9%	5 years
VARD Cruise	65,601	Value in use	6.4%	2.0%	5 years
VARD Systems and Components	59,374	Value in use	7.3%	2.0%	5 years
FC NexTech Group	11,467	Value in use	5.7%	1.4%	5 years
Furniture	6,178	Value in use	6.4%	1.4%	5 years

Impairment tests have made reference to the reporting-date carrying amounts of each CGU.

FMG group CGU

The test was carried out on the basis of cash flows inferred from the forecasts prepared by the subsidiary's management for the period 2022-2026, based on expected growth forecasts. The impairment test has shown that the CGU's recoverable amount exceeds its carrying amount, meaning that no impairment loss needs to be recognized.
The results obtained have been subjected to sensitivity analysis for those assumptions, changes in which might reasonably cause the test results to change materially. The analysis has shown that if WACC were to increase by 100 basis points or if growth rates (g rate) or EBITDA margin, used in the terminal value calculation, were to decrease by 100 basis points, recoverable amounts would still be higher than the carrying amounts.

VARD Offshore and Specialized vessels CGU

The test was carried out on the basis of cash flows inferred from the forecasts prepared by VARD's management for the period 2022-2026, based on expected growth forecasts. The impairment has shown that the CGU's recoverable amount exceeds its carrying amount, meaning that no impairment loss needs to be recognized.
The results obtained have also been subjected to sensitivity analysis for those assumptions, changes in which might reasonably cause the test results to change materially. This has shown that if WACC were to increase by 100 basis points or if the growth rates (g rate) or EBITDA margins used in the terminal value calculation were to decrease by 100 basis points, the recoverable amounts would still be higher than the carrying amounts.

VARD Cruise CGU

The test was carried out on the basis of cash flows inferred from the forecasts prepared by VARD's management for the period 2022-2026, based on expected growth forecasts. The impairment has shown that the CGU's recoverable amount exceeds its carrying amount, meaning that no impairment loss needs to be recognized.
The results obtained have been subjected to sensitivity analysis for those assumptions, changes in which might reasonably cause the test results to change materially. This has shown that if WACC were to increase by 100 basis points or if growth rates (g rate) or EBITDA margins used in the terminal value calculation were to decrease by 100 basis points, the recoverable amounts would still be higher than the carrying amounts.

VARD Systems and Components CGU

The test was carried out on the basis of cash flows inferred from the forecasts prepared by VARD's management for the period 2022-2026, based on expected growth forecasts. The impairment has shown that the CGU's recoverable amount exceeds its carrying amount, meaning that no impairment loss needs to be recognized.
The results obtained have been subjected to sensitivity analysis for those assumptions, changes in which might reasonably cause the test results to change materially. This has shown that if WACC were to increase by 100 basis points or if growth rates (g rate) or EBITDA margins used in the terminal value calculation were to decrease by 100 basis points, the recoverable amounts would still be higher than the carrying amounts.

FC NexTech group CGU

The test was carried out on the basis of cash flows inferred from the forecasts prepared by the subsidiary's management for the period 2022-2026, based on expected growth forecasts. The impairment has shown that the CGU's recoverable amount exceeds its carrying amount, meaning that no impairment loss needs to be recognized.
The results obtained have been subjected to sensitivity analysis for those assumptions, changes in which might reasonably cause the test results to change materially. This has shown that if WACC were to increase by 100 basis points or if growth rates (g rate) or EBITDA margin, used in the terminal value calculation, were to decrease by 100 basis points, values of use would still be higher than the carrying amounts.

Furniture CGU

The test was carried out on the basis of cash flows inferred from the forecasts prepared by the subsidiary's management for the period 2022-2026, based on expected growth forecasts. The impairment has shown that the CGU's recoverable amount exceeds its carrying amount, meaning that no impairment loss needs to be recognized.
The results obtained have been subjected to sensitivity analysis for those assumptions, changes in which might reasonably cause the test results to change materially. This has shown that if WACC were to increase by 100 basis points or if growth rates (g rate) or EBITDA margin, used in the terminal value calculation, were to decrease by 100 basis points, values of use would still be higher than the carrying amounts.

Note 7 - Rights of use

Movements in this line item are as follows:

(euro/000)	Buildings ROU	State concessions ROU	Transport and lifting vehicles ROU	Passenger cars ROU	Computer equipment ROU	Other ROU	Total
- cost	78,197	21,881	1,361	4,597	903	287	107,226
- accumulated amortization and impairment losses	(13,914)	(1,425)	(457)	(1,424)	(301)	(88)	(17,609)
Net carrying amount at 1.1.2020	**64,283**	**20,456**	**904**	**3,173**	**602**	**199**	**89,617**
Movements in 2020							
- business combinations							
- increases	11,258	11,804	2,716	890	263	92	27,023
- decreases	(6,677)	(6,417)	(2)	(73)	(1)	(1)	(13,171)
- reclassifications/other	(5)	(1)	1	1		(2)	(6)
- amortization	(12,071)	(1,456)	(1,452)	(1,735)	(352)	(123)	(17,189)
- impairment losses	833						833
- exchange rate differences	(1,668)	(171)	(47)	(10)	(36)	(10)	(1,942)
Closing net carrying amount	**55,953**	**24,215**	**2,120**	**2,246**	**476**	**155**	**85,165**
- cost	74,114	26,444	3,963	4,969	991	356	110,837
- accumulated amortization and impairment losses	(18,161)	(2,229)	(1,843)	(2,723)	(515)	(201)	(25,672)
Net carrying amount at 31.12.2020	**55,953**	**24,215**	**2,120**	**2,246**	**476**	**155**	**85,165**
Movements in 2021							
- business combinations	8,194	58		374	58	8	8,692
- increases	32,868	1,345	1,538	1,307	84	8,326	45,468
- decreases	(5,091)	(669)		(5)	(13)	(32)	(5,810)
- reclassifications/other	8	3		(3)	1	(2)	7
- amortization	(13,616)	(1,419)	(1,805)	(1,622)	(319)	(630)	(19,411)
- impairment losses/ reversals							
- exchange rate differences	1,577	148	17	16	27	31	1,816
Closing net carrying amount	**79,893**	**23,681**	**1,870**	**2,313**	**314**	**7,856**	**115,927**
- cost	105,847	27,177	4,629	5,326	969	8,524	152,472
- accumulated amortization and impairment losses	(25,954)	(3,496)	(2,759)	(3,013)	(655)	(668)	(36,545)
Net carrying amount at 31.12.2021	**79,893**	**23,681**	**1,870**	**2,313**	**314**	**7,856**	**115,927**

The business combinations relate to the entry of the FINSO group, IDS group and TTM into the scope of consolidation.
Increases in 2021 amount to euro 45,468 thousand (euro 27,023 thousand in 2020) and mainly relate to the conclusion of new contracts by Fincantieri Marine group and MI S.p.A., while the decreases relate to the early termination of contracts.
For the values of non-current and current financial liabilities deriving from the application of IFRS 16, reference should be made to Notes 22 and 27.

Note 8 - Property, plant and equipment

(euro/000)	Land and buildings	Industrial plant, machinery and equipment	Assets under concession	Leasehold improvements	Other assets	Assets under construction and supplier advances	Total
- cost	672,895	1,336,001	197,506	30,346	238,181	270,553	2,745,482
- accumulated amortization and impairment losses	(263,095)	(956,505)	(140,039)	(25,109)	(135,704)		(1,520,452)
Net carrying amount at 1.1.2020	**409,800**	**379,496**	**57,467**	**5,237**	**102,477**	**270,553**	**1,225,030**
Movements in 2020							
- business combinations		(90)			(19,189)		(19,279)
- additions	11,236	30,866	2,618	378	4,673	182,417	232,188
- net disposals	(1,040)	(1,254)			(113)	(935)	(3,342)
- reclassifications/ other changes	45,917	52,313	11,344	912	22,335	(130,519)	2,302
- amortization	(17,956)	(55,728)	(5,509)	(1,019)	(10,814)		(91,026)
- impairment losses	(51)	(101)				(1,382)	(1,534)
- exchange rate differences	(23,410)	(13,628)			(2,328)	(3,949)	(43,315)
Closing net carrying amount	**424,496**	**391,874**	**65,920**	**5,508**	**97,041**	**316,185**	**1,301,024**
- cost	697,511	1,382,643	211,469	31,435	241,800	316,185	2,881,043
- accumulated amortization and impairment losses	(273,015)	(990,769)	(145,549)	(25,927)	(144,759)		(1,580,019)
Net carrying amount at 31.12.2020	**424,496**	**391,874**	**65,920**	**5,508**	**97,041**	**316,185**	**1,301,024**
Movements in 2021							
- business combinations	11,591	3,713	827	154	343	5	16,633
- additions	13,118	57,132	2,241	867	9,949	226,509	309,816
- net disposals	(361)	(1,113)	(639)	(51)	(58)	(29,173)	(31,395)
- reclassifications/ other changes	107,428	130,372	9,465	1,598	31,257	(268,153)	11,967
- amortization	(21,913)	(65,631)	(6,101)	(961)	(13,599)		(108,205)
- impairment losses	(51)	(56)					(107)
- exchange rate differences	8,802	2,530			550	6,599	18,481
Closing net carrying amount	**543,110**	**518,821**	**71,713**	**7,115**	**125,483**	**251,972**	**1,518,214**
- cost	849,656	1,587,478	221,929	30,475	284,698	251,972	3,226,208
- accumulated amortization and impairment losses	(306,546)	(1,068,657)	(150,216)	(23,360)	(159,215)		(1,707,994)
Net carrying amount at 31.12.2021	**543,110**	**518,821**	**71,713**	**7,115**	**125,483**	**251,972**	**1,518,214**

The item "Business combinations" includes amounts arising from acquisitions made during 2021, for which reference should be made to Note 37.

Capital expenditure in 2021 has resulted in additions of euro 309,816 thousand, mainly related to:

- continuation of activities to improve operating areas and infrastructure in the Monfalcone and Marghera shipyards to enable a more efficient development of the considerable backlog acquired. The investment plan for Marghera is being finalized and it is expected to be closed by 2022;
- the launch of an important investment program in the US sites of Marinette Marine and Bay Shipbuilding shared with the US Navy, to increase their efficiency in order to develop the order backlog resulting from the recently acquired FFG(X) program;
- continuation of activities to introduce new technologies in particular at the Monfalcone shipyard with regard to the Integrated Environmental Authorization;
- continuation of activities to increase production capacity and raise the efficiency of production processes at the Romanian shipyards of Vard Tulcea and Vard Braila in order to guarantee adequate support both for hull construction and the long-term program to produce pre-fitted sections of cruise ships for the Group's Italian shipyards;
- continuation of the upgrading of the operating areas and infrastructure of the Fincantieri Infrastructure plant in Valeggio sul Mincio following the award of major contracts for steel structures and for the development of activities to support shipbuilding;
- implementation of efficiency measures for the production process of Marine Interiors, particularly with regard to the production of cabins and wet units;
- upgrading and improvement of the safety and energy saving standards of machinery, equipment and buildings.

Net disposals of Intangibles in progress and advances mainly refer to the contribution of a ship in the subsidiary Island Discoverer AS, as part of the transaction described in Note 2.
The other changes and reclassifications include euro 5,960 thousand for reclassification of the assets previously classified as held for sale, as better described in Note 33.
Assets under construction at the end of the year mainly refer to the investments underway in the Italian shipyards of Monfalcone and Sestri and the Marinette shipyards in the US.
The value of the Property, plant and equipment of the indirect subsidiary Vard Promar has been tested for impairment, taking as its estimated recoverable amount the fair value less the costs to sell as identified in a report commissioned from an independent expert. The impairment test has shown that the recoverable amount of the assets exceeds their carrying amount, meaning that no impairment loss needs to be recognized.
The exchange rate differences generated in the period maily refrect movements in the US dollar against the Euro.
As at 31 December 2021, the amount of the Group's property, plant and machinery pledged as collateral against loans received was approximately euro 154 million (euro 170 million at the end of 2020).
Contractual commitments already given to third parties as of 31 December 2021 for capital expenditure not yet reflected in the financial statements amounted to approximately euro 100 million, of which euro 89 million for Property, plant and equipment and euro 11 million for Intangible assets.

Note 9 - Investments accounted for using the equity method and other investments

Investments

These are analyzed as follows:

(euro/000)

	Associates	Joint ventures	Total investments accounted for using the equity method	Other companies carried at fair value through comprehensive income	Other companies carried at fair value through profit and loss	Total other investments	Total
1.1.2020	**33,247**	**22,525**	**55,772**	**15,359**	**4,235**	**19,594**	**75,366**
Business combinations	(22)		**(22)**	15		15	**(7)**
Investments	32,856	2,580	**35,436**	5	58	63	**35,499**
Revaluations/ (Impairment losses) through profit or loss	(9,698)	(2,195)	**(11,893)**			-	**(11,893)**
Revaluations/ (Impairment losses) through equity			**-**			-	**-**
Disposals	(60)		**(60)**	(15)	(466)	(481)	**(541)**
Dividends from investments accounted for using the equity method			**-**			-	**-**
Reclassifications/Other	(219)		**(219)**	7,058	(21)	7,037	**6,818**
Exchange rate differences	(424)		**(424)**		(49)	(49)	**(473)**
31.12.2020	**55,680**	**22,910**	**78,590**	**22,422**	**3,757**	**26,179**	**104,769**
Business combinations	529	152	**681**	1,019	110	1,129	**1,810**
Investments	21,887	8,681	**30,568**	10		10	**30,578**
Revaluations/ (Impairment losses) through profit or loss	(8,152)	(6,578)	**(14,730)**	376		376	**(14,354)**
Revaluations/ (Impairment losses) through equity			**-**			-	**-**
Disposals	(157)		**(157)**	(5)	(34)	(39)	**(196)**
Dividends from investments accounted for using the equity method			**-**			-	**-**
Reclassifications/Other	(1,169)		**(1,169)**	(1,553)	(99)	(1,652)	**(2,821)**
Exchange rate differences	2,309		**2,309**		663	663	**2,972**
31.12.2021	**70,927**	**25,165**	**96,092**	**22,269**	**4,397**	**26,666**	**122,758**

Investments made during the financial year totalled euro 30,578 thousand. In particular:

- for the associates (euro 21,887 thousand) they mainly related to: i) the contribution, on 28 May 2021, of a vessel previously recorded under Assets under construction in the associate Island Discoverer AS by Vard Group AS for euro 20,602 thousand; ii) the capital contribution made to Møkster Supply KS, carried out by a debt waiver, for euro 425 thousand; iii) the capital contribution made to Nord Ovest Toscana Energia S.r.l. for euro 442 thousand, following the contribution by its parent company SOF S.p.A. of the financial resources necessary for the implementation of energy upgrades in hospitals and social/health facilities; iv) the capital contribution made to Cisar Milano S.p.A. per euro 375 thousand; v) the acquisition by the Parent Company of the associate Dido S.r.l. of a stake equal to 30% of the Share Capital of the company acquired, corresponding to euro 43 thousand.
- for the joint ventures (euro 8,681 thousand) they related to: i) the incorporation of the joint venture FINMESA S.c.a.r.l. by the subsidiary Fincantieri SI S.p.A., which subscribed and paid up 50% of the Share Capital of the company, amounting to euro 10 thousand; ii) the incorporation of the joint venture POWER4FUTURE S.p.A. by the subsidiary Fincantieri SI S.p.A., which subscribed and paid up 52% of the Share Capital, amounting to euro 1,664 thousand; iii) the incorporation of the joint venture 2F PER VADO S.c.a.r.l. by the subsidiary Fincantieri Infrastructure S.p.A, which subscribed and paid up 49% of the Share Capital of the company, amounting to euro 5 thousand; iv) the incorporation of the joint venture ERSMA 2026 S.c.a.r.l. by the subsidiary Fincantieri SI S.p.A., which subscribed and paid up 20% of the Share Capital of the company, amounting to euro 2 thousand; v) the capitalization by waiver of credit of the joint venture Naviris S.p.A. for euro 7,000 thousand.

Revaluations/(Impairment losses) through profit or loss (negative euro 14,354 thousand) refers: i) to the share of comprehensive income of companies accounted for using the equity method (Associates and Joint ventures) for euro 14,730; ii) to the capital loss of 145 thousand recognized in profit and loss for the minority shareholding S.ene.Ca S.r.l., a special purpose entity controlled by Fincantieri INfrastrutture SOciali S.p.A. and SOF S.p.A.; iii) to the capital gain of euro 521 thousand recognized in profit and loss following the split of Astaldi in favour of Webuild based on the rate of exchange agreed which led to the exchange of 3,269,909 shares held in the minority shareholding Astaldi S.p.A. with 663,791 Webuild S.p.A. shares.
Disposals of euro 157 thousand refer to i) the sale of the associate Olympic Challenger KS by Vard Group AS for euro 98 thousand. This led to the company being removed from the scope of consolidation; ii) a decrease in capital of euro 59 thousand in the associated company Hospital Building Technologies s.c.a.r.l. due to the distribution of capital reserves to shareholders.
Information on movements resulting from business combinations, which amount in total to euro 1,810 thousand, can be found in Note 37.
The column Other investments (euro 4,397 thousand) includes equity instruments that are measured at fair value by hierarchical level, as explained in Note 4. In particular it includes: i) for euro 4,255 thousand investments carried at fair value, calculated on the basis of the related prices if quoted in active markets (Level 1); for euro 142 thousand investments valued based on valuation techniques whose inputs are not observable on the market (Level 3).
For more details on the value of investments as at 31 December 2021, see the tables below.

Investments at 31 December 2021

COMPANY NAME	Registered office	% owned	Carrying amount
Investments in associates accounted for using the equity method			
Castor Drilling Solution AS	Norway	34.14	212
Brevik Technology AS	Norway	34	76
CSS Design Ltd.	British Virgin Islands	31	54
Island Diligence AS	Norway	39.38	6,177
PSC S.p.A.	Italy	10	2,721
Centro Servizi Navali S.p.A.	Italy	10.93	775
Leonardo Sistemi Integrati S.r.l.	Italy	14.58	23
Prelios Solution & Technologies S.r.l.	Italy	49	24
Mc4com - Mission Critical for communications S.c.a.r.l.	Italy	50	4
Decomar S.p.A.	Italy	20	2,500
Island Offshore XII Ship AS	Norway	46.9	49,173
Island Discoverer AS	Norway	46.9	8,233
Cisar Costruzioni S.c.a.r.l.	Italy	30	7
Nord Ovest Toscana Energia S.r.l.	Italy	34	782
S.Ene.Ca Gestioni S.c.a.r.l.	Italy	49	5
Bioteca S.c.a.r.l.	Italy	33.33	100
N.O.T.E Gestioni S.c.a.r.l.	Italy	34	7
HBT S.c.a.r.l.	Italy	20	2
ITS Integrated Tech System S.r.l.	Italy	51	5
Dido S.r.l.	Italy	30	43
Energetika S.c.a.r.l.	Italy	40	4
Total investments in associates accounted for using the equity method			**70,927**

Island Diligence AS, which is 38.72% owned by Vard Group AS is consolidated using the equity method because the shareholding is considered to carry significant influence based on the Company's bylaws.
The group PSC S.p.A., 10% owned by the Parent Company, is consolidated using the equity method because the shareholding is considered to carry significant influence based on the shareholder agreements signed with the other shareholders.
Centro Servizi Navali S.p.A., which is 10.93% owned by the Parent Company, is consolidated using the equity method because the shareholding is considered to carry significant influence due to the Company's bylaws.
Decomar S.p.A., 20% owned by the Parent Company, is consolidated using the equity method because the shareholding is considered to carry significant influence based on the shareholder agreements signed with the other shareholders.
Island Offshore XII Ship AS, which is 46.90% owned by Vard Group AS, is consolidated using the equity method because the shareholding is considered to carry significant influence due to the Company's bylaws.
Island Discoverer AS (formerly Island Offshore XII PSV AS), which is 46.90% owned by Vard Group AS, is consolidated using the equity method because the shareholding is considered to carry significant influence due to the Company's bylaws.

COMPANY NAME	Registered office	% owned	Carrying amount
Investments in joint ventures accounted for using the equity method			
Orizzonte Sistemi Navali S.p.A.	Italy	51	17,582
Etihad Ship Building LLC	Arab Emirates	35	681
CSSC - Fincantieri Cruise Industry Development Ltd.	Hong Kong	40	4,709
BUSBAR4F S.c.a.r.l.	Italy	60	24
CONSORZIO F.S.B.	Italy	58.36	5
PERGENOVA S.c.p.a.	Italy	50	500
Issel Middle East Information Technology Consultancy LLC	Arab Emirates	49	17
4TCC1 S.c.a.r.l.	Italy	80	80
FINMESA S.c.a.r.l.	Italy	50	10
Power4Future S.p.A.	Italy	52	1,398
ERSMA 2026 S.r.l.	Italy	20	2
Nuovo Santa Chiara Hospital S.c.a.r.l.	Italy	45	150
2F PER VADO S.c.a.r.l.	Italy	49	5
Ersma 2026 S.r.l.	Italy	20	2
Total investments in joint ventures accounted for using the equity method			**25,165**

Orizzonte Sistemi Navali S.p.A., which is 51% owned by the Parent Company, is consolidated using the equity method because, under its shareholders' agreement, it is considered jointly controlled with another shareholder who holds 49%.
Etihad Ship Building LLC, which is 35% owned by the Parent Company, is consolidated using the equity method because, under its shareholders' agreement, it is considered jointly controlled with other shareholders who hold the remainder of Share Capital.
CSSC - Fincantieri Cruise Industry Development Ltd., which is 40% owned by the Parent Company, is consolidated using the equity method because, under the agreements between the Parent Company and the other shareholder, it is considered jointly controlled.
PERGENOVA S.c.a.r.l, 50% owned by Fincantieri Infrastructure S.p.A. is consolidated using the equity method because, under the agreements with the other shareholders, they are considered jointly controlled.
Issel Middle East Information Technology Consultancy LLC, which is 49% owned by Issel Nord S.r.l., is consolidated using the equity method because, under the agreements with the other shareholder, it is considered jointly controlled.
4TCC1 S.c.a.r.l., 5% owned by FINCANTIERI S.p.A. and 75% owned by Fincantieri SI S.p.A., is consolidated using the equity method because, under the agreements with the other shareholders, they are considered jointly controlled.
Power4Future S.p.A., 52% owned by Fincantieri SI S.p.A. is consolidated using the equity method because, under the agreements with the other shareholder, they are considered jointly controlled.

COMPANY NAME	Registered office	% owned	Carrying amount
Other investments in companies carried at fair value through comprehensive income			
Genova Industrie Navali S.p.A.	Italy	15	15,000
Consorzio CONAI	Italy	[1]	1
Consorzio MIB	Italy	[1]	2
Astaldi S.p.A.	Italy	[2]	4,539
Webuild S.p.A.	Italy	0.066	1,487
Banque Populaire Mediterranee	France	[3]	5
Distretto Ligure delle Tecnologie Marine S.c.a.r.l.	Italy	11.69	120
EEIG Euroyards	Brussels	14.29	10
International Business Science Company S.c.a.r.l.	Italy	22.22	10
MARETC FVG - Maritime Technology cluster FVG S.c.a.r.l.	Italy	17.29	65
SIIT - Distretto Tecnologico Ligure sui Sistemi Intelligenti Integrati S.c.p.a.	Italy	12.90	78
Consorzio MedITech - Mediterranean Competence Centre 4 Innovation	Italy	5.71	25
Consorzio IMAST S.c.a.r.l.	Italy	3.47	22
DigITAlog S.p.A. (formerly UIRNET S.p.A.)	Italy	0.10	10
Vimercate Salute S.p.A.	Italy	5	364
Empoli Salute S.p.A.	Italy	5	166
Summano Sanità S.p.A.	Italy	0.04	5
Banca Pisa e Fornacette	Italy	0.04	5
S.Ene.Ca S.r.l.	Italy	5	355
Total other investments in companies carried at fair value through comprehensive income			**22,269**
Other investments in companies carried at fair value through profit and loss			
Friulia S.p.A.	Italy	0.57	4,255
Other intangibles	Italy Romania Norway	-	142
Total other investments in companies carried at fair value through profit and loss			**4,397**

[1] Percentage interest not shown, as consortium membership is subject to continuous change.
[2] The investment in Astaldi S.p.A. represents 0.21% of the shares and 0.83% for the Participating Financial Instruments.
[3] The Share Capital is subject to continuous change, making it impossible to determine the percentage of interest.

Disclosures relating to investments in associates

The following is a summary of the economic and financial data of the PSC group, an associated company that is material for the Group at 31 December 2021 . The figures shown reflect amounts reported in the last financial statements approved by the company, prepared in accordance with Italian accounting standards.

PSC group

(euro/000)	31.12.2020
Balance sheet	
Current assets	325,464
Non-current assets	205,163
Current liabilities	261,096
Non-current liabilities	152,701
Statement of comprehensive income	
Revenue	255,810
Profit/(loss) for the year	(98,585)
OCI for the year	
Total comprehensive income	**(98,585)**
Reconciliation with carrying amount	
Equity	**114,124**
Interest @ 10%	11,412
Goodwill	
Other movements	(8,691)
Carrying amount	**2,721**

No dividends were received from PSC S.P.A. during 2021.
The shareholding in Island Offshore XII Ship AS relates to a Norwegian company of the VARD group operating in the chartering of offshore service vessels, which in turn wholly owns the companies Island Victory AS and Island Defender AS, also operating in the same segment. The assets of the company amount to euro 145 million while the equity amounts to euro 100 million. The difference between the share of shareholders' equity and the book value of the investment is due to the consolidation of the economic results of the subsidiaries.
With regard to investments in associates accounted for using the equity method, the following table reports the aggregate share of the profits and losses attributable to the Group for all associates that are not individually material.

(euro/000)	
Profit/(loss) for the year	(2,061)
Other comprehensive income	
Total comprehensive income	**(2,061)**

The accounting data for non-material associates have been prepared on the basis of the information made available by the investees.
At the reporting date, the Group has not undertaken commitments for financing relating to its investments in associates.

Disclosures relating to investments in joint ventures

The following tables present summarized financial information for Orizzonte Sistemi Navali S.p.A., a joint venture that at 31 December 2021 is material to the Group. The figures shown reflect amounts reported in the company's financial statements as adjusted for the Group's accounting policies.

Orizzonte Sistemi Navali S.p.A.

(euro/000)

	31.12.2021
Balance sheet	
Current assets	449,657
of which cash and cash equivalents	222,883
Non-current assets	195
Current liabilities	414,134
of which current financial liabilities	
Non-current liabilities	192
of which non-current financial liabilities	
Statement of comprehensive income	
Revenue	**445,946**
Depreciation, amortization and impairment	(71)
Interest income and expenses	(755)
Income taxes	(125)
Profit/(loss) for the year	**119**
OCI for the year	
Total comprehensive income	**119**
Reconciliation with carrying amount	
Equity	**35,526**
Interest @ 51%	18,118
Other movements	(536)
Carrying amount	**17,582**

No dividends were received from Orizzonte Sistemi Navali S.P.A during 2021.
With regard to investments in joint ventures accounted for using the equity method, the following table reports the aggregate share of the profits and losses attributable to the Group for all joint ventures that are not individually material. The figures shown reflect amounts reported in the financial statements of the individual companies.

(euro/000)

Profit/(loss) for the year	(1,815)
Other comprehensive income	
Total comprehensive income	**(1,815)**

The accounting data for non-material joint ventures have been prepared on the basis of the information made available by the investees.
At the reporting date, the Group has not assumed commitments for financing relating to its investments in joint ventures.

Note 10 - Non-current financial assets

These are analyzed as follows:

(euro/000)

	31.12.2021	31.12.2020
Receivables for loans to joint ventures	22,000	22,000
Derivative assets	5,939	3,703
Other non-current financial receivables	199,687	47,901
Non-current financial receivables from associates	28,625	26,381
Non-current financial assets	**256,251**	**99,985**

"Receivables for loans to joint ventures" relates to the shareholder loan made to the joint venture CSSC – Fincantieri Cruise Industry Development Ltd. for euro 22 million bearing a market rate of interest.
"Derivative assets" represent the reporting-date fair value of derivatives with a maturity of more than 12 months. Further details can be found in Note 4.
"Other non-current financial receivables" refer to loans to third parties and other investee companies bearing market rates of interest. The change is mainly due to the non-current portion of loans granted to third parties during the period.
In 2021, the Group committed to provide additional financing to third parties amounting to USD 45 million (approximately euro 40 million) during 2022.
"Non-current financial receivables from associates" relate to receivables for market rate loans disbursed to Group companies that are not consolidated on a line-by-line basis. The amount refers mainly to loans granted to associates of Vard Group AS (approximately euro 22 million). For more information on the counterparties, refer to Note 33 and the analysis of related party transactions.
It should be noted that, during 2021, the non-current financial receivables were subject to impairment of euro 16,222 thousand.

Note 11 - Other non-current assets

Other non-current assets are analyzed as follows:

(euro/000)

	31.12.2021	31.12.2020
Other receivables from investee companies	678	628
Government grants receivable	33,740	10,567
Firm commitments	1,924	4,520
Other receivables	11,074	11,226
OTHER NON-CURRENT ASSETS	**47,416**	**26,941**

Other non-current assets are all stated net of the related provision for impairment.
Government grants receivable report the non-current portion of state aid granted by governments in the form of tax credits. The amount is analyzed below by due date for recovery:

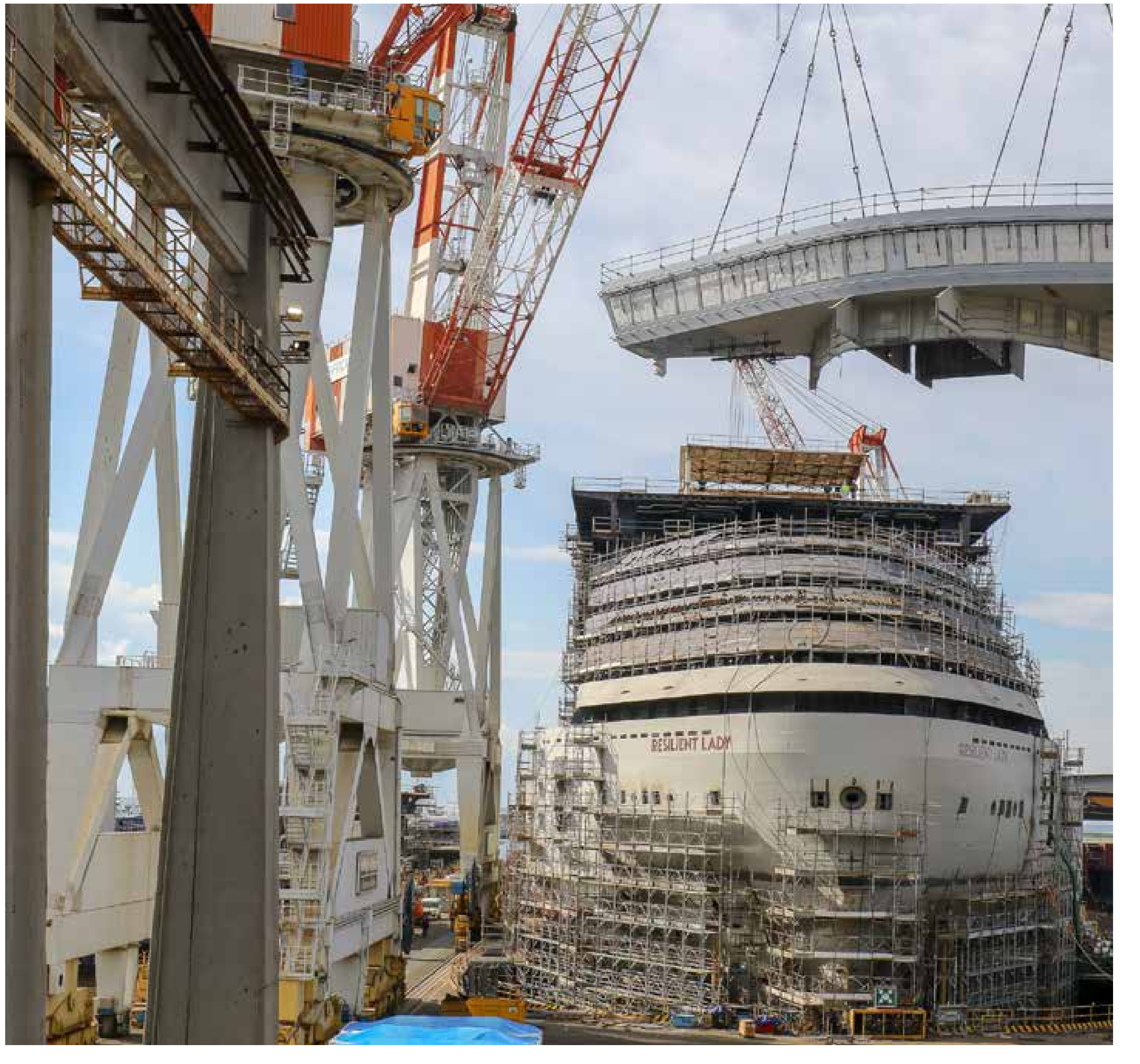
(euro/000)

	31.12.2021	31.12.2020
- between one and two years	4,457	
- between two and three years	5,005	
- between three and four years	11,846	4,621
- between four and five years	12,432	5,946
- beyond five years		
Total	**33,740**	**10,567**

“Firm commitments” of euro 1,924 thousand (euro 4,520 thousand at 31 December 2020) reflect the fair value of the hedged item, represented by the construction contracts in currencies other than the functional currency and therefore subject to exchange rate risk, and it is the subject of fair value hedge used by the VARD group. For considerations regarding credit risk, reference is made to Note 4.
“Other receivables” of euro 11,074 thousand (euro 11,226 thousand at 31 December 2020) mainly include the receivable from the Iraqi Ministry of Defence (euro 4,694 thousand). Please refer to the specific section on litigation in Note 33 for a more detailed explanation. The remaining balance of euro 6,381 thousand consists of security deposits, advances and other minor items.
The following table presents the amount of and movements in the provision for impairment of other non-current receivables:

(euro/000)

	Provision for impairment of other receivables
Balance at 1.1.2020	**8,188**
Business combinations	
Utilizations	
Increases/ (Releases)	
Total at 31.12.2020	**8,188**
Business combinations	394
Utilizations	
Increases/ (Releases)	130
Total at 31.12.2021	**8,712**



Note 12 - Deferred tax assets and liabilities

Deferred tax assets are analyzed as follows:

(euro/000)

	Sundry impairment losses	Provisions for risks and charges - Product warranty	Provisions for risks and charges - Other risks and charges	Fair value of derivatives	Actuarial valuation employee severance benefit	Loss carried forward	Other temporary differences	Total
1.1.2020	**24,847**	**7,610**	**10,536**	**2,275**	**3,872**	**18,146**	**31,735**	**99,021**
Changes in 2020								
- business combinations						(242)		(242)
- through profit or loss	2,341	408	(3,600)		(95)	1,137	15,182	15,373
- impairment losses	(3,874)		(2,051)	(1,141)		(6,913)	(1,918)	(15,897)
- through other comprehensive income	(5,632)			892	111			(4,629)
- tax rate and other changes	492	1	68	(40)	86	(1,553)	(10,401)	(11,347)
- exchange rate differences	(867)	(28)	(233)	(102)		(954)	(2,132)	(4,316)
31.12.2020	**17,307**	**7,991**	**4,720**	**1,884**	**3,974**	**9,621**	**32,466**	**77,963**
Changes in 2021								
- business combinations						215		215
- through profit or loss	11,644	4,189	534		(311)	2,230	10,199	28,485
- impairment losses								
- through other comprehensive income				(657)	386			(271)
- tax rate and other changes	256	23	1		(1)		(294)	(15)
- exchange rate differences	166	15	4			262	2,357	2,804
31.12.2021	**29,373**	**12,218**	**5,259**	**1,227**	**4,048**	**12,328**	**44,728**	**109,181**

Deferred tax assets have been recognized on items for which the tax is likely to be recovered against forecast future taxable income of Group companies.
Other temporary differences refer to deferred tax assets set aside against future tax benefits associated with optional tax regimes referring to US subsidiaries, elimination of merger/transfer differences, and other income items with deferred deductibility.
No deferred tax assets have been recognized on euro 228 million (euro 124 million at 31 December 2020) in carry forward losses of subsidiaries which are thought unlikely to be recovered against future taxable income.

Deferred tax liabilities are analyzed as follows:

(euro/000)

	Deferred taxes from business combinations	Other temporary differences	Total
1.1.2020	**42,312**	**12,037**	**54,349**
Changes in 2020			
- business combinations		(83)	(83)
- through profit or loss	(2,600)	2,232	(368)
- impairment losses			
- through other comprehensive income			
- tax rate and other changes	(4,374)	4,368	(4)
- exchange rate differences	(2,263)	(1,102)	(3,366)
31.12.2020	**33,075**	**17,453**	**50,527**
Changes in 2021			
- business combinations	8,986	2,171	11,157
- through profit or loss	(6,859)	12,169	5,310
- impairment losses			
- through other comprehensive income			
- tax rate and other changes	4,224	(4,319)	(95)
- exchange rate differences	1,687	1,514	3,201
31.12.2021	**41,113**	**28,988**	**70,101**

The deferred tax liabilities for business combinations relate to differences arising when allocating purchase price with regard to: i) intangible assets with indefinite useful lives, primarily client relationships and order backlog; ii) industrial plant, machinery and equipment.
The other temporary differences include the difference between book and fiscal values of fixed assets, mainly for the American subsidiaries.

Note 13 - Inventories and advances

These are analyzed as follows:

(euro/000)

	31.12.2021	31.12.2020
Raw materials and consumables	367,271	322,635
Work in progress and semi-finished goods	45,987	29,092
Finished products	25,597	30,730
Total inventories	**438,855**	**382,457**
Advances to suppliers	446,833	499,042
Total inventories and advances	**885,688**	**881,499**

Inventories and advances are stated net of relevant provisions for impairment.
The amount recorded for Raw materials and consumables basically represents the volume of stock considered sufficient to ensure the normal conduct of production activities.
Work in progress and semi-finished goods and finished products include some of the subsidiary VARD's naval vessels, recorded among inventories for euro 30.7 million following the cancellation of orders by shipowners in previous years, as well as the manufacture of engines and spare parts.
The following table presents the amount of and movements in such provisions for impairment:

(euro/000)

	Provision for impairment - raw materials	Provision for impairment - work in progress and semi-finished goods	Provision for impairment - finished products
1.1.2020	**13,644**	**1,874**	**9,751**
Increases	1,656	2,566	2,972
Utilizations	(1,253)		(486)
Releases	(82)		
Exchange rate differences	(32)	(336)	(882)
31.12.2020	**13,933**	**4,104**	**11,356**
Provisions	3,205		3,446
Utilizations	(2,321)		(20)
Releases	(1,737)	(2,168)	
Business combinations	623	1,372	107
Exchange rate differences	(7)	201	1,080
31.12.2021	**13,696**	**3,509**	**15,969**

"Provision for impairment - raw materials" includes the adjustments made to align the carrying amount of slow-moving materials still in stock at year end with the estimated realizable value.
With reference to the vessels of the subsidiary VARD in inventories, the Provision for impairment for work in progress was reduced by euro 2.1 million and the Provision for impairment for finished products was increased by euro 3.1 million to adjust the net book value to the estimated realizable value, also based on ongoing sales negotiations.

Note 14 - Contract assets

These are analyzed as follows:

(euro/000)

	31.12.2021			31.12.2020		
	Construction contracts - gross	Invoices issued and provision for expected losses	Construction contracts - net assets	Construction contracts - gross	Invoices issued and provision for expected losses	Construction contracts - net assets
Shipbuilding contracts	8,056,426	(5,442,346)	2,614,080	8,875,235	(5,775,191)	3,100,044
Other contracts for third parties	372,933	(348,067)	24,866	289,581	(265,071)	24,510
Total	**8,429,359**	**(5,790,413)**	**2,638,946**	**9,164,816**	**(6,040,262)**	**3,124,554**

This item reports those contracts where the value of the contract's stage of completion exceeds the amount invoiced to the client. The stage of completion is determined as the costs incurred to date plus recognized margins less any expected losses.
As already stated in the Report on Operations, some payment extensions were granted to shipowners in the order of euro 225 million in 2021.
With reference to the performance obligations still to be met, please refer to the information provided in Note 28 on revenue and income.

Note 15 - Trade receivables and other current assets

These are analyzed as follows:

(euro/000)

	31.12.2021	31.12.2020
Trade receivables	935,578	600,823
Receivables from controlling companies (tax consolidation)	2,339	35,773
Receivables from related parties		741
Government grants receivable	26,617	3,116
Other receivables	172,083	211,407
Indirect tax receivables	63,892	57,962
Firm commitments	5,285	10,489
Accrued income	79,401	62,806
Prepayments	142	273
Total trade receivables and other current assets	**1,285,337**	**983,390**

The above receivables are shown net of provisions for the impairment of receivables. These provisions relate to receivables that are no longer considered fully recoverable, including those involving legal action and judicial and out-of-court proceedings in cases of debtor default, also taking into account the estimate of any expected losses. It should be noted that Fincantieri is owed amounts by Astaldi which has an arrangement with creditors in progress. The recoverable amount of this credit has been calculated at around euro 18 million, including on the basis of reimbursements received and expected from the Fondo Salva Opere . This claim is disputed and Fincantieri has undertaken legal action to protect it. Based on the opinion of the legal counsel engaged, the Company is confident that its claims will be accepted and on this basis it believes that the value recorded in the accounts is recoverable. A provision for interest charged on past due trade receivables has been recognized in a "Provision for past due interest". Provisions for impairment of receivables report the following amounts and movements:

(euro/000)

	Provision for impairment of trade receivables	Provision for past due interest	Provision for impairment of other receivables	Total
1.1.2020	**31,814**	**63**	**6,797**	**38,686**
Business combinations				
Utilizations	(2,122)		(195)	(2,317)
Increases	4,483		3,737	8,220
Releases	(87)			(87)
Exchange rate differences	(55)			(55)
31.12.2020	**34,045**	**63**	**10,339**	**44,447**
Business combinations	13,908	77	523	14,508
Utilizations	(6,505)	50	(631)	(7,086)
Provisions	20,972		3,614	24,586
Releases	(301)	(6)		(307)
Exchange rate differences	83		5	88
31.12.2021	**62,202**	**184**	**13,850**	**76,236**

For considerations regarding Credit Risk, reference is made to Note 4.
"Government grants receivable" of euro 26,617 thousand mainly include grants receivable by the Parent Company and the subsidiary Cetena for research and innovation and the receivables recognized by the FMGH group for operating and capital grants from the state of Wisconsin for the LCS project.
"Other receivables" of euro 172,083 thousand mainly refer to:

- receivables for supplies on behalf of shipowners (euro 55,163 thousand), for insurance compensation (euro 7,829 thousand), other receivables from suppliers (euro 6,295 thousand), various receivables from personnel (euro 8,791 thousand), for research grants, and other sundry receivables, mainly relating to the Parent Company, totalling euro 167,904 thousand (euro 208,512 thousand at 31 December 2020);
- receivables from social security institutions for euro 1,572 thousand (euro 2,172 thousand at 31 December 2020), most of which advances paid to employees for accidents and amounts owed by INPS (the Italian social security administration) in respect of the Wage Guarantee Fund.

"Indirect tax receivables" of euro 63,892 thousand (euro 57,962 thousand at 31 December 2020) mainly refer to claims for VAT refunds or set-off, to indirect foreign taxes and claims for customs duty refunds from the Italian Customs Authority.
"Firm commitments" of euro 5,285 thousand (euro 10,489 thousand at 31 December 2020) reflect the fair value of the hedged item, represented by the construction contracts in currencies other than the functional currency and therefore subject to exchange rate risk, and is covered by a fair value hedge used by the VARD group.
"Prepayments" mainly refer to insurance premiums and other expenses relating to future periods.

Note 16 - Income tax assets

(euro/000)

	31.12.2021	31.12.2020
Italian corporate income taxation (IRES)	2,857	1,749
Italian regional tax on productive activities (IRAP)	482	4,309
Foreign tax	11,315	5,843
Other substitute taxes	50	
Total income tax assets	**14,704**	**11,901**

The provision for impairment of income tax assets reports the following amounts and movements:

(euro/000)

	Provision for impairment of income tax assets
Balance at 1.1.2020	**188**
Increases	
Releases	
Utilizations	3
Total at 31.12.2020	**185**
Increases	
Releases	
Utilizations	(185)
Total at 31.12.2021	**-**

Note 17 - Current financial assets

These are analyzed as follows:

(euro/000)

	31.12.2021	31.12.2020
Derivative assets	15,301	9,274
Other receivables	131,292	69,125
Current financial receivables from associates and joint ventures	917	394
Government grants financed by BIIS		131
Accrued interest income	14,808	6,413
Prepaid interest and other financial expense	621	54
Total current financial assets	**162,939**	**85,391**

"Derivative assets" represent the reporting-date fair value of derivatives with a maturity of less than 12 months. The fair value of derivative financial instruments has been calculated considering market parameters and using widely accepted measurement techniques (Level 2). Further details can be found in Note 4.
"Other receivables" refers to loans to third parties on which interest accrues at market rates of interest, and is increased by disbursements made during the course of the year (see Note 10 for the non-current portion). During 2021, these financial receivables were subject to impairment of euro 8,983 thousand.

Note 18 - Cash and cash equivalents

These are analyzed as follows:

(euro/000)

	31.12.2021	31.12.2020
Bank and postal deposits	1,235,989	1,274,487
Checks		
Cash on hand	191	155
Total cash and cash equivalents	**1,236,180**	**1,274,642**

Cash and cash equivalents at period end include euro 2,999 thousand in term bank deposits, for which there is a contractual provision for prompt disposal; the remainder refers to the balances on current accounts held with a number of banks.

Note 19 - Equity

Equity attributable to owners of the parent

The composition of equity is analyzed in the following table:

(euro/000)

	31.12.2021	31.12.2020
Attributable to owners of the parent		
Share Capital	862,981	862,981
Reserve of own shares	(2,967)	(4,473)
Share premium reserve	110,499	110,499
Legal reserve	58,805	58,757
Cash flow hedge reserve	(4,013)	(9,812)
Financial asset fair value reserve through Other Comprehensive Income	(398)	(398)
Currency translation reserve	(124,496)	(155,043)
Other reserves and retained earnings	(103,607)	138,774
Profit/(loss) for the year	21,778	(240,057)
	818,582	**761,468**
Attributable to non-controlling interests		
Capital and reserves	7,310	13,393
Financial asset fair value reserve through Other Comprehensive Income	(7)	(7)
Currency translation reserve	8,315	6,177
Profit/(loss) for the year	37	(4,463)
	15,655	**15,100**
Total equity	**834,237**	**776,568**

Share Capital

The Share Capital of FINCANTIERI S.p.A. amounts to euro 862,980,725.70, fully paid-up, divided into 1,699,651,360 ordinary shares (including 3,012,414 own shares in portfolio), with no par value.
On 10 June 2021, the Board of Directors approved the closure of the third cycle of the "Performance Share Plan 2016-2018" incentive plan, allocating 1,528,027 ordinary Fincantieri shares to beneficiaries free of charge, following verification of the degree to which the specific performance objectives originally set (EBITDA with a weighting of 70% and the "Total Shareholder Return" with a weighting of 30%) had been achieved. The allocation of shares took place, using solely own shares in portfolio, on 2 July 2021.
As at 31 December 2021, 71.32% of the Company's Share Capital of 862,980,725.70 euros is held, through the subsidiary CDP Industria S.p.A., by Cassa Depositi e Prestiti (CDP) S.p.A., a company controlled by the Ministry of Economy and Finance. The remainder of Share Capital was distributed between a number of private investors (none of whom held significant interests of 3% or above) and own shares (of around 0.18% of shares representing the Share Capital).

Reserve of own shares

The reserve is negative for euro 2,967 thousand and comprises the value of the own shares for the Company's incentive plans called "Performance Share Plan" (described in more detail in Note 30).
The Shareholders' Meeting held on 8 April 2021, revoking previous resolutions, authorized the Board of Directors to purchase, on one or more occasions, for a period of eighteen months from the date of the Meeting, ordinary shares of FINCANTIERI S.p.A. for the following purposes: (i) to service the share-based incentive plans approved by the Company or by its subsidiaries; (ii) to meet the obligations arising from debt instruments convertible into equity instruments; (iii) to carry out activities to support market liquidity; (iv) to set up a stock of shares to sell, dispose of and/or utilize as own shares, in line with the strategies that the Company intends to pursue, in the context of extraordinary transactions; and (v) to operate on the market in the medium and long term, also with the purpose of establishing long-term equity investments or as part of transactions related to current operations, or to reduce the average cost of the Company's capital or to seize opportunities that may arise from market trends to maximize the value of the share. No purchases were made in 2021.
As reported in the commentary on the Share Capital, following the Board of Directors' resolution of 10 June 2021 to allocate shares under the third cycle of the "Performance Share Plan 2016-2018", 1,528,027 own shares in portfolio (net of shares withheld to satisfy tax obligations of the recipients) were allocated with a value of euro 1,505 thousand. The delivery of the shares took place on 2 July 2021.
The number of shares issued is reconciled to the number of shares outstanding in the Parent Company at 31 December 2021.

	N° shares
Ordinary shares issued	1,699,651,360
less: own shares purchased	(4,540,441)
Ordinary shares outstanding at 31.12.2020	**1,695,110,919**
Changes in 2021	
plus: Ordinary shares issued	
plus: own shares allocated	1,528,027
less: own shares purchased	
Ordinary shares outstanding at 31.12.2021	**1,696,638,946**
Ordinary shares issued	1,699,651,360
less: own shares purchased	(3,012,414)

Share premium reserve

This reserve has been recorded as a result of the capital increase accompanying the Company's listing on the Mercato Telematico Azionario (MTA) of Borsa Italiana S.p.A. on 3 July 2014. Listing costs of euro 11,072 thousand (net of tax effects) referring to the capital increase have been accounted for as a deduction from the share premium reserve, in compliance with IAS 32.

Cash flow hedge reserve

The cash flow hedge reserve reports the change in the effective portion of derivative hedging instruments measured at fair value; movements in the cash flow hedge reserve are shown in Note 4.

Currency translation reserve

The currency translation reserve reflects exchange differences arising from the translation into Euro of financial statements of foreign operations prepared in currencies other than the Euro.

Other reserves and retained earnings

These mainly comprise: i) surplus earnings after making allocations to the legal reserve and distributions in the form of shareholder dividends; ii) actuarial gains and losses on employee benefit plans; iii) the reserve for the share-based incentive plan for management.
The Ordinary Shareholders' Meeting held on 8 April 2021 resolved to allocate the net profit for the year 2020 of euro 963 thousand, of which euro 48 thousand to the legal reserve and euro 915 thousand to the extraordinary reserve.
The Reserve to cover the issue of shares amounts to euro 3,842 thousand and was set up by resolution of the Board of Directors on 27 June 2019 for the issue of shares to allocate to employees during the payout of the first cycle of the incentive plan "Performance Share Plan 2016-2018", through the reclassification from the reserves of available earnings and more specifically from the extraordinary reserve.
The reserve related to the management share incentive plan, amounting to euro 9,796 thousand, changed in 2021 by euro 6,576 thousand as a result of the portion recorded in the costs of personnel and directors of the Company for beneficiaries of the plan and by euro (4,397) thousand for the portion reclassified to increase revenue reserves following the settlement of the 3rd cycle of the "Performance Share Plan 2016-2018" incentive plan. For further details on the incentive plan, please refer to Note 33 – Other information, in the section "Medium/long-term incentive plan".
The decrease mainly relates to the carry forward of the 2020 loss. In addition, the Group's reserves decreased as a result of the acquisition of minority shareholdings made during the year and the recognition of put options granted to minority shareholders accounted for as an adjustment to Group equity as they were negotiated outside the business combination transactions.

Non-controlling interests

The change with respect to 31 December 2020 is attributable to the increase in the translation reserve for non-controlling interests, partially offset by the decrease linked to the acquisition of the minority interests in the VARD group which took place in the period.

Other comprehensive income/losses

The amount of other comprehensive income/losses, presented in the statement of comprehensive income, is as follows:

(euro/000)

	31.12.2021			31.12.2020		
	Gross amount	Tax (expense)/ benefit	Net amount	Gross amount	Tax (expense)/ benefit	Net amount
Effective portion of profits/(losses) on cash flow hedging instruments	6,456	(657)	5,799	(243)	892	649
Gains/(losses) from remeasurement of employee defined benefit plans	(1,768)	386	(1,382)	(575)	111	(464)
Gains/(losses) arising from changes in OCI of investments accounted for using the equity method						
Gains/(losses) arising on translation of financial statements of foreign operations	32,396		32,396	(25,255)	(5,632)	(30,887)
Total other comprehensive income/(losses)	**37,084**	**(271)**	**36,813**	**(26,073)**	**(4,629)**	**(30,702)**

(euro/000)

	31.12.2021	31.12.2020
Effective portion of profits/(losses) arising in period on cash flow hedging instruments	(5,191)	(11,647)
Effective portion of profits/(losses) on cash flow hedging instruments reclassified to profit or loss	11,647	11,404
Effective portion of profits/(losses) on cash flow hedging instruments	**6,456**	**(243)**
Tax effect of other components of comprehensive income	**(657)**	**892**
Total other comprehensive income/(losses), net of tax	**5,799**	**649**

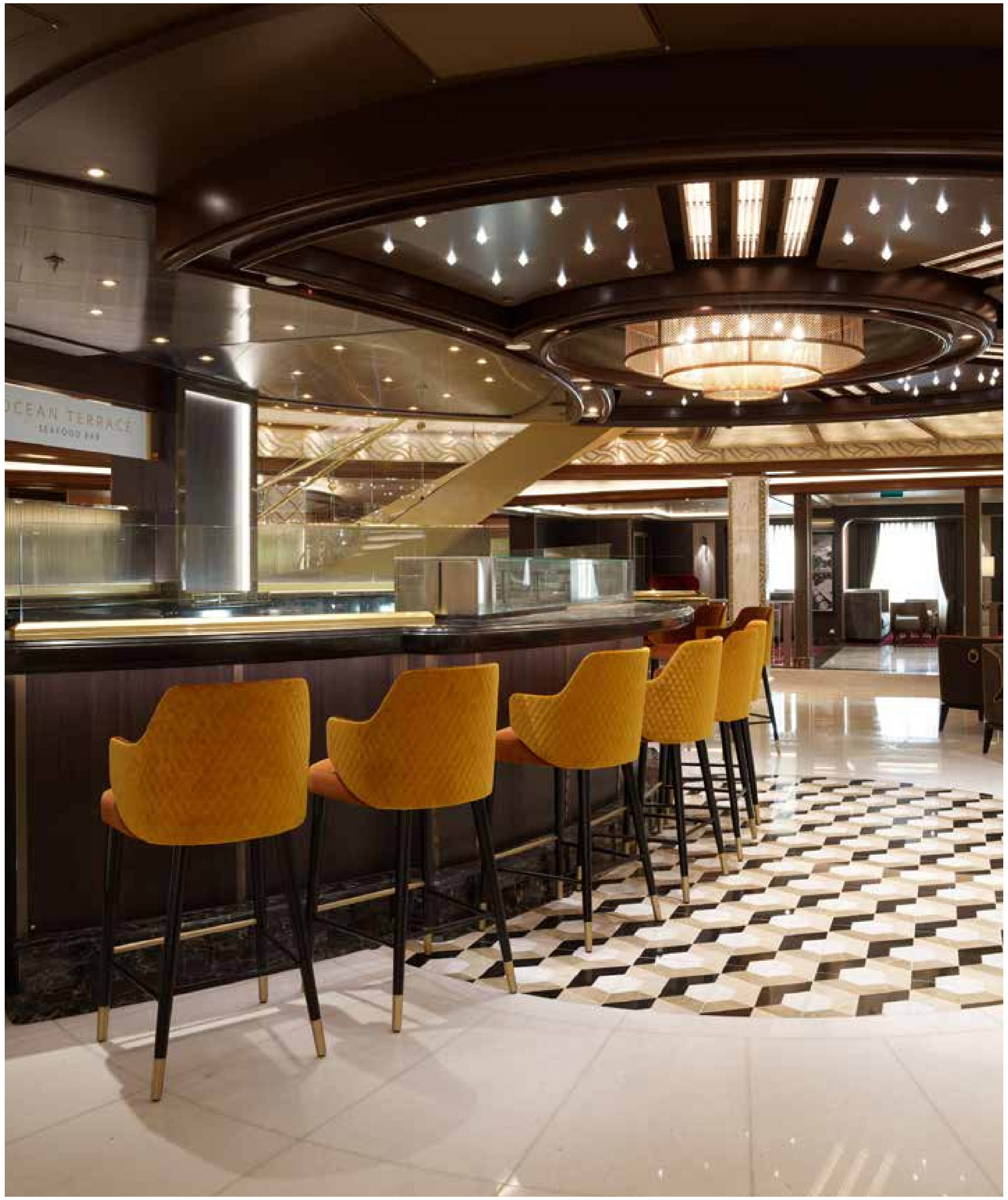
Note 20 - Provisions for risks and charges

These are analyzed as follows:

(euro/000)

	Litigation	Product warranty	Onerous contracts	Business reorganization	Other risks and charges	Total
1.1.2020	**29,291**	**37,541**		**4,161**	**17,632**	**88,625**
Business combinations					74	74
Risk provisions	45,564	25,419			5,899	76,882
Utilizations	(58,821)	(17,693)		(1,849)	(5,674)	(84,037)
Releases	(353)	(5,949)			(74)	(6,376)
Other movements	(2)				(691)	(693)
Exchange rate differences	(631)	(627)		(286)	(379)	(1,923)
31.12.2020	**15,048**	**38,691**		**2,026**	**16,787**	**72,552**
Business combinations	1,500	31	40,388		6,923	48,842
Provisions for onerous contracts			57,461			57,461
Risk provisions	51,140	43,681			4,312	99,133
Utilizations	(47,088)	(20,184)	(1,935)	(807)	(3,480)	(73,494)
Releases	(150)	(4,486)			(3,478)	(8,114)
Other movements	(378)	(4)		(1)	45	(338)
Exchange rate differences	38	459		84	180	761
31.12.2021	**20,111**	**58,188**	**95,914**	**1,302**	**21,288**	**196,803**
- of which non-current portion	19,126	48,338			18,813	86,277
- of which current portion	985	9,850	95,914	1,302	2,475	110,526

Increases in the litigation provision mainly refer to: i) precautionary provisions for claims brought by employees, authorities or third parties for damages arising from asbestos exposure; ii) other provisions for litigation with employees and suppliers and for other legal proceedings. Utilization of the provision for litigation refers mainly to compensation in the asbestos-related lawsuits brought by employees, authorities or third parties.
The item "Provisions for onerous contracts" includes the amount of estimated losses to completion with respect to existing construction contracts. Provisions for/utilization of the provision for onerous contracts are included in the item "Change in Contract assets and liabilities" included in operating revenue in Note 28.
Other changes refer to the reclassification of provisions for income tax risks from "Other risks and charges" to "Income tax liabilities".
The "Product warranty" provision includes amounts set aside for the estimated cost of carrying out work under contractual guarantee after vessel delivery. The warranty period normally lasts for 1 or 2 years after delivery. The increase in this item compared to the previous year is due to provisions in relation to the significant number of vessels delivered during the year.
The "Business reorganization" provision has been set aside in previous periods for the cost of the reorganization programmes initiated by VARD in its Norwegian shipyards, which have led to utilization of about euro 807 thousand during 2021.
The provisions for "Other risks and charges" include the provisions to cover the risks of environmental remediation (euro 5,208 thousand) and losses on investments in non-consolidated companies (euro 4,625 thousand), for which euro 471 thousand was allocated in 2021 to "Investment expenses". The residual balance relates to provisions for risks related to various kinds of disputes, mostly of a contractual, technical or fiscal nature, which might be settled at the Group's expense either in or out of court.
More information can be found in Note 33.



Note 21 - Employee benefits

Movements in this line item are as follows:

(euro/000)

	31.12.2021	31.12.2020
Opening balance	**59,692**	**60,066**
Business combinations	4,153	270
Interest cost	339	540
Actuarial (gains)/losses	1,834	575
Utilizations for benefits and advances paid	(3,106)	(2,467)
Staff transfers and other movements	776	708
Exchange rate differences		
Closing balance	**63,688**	**59,692**
Plan assets	(5)	(5)
Closing balance	**63,683**	**59,687**

The balance at 31 December 2021 of euro 63,683 thousand is mainly comprised of the employee severance benefit pertaining to the Group's Italian companies (euro 63,669 thousand).
The amount of Italian employee severance benefit recognized in the financial statements is calculated on an actuarial basis using the projected unit credit method; the discount rate used by this method to calculate the present value of the defined benefit obligation reflects the market yield on bonds with the same maturity as that expected for the obligation. The assumptions adopted are as follows:

	31.12.2021	31.12.2020
Economic assumptions		
Cost of living increase	1.75%	0.80%
Discount rate	0.98%	0.34%
Increase in employee severance benefit	2.81%	2.10%
Demographic assumptions		
Expected mortality rate	RG48 mortality tables published by the State Accounting Office	RG48 mortality tables published by the State Accounting Office
Expected invalidity rate	INPS tables split by age and gender	INPS tables split by age and gender
Expected resignation rate	3.0%	3.0%
Expected rate of advances on employee severance benefit	2.0%	2.0%

Reasonable variations in the parameters used do not have any significant impact on the estimated liability.

The table below shows the expected payouts for Italian employee severance benefits in years to come:

(euro/000)

	Expected payments
Within 1 year	4,174
Between 1 and 2 years	3,965
Between 2 and 3 years	4,221
Between 3 and 4 years	3,688
Between 4 and 5 years	3,935
Total	**19,983**

The Group paid a total of euro 40,668 thousand into defined contribution plans in 2021 (euro 38,369 thousand in 2020).

Note 22 - Non-current financial liabilities

These are analyzed as follows:

(euro/000)	31.12.2021	31.12.2020
Bank loans and credit facilities - non-current portion	1,765,354	2,031,822
Liabilities to other lenders	27,562	20,443
Financial liabilities for leasing IFRS 16 – non-current portion	101,246	72,180
Fair value of options on equity investments	13,377	8,862
Derivative liabilities	6,298	26,344
Total non-current financial liabilities	**1,913,837**	**2,159,651**

At 31 December 2021, a non-current portion of euro 279 million of bank loans maturing in the next 12 months was reclassified to the current portion.
"Financial liabilities for leasing IFRS 16 – non-current portion" refers to the non-current portion of the financial liability for lease payments falling within the scope of IFRS 16. For the current portion see Note 27. Note 7 contains details on related rights of use.
The increase in the item "Fair value of options on equity investments" is due to the recognition of liabilities to minority shareholders of Team Turbo Machines SAS, IDS Ingegneria dei Sistemi S.p.A. and Fincantieri INfrastrutture SOciali S.p.A. following the put options granted to them as part of the acquisition of the subsidiaries.
"Derivative liabilities" represent the reporting-date fair value of derivatives with a maturity of more than 12 months (Level 2).

Bank loans and credit facilities

The following table shows the breakdown of bank loans and credit facilities, indicating the non-current and current portions:

(euro/000)	31.12.2021	31.12.2020
Banca Nazionale del Lavoro	400,000	400,000
UniCredit	292,604	293,066
Bayerische Landesbank	271,000	300,000
Intesa Sanpaolo	230,022	103,853
Banca Popolare dell'Emilia Romagna	208,333	165,000
Banca BPM	190,000	190,000
Banca di Sondrio	100,000	100,000
Banco do Brazil	66,045	62,530
Monte dei Paschi	62,500	67,500
China Construction Bank	60,000	60,000
Mediobanca	50,000	50,000
Banca Mediocredito del Friuli Venezia Giulia	30,000	32,800
Bank of China	30,000	30,000
Cassa Depositi e Prestiti	20,771	30,376
Credito Valtellinese	20,047	38,051
BNP Paribas	17,500	17,500
UBI Banca		198,862
Friuladria		25,000
Innovation Norway		5,364
Other loans and credit facilities	(14,213)	(18,904)
Total bank loans and credit facilities	**2,034,609**	**2,150,998**
Non-current portion	1,765,354	2,031,822
Current portion	269,255	119,176

The exposure to Banca Nazionale del Lavoro refers to a medium/long-term unsecured loan taken out in 2018 by the Parent Company and converted in December 2021 into a "sustainability-linked" loan whose cost can vary based on the achievement of specific Key Performance Indicators (KPIs) in the Sustainability Plan 2018-2022 of the Company, for euro 100 million, repayable in a single instalment in July 2023 and to the portion of the loan pursuant to Decree Law No. 23 of 2020 entered into with the bank for euro 300 million.
The exposure to Unicredit mainly refers to the portion of the loan pursuant to Decree Law No. 23 of 2020 entered into with the bank for euro 292.5 million and disbursed to the Parent Company in October 2020. The residual part refers to the portion an unsecured medium/long-term loan taken out by Fincantieri NexTech S.p.A, the first entered into in September 2017 for a total amount of euro 1 million repayable in quarterly instalments ending in June 2022.
The exposure to Bayerische Landesbank relates to four medium/long-term loans taken out by the Parent Company. In September 2018 a loan for 75 million was disbursed, repayable in a single instalment in September 2023. In November 2018 two other loans called "Schuldschein" were taken out with the bank acting as Arranger and Paying Agent: the first for euro 29 million with a duration of 3 years (expired November 2021) and the second for euro 71 million with a duration of 5 years (expiry November 2023), repayable in a single instalment. "Schuldschein" loans are debt instruments which are privately placed by an arranger bank with professional investors. Unlike normal syndicated loans, the loan is securitized in a note (Schuldschein) which is then transferred to the investors. It should also be noted that Bayerische Landesbank disbursed a loan in August 2019 for euro 50 million, repayable in a single instalment in July 2022. In October 2020, a loan for euro 75 million was entered into with Bayerische Landesbank under Decree Law No. 23 of 2020.

The exposure to Intesa Sanpaolo refers to a medium/long-term unsecured loan taken out by the Parent Company and disbursed in August 2018 for euro 100 million, repayable in a single instalment in July 2023. In addition, with the same bank, the ordinary portions of three loans relating to technological innovation projects pursuant to Law 46/1982, taken out in 2014, called "Environmental Logistics", "Payload" and "Production Engineering" for a total of euro 3,853 thousand were fully disbursed between 2015 and 2018. These loans are expected to be repaid between 2022 and 2024.
The exposure to Banca Popolare dell'Emilia Romagna refers to the residual debt of FINCANTIERI S.p.A.'s two unsecured medium/long-term loans; the first was entered into in 2018 for a total amount of euro 30 million, repayable in six semi-annual instalments starting in July 2019 and ending in January 2022, while the second was entered into in August 2018 for a euro 50 million, repayable in six semi-annual instalments starting in February 2021 and ending in August 2023. Also, in October 2020, the Parent Company took out a loan for euro 100 million with Banca Popolare dell'Emilia Romagna under Decree Law No. 23 of 2020.
In December 2016, UBI Banca granted the Parent Company the first ordinary portion, euro 1,617 thousand, of a loan agreed in 2014 for euro 2,021 thousand for an innovation project under Law 46/1982 called "Environment"; this amount will be repaid in semi-annual instalments due between 2021 and 2024. In October 2020, the Parent Company took out a loan for euro 125 million with UBI Banca under Decree Law No. 23 of 2020. These loans are included in Intesa Sanpaolo's exposure following the merger by incorporation of UBI Banca. Finally, in March 2020, the bank granted the Parent Company a new medium/long-term unsecured loan for euro 70 million, repayable in a single instalment in March 2023. In February 2021, UBI Banca sold this position to Banca Popolare dell'Emilia Romagna.
In May 2020, Banco BPM granted the Parent Company a medium/long-term unsecured loan for euro 50 million, repayable in a single instalment in May 2025. Also, in October 2020, the Parent Company took out a loan for euro 140 million with Banco BPM under Decree Law No. 23 of 2020.
The exposure to Banca Popolare di Sondrio refers to the portion of the loan taken out by the Parent Company with the bank under Decree Law No. 23 of 2020 amounting to euro 100 million.
The exposure to Banco do Brasil, relating to Vard Promar SA, relates to a loan to support the construction of the Suape yard, which is pledged as collateral for the loan. The residual amount at 31 December 2021 amounts to euro 66 million.
The exposure to Monte dei Paschi di Siena relates to the residual debt on a medium/long-term unsecured loan disbursed to the Parent Company in July 2020 for euro 70 million, repayable in semi-annual instalments ending in June 2023.
In March 2020, China Construction Bank granted the Parent Company a new medium/long-term unsecured loan for euro 60 million, repayable in a single instalment in March 2023.
In March 2020, Mediobanca granted the Parent Company a new medium/long-term unsecured loan for euro 50 million, repayable in a single instalment in March 2023.
In February 2019, the Parent Company took out an unsecured medium-long term loan with Banca Mediocredito del Friuli Venezia Giulia, disbursed in the same month for euro 30 million, repayable in a single instalment in February 2022.
In May 2019, the Parent Company took out a medium/long-term unsecured loan with the Bank of China for euro 30 million, repayable in a single instalment in May 2024.
The exposure to Cassa Depositi e Prestiti refers to five soft loans received by the Parent Company under the "revolving fund in support of businesses and investment in research" (the "Fund"), established under Law 311 of 30 December 2004, for the "Superpanamax cruise ship" development project under Law 46/1982 and for four technological innovation projects under Law 46/1982 known as "Environmental Logistics", "Payload", "Production Engineering" and "Environment".
The following loans have been granted to the Parent Company under this Fund through the Cassa Depositi e Prestiti:

- for the "Superpanamax cruise ship" project, a fully disbursed loan for euro 12,217 thousand. The loan is unsecured and must be repaid in semi-annual instalments by 30 June 2022;
- for the "Ecomos" project, a fully disbursed loan for euro 10,818 thousand. The loan is unsecured and must be repaid in semi-annual instalments by 30 June 2024;
- for the "Payload" project, a fully disbursed loan for euro 13,043 thousand. The loan is unsecured and must be repaid in semi-annual instalments by 30 June 2024;
- for the "Project Engineering" project, a fully disbursed loan for euro 10,822 thousand. The loan is unsecured and must be repaid in semi-annual instalments by 30 June 2024;
- for the "Environmental" project, a loan for up to euro 18,192 thousand, of which euro 14,554 thousand was disbursed by the end of 2016. The loan is unsecured and must be repaid in semi-annual instalments by 30 June 2024;
- the Parent Company has an exposure to Credito Valtellinese consisting of the residual debt on a medium/long-term unsecured loans for euro 30 million disbursed in 2018 and repayable, after a grace period of 36 months, in 3 semi-annual instalments ending in September 2022;
- the exposure to BNP Paribas refers to the portion of the loan taken out by the Parent Company with the bank under Decree Law No. 23 of 2020 amounting to euro 17.5 million.

The item "Bank loans and credit facilities - non-current portion" is detailed below by year of maturity:

(euro/000)

	31.12.2021			31.12.2020		
	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
- between one and two years	407,388	781,546	1,188,934	40,462	224,190	264,832
- between two and three years	8,871	462,808	471,679	403,351	783,154	1,186,505
- between three and four years	55,541	100	55,641	4,380	462,355	466,735
- between four and five years	6,233	100	6,333	50,377	96	50,473
- beyond five years	42,492	275	42,767	62,919	358	63,277
Total	**520,525**	**1,244,829**	**1,765,354**	**561,669**	**1,470,153**	**2,031,822**

See Note 33 for the disclosures required by IAS 7 about changes in current and non-current financial liabilities.
It should be noted that there are no covenant clauses included in the loan agreements. In addition, for existing loan agreements, no events occurred during the year that would trigger accelerated repayment clauses.

Liabilities to other lenders

The item "Liabilities to other lenders" includes euro 7,733 thousand for the amount owed to Esseti – Sistemi e Tecnologie Holding S.r.l. for the payment in instalments of part of the shares of the subsidiary Fincantieri NexTech S.p.A. acquired in 2020 in implementation of the agreements with the minority shareholders. This liability was reclassified at 31 December 2021 under "Other current financial liabilities" for euro 6,733 thousand, equal to the portion due in 2022. The item includes euro 14,950 thousand for the payable to the extraordinary commissioners for the payment of the price for the acquisition of the business unit owned by INSO - Sistemi per le Infrastrutture Sociali S.p.A., and its subsidiary SOF by FINSO - Fincantieri INfrastrutture SOciali.

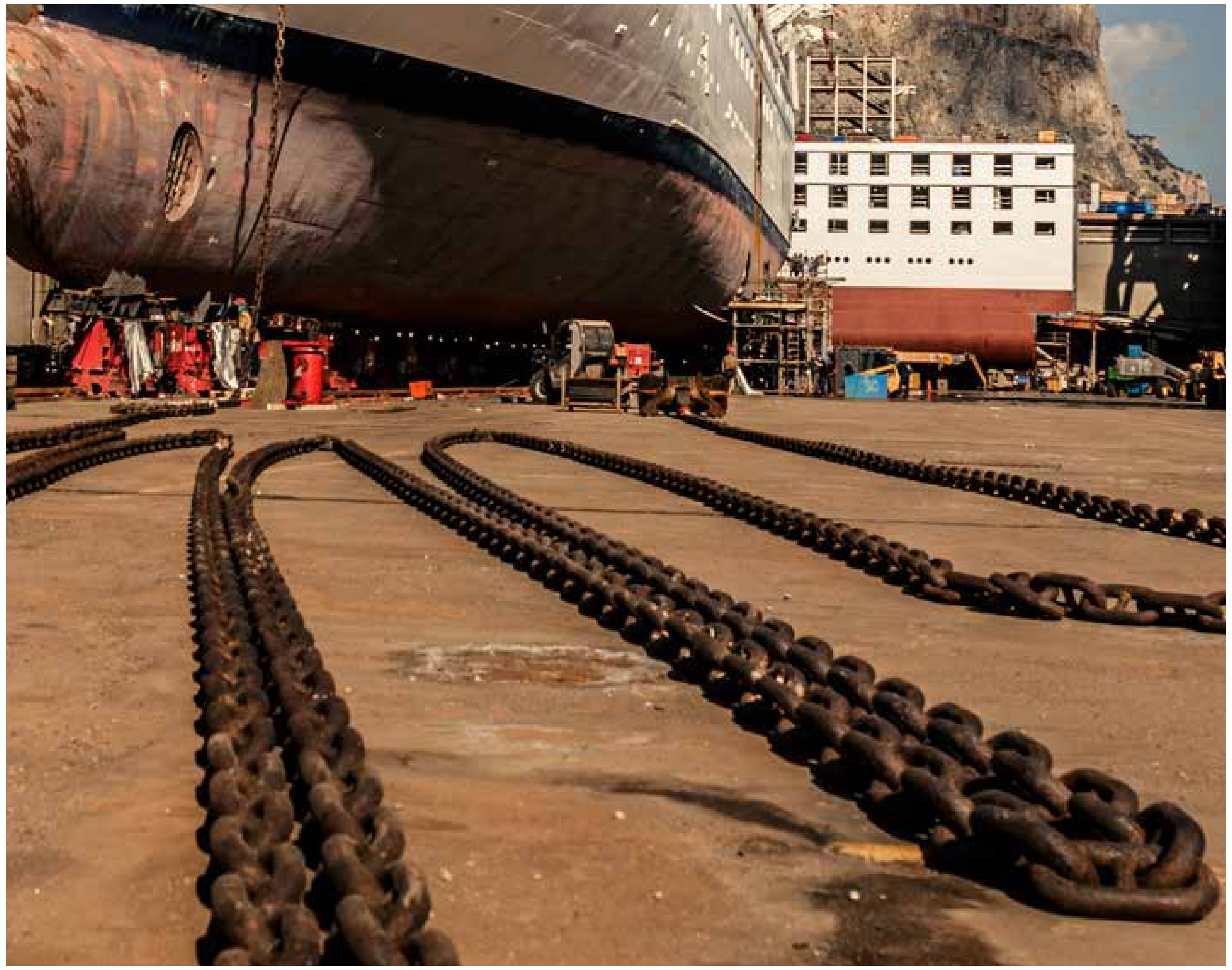
Note 23 - Other non-current liabilities

These are analyzed as follows:

(euro/000)	31.12.2021	31.12.2020
Capital grants	46,136	23,389
Other liabilities	4,881	4,961
Firm commitments	2,537	1,901
Total other non-current liabilities	**53,554**	**30,251**

"Capital grants" mainly comprise deferred income associated with grants for property, plant and equipment and innovation grants which will be released to income in future years to match the related depreciation/amortization of these assets.

"Other liabilities" include euro 4,694 thousand in payables to other parties in respect of the amount owed by the Iraqi Ministry of Defense (see Note 11).



Note 24 - Contract liabilities

These are analyzed as follows:

(euro/000)	31.12.2021			31.12.2020		
	Construction contracts - gross	Invoices issued	Construction contracts - net liabilities	Construction contracts - gross	Invoices issued	Construction contracts - net liabilities
Shipbuilding contracts	7,112,360	8,349,647	1,237,287	4,696,991	5,830,213	1,133,222
Other contracts for third parties	46,401		46,401			
Advances from customers		170,585	170,585		27,938	27,938
Total	**7,158,761**	**8,520,232**	**1,361,471**	**4,696,991**	**5,858,151**	**1,161,160**

This item reports those contracts where the value of the stage of completion of the contract is less than the amount invoiced to the client. The stage of completion is determined as the costs incurred compared to those expected for the completion of the contract.

During 2021, Contract liabilities at 31 December 2020 saw the development of production volumes and therefore of operating revenue amounting to euro 1,129 million.

"Client advances" refer to contracts on which work had not started at the year-end reporting date.

With reference to the performance obligations still to be met, please refer to the information provided in Note 28 on Revenue and income.

See Note 14.

Note 25 - Trade payables and other current liabilities

These are analyzed as follows:

(euro/000)

	31.12.2021	31.12.2020
Payables to suppliers	1,896,864	1,894,356
Payables to suppliers for reverse factoring	593,260	466,341
Social security payables	54,308	45,324
Other payables to employees for deferred wages and salaries	118,941	99,096
Other payables	111,644	101,894
Other payables to Parent Company	43,172	100
Indirect tax payables	12,629	10,566
Firm commitments	2,989	5,477
Accrued expenses	2,702	1,459
Deferred income	13,583	4,368
Total trade payables and other current liabilities	**2,850,092**	**2,628,981**

"Payables to suppliers for reverse factoring" report the liabilities sold to factoring companies by suppliers. These liabilities are classified among "Trade payables and other current liabilities" since they are related to obligations for the supply of goods and services used during the normal operating cycle. The sale is agreed with the supplier and envisages the possibility for the latter to give further extensions for consideration or not. With regard to the presentation in the Statement of cash flows, it should be noted that the cash flows related to these transactions are included in the Net cash flows from operating activities described in Note 34. For more details on the risks related to these payables, please refer to Note 4 on Liquidity risk.
"Social security payables" include amounts due to INPS (the Italian social security authorities) for employer and employee contributions on December's wages and salaries and contributions on end-of-period wage adjustments.
"Other payables to employees for deferred wages and salaries" reported at 31 December 2021 include the effects of allocations made for unused holidays and deferred pay.
"Other payables" include employee income tax withholdings payable to tax authorities, sundry payables for insurance premiums, advances received against research grants, amounts payable to employee supplementary pension funds, security deposits received and various liabilities for disputes in the process of being settled financially.
"Other payables to the Parent Company" refers to the payables to Cassa Depositi e Prestiti S.p.A. recorded in FINCANTIERI S.p.A. for the tax consolidation.
"Firm commitments" reflect the fair value of the hedged item, represented by the construction contracts in currencies other than the functional currency and therefore subject to exchange rate risk, and it is the subject of fair value hedge used by the VARD group.

Note 26 - Income tax liabilities

(euro/000)

	31.12.2021	31.12.2020
Italian corporate income taxation (IRES)	2,247	637
Italian regional tax on productive activities (IRAP)	10,179	367
Foreign tax	17,643	5,613
Total income tax liabilities	**30,069**	**6,617**

The item "Income tax liabilities" includes euro 494 thousand for the tax risk provision relating to income tax assessments. Euro 194 thousand of this provision was utilized during 2021 following settlement by agreement of the assessment by the Italian Revenue Service of IRES and IRAP for the tax period 2015. This utilization has been accounted for as a direct reduction of the taxes paid on this assessment.

Note 27 - Current financial liabilities

These are analyzed as follows:

(euro/000)

	31.12.2021	31.12.2020
Payables for commercial paper	220,200	100,200
Bank loans and credit facilities - current portion	269,255	119,176
Loans from BIIS - current portion	267	131
Bank loans and credit facilities - Construction loans	1,075,000	1,325,342
Other short-term bank debt	57,562	129,681
Other financial liabilities to others - current portion	18,781	1,604
Bank credit facilities repayable on demand	1,830	
Payables to joint ventures	1,966	1,679
Financial liabilities for leasing IFRS 16 – current portion	17,862	14,490
Fair value of options on equity investments	23,133	21,351
Derivative liabilities	16,287	29,202
Deferred interest and other financial items	2,840	-
Accrued interest expense	2,684	3,202
Total current financial liabilities	**1,707,667**	**1,746,058**

With reference to the Euro-Commercial Paper Step Label programme structured by the Parent Company at the end of 2017 for a maximum of euro 500 million, euro 220 million of this financing had been drawn down as at 31 December 2021.
"Construction loans" are analyzed as follows at 31 December 2021:

(euro/000)

	31.12.2021	31.12.2020
Construction loans		
Italy	1,015,000	1,000,000
Norway	60,000	307,342
Singapore		18,000
Total construction loans	**1,075,000**	**1,325,342**

Construction loans are dedicated to financing specific projects and are secured by the vessels under construction. These loans are repaid in full by the time of vessel delivery or upon expiry of the loan agreement if earlier. It should also be noted that in the event of shipbuilding contract cancellation, the bank is entitled to request early repayment of the loan unless the Group provides adequate guarantees.
The existing facilities of euro 1,075 million relating to the construction loans are detailed as follows:

- in June 2019, the Parent Company entered into a committed revolving facility with a leading Italian bank dedicated to financing the construction of cruise ships for an amount of euro 500 million ending in December 2022. As at 31 December 2021, this credit facility had been drawn down by euro 385 million;
- in November 2019, the Parent Company agreed construction financing with a syndicate of a leading international bank and a leading Italian bank for up to euro 300 million, to be disbursed in line with the progress of works on cruise ships. As at 31 December 2021, this loan had been fully drawn down;
- in June 2021, the Parent Company agreed with a leading national bank a construction loan for up to euro 100 million to finance the construction of a cruise ship. As at 31 December 2021, this loan had been fully drawn down;
- in July 2021, the Parent Company agreed with a leading national bank and Cassa Depositi e Prestiti, a committed construction loan for up to 400 million to finance the construction of a cruise ship. As at 31 December 2021, euro 50 million of this loan had been drawn down;
- in December 2021, the Parent Company agreed with Intesa Sanpaolo and Cassa Depositi e Prestiti, a "sustainability-linked" construction loan for up to 300 million to finance the construction of a cruise ship. As at 31 December 2021, euro 180 million of this loan had been drawn down. The loan is defined as "sustainability linked" because the cost is subject to a variation linked to the achievement of some specific KPIs in the Company's Sustainability Plan 2018-2022;
- Vard Group AS has an existing committed construction loan facility with a leading international credit institution for a total of euro 81 million. As at 31 December 2021, this credit facility had been drawn down by 60 million.

Of the construction loans drawn down at 31 December 2021, 91% are variable-rate loans and 9% are fixed-rate loans.
At 31 December 2021, "Other short-term bank debt" includes the drawing down of uncommitted credit facilities.
At 31 December 2021, the Group had a total of euro 250 million in committed lines of credit with leading Italian and international banks maturing between 2022 and 2024. Committed credit lines also include a "sustainability-linked" credit facility, the cost of which is subject to a variation linked to the achievement of some specific KPIs in the Company's 2018-2022 Sustainability Plan, signed with a leading European bank for an amount of euro 40 million. At 31 December 2021, these revolving credit facilities had not been drawn down. In addition to committed credit lines, the Group has access to additional revocable credit facilities with leading Italian and international banks (for about euro 567 million).
The item "Other financial liabilities to others" includes the amount due in 2022 for the debt i) with Esseti – Sistemi e Tecnologie Holding S.r.l. for the payment in instalments for part of the shares of the subsidiary Fincantieri NexTech S.p.A. amounting to euro 6,733 thousand and ii) with the extraordinary commissioners for the payment of the purchase price for the acquisition of the business unit of INSO – Sistemi per le INfrastrutture SOciali S.p.A. and its subsidiary SOF by FINSO – Fincantieri INfrastrutture SOciali for euro 7,475 thousand.
"Payables to joint ventures" relate to the negative balance on the intercompany current account with Orizzonte Sistemi Navali.
"Fair value of options on equity investments" (Level 3) amounting to euro 23,133 thousand (euro 21,351 thousand at 31 December 2020) is related to the option held by minority shareholders of the American group FMG, the increase in which, compared to 2020, is due to the negative effect of translating the balance expressed in foreign currency.
"Derivative liabilities" refers to the fair value of derivative financial instruments, which was calculated considering market parameters and using valuation models widely used in the financial sector (Level 2). The decrease in the balance is mainly due to the closure of derivatives hedging exchange rate risk following the delivery, during the period, of some contracts denominated in currencies other than the functional currency. Further details can be found in Note 4.
See Note 33 for the disclosures required by IAS 7 about changes in current and non-current financial liabilities.

Note 28 - Revenue and income

These are analyzed as follows:

(euro/000)

	2021	2020
Sales and service revenue	5,500,401	4,041,321
Change in Contract assets and liabilities	1,299,176	1,741,081
Operating revenue	**6,799,577**	**5,782,402**
Gains on disposal	1,077	900
Sundry revenue and income	77,789	83,018
Government grants	33,730	13,134
Other revenue and income	**112,596**	**97,052**
Total revenue and income	**6,912,173**	**5,879,454**

"Operating revenue" mainly includes revenue arising from contractual obligations satisfied "over time", i.e. over the gradual progress of activities. Revenue and income recorded a significant increase compared to the previous year (+17.6%) and decreed the full return to full production at all sites. Production volumes are at record levels despite the limitations imposed by the spread of COVID-19. It should be noted that this item includes the positive impact of progress on sales contracts for two naval vessels, whose sales contracts have a contra-entry in the cost item, since the Group invoices the entire contractual amount to the end customer but does not directly manage the construction contract, although it retains the risk deriving from the execution of the contract.
For more details on the breakdown of revenues by business segment, please refer to Note 35.
The aggregate value of contracts acquired relating to performance obligations that have not been fulfilled or have been partially fulfilled at 31 December 2021 is the order backlog, i.e. the residual value of orders not yet completed. This is calculated as the difference between the total value of the order (including any addenda and order variations) and the accumulated value of work in progress ("Construction contracts – gross", both assets and liabilities) developed at the reporting date. The order backlog at 31 December 2021 stands at euro 25,819 million and guarantees about 3.8 years of work if related to 2021 operating revenues. For further information please refer to the Group Report On Operations.
Change in Contract assets and liabilities includes provisions for/utilization of the provision for onerous contracts included in the Provisions for risks and charges in Note 20.

Sundry revenue and income comprise:

(euro/000)

	2021	2020
Penalties charged to suppliers	13,722	8,956
Rental income	1,030	1,009
Insurance claims	17,309	10,753
Recharged costs	19,501	32,391
Income from third parties relating to personnel	209	(71)
Other sundry income	25,564	29,888
Gains on hedging derivatives not qualifying for hedge accounting	216	9
Other income	238	83
Total	**77,789**	**83,018**

"Recharged costs", of euro 19,501 thousand, mainly refer to various kinds of recharge to customers and suppliers not attributable to specific cost categories.
"Other sundry income" of euro 25,564 thousand mainly includes the recharge of services made available to subcontractors at the shipyards and out-of-period income and adjustments arising on settlements agreed with suppliers during the year.
"Government grants" mainly includes the grants related to income (euro 31,409 thousand) and capital (euro 2,321 thousand) mainly related to the Parent Company, the subsidiary CETENA S.p.A., Seastema S.p.A. and the US subsidiary Fincantieri Marine Group LLC.

Note 29 - Operating costs

Materials, services and other costs

Materials, services and other costs are analyzed as follows:

(euro/000)	2021	2020
Raw materials and consumables	(3,631,818)	(2,985,220)
Services	(1,634,273)	(1,675,030)
Leases and rentals	(36,055)	(27,995)
Change in inventories of raw materials and consumables	26,414	16,443
Change in work in progress	221	(7,125)
Sundry operating costs	(45,546)	(65,394)
Cost of materials and services capitalized in fixed assets	10,340	16,425
Total materials, services and other costs	**(5,310,717)**	**(4,727,896)**

The item raw materials and consumables includes the costs for the construction of the two naval vessels mentioned in Note 28 above.
The increase in the cost of raw materials reflects the increase in production levels and price movements, which have shown an upward trend, particularly for certain primary materials.
Details of the cost of services are as follows:

(euro/000)	2021	2020
Subcontractors and outsourced services	(651,731)	(910,495)
Insurance	(60,516)	(51,471)
Other personnel costs	(31,506)	(24,470)
Maintenance costs	(31,445)	(30,761)
Commissioning and trials	(11,367)	(9,147)
Outsourced design costs	(98,935)	(64,526)
Licenses	(8,347)	(7,568)
Transportation and logistics	(37,281)	(36,075)
Technical and other services	(598,031)	(457,424)
Cleaning services	(59,934)	(44,244)
Electricity, water, gas and other utilities	(63,999)	(55,877)
Utilization of product warranty and other provisions	18,819	17,028
Total cost of services	**(1,634,273)**	**(1,675,030)**

It should be noted that “Technical and other services” includes charges related to the “Performance Share Plan” (euro 1,148 thousand) for the portion due to the Parent Company’s Chief Executive Officer. More details on the operation can be found in Note 33.
“Leases and rentals” mainly includes costs relating to short-term leasing contracts and the remainder to leasing contracts in which the underlying asset is of modest value.
“Sundry operating costs” also include euro 10,084 thousand in losses on the disposal of non-current assets (euro 1,746 thousand at 31 December 2020) and tax charges for euro 11,593 thousand (euro 10,066 at 31 December 2020).

Personnel costs

(euro/000)	2021	2020
Personnel costs:		
- wages and salaries	(812,081)	(737,409)
- social security	(211,956)	(191,539)
- costs for defined contribution plans	(40,668)	(38,369)
- costs for defined benefit plans	(296)	(138)
- other personnel costs	(30,230)	(29,350)
Personnel costs capitalized in fixed assets	10,049	10,546
Total personnel costs	**(1,085,182)**	**(986,259)**

“Personnel costs” represent the total cost incurred for employees, including wages and salaries, employer social security contributions payable by the Group, gifts and travel allowances. In 2020, these costs were lower thanks to the Group’s use of social shock absorbers, due to the COVID-19 health emergency.
It should be noted that “Other personnel costs” includes charges related to the “Performance Share Plan” (euro 5,428 thousand). More details on the operation can be found in Note 33.

Headcount

Employees are distributed as follows:

(number)	2021	2020
Employees at period end:		
Total at period end	20,774	20,150
- of whom in Italy	10,681	9,844
- of whom in Parent Company	8,806	8,510
- of whom in VARD	7,779	8,091
Average number of employees	20,520	19,798
- of whom in Italy	10,397	9,545
- of whom in Parent Company	8,636	8,358
- of whom in VARD	7,993	8,141

Depreciation, amortization and impairment and provisions

(euro/000)		
	2021	2020
Depreciation and amortization:		
- amortization of intangible assets	(77,692)	(78,373)
- depreciation of rights of use	(19,411)	(17,189)
- depreciation of property, plant and equipment	(108,209)	(91,026)
Impairment:		
- impairment of goodwill	(96)	(65)
- impairment of intangible assets	(481)	(23)
- closure of lease contracts		833
- absorption of impairment of tangible assets		389
- impairment of property, plant and equipment	(107)	(1,534)
Total depreciation, amortization and impairment	**(205,996)**	**(186,988)**
Provisions:		
- impairment of contractual assets	(3,614)	(3,790)
- impairment of receivables	(17,435)	(4,428)
- increases in provisions for risks and charges	(98,642)	(78,812)
- release of provisions and impairment reversals	8,408	6,954
Total provisions	**(111,283)**	**(80,076)**

A breakdown of depreciation and amortization is provided in Notes 6, 7 and 8.
"Impairment of receivables" relates to prudent appropriations to align the nominal value of receivables with estimated realizable value.
"Increases in provisions for risks and charges" mainly comprise provisions for obligations deriving from contractual warranties for 43,681 thousand (euro 25,419 thousand at 31 December 2020), and provisions for litigation for euro 51,140 (euro 45,564 thousand at 31 December 2020). More details about the nature of the provisions made can be found in Note 20 and Note 33.

Note 30 - Finance income and costs

These are analyzed as follows:

(euro/000)		
	2021	2020
Finance income		
Interest and fees from joint ventures and associates	816	770
Bank interest and fees and other income	20,127	9,566
Income from derivative financial instruments	127	18,914
Interest and other income from financial assets	6,383	11,189
Foreign exchange gains	50,126	31,249
Total finance income	**77,579**	**71,688**
Finance costs		
Interest and fees charged by joint ventures	(107)	(26)
Interest and fees from related parties	(3,774)	(2,490)
Interest and fees charged by controlling companies	(751)	(133)
Expenses from derivative financial instruments	(25,013)	(59,096)
Unrealized finance costs - delta fair value	-	(1,751)
Interest on employee benefit plans	(201)	(441)
Interest and fees on bonds and commercial papers	(882)	(491)
Interest and fees on construction loans	(13,616)	(15,112)
Bank interest and fees and other expense	(61,074)	(53,057)
Interest paid on leases IFRS 16	(3,135)	(2,968)
Impairment of financial receivables IFRS 9	(25,205)	(13,365)
Foreign exchange losses	(49,198)	(62,958)
Total finance costs	**(182,956)**	**(211,888)**
Total finance income and costs	**(105,377)**	**(140,200)**

"Bank interest and fees and other income" includes interest at market rates on loans granted to third parties.
"Income from derivative financial instruments" in 2020 included the recognition in the income statement of the finance income arising from the contractual changes made to the loan under Decree Law no. 23, which led to the redefinition of the interest rate.
"Expenses from derivative financial instruments" mainly includes the finance costs related to the derivatives negotiated to hedge a construction contract in US dollars, delivered in 2021 (accounted for in cash flow hedges and reversed in the income statement as the transaction covered by the hedge progressed) and the finance costs relating to the hedging of the interest rate risk on medium/long-term loans.
Finance costs include the impairment of existing financial receivables determined on the basis of the expected credit loss model introduced by IFRS 9.
Foreign exchange losses benefited from lower unrealized expenses of approximately euro 16 million arising from the translation into Brazilian real of the loan granted to the Brazilian subsidiary Vard Promar denominated in US dollars.

Note 31 - Income and expense from investments

These are analyzed as follows:

(euro/000)

	2021	2020
Income		
Dividends from associates		
Dividends from other companies	35	734
Gains from sale of investments	499	
Fair value measurement gains	657	
Other income from investments	375	
Total income	**1,566**	**734**
Expense		
Investment impairment losses	(637)	(605)
Other losses from investments	(116)	
Total expense	**(753)**	**(605)**
Income/(expense) from investments	**813**	**129**
Share of profit/(loss) of investments accounted for using the equity method		
Profit	4,985	718
Loss	(19,715)	(12,606)
Share of profit/(loss) of investments accounted for using the equity method	**(14,730)**	**(11,888)**
Total income and expense from investments	**(13,917)**	**(11,759)**

Share of profit/(loss) from investments accounted for using the equity method, amounting to euro (14,730) thousand, includes:

- gains of euro 4,985 thousand relate to the Group's share for the year of the results for the subsidiary Island Diligence AS (euro 152 thousand), the subsidiary Island Offshore XII Ship AS (euro 3,653 thousand) and the joint venture CSSC - Fincantieri Cruise Industry Development Limited (euro 1,180 thousand);
- losses of euro (19,715) thousand mainly reflect the Group's share of the results for the year of Naviris S.p.A. (euro 7,134 thousand) and the PSC group (euro 9,738 thousand).

For more details on the changes to investments, see Note 9.

Note 32 - Income taxes

These are analyzed as follows:

(euro/000)

	2021	2021	2020	2020
Current taxes		**(81,061)**		**9,359**
Deferred tax assets:				
– sundry impairment losses	11,644		(1,533)	
– product warranty	4,189		408	
– other risks and charges	534		(5,651)	
– fair value of derivatives			(1,141)	
– carry forward tax losses	2,230		(5,776)	
– other items	9,808		13,169	
– tax rate and other changes				
		28,485		**(524)**
Deferred tax liabilities:				
– business combinations	6,859		2,600	
– other items	(12,169)		(2,232)	
– tax rate and other changes				
		(5,310)		**368**
Total deferred taxes		**23,175**		**(156)**
Total income taxes		**(57,886)**		**9,203**

Notes: Negative figures indicate the recognition of deferred tax liabilities or reversal of deferred tax assets. Positive figures indicate the reversal of deferred tax liabilities or recognition of deferred tax assets.

The theoretical tax rate is reconciled to the effective tax rate as follows:

(euro/000)

	2021	2020
Theoretical corporate income tax rate (IRES)	**24%**	**24%**
Profit/(loss) before tax	79,701	(253,723)
Theoretical corporate income tax (IRES)	**(19,128)**	**60,894**
Impact of taxes relating to prior periods	(2,703)	(3,332)
Impact of tax losses	(29,606)	(35,755)
Impairment of deferred tax assets		(16,224)
Impact of permanent differences and unrecognized temporary differences	10,855	5,751
Impact of temporary differences not recognized in previous years	1,288	1,695
Effect of change in tax rates	(189)	1,130
Impact of different tax rates applicable to foreign entities	(136)	801
Increases/Releases of provisions for tax risks	49	(2,192)
Tax credit on R&D costs	85	-
Other taxes charged to profit or loss	**(18,401)**	**(3,564)**
Total income taxes through profit or loss	**(57,886)**	**9,203**
Current taxes	(81,061)	9,359
Deferred taxes	23,175	(156)

The following table shows a breakdown of current and deferred income taxes in Italy and other countries:

(euro/migliaia)

	2021	2020
Current taxes	**(81,061)**	**9,359**
- Italian companies	(75,351)	17,976
- Foreign companies	(5,710)	(8,617)
Deferred taxes	**23,175**	**(156)**
- Italian companies	16,317	9,667
- Foreign companies	6,858	(9,823)
Total	**(57,886)**	**9,203**

Note 33 - Other information

Net financial position

For the purposes of complying with Consob Communication no. DEM/6064293/2006, the following table shows the Net financial position as per ESMA recommendation. The tables and information provided below have been adjusted to reflect the updates in the document ESMA 32-382-1138 dated 4 March 2021.

(euro/000)

	31.12.2021	31.12.2020
A. Cash	1,236,180	1,274,642
B. Cash equivalents		-
C. Other current financial assets	147,638	75,986
- of which related parties	2,611	1,418
D. Cash and cash equivalents (A)+(B)+(C)	**1,383,818**	**1,350,628**
E. Current financial liabilities (including debt instruments, but excluding current portion of non-current financial liabilities)	(1,427,021)	(1,622,490)
- of which related parties	(95,889)	(111,391)
- of which construction loans	(1,075,000)	(1,325,342)
- of which current portion of debt instruments	(220,200)	(100,200)
F. Current portion of non-current financial liabilities	(280,646)	(123,437)
- of which related parties	(8,816)	(9,636)
G. Current debt (E)+(F)	**(1,707,667)**	**(1,745,927)**
H. Net current debt (D)+(G)	**(323,849)**	**(395,299)**
I. Non-current financial liabilities (excluding current portion of debt instruments)	(1,913,837)	(2,159,651)
- of which related parties	(14,106)	(20,772)
J. Debt instruments		
K. Trade payables and other non-current liabilities		
L. Non-current debt (I)+(J)+(K)	(1,913,837)	(2,159,651)
M. Total net debt (H)+(L)	**(2,237,686)**	**(2,554,950)**

For indirect debt and/or conditional debt not reflected in the table, reference should be made: i) to Note 20 and Note 21 for the provisions recognized in the financial statements; ii) to Note 25 and Note 4 for payables for reverse factoring (amounting to euro 593,260 thousand at 31 December 2021). Lastly, commitments related to lease agreements not recognized as liabilities in the financial statements since they do not fall under IFRS 16 amount to euro 17.2 million at 31 December 2021.
The following table reconciles the Net financial position as per ESMA recommendation and the Net financial position monitored by the Group.

(euro/000)

	31.12.2021	31.12.2020
Net financial position as per ESMA recommendation	**(2,237,686)**	**(2,554,950)**
Non-current financial assets	250,778	96,282
Construction loans	1,075,000	1,325,342
Derivative liabilities for non-financial items	18,048	41,292
Fair value of options on equity investments	34,382	30,085
Net financial position monitored by the Group	**(859,478)**	**(1,061,949)**

For more details see Notes 4, 10, 22 and 27.

Statement of net financial debt flows

The following table shows the movements in the financial position with regard to financing activities and cash flows (IAS 7).

(euro/000)

	1.1.2020	Business combinations	Cash flows	Changes in fair value	Exchange rate differences	Other non-monetary changes	31.12.2020
Non-current financial liabilities	735,727		1,449,773		(21,091)	(102,787)	2,061,622
Current bank loans and credit facilities	1,117,088	2,249	364,647		(25,612)	119,005	1,577,377
Other current financial liabilities	2,657	190	259		(6)	5,612	8,712
Current bonds/commercial papers	75,000		25,200				100,200
Financial liabilities for leasing IFRS 16	92,086		(19,592)		(4,208)	18,384	86,670
Receivables/payables for held-for-trading financial instruments							
Total liabilities from financing activities	**2,022,558**	**2,439**	**1,820,287**		**(50,917)**	**40,214**	**3,834,581**
Purchase of non-controlling interests in VARD			(221)				
Purchase of own shares							
Third party capital			189				
Cash flows from financing activities		**2,439**	**1,753,511**				

(euro/000)

	1.1.2020	Business combinations	Cash flows	Changes in fair value	Exchange rate differences	Other non-monetary changes	31.12.2020
Non-current financial liabilities	2,061,622	16,982	(3,834)		771	(280,497)	1,795,044
Current bank loans and credit facilities	1,577,377	4,119	(472,235)		15,050	282,214	1,406,525
Other current financial liabilities	8,712	10,441	831		(3)	8,216	28,197
Current bonds/commercial papers	100,200	-	120,000		-	-	220,200
Financial liabilities for leasing IFRS 16	86,670	8,694	(20,523)		2,056	42,211	119,108
Receivables/payables for held-for-trading financial instruments							
Total liabilities from financing activities	**3,834,581**	**40,236**	**(375,761)**		**17,874**	**52,144**	**3,569,074**
Acquisition of non-controlling interests in subsidiaries			(1,748)				
Purchase of own shares							
Third party capital							
Cash flows from financing activities			**(377,509)**				

Significant non-recurring events and transactions

With reference to the provisions of Consob Resolution no. 15519 of 27 July 2006, there were no significant non-recurring events and/or transactions at 31 December 2021.

Atypical and/or unusual transactions

In accordance with the disclosures required by Consob Communication no. DEM/6064293 dated 28 July 2006, it is reported that no atypical and/or unusual transactions were carried out during 2021.

Related party transactions

Intragroup transactions, transactions with CDP Industria S.p.A. and its subsidiaries, with Cassa Depositi e Prestiti S.p.A. and its subsidiaries, with companies controlled by MEF (Italy's Ministry of Economy and Finance) and with other related parties in general, do not qualify as either atypical or unusual, since they fall within the normal course of business of the Fincantieri Group and are conducted on an arm's length basis.
The figures for related party transactions and balances are reported in the following tables.

Consolidated statement of financial position

(euro/000)

31.12.2021	Non-current financial assets	Current financial assets	Advances[1]	Trade receivables and other non-current assets	Trade receivables and other current assets	Non-current financial liabilities	Current financial liabilities	Trade payables and other current liabilities
CASSA DEPOSITI E PRESTITI S.p.A.					2,485	(11,979)	(93,816)	(42,854)
TOTAL PARENT COMPANY	**-**	**-**	**-**	**-**	**2,485**	**(11,979)**	**(93,816)**	**(42,854)**
ORIZZONTE SISTEMI NAVALI S.p.A.					53,943		(2,056)	(35,776)
UNIFER NAVALE S.r.l.					1,491			(5)
CSSC - FINCANTIERI CRUISE INDUSTRY DEVELOPMENT Ltd.	22,000	1,694			2,752			(383)
ETIHAD SHIP BUILDING LLC					6,203			(268)
CONSORZIO F.S.B.					(116)			
BUSBAR4F S.c.a.r.l.			1,638		726			(1,055)
FINCANTIERI CLEA BUILDING S.c.a.r.l.					1,336			(41)
PERGENOVA S.c.p.a.					3,327			(1,707)
ISSEL MIDDLE EAST INFORMATION TECNOLOGY CONSULTANCY LLC		4					(17)	
NAVIRIS S.p.A.		504			1,003			(40)
4TCC1 S.c.a.r.l.			1,826		153			(2,422)
POWER4FUTURE S.p.A.[2]			520					
VIMERCATE SAL. GESTIONE S.c.a.r.l.[3]					960			
ENERGETIKA S.c.a.r.l.[3]								(2)
NSC HOSPITAL S.c.a.r.l.[3]					2,188			1
TOTAL JOINT VENTURES	**22,000**	**2,202**	**3,984**	**-**	**73,966**	**-**	**(2,073)**	**(41,698)**
PSC GROUP			2,333		106			(13,482)
CENTRO SERVIZI NAVALI S.p.A.					73			(1,717)
OLYMPIC CHALLENGER KS								
BREVIK TECHNOLOGY AS	177							
DOF ICEMAN AS					9			
CSS DESIGN				678				
ISLAND DILIGENCE AS	4,757							
DECOMAR S.p.A.	5,117							(103)
CASTOR DRILLING SOLUTION AS		409						
OLYMPIC GREEN ENERGY KS					10			
ISLAND OFFSHORE XII SHIP AS	13,260							
BRIDGE EIENDOM AS								(1)
ISLAND VICTORY AS	3,750							
CISAR MILANO S.p.A.[3]					98			
CISAR COSTRUZIONI S.c.a.r.l.[3]								(111)
NORD OVEST TOSCANA ENERGIA S.r.l.[3]	1,564				2,140			
SENECA GESTIONE S.c.a.r.l.[3]					2,057			(2,245)
BIOTECA S.c.a.r.l.[3]								2
NOTE GESTIONI S.c.a.r.l.[3]					631			
HBT S.c.a.r.l.[3]					2,959			
TOTAL ASSOCIATES	**28,625**	**409**	**2,333**	**678**	**8,083**	**-**	**-**	**(17,657)**
SACE S.p.A.								(11)
SACE FCT					33			
VALVITALIA S.p.A.			1,354		6			(406)
TERNA RETE ITALIA S.p.A.								
SUPPLEMENTARY PENSION FUND FOR SENIOR MANAGERS OF FINCANTIERI S.p.A.								(1,490)
COMETA NATIONAL SUPPLEMENTARY PENSION FUND					(1)			(4,327)
SOLIDARIETÀ VENETO - PENSION FUND								(116)
HORIZON S.A.S.								(1)
ANSALDO ENERGIA S.p.A.					1			
TOTAL CDP GROUP	**-**	**-**	**1,354**	**-**	**39**	**-**	**-**	**(6,351)**
LEONARDO GROUP	**-**	**-**	**101,597**	**-**	**1,770**	**-**	**-**	**(63,980)**
ENI GROUP	**-**	**-**	**-**	**-**	**547**	**(2,127)**	**-**	**(139)**
ENEL GROUP	**-**	**-**	**-**	**-**	**29**	**-**	**-**	**2**
COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE	**-**	**-**	**-**	**-**	**35**	**-**	**-**	**(5)**
TOTAL RELATED PARTIES	**50,625**	**2,611**	**109,268**	**678**	**86,954**	**(14,106)**	**(95,889)**	**(172,682)**
TOTAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION	**256,251**	**162,939**	**446,833**	**47,416**	**1,285,337**	**(1,913,837)**	**(1,707,667)**	**(2,850,108)**
% on consolidated statement of financial position	20%	2%	24%	1%	7%	1%	6%	6%

Consolidated statement of financial position

(euro/000)

31.12.2020	Non-current financial assets	Current financial assets	Advances[1]	Trade receivables and other non-current assets	Trade receivables and other current assets	Non-current financial liabilities	Current financial liabilities	Trade payables and other current liabilities
CASSA DEPOSITI E PRESTITI S.p.A.					35,915	(20,772)	(109,636)	(143)
TOTAL PARENT COMPANY	**-**	**-**	**-**	**-**	**35,915**	**(20,772)**	**(109,636)**	**(143)**
ORIZZONTE SISTEMI NAVALI S.p.A.			49,500		56,805		(1,686)	(265,145)
UNIFER NAVALE S.r.l.					1,491			(587)
CSSC - FINCANTIERI CRUISE INDUSTRY DEVELOPMENT Ltd.	22,000	1,024			2,466			(383)
ETIHAD SHIP BUILDING LLC					6,344			(240)
CONSORZIO F.S.B.					19			(51)
BUSBAR4F S.c.a.r.l.			1,547		602			(1,155)
FINCANTIERI CLEA BUILDING S.c.a.r.l.					2,451			(2,169)
PERGENOVA S.c.p.a.					34,288			(3,511)
ISSEL MIDDLE EAST INFORMATION TECNOLOGY CONSULTANCY LLC		4					(17)	
NAVIRIS S.p.A.					3,507			
4TCC1 S.c.a.r.l.			1,596		76			(290)
POWER4FUTURE S.p.A.[2]								
VIMERCATE SAL. GESTIONE S.c.a.r.l.[3]								
ENERGETIKA S.c.a.r.l.[3]								
NSC HOSPITAL S.c.a.r.l.[3]								
TOTAL JOINT VENTURES	**22,000**	**1,028**	**52,643**	**-**	**108,049**	**-**	**(1,703)**	**(273,531)**
PSC GROUP			7,336		132			9,054)
CENTRO SERVIZI NAVALI S.p.A.					1,447			(1,040)
OLYMPIC CHALLENGER KS	669				1			
BREVIK TECHNOLOGY AS	165							
MØKSTER SUPPLY KS								
DOF ICEMAN AS					(10)			
CSS DESIGN				628				
ISLAND DILIGENCE AS	4,881							
DECOMAR S.p.A.	5,117							
CASTOR DRILLING SOLUTION AS		390						
OLYMPIC GREEN ENERGY KS					2			
ISLAND OFFSHORE XII SHIP AS	12,121							
BRIDGE EIENDOM AS								(1)
ISLAND VICTORY AS	3,428							
CISAR MILANO S.p.A.[3]								
CISAR COSTRUZIONI S.c.a.r.l.[3]								
NORD OVEST TOSCANA ENERGIA S.r.l.[3]								
SENECA GESTIONE S.c.a.r.l.[3]								
BIOTECA S.c.a.r.l.[3]								
NOTE GESTIONI S.c.a.r.l.[3]								
HBT S.c.a.r.l.[3]								
TOTAL ASSOCIATES	**26,381**	**390**	**7,336**	**628**	**1,572**	**-**	**-**	**(10,095)**
SACE S.p.A.								(11)
SACE FCT								
VALVITALIA S.P.A.			1,083		6			(2,008)
TERNA RETE ITALIA S.p.A.								(14)
SUPPLEMENTARY PENSION FUND FOR SENIOR MANAGERS OF FINCANTIERI S.p.A.								(1,408)
COMETA NATIONAL SUPPLEMENTARY PENSION FUND								(4,067)
SOLIDARIETÀ VENETO - PENSION FUND								(106)
HORIZON S.a.S.								(1)
ANSALDO ENERGIA S.p.A.								
TOTAL CDP GROUP	**-**	**-**	**1,083**	**-**	**6**	**-**	**-**	**(7,615)**
LEONARDO GROUP	**-**	**-**	**155,153**	**-**	**2,217**	**-**	**-**	**(18,427)**
ENI GROUP	**-**	**-**	**-**	**-**	**99**	**-**	**-**	**(68)**
ENEL GROUP	**-**	**-**	**-**	**-**	**141**	**-**	**-**	**-**
COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE	**-**	**-**	**-**	**-**	**43**	**-**	**-**	**(77)**
TOTAL RELATED PARTIES	**48,381**	**1,418**	**216,215**	**628**	**148,042**	**(20,772)**	**(111,339)**	**(309,956)**
TOTAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION	**99,985**	**85,391**	**499,042**	**26,941**	**983,390**	**(2,159,651)**	**(1,746,058)**	**(2,628,980)**
% on consolidated statement of financial position	48%	2%	43%	2%	15%	1%	6%	12%

Consolidated statement of comprehensive income

(euro/000)

	2021				
	Operating revenue	Other revenue and income	Materials, services and other costs	Finance income	Finance costs
CASSA DEPOSITI E PRESTITI S.p.A.		146	(83)		(749)
TOTAL PARENT COMPANY	**-**	**146**	**(83)**	**-**	**(749)**
ORIZZONTE SISTEMI NAVALI S.p.A.	113,294	849	(238,744)		(107)
UNIFER NAVALE S.r.l.			(2,173)		
CSSC - FINCANTIERI CRUISE INDUSTRY DEVELOPMENT Ltd.	5,033	3,861		669	
ETIHAD SHIP BUILDING LLC		177	(25)		
BUSBAR4F S.c.a.r.l.		406	(1,854)		
CONSORZIO F.S.B.	45	294	(378)		
FINCANTIERI CLEA BUILDINGS S.c.a.r.l.					
PERGENOVA S.c.p.a.	95	55	(8,792)		
NAVIRIS S.p.A.	1,146	730	(40)	4	
4TCC1 S.c.a r.l.		192	(2,783)		
POWER4FUTURE S.p.A.[2]			(2,737)		
TOTAL JOINT VENTURES	**119,613**	**6,564**	**(257,526)**	**673**	**(107)**
PSC GROUP		777	(35,906)		
CENTRO SERVIZI NAVALI S.p.A.	5	2,626	(10,097)		
DECOMAR S.p.A.			(280)	125	
TOTAL ASSOCIATES	**5**	**3,403**	**(46,283)**	**125**	**-**
SACE S.p.A.					(2,303)
SACE FCT		107			(164)
VALVITALIA S.p.A.	6	161	(10,792)		
TERNA ITALIA S.p.A.					
TERNA RETE ITALIA S.p.A.			(136)		
SNAM S.p.A.		50			
SIA S.p.A.					
TOTAL CDP GROUP	**6**	**318**	**(10,928)**	**-**	**(2,467)**
LEONARDO GROUP	**88**	**1,595**	**(262,313)**	**-**	**-**
ENI GROUP	**269**	**50**	**(1,522)**	**-**	**-**
ENEL GROUP	**-**	**41**	**(25)**	**-**	**-**
COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE	**-**	**70**	**(228)**	**-**	**-**
TOTAL RELATED PARTIES	**119,981**	**12,187**	**(578,908)**	**798**	**(3,323)**
TOTAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION	**6,799,577**	**112,596**	**(5,310,717)**	**77,579**	**(182,956)**
% on consolidated statement of financial position	2%	11%	11%	1%	2%

Consolidated statement of comprehensive income

(euro/000)

	2020				
	Operating revenue	Other revenue and income	Materials, services and other costs	Finance income	Finance costs
CASSA DEPOSITI E PRESTITI S.p.A.		142	(143)		
TOTAL PARENT COMPANY	**-**	**142**	**(143)**	**-**	**-**
ORIZZONTE SISTEMI NAVALI S.p.A.	55,737	671	(691,065)		(26)
UNIFER NAVALE S.r.l.		5	(8,238)		
CSSC - FINCANTIERI CRUISE INDUSTRY DEVELOPMENT Ltd.	12,801	3,747		669	
ETIHAD SHIP BUILDING LLC	174	164	(68)		
BUSBAR4F S.c.a.r.l.		502	(1,899)		
CONSORZIO F.S.B.	45	299	(333)		
FINCANTIERI CLEA BUILDINGS S.c.a.r.l.		2,129	(3,189)		
PERGENOVA S.c.p.a.	71,995	1,586	(20,396)		
NAVIRIS S.p.A.	184	1,971			
4TCC1 S.c.a r.l.		59	(290)		
POWER4FUTURE S.p.A.[2]					
TOTAL JOINT VENTURES	**140,936**	**11,133**	**(725,478)**	**669**	**(26)**
PSC GROUP		419	(28,640)		
CENTRO SERVIZI NAVALI S.p.A.	20	667	(4,980)		
DECOMAR S.p.A.			(590)	101	
TOTAL ASSOCIATES	**20**	**1,086**	**(34,210)**	**101**	**-**
SACE S.p.A.					(2,305)
SACE FCT		65			(164)
VALVITALIA S.p.A.	18	161	(8,273)		
TERNA ITALIA S.p.A.			(3)		
TERNA RETE ITALIA S.p.A.			(40)		
SNAM S.p.A.		28			
SIA S.p.A.			(3)		
TOTAL CDP GROUP	**18**	**254**	**(8,319)**	**-**	**(2,469)**
LEONARDO GROUP	**109**	**1,790**	**(128,051)**	**-**	**-**
ENI GROUP	**1,403**	**72**	**(1,110)**	**-**	**-**
ENEL GROUP	**-**	**71**	**(18)**	**-**	**-**
COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE	**-**	**46**	**(49)**	**-**	**-**
TOTAL RELATED PARTIES	**142,486**	**14,594**	**(897,378)**	**770**	**(2,495)**
TOTAL CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	**5,782,402**	**97,052**	**(4,727,896)**	**71,688**	**(211,888)**
% on consolidated statement of financial position	2%	15%	19%	1%	1%

[1] "Advances" are classified in "Inventories", as detailed in Note 13.
[2] Company incorporated during 2021.
[3] Company incorporated during 2021.

Costs for contributions incurred in 2021 and included in the item "Personnel costs" totalled euro 2,164 thousand for the Supplementary Pension Fund for Senior Managers of FINCANTIERI S.p.A. and euro 2,462 thousand for the Cometa National Supplementary Pension Fund.

Credit facilities and loan agreements

The Parent Company has ordinary correspondence accounts with its Italian and foreign subsidiaries, through which it settles reciprocal financial assets and liabilities. In order to achieve better management of the company's treasury operations, the Parent Company has centralized the management of all incoming and outgoing financial resources of some of its subsidiaries (cash pooling). These relationships are remunerated at the market rate.
It should be noted that during 2021 FINCANTIERI S.p.A. granted a loan to the subsidiaries Fincantieri NexTech for euro 11,410 thousand and Fincantieri Infrastructure for euro 10,808 thousand.
It should be noted that the Parent Company has guaranteed financial support to the subsidiary Vard Holdings Ltd and all its subsidiaries for a period of 18 months from the date of approval of the 2021 Financial Statements, committing itself to providing the financial resources that may be necessary to enable it to continue operations.
The main related party relationships refer to:

- the Group's transactions with Orizzonte Sistemi Navali S.p.A., under the agreement signed in 2006 with the Italian Navy relating to the first phase of the "Renaissance" (or FREMM) program. This program involves the construction of 10 ships for the Italian Navy, with ship design and production activities performed by the Company and its subsidiaries. The financial liabilities with Orizzonte Sistemi Navali S.p.A. at 31 December 2021 and 2020 relate to its current account with the Company under a centralized treasury management arrangement. A contract was finalized during the fourth quarter of 2020 for the sale of two FREMM vessels, one of which was delivered in December 2020 and the other to be delivered in 2021, to the Egyptian Navy. The sale, carried out by Fincantieri, involves the transfer of two vessels in the FREMM program that Orizzonte Sistemi Navali S.p.A. purchased as prime contractor for the Italian Navy under agreements with OCCAR (Organisation for Joint Armament Cooperation). As part of the operation, Orizzonte Sistemi Navali S.p.A. has ordered two more platforms for the construction of two new FREMM vessels for the Italian Navy under the above program;
- the Group's relations with the company PERGENOVA, a joint venture between Salini Impregilo and Fincantieri Infrastructure, are aimed at rebuilding the bridge over the Polcevera river in Genoa;
- the Group's relations with the company Naviris arose in the context of the study of the Middle Life upgrade for the Orizzonte class. The financial liabilities relate to the loan granted by the Parent Company;
- relations with the joint venture CSSC - FINCANTIERI CRUISE INDUSTRY DEVELOPMENT Ltd. between Fincantieri and CSSC, prime contractor for the construction of new cruise ships at the CCSC group's Chinese shipyard, refer to the supply of specialist services and components to support CSSC shipyards;
- the FINSO group's relations with the joint venture NSCH - NUOVO SANTA CHIARA HOSPITAL S.c.a.r.l., arise chiefly from participation in the temporary grouping of enterprises, of which FINSO is a member with a share of 50%. The company was incorporated in order to carry out the construction works for the new hospital awarded by the Azienda Ospedaliera-Universitaria Pisana. It carries out the services and works on its own and/or by entrusting them to its members and/or by subcontracting them to third parties. NSCH S.c.a.r.l., while acting in its own name, operates in the interest of its members and, given its consortium nature and as laid down in its Articles of Association, it allocates costs to its members, in proportion to their interest held in the Share Capital;
- the FINSO group's relations with Vimercate Salute Gestioni S.c.a.r.l. (VSG) arise mainly from the contract awarded by Vimercate Salute S.p.A., in compliance with the concession to design, build and manage the new Vimercate hospital complex concluded between Vimercate Salute S.p.A. and Infrastrutture Lombarde S.p.A. The purpose of this agreement is to coordinate the activity of the members to provide non-medical support services, manage the retail spaces and all other technical economic and functional activities;
- the FINSO group's relations with its associates arise mainly from the contract awarded by the special purpose vehicle, in compliance with the Concession to design, build and manage the new hospital complex;
- relations with the subsidiary Centro Servizi Navali mainly relate to shipyard and prefabrication activities;
- the Group's relations with the PSC group refer mainly to the supply of turnkey models of air conditioning systems (engineering, supply of ventilation machines, accessories and ducts, their installation on board, start-up and commissioning);
- the Group's relations with the LEONARDO group, in connection with agreements to supply and install combat systems for naval vessels under construction;
- as regards relations with the ENI group, the framework agreement was finalized in 2018 under which studies were launched for new technologies related to gas utilization and exploitation, some of which were completed during the year. The rest refers chiefly to the sale of products and services and purchases of fuel with ENI S.p.A.;
- costs and revenue or receivables and payables with other related parties at 31 December 2021 refer chiefly to the supply of goods or services used in the production process.

The following transaction is also reported in accordance with Art. 13, par. 3 (c) of the Consob Regulations concerning related party transactions: in June 2019 FINCANTIERI S.p.A. was granted a five-year revolving credit facility by Mediocredito Centrale to cover financial needs for ordinary activities. At 31 December 2021, FINCANTIERI S.p.A. also had a total of euro 300 million in committed lines of credit with leading Italian and international banks maturing between 2022 and 2024. At 31 December 2022, these revolving facilities had not been drawn down. In addition to these committed credit facilities, the Company had uncommitted credit lines with leading national and international banks for euro 391 million. These credit lines were unused as at 31 December 2021.
The most significant standard transactions include the following:

- in July 2021, Cassa Depositi e Prestiti S.p.A., in syndicate with a leading national bank, granted FINCANTIERI S.p.A. a construction loan for a maximum of euro 400 million (including euro 200 million from Cassa Depositi e Prestiti S.p.A.), to finance construction of a cruise ship to be delivered in 2021. As at 31 December 2020, euro 50 million of this loan had been drawn down;
- in December 2021, the Company agreed with Intesa Sanpaolo and Cassa Depositi e Prestiti a "sustainability-linked" construction loan for a maximum of euro 300 million (including euro 100 million from Cassa Depositi e Prestiti S.p.A.), to finance construction of a cruise ship. As at 31 December 2021, euro 180 million of this loan had been drawn down; The loan is defined as "sustainability-linked" because the cost is subject to a variation linked to the achievement of some specific KPIs in the Company's Sustainability Plan 2018-2022.

Furthermore, during the period, Directors, Statutory Auditors, General Managers and other Key Management Personnel were paid a total of euro 7,304 thousand in remuneration by the Parent company, of which euro 4,421 thousand classified in personnel costs and euro 2,883 thousand in the cost of services.
A detailed description of the medium/long-term share-based incentive plan for management, called the Performance Share Plan is given below.

Remuneration of the board of directors, board of statutory auditors, independent auditors and key management personnel

(euro/000)

	Emoluments of office[1]	Non-monetary benefits	Bonuses and other incentives	Other remuneration
2021				
Board of Directors of Parent Company	2,126	5	1,901[2]	
Board of Statutory Auditors of Parent Company	89			
General Managers and Key Management Personnel		67	3,012[2]	2,973
Independent Auditors for Parent Company	346			355
2020				
Board of Directors of Parent Company	2,193	4	1,754[3]	
Board of Statutory Auditors of Parent Company	89			
General Managers and Key Management Personnel		230	2,377[3]	2,680
Independent Auditors for Parent Company	291			4

[1] Excluding amounts paid on behalf of subsidiaries.
[2] This figure includes euro 1,148 thousand for the Board of Directors and euro 1,631 thousand for the General Managers and Executives with Strategic Responsibilities, the fair value accrued at 31 December 2020 of the rights assigned under the medium/long-term share-based incentive plans for management (Performance Share Plan 2016-2018 and Performance Share Plan 2019-2021).
[3] This figure includes euro 1,001 thousand for the Board of Directors and euro 1,276 thousand for the Executives with Strategic Responsibilities, the fair value accrued at 31 December 2020 of the rights assigned under the medium/long-term share-based incentive plans for management (Performance Share Plan 2016-2018 and Performance Share Plan 2019-2021).

More details can be found in the Remuneration Report.
The fees of the independent auditors cover the statutory audit of the separate financial statements and the audit of the IFRS consolidated financial statements and the reporting package for Cassa Depositi e Prestiti S.p.A., the controlling company.

Basic and diluted earnings/(loss) per share

Basic earnings per share have been calculated by dividing the profit for the period attributable to owners of the parent by the weighted average number of FINCANTIERI S.p.A. shares outstanding during the period, excluding own shares.
Diluted earnings per share have been calculated by dividing the profit for the period attributable to the Group by the weighted average number of FINCANTIERI S.p.A. shares in circulation during the period, excluding own shares, plus the number of shares that could potentially be issued. At 31 December 2021, the shares that could potentially be issued concerned only the shares assigned under the Performance Share Plan 2019-2021 described below.

(euro/000)

		31.12.2021	31.12.2020
Basic/Diluted Earnings/(Loss) Per Share			
Earnings/(loss) attributable to owners of the parent		21,815	(240,057)
Weighted average number of shares outstanding to calculate the basic earnings/(loss) per share	Number	1,695,872,839	1,693,753,311
Weighted average number of shares outstanding to calculate the diluted earnings/(loss) per share	Number	1,716,910,541	1,707,978,030
Basic earnings/(loss) per share	**euro**	**0.01286**	**(0.14173)**
Diluted earnings/(loss) per share	**euro**	**0.01271**	**(0.14055)**

Guarantees

Guarantees relate exclusively to those provided by the Parent Company and are broken down as follows:

(euro/000)

	2021	2020
Sureties	11,535	11,702
Other guarantees	253,026	312,728
Total	**264,561**	**324,430**

"Sureties" at 31 December 2021, as in 2020, entirely refer to guarantees issued on behalf of the joint venture Orizzonte Sistemi Navali S.p.A..
"Other guarantees" refer to guarantees issued in the interest of Orizzonte Sistemi Navali S.p.A. (euro 245,451 thousand), 4TCC1 S.c.a.r.l. (euro 4,752 thousand), BUSBAR4F S.c.a.r.l. (euro 2,742 thousand) and Consorzio F.S.B. (euro 80 thousand) against obligations arising from the projects developed by the companies themselves.
It should be noted that the Company has guaranteed financial support to the subsidiary Vard Holdings Ltd and all its subsidiaries for a period of 18 months from the date of approval of the 2021 Financial Statements, committing itself to providing the financial resources that may be necessary to enable it to continue operations. During 2021, the Company provided the necessary financial support to the VARD group through the granting of a committed loan, in the form of a revolving credit facility for euro 230 million, used and repaid during 2021.

Medium/long-term incentive plan

Performance Share Plan 2016-2018

On 19 May 2017, the Shareholders' Meeting of FINCANTIERI S.p.A. approved the medium/long-term share-based incentive plan for management, called the Performance Share Plan 2016-2018 (the "Plan") and related Terms and Conditions. It should be noted that the project had been previously approved by the Board of Directors on 10 November 2016.
The Plan, structured in three-year cycles, provides for the free grant, to the beneficiaries identified by the Board of Directors, of entitlements to receive a maximum of 50,000,000 ordinary shares in FINCANTIERI S.p.A. without nominal value, based on the achievement of specific performance targets for the three-year periods 2016-2018 (first cycle), 2017-2019 (second cycle) and 2018-2020 (third cycle). The performance targets for all three cycles have been identified as Total Shareholder Return ("TSR") and EBITDA, deemed to represent objective criteria for measuring long-term value creation for the Company.

The Plan provides for a three-year vesting period for all beneficiaries from the date the entitlements are awarded to the date the shares are allotted to the beneficiaries. Therefore, if the performance targets are achieved and the other conditions of the Plan's Terms & Conditions satisfied, the shares vesting for the first cycle were allotted and delivered to beneficiaries by 31 July 2019, while those vesting for the second and third cycles were allotted and delivered by 31 July 2020 and 31 July 2021 respectively.
The Plan also provides for a lock-up period for part of the shares given to members of the Board of Directors or key management personnel of the Company.
With reference to the Plan's first cycle, 9,101,544 ordinary shares in FINCANTIERI S.p.A. were awarded to the beneficiaries identified by the Board of Directors on 15 December 2016; while, for the second cycle, 4,170,706 shares in FINCANTIERI S.p.A. were awarded to the beneficiaries identified by the Board of Directors on 25 July 2017; and lastly, for the third and last cycle, 3,604,691 shares in the Parent Company were awarded to the beneficiaries identified by the Board of Directors on 22 June 2018.
The economic and financial performance targets are comprised of two elements:

- a "market based" component (with a 30% weight on total entitlements awarded) linked to measuring Fincantieri's performance in terms of TSR related to the FTSE ITALY ALL SHARE and the peer group identified by the Company;
- a "non-market based" component (with a 70% weight on total entitlements awarded) linked to the achievement of the Group's set EBITDA targets.

With reference to the market based component, the Monte Carlo calculation method is used, based on appropriate assumptions, which enables a consistent number of alternative scenarios to be defined over the time period in consideration. Unlike the market based performance target, the non-market based component (EBITDA) is not relevant for the fair value estimation, but is updated every quarter in order to take into account the expectations relating to the number of entitlements that could vest, depending on the achievement of the set EBITDA targets.
The fair value amount determined on the grant date for each cycle of the Plan is illustrated below.

(euro)

	Grant date	No. shares awarded	Fair value
First cycle of the Plan	19 May 2017	9,101,544	6,866,205
Second cycle of the Plan	25 July 2017	4,170,706	3,672,432
Third cycle of the Plan	22 June 2018	3,604,691	3,963,754

With reference to the Performance Share Plan 2016-2018, it should be noted that:

- on 27 June 2019, the Board of Directors approved the closure of the first cycle of the "Performance Share Plan 2016-2018" incentive plan, allocating free of charge to the recipients 10,104,787 ordinary Fincantieri shares through the use of 2,572,497 own shares in portfolio and by issuing 7,532,290 new shares, without a par value. The issue and delivery of the shares took place on 31 July 2019;
- on 10 June 2020, the Board of Directors approved the closure of the second cycle of the "Performance Share Plan 2016-2018" incentive plan, allocating free of charge to the recipients 4,822,542 ordinary Fincantieri shares through the use of own shares in portfolio. The net shares actually allocated amounted to 2,685,862 shares (net of those withheld to meet the tax obligations of the assignees). The delivery of the shares took place on 3 July 2020;
- on 10 June 2021, the Board of Directors approved the closure of the third cycle of the "Performance Share Plan 2016-2018" incentive plan, allocating free of charge to the recipients 2,787,276 ordinary Fincantieri shares. The net shares actually allocated amounted to 1,528,027 shares (net of those withheld to meet the tax obligations of the assignees). The allocation of shares took place, using solely own shares in portfolio, on 2 July 2021.

The Plan's features, outlined above, are described in detail in the special document prepared by the Company under Art. 84-*bis* of Consob Regulation No. 11971 of 14 May 1999, made available to the public on the website www.fincantieri.it in the section "Ethics and Governance – Shareholders' Meeting – Shareholders' Meeting 2017".

Performance Share Plan 2019-2021

On 11 May 2018, the Shareholders' Meeting of FINCANTIERI S.p.A. approved the medium/long-term share-based incentive plan for management, the Performance Share Plan 2019-2021 (the "Plan"), and the related Terms and Conditions, the structure of which was defined by the Board of Directors at the meeting held on 27 March 2018.
The Plan, structured in three-year cycles, provides for the free grant, to the beneficiaries identified by the Board of Directors, of entitlements to receive a maximum of 25,000,000 ordinary shares in FINCANTIERI S.p.A. without nominal value, based on the achievement of specific performance targets for the three-year periods 2019-2021 (first cycle), 2020-2022 (second cycle) and 2021-2023 (third cycle).
The Plan provides for a three-year vesting period for all beneficiaries from the date the entitlements are awarded to the date the shares are allotted to the beneficiaries. Therefore, if the performance targets are achieved and the other conditions of the Plan's Terms & Conditions satisfied, the shares vesting for the first cycle will be allotted and delivered to beneficiaries by 31 July 2022, while those vesting for the second and third cycles will be allotted and delivered by 31 July 2023 and 31 July 2024 respectively.
The Plan also provides for a lock-up period for part of the shares given to members of the Board of Directors or key management personnel of the Company. The free award of a number of rights is left to the Board of Directors, which also has the power to identify the number and names of the beneficiaries.
With reference to the Plan's first cycle, 6,842,940 ordinary shares in the Company were awarded to the beneficiaries identified by the Board of Directors on 24 July 2019; while, for the second cycle, 11,133,829 ordinary shares in the Company were awarded to the beneficiaries identified by the Board of Directors on 30 July 2020; and lastly, for the third and last cycle, 9,796,047 ordinary shares in the Company were awarded to the beneficiaries identified by the Board of Directors on 10 June 2021.
Among the Plan's targets, in addition to the EBITDA and TRS already included in the Performance Share Plan 2016-2018, the Group introduced another parameter, the sustainability index, to measure achievement of the sustainability targets set by the Group in order to align with European best practices and the financial community's increased expectations for sustainable development.
The references used to test achievement of the sustainability target are market parameters such as the "CDP" (Carbon Disclosure Project) and a second rating by another agency which evaluates the entire basket of sustainability aspects.

The fair value amount determined on the grant date for each cycle of the Plan is illustrated below.

(euro)

	Grant date	No. shares awarded	Fair value
First cycle of the Plan	24 July 2019	6,842,940	6,668,616
Second cycle of the Plan	30 July 2020	11,133,829	5,958,937
Third cycle of the Plan	10 June 2021	9,796,047	7,416,783

The Plan's features, outlined above, are described in detail in the special document prepared by the Parent Company under Art. 84-*bis* of Consob Regulation No. 11971 of 14 May 1999, made available to the public on the website www.fincantieri.it in the section "Ethics and Governance – Shareholders' Meeting – Shareholders' Meeting 2018".

Performance Share Plan 2022-2024

On 8 April 2021, the Shareholders' Meeting of FINCANTIERI S.p.A. approved the medium/long-term share-based incentive plan for management, the Performance Share Plan 2022-2024 (the "Plan"), and the related Terms and Conditions, the structure of which was defined and approved by the Board of Directors on 25 February 2021.
The Plan, consistent with the previous plan 2019-2021, is structured in three-year cycles and provides for the free grant, to the beneficiaries identified by the Board of Directors, of entitlements to receive a maximum of 64,000,000 ordinary shares in FINCANTIERI S.p.A. without nominal value, based on the achievement of specific performance targets for the three-year periods 2022-2024 (first cycle), 2023-2025 (second cycle) and 2024-2026 (third cycle).
The Plan provides for a three-year vesting period for all beneficiaries from the date the entitlements are awarded to the date the shares are allotted to the beneficiaries. Therefore, if the performance targets are achieved and the other conditions of the Plan's Terms & Conditions satisfied, the shares vesting for the first cycle will be allotted and delivered to beneficiaries by 31 July 2025, while those vesting for the second and third cycles will be allotted and delivered by 31 July 2026 and 31 July 2027 respectively.
In particular, the beneficiaries for the first cycle will be identified by the grant date for the first cycle, namely by 31 July 2022; the beneficiaries for the second cycle will be identified by the grant date for the second cycle, namely by 31 July 2023; and the beneficiaries for the third cycle will be identified by the grant date for the third cycle, namely by 31 July 2024.
Among the Plan's targets and in particular as regards the first cycle, as already included in the Performance Share Plan 2019-2021, in addition to the EBITDA and TRS, the Group defined another parameter, the sustainability index, to measure achievement of the sustainability targets set by the Group in order to align with European best practices and the financial community's increased expectations for sustainable development.
The references used to test achievement of the sustainability target are based on the percentage of achievement of the Sustainability Plan targets that the Company has set itself during the reference period. In addition, an access gate has been included which has to be achieved in order to receive the bonus. This gate is linked to the rating targets that the Company has set itself and are: obtaining at least a B rating in the "Carbon Disclosure Project" (CDP) and inclusion in the Advanced band of the "Vigeo Eiris" ranking.
The Plan also provides for a lock-up period for part of the shares given to members of the Board of Directors or key management personnel of the Company.
The Plan's features, outlined above, are described in detail in the special document prepared by the Parent Company under Art. 84-*bis* of Consob Regulation No. 11971 of 14 May 1999, made available to the public on the website "www.fincantieri.it" in the section "Ethics and Governance – Shareholders' Meeting – Shareholders' Meeting 2021".

Litigation

Foreign litigation

With reference to the "Iraq" dispute, described in detail in the Notes to the Consolidated Financial Statements at 31 December 2014 and the subject of various subsequent updates, it is recalled that following the failure to agree the operating contracts (Refurbishment Contract and Combat System Contract) required for the Settlement Agreement, the Iraqi Government stepped up the proceedings pending before the Appeals Court of Paris against the arbitration awarded to Fincantieri. On 18 January 2018, the Appeals Court of Paris rejected the counterparty's claims. On 20 June 2018 the Iraqi Government notified Fincantieri of its appeal before the French Supreme Court against the decision of the Appeals Court of Paris. In a ruling issued on 15 January 2020, the French Supreme Court finally rejected the Iraqi Government's appeal in its entirety.
With reference to the 'Papanikolaou' litigation, brought before the Court of Patras (Greece) by Mr. Papanikolaou and his wife against the Company, Minoan Lines and others following the accident that occurred to the plaintiff in 2007 on board the" Europa Palace", built by, a settlement agreement was concluded on 25 February 2022, following which all proceedings were terminated and the parties definitively and fully waived their respective claims.
With regard to the above litigation where the Group is the defendant, the Parent Company has recognized provisions for a total of euro 2.6 million against liabilities considered probable in the event the case is lost.
With reference to the claim brought by the Brazilian subsidiary Vard Promar S.A. against Petrobas Transpetro S.A., after the losses incurred on eight shipbuilding contracts, on 22 June 2021 the Court of the State of Rio de Janeiro ordered Transpetro to pay BRL 240 million (approximately euro 40 million) to Vard Promar in compensation for damages and related interest. In addition, the same Court ordered Transpetro to pay back BRL 29 million (approximately euro 4.9 million) to Vard Promar in relation to the penalties applied by Transpetro for an amount above that agreed in the contract. As a result of a calculation error in the quantification of the interest, the Brazilian court adjusted the amount of the compensation to BRL 310 million (approximately euro 48.5 million).
With reference to the "Al Jaber" litigation, Al-Jaber Group LLC sued, before the civil court of Doha (Qatar), Fincantieri and Fincantieri Services Middle East LLC (a wholly-owned subsidiary of Fincantieri based in Qatar), to request the payment of an alleged agency fee, claiming to have carried out certain activities as Fincantieri's agent that would have, in its opinion, led to the award to Fincantieri of a contract with the Qatar Armed Forces. Fincantieri completely rejected the counterparty's arguments. The claim amounts to euro 264 million. Following several postponements, the first hearings were held at the beginning of 2021, after which the judge appointed a technical expert in defence tendering procedures, who filed his expert opinion at the start of March 2022. With reference to this litigation, it is deemed that the risk is possible, but not probable, also based on the opinion of the lawyers engaged by the Company, and therefore no provision for risks was set aside.

Italian litigation

Client credit recovery

With reference to legal action against customers that are insolvent, bankrupt or the subject of other reorganization measures, with whom disputes have arisen, it is reported that legal actions are continuing against Tirrenia and Siremar, both under special administration.
It should also be noted that Fincantieri has receivables which originally arose with Astaldi, a company operating in the infrastructure sector, which subsequently became subject to an arrangement with creditors, now concluded. Fincantieri's claim is disputed and the Company has undertaken legal action to protect it. Based on the opinion of the legal counsel engaged, the Company is confident that its claims will be accepted by the relevant courts.
The Company's credits have been appropriately impaired in cases where the expectation of recovery is less than the amount of the credit.

Litigation with suppliers

These are disputes involving claims by suppliers and contractors that the Company considers unjustified (alleged contractual liability, alleged receivables for invoices not due or for extra items not due), or concerning the recovery of extra costs and/or losses incurred by the Company due to supplier or contractor breaches of contract. In some cases, it has been considered appropriate to bring two negative assessment actions against such alleged claims.
A provision for risks and charges has been recognized for those disputes thought to probably not be settled in the Group's favour.

Employment litigation

This refers to cases brought by employees and former employees of contractors and subcontractors, which involve the Company under the "customer co-liability" principle (Art. 1676 of the Italian Civil Code and Art. 29 of Legislative Decree 276/2003).
Litigation relating to asbestos continued to be settled both in and out of court in 2021. The provision set aside for this has been estimated in relation to litigation pending at the reference date for the estimate. The total liability relating to cases that have not yet emerged or are not yet known cannot be reliably estimated based on the information currently available and therefore is not reported in the notes to the financial statements.

Other litigation

Other litigation includes: i) appeals against claims by social security authorities, including litigation against INPS for claims arising from the non-payment of contributions by contractors and subcontractors under the customer co-liability principle; ii) compensation for direct and indirect damages arising from the production process; iii) civil actions for injury compensation claims.
Whenever the outcome of such litigation is thought probable to result in a possible outflow of economic resources, suitable provisions for risks and charges have been recognized.

Criminal prosecutions under Legislative Decree 231/2001

The Group is currently involved in eight criminal prosecutions brought under Legislative Decree no. 231/2001 in the Court of Gorizia, one in the Court of Agrigento and one in the Court of Venice:

- in January 2014, FINCANTIERI S.p.A. received notice of a request for extension of the deadline for the preliminary investigations, under Art. 406 of the Code of Criminal Procedure, into the former manager of the Monfalcone shipyard for the alleged infringement of Art. 256, par. 1, letters a) and b) of Legislative Decree No. 152/2006, as well as into the Company, being investigated under Art. 25-*undecies* of Legislative Decree No. 231/2001 in relation to its alleged management of areas for the sorting, temporary deposit and storage of hazardous waste at the Monfalcone shipyard without the required authorization, and the alleged disposal of such waste with documentation that would not permit it to be traced. As part of these proceedings, in October 2017, the former Managers of the Monfalcone shipyard, the former General Managers of the Company, the Company's former Head of Safety and former Head of Personnel were notified of the conclusion of the preliminary investigations for the offences referred to in Art. 256, paragraph 1(a) and 1(b) of Legislative Decree No. 152/2006 ("Unauthorized waste management activities"); in April 2018, the Company was also notified of the conclusion of the investigations for the offence referred to in Art. 25-*undecies* of Legislative Decree No. 231/2001 ("Environmental Offences"). In September 2018 the writ of summons to appear in court was served on all those under investigation. At the hearing of 6 March 2019, the judge ruled that no action should be taken against the former Manager of the Monfalcone plant in office until 30 June 2013, the former General Managers of the Company, the former Head of Safety and the former Head of Personnel of the Company, or against the Company, for the facts established in May 2013, under the statute of limitations. At the hearing held on 15 July 2020, the sentence was given to dismiss the proceeding against the former Plant Manager, who had been in the position since 1 July 2013, owing to the expiry of the statute of limitations (as regards the facts established in February 2015). The next hearing in the proceeding, in which the Company is still involved (as regards the facts established in February 2015), is scheduled for 4 May 2022 for the examination of the last Company witness and their expert witness;
- in September 2015, notices of the conclusion of preliminary investigations were served not only on the former Monfalcone shipyard manager and three other employees under investigation for violation of Art. 19, letter f), and Art. 71 of Legislative Decree no. 81/2008 (respectively concerning breach of management obligations and failure to provide suitable personal protective equipment) and in general of Art. 2087 of the Italian Civil Code (failure to adopt suitable measures to protect worker health), but also on the Company itself, under Art. 25-*septies*, par. 1, 2 and 3, of Legislative Decree no. 231/2001, in connection with an accident on 24 November 2009 at the Monfalcone shipyard involving an employee, resulting in a sprained shoulder that took a year to heal;
- in March 2016, notices of the conclusion of preliminary investigation were served on the former Monfalcone shipyard manager, under investigation for the offence of "bodily harm" under Art. 590 of the Italian Criminal Code in relation to the violation of certain provisions of Legislative Decree No. 81/2008 and in general Art. 2087 of the Italian Civil Code (Failure to adopt suitable measures to protect workers' health), as well as on the Company under Art. 25-*septies*, para. 3 of Legislative Decree No. 231/2001, in connection with the injury suffered by an employee in an accident on 29 March 2012 at the Monfalcone shipyard involving an injury to the little finger on his left hand that healed in eight months;
- in June and July 2016, notices of conclusion of preliminary investigation were served on the former Monfalcone shipyard manager, under investigation for the offence of "bodily harm" under Art. 590 of the Italian Criminal Code in relation to the violation of certain provisions of Legislative Decree No. 81/2008 and in general Art. 2087 of the Italian Civil Code (Failure to adopt suitable measures to protect worker health), and on the Company under Art. 25-*septies*, paragraph 3, of Legislative Decree No. 231/2001, in connection with an accident on 25 August 2010 at the Monfalcone shipyard involving an employee of a contractor with a contusion to his left knee, which took more than forty days to heal;
- in June 2018, notifications were served of the conclusion of the preliminary investigations into the management and disposal of waste, involving many persons and companies, including the Company's Chief Executive Officer, the former manager and two employees of the Palermo shipyard for the offence referred to in Art. 452-*quaterdecies* of the Criminal Code ("Illegal waste trafficking activities") and the Company for the offence referred to in Art. 25-*undecies*, paragraph 2(f) Legislative Decree No. 231/2001 ("Environmental Offences"). By order of 23 April 2019, the Judge for Preliminary Investigations, in acceptance of the request made by the counsel of the Company's Chief Executive Officer, ordered the dismissal of the proceedings against the Chief Executive Officer. At the hearing held on 11 September 2020, the Judge for the Preliminary Hearing issued the decree ordering the defendants, including the Company, to stand trial. The first hearing for the presentation of oral arguments was held on 23 February 2021 at the court Court of Agrigento: the next hearing, set for cross-examination of the Public Prosecutor's witness, will take place on 6 April 2022;
- in February 2020, notices of conclusion of preliminary investigation were served on the Manager of the Monfalcone shipyard, the Manager of the Marghera shipyard and the Production Manager at the Marghera shipyard, all accused of the offences referred to in Art. 256, paragraph 1, of Legislative Decree No. 152/06 ("Unauthorized Waste Management Activities"), Art. 137 of Legislative Decree No. 152/06 ("Unauthorized discharges of industrial waste water"), Art. 279 of Legislative Decree No. 152/06 ("Unauthorized emissions into the atmosphere") and, with regard to the Manager of the Monfalcone shipyard alone, the offence referred to in Art. 29-*quattuordecies*, paragraph 4(b) of Legislative Decree No. 152/06 ("Failure to comply with the requirements of the AIA"). The Company is instead accused of violation of Art. 25-*undecies*, paragraph 2(b)(1) and (2) in relation to Art. 5, paragraph 1(a) and (b) of Legislative Decree 231/01 (Environmental offences). The writ of summons to appear in court was served: the next hearing, set in order to withdraw the judge's reservation concerning the regularity of the summons will be held on 5 July 2022;
- between March and May 2020, notices of conclusion of preliminary investigation were served, among others, on the Manager of the Monfalcone shipyard, the Project Manager in charge of the project on behalf

of the Company, and the legal representative at the time of the events of the subsidiary Fincantieri SI, for the offence of "Manslaughter" under Art. 589, paragraph 1 and 2 of the Italian Criminal Code in relation to the violation of certain provisions of Legislative Decree No. 81/2008 and in general Art. 2087 of the Italian Civil Code (Failure to take suitable measures to protect worker health), and on the Company under Art. 25-*septies*, par. 2, of Legislative Decree No. 231/2001, in connection with a fatal accident that took place on 2 March 2017 at the Monfalcone shipyard involving an employee of a subcontractor. A writ of summons to appear in court was served. At the hearing held on 23 March 2022 the Judge, having rejected the objections of nullity raised on behalf of the accused by the defence, adjourned the hearing to 30 March 2022 to decide on the request for trial formulated by the Public Prosecutor;

- in November 2020, notices of conclusion of preliminary investigation were served on the Manager of the hull manufacturing centre area, under investigation for the offence of "bodily harm through negligence" under Art. 590 of the Italian Criminal Code in relation to the violation of certain provisions of Legislative Decree No. 81/2008 and in general Art. 2087 of the Italian Civil Code (Failure to take suitable measures to protect worker health), as well as the Company under Art. 25-*septies*, paragraph 3, of Legislative Decree No. 231/2001, in connection with an accident on 13 April 2018 at the Monfalcone shipyard involving an employee with bruising and contusions on the elbow and right knee that took over two months to heal;
- in November 2021, as part of proceedings initiated following the discovery of buried material containing asbestos within the Monfalcone Shipyard, notices of the conclusion of preliminary investigations were served on the former manager of the Monfalcone Shipyard, accused of the crimes of "Removal and negligent omission of measures to prevent accidents at work" under Art. 437 of the Italian Criminal Code and "Unauthorized waste management activities" under Art. 256, paragraph 1(b) of Legislative Decree No. 152/2006, and on the Company, accused of violation of Art. 25-*undecies*, paragraph 2(b)(2) in relation to Art. 5 paragraph 1 of Legislative Decree No. 231/2001 ("Environmental Offences");
- in November 2021, in the context of criminal proceedings involving, among others, a number of Company employees in relation to the alleged offences of bribery among private individuals pursuant to Article 2635, paragraph 2, of the Italian Civil Code and unlawful intermediation and exploitation of labour pursuant to Article 603-*bis* of the Italian Criminal Code for acts committed in Marghera between 2015 and 2019, the Company was also served notice of the conclusion of the investigations for the alleged offence under Article 25-*quinquies*, paragraph 1, letter a) of Legislative Decree no. 231/2001 (Crimes against the individual) with reference to the offence under Article 603-*bis* of the Italian Criminal Code.

Tax position

National tax consolidation

FINCANTIERI S.p.A., Fincantieri Oil & Gas S.p.A. and Isotta Fraschini Motori S.p.A. take part in the national tax consolidation of Cassa Depositi e Prestiti S.p.A..

Audits and assessments

Fincantieri SI
The audit launched in 2020 by the Financial Police on the tax period 2018 was completed with minor findings which will have a non material impact when the final assessment is issued.
Marine Interiors Cabins
During 2021 there were no developments on the tax disputes in Italy and Norway.

Headcount

The Group's average workforce numbered 20,520 employees in 2021 (19,798 in 2020), distributed between the various contractual grades as follows:

(number)

	2021	2020
Average number of employees:		
- Senior managers	421	395
- Middle managers	1,074	1,089
- White collars	8,753	8,012
- Blue collars	10,272	10,302
Total average number of employees	**20,520**	**19,798**

Grants and economic benefits received from government bodies

Under art. 1 paragraph 125 of Law no. 124 of 2017 the tables below give information on grants and other economic benefits received from Italian public entities during 2021:

(euro/000)

Type	Grantor	Reason	Amount received
Non-repayable	Puglia Region	BACK TO THE BASIC project	8,296
Non-repayable	MIT	Technology Leadership project	2,244
Non-repayable	MIT	AGORA' PROJECT	2,234
Non-repayable	MiSE	Law 808 funding	1,024
Non-repayable	MiSE	STESS	963
Non-repayable	Campania Region	Research project contributions	182
Non-repayable	MIUR	MACADI research project	138
Non-repayable	RINA Consulting	ENGIMMONIA project	134
Non-repayable	Friuli Venezia Giulia Region	GLU&NAV	48
Non-repayable	Aosta Valley Region	Pre-commercial Procurement Tender Lot 4 Waste	43
Non-repayable	START 4.0 Competence Centre Association	CYMON research project	40
Non-repayable	Ministry of Defence	ETEF project	35
Non-repayable	Aosta Valley Region	Dev. project "ERDF OP" enterprises	19
Non-repayable	FONDIMPRESA	Training grants	16

Low cost financing

The Group did not receive new low cost financing during 2021.

Donations and contributions

Under art. 1 paragraph 126 of Law no. 124 of 2017 the tables below give information on donations and contributions made by the Group during 2021:

(euro/000)

Beneficiary	Reason	Amount paid
Monfalcone Nursery School	Contribution	1,346
Fincantieri Foundation (NPO)	Contribution	150
Scholarships Anghel Saligny High School in Tulcea	Donation	41
Bocconi University in Milan	Contribution	50
University of Trieste - Clinical Department of Medical, Surgical and Health Sciences	Contribution	50
Amici del Gonfalone Association	Contribution	40
Fondazione ANT Italia Onlus	Donation	30
Atlantic Council	Contribution	25
Municipality of Monfalcone	Contribution	25
Peschiere University Student Accommodation Foundation (GE) of the RUI Foundation	Contribution	10
Astrid Foundation	Contribution	10
Catholic University of the Sacred Heart	Contribution	10
RenAIssance Foundation	Contribution	10
Republican Party of Wisconsin	Contribution	10

Note 34 - Cash flows from operating activities

These are analyzed as follows:

(euro/000)

	31.12.2021	31.12.2020
Profit/(loss) for the year	21,815	(244,520)
Depreciation and amortization	205,308	186,588
(Gains)/losses from disposal of property, plant and equipment	9,008	1,666
(Revaluation)/impairment of property, plant and equipment, intangible assets and equity investments	14,381	11,305
(Revaluation)/impairment of working capital	25,205	13,406
Increases/(releases) of provisions for risks and charges	91,017	70,506
Interest expenses capitalized		
Interest on employee benefits	1,109	1,246
Interest income	(27,325)	(21,479)
Interest expense	83,339	74,277
Income taxes	57,886	(9,203)
Long-term share-based incentive plan	6,576	5,325
Non-monetary operating income and expenses	1,266	-
Impact of unrealized exchange rate changes	7,478	41,029
Finance income and costs from derivatives		(9,461)
Gross cash flows from operating activities	**497,063**	**120,685**

Note 35 - Segment information

Management has identified the following operating segments which reflect the model used to manage and control the business sectors in which the Group operates: Shipbuilding, Offshore and Specialized Vessels, Equipment, Systems and Services and Other Activities.
Shipbuilding: encompassing the business areas cruise ships and expedition cruise vessels, naval vessels, ferries and mega yachts.
Offshore and Specialized Vessels: encompassing the design and construction of high-end offshore support vessels, specialized ships, vessels for offshore wind farms and open ocean aquaculture, as well as the offer of innovative products in the field of drill ships and semi-submersible drilling rigs.
Equipment, Systems and Services includes the following business areas: i) Services, which includes ship repairs and conversions, logistic support, refitting, training and after-sales services, ii) Complete Accommodation, which includes the fitting out of cabins, public areas, catering, wet units and windows, iii) Electronics, Systems and Software, which focuses on advanced technological solutions, from the design and integration of complex systems (system integration) to telecommunications and critical infrastructure, iv) Mechatronics, i.e., integration of mechanical components and power electronics in naval and onshore applications and v) Infrastructure, which includes the design, construction and installation of steel structures for large-scale projects as well as the production and construction of maritime works and the supply of technology and facility management for the health segment, industry and the service sector.
Other activities primarily refer to the cost of corporate activities which have not been allocated to other operating segments.
It should be noted that, starting from 2021, the activities of Vard Electro and Seaonics have been reallocated from the Shipbuilding and Offshore and Specialized Vessels segments to the Equipment, Systems and Services segment, respectively, and the comparative figures at 31 December 2020 have been restated accordingly.
The Group evaluates the performance of its operating segments and the allocation of financial resources on the basis of revenue and EBITDA, in the configuration monitored by the Group, defined as Profit/(loss) for the year adjusted for the following items: i) Income taxes, ii) Share of profit/(loss) of investments accounted for using the equity method, iii) Income/(expense) from investments, iv) Finance costs, v) Finance income, vi) Depreciation, amortization and impairment, vii) Costs relating to reorganization plans and other non-recurring personnel costs, viii) Provisions for costs and legal expenses associated with lawsuits brought by employees for asbestos-related damages, ix) Costs related to the impacts deriving from the spread of COVID-19 mainly refer to the failure to absorb fixed production costs during the production shutdown in 2020, the impact of reduced efficiency resulting from the implementation of the preventive measures adopted, and the costs for sanitary aids and expenses to ensure employee health and safety, x) Other extraordinary income and expenses and xi) Net result from discontinued operations.

The results of the operating segments at 31 December 2021 and 31 December 2020 are reported below.

(euro/000)

	2021				
	Shipbuilding	Offshore and Specialized Vessels	Equipment, Systems and Services	Other Activities	Group
Segment revenue	**5,903,413**	**456,233**	**1,404,404**	**2,314**	**7,766,364**
Intersegment elimination	(245,418)	(10,312)	(597,703)	(1,910)	(855,343)
Revenue	**5,657,995**	**445,921**	**806,701**	**404**	**6,911,021**
EBITDA	**467,486**	**9,744**	**61,480**	**(43,748)**	**494,962**
EBITDA margin	**7.9%**	**2.1%**	**4.4%**		**7.2%**
Depreciation, amortization and impairment					(205,996)
Finance income					77,579
Finance costs					(182,956)
Income/(expense) from investments					813
Share of profit/(loss) of investments accounted for using the equity method					(14,730)
Income taxes					(57,886)
Costs not included in EBITDA					(89,971)
Net profit/(loss) from discontinued operations					
Profit/(loss) for the year					**21,815**

Details of "Costs not included in EBITDA" gross of the tax effect (positive for euro 20,202 thousand) are given in the following table.

(euro/000)

	2021
Provisions for costs and legal expenses associated with asbestos-related lawsuits[1]	(55,409)
Costs relating to the impacts deriving from the spread of COVID-19[2]	(30,040)
Other extraordinary income and expenses[3]	(4,522)
Costs not included in EBITDA	**(89,971)**

[1] Of which euro 7 million included in "Materials, services and other costs" and euro 49 million in "Provisions".
[2] Of which euro 26 million included in "Materials, services and other costs" and euro 4 million in "Personnel costs".
[3] Of which euro 1 million included in "Revenue and Income", euro 1 million in "Materials, services and other costs" and euro 5 million in "Personnel costs".

(euro/000)

	2020*				
	Shipbuilding	Offshore and Specialized Vessels	Equipment, Systems and Services	Other Activities	Group
Segment revenue	**5,136,302**	**368,680**	**1,099,960**	**2,156**	**6,607,098**
Intersegment elimination	(296,026)	(17,383)	(412,541)	(1,694)	(727,644)
Revenue	**4,840,276**	**351,297**	**687,419**	**462**	**5,879,454**
EBITDA	**273,177**	**(3,284)**	**85,922**	**(41,427)**	**314,387**
EBITDA margin	**5.3%**	**-0.9%**	**7.8%**		**5.3%**
Depreciation, amortization and impairment					(186,988)
Finance income					71,688
Finance costs					(211,888)
Income/(expense) from investments					129
Share of profit/(loss) of investments accounted for using the equity method					(11,888)
Income taxes					9,203
Costs not included in EBITDA					(229,163)
Net profit/(loss) from discontinued operations					-
Profit/(loss) for the year					**(244,520)**

* It should be noted that, starting from 2021, the activities of Vard Electro and Seaonics have been reallocated from the Shipbuilding and Offshore and Specialized Vessels segments to the Equipment, Systems and Services segment, respectively, and the comparative figures at 31 December 2020 have been restated accordingly.

Details of "Costs not included in EBITDA" gross of the tax effect (positive for euro 48,244 thousand) are given in the following table.

(euro/000)

	2020
Provisions for costs and legal expenses associated with asbestos-related lawsuits[1]	(52,347)
Costs relating to the impacts deriving from the spread of COVID-19[2]	(167,388)
Other extraordinary income and expenses[3]	(9,428)
Costs not included in EBITDA	**(229,163)**

[1] Of which euro 7 million included in "Materials, services and other costs" and euro 45 million in "Provisions".
[2] Of which euro 101 million included in "Materials, services and other costs" and euro 70 million in "Personnel costs". It should also be noted that the impacts of the spread of COVID-19 have an effect on "Depreciation, amortization and impairment" of euro 20 million and on "Finance income/(costs)" of euro 9 million.
[3] Amount included in "Materials, services and other costs".

The following tables show a breakdown of "Property, plant and equipment" in Italy and other countries and the analysis of "Capital expenditure" according to the relative operating segments:

(euro/million)

	31.12.2021	31.12.2020
Italy	976	896
Other countries	542	405
Total Property, plant and equipment	**1,518**	**1,301**

(euro/million)

	31.12.2021	31.12.2020
Shipbuilding	298	250
Offshore and Specialized Vessels	6	3
Equipment, Systems and Services	30	32
Other assets	24	24
Total	**358**	**309**

Capital expenditure in 2021 on Intangible assets and Property, plant and equipment amounted to euro 358 million (euro 309 million in 2020), of which euro 184 million related to Italy (euro 219 million in 2020) and the remainder to other countries.
The following table shows a breakdown of revenue and income between Italy and other countries, according to client country of residence:

(euro/million)

	31.12.2021		31.12.2020	
	Revenue and income	%	Revenue and income	%
Italy	891	13	745	13
Other countries	6,021	87	5,134	87
Total Revenue and income	**6,912**		**5,879**	

The following table shows a breakdown of revenue and income according to country of production:

(euro/million)

	31.12.2021		31.12.2020	
	Revenue and income	%	Revenue and income	%
Italy	5,525	80	4,680	80
Norway	718	10	650	11
Romania	395	6	369	6
Rest of Europe	33	1	7	
North America	640	9	598	10
South America	24		16	
Asia and Oceania	205	3	121	2
Consolidation adjustments	(628)	(9)	(562)	(10)
Total Revenue and income	**6,912**	**100**	**5,879**	**100**

The following table shows those clients whose revenue (defined as revenue plus change in inventories) accounted for more than 10% of the Group's revenue and income in each reporting period:

(euro/million)

	31.12.2021		31.12.2020	
	Revenue and income	%	Revenue and income	%
Client 1	805	12	910	15
Client 2	744	11	696	12
Client 3	695	10		
Total	**6,912**		**5,879**	

Note 36 - Discontinued operations

In 2019 the Board of Directors of the subsidiary Vard Group AS approved the decision to leave the small vessel construction business for the fishery and aquaculture sectors and to proceed with the sale of the Aukra shipyard. Following that decision, Vard Group AS signed a letter of intent with a potential purchaser which envisaged the completion of the sale by 2020. The letter of intent expired definitively in March 2021 without the sale of the shipyard. Consequently the assets and liabilities previously classified as held for sale were classified again as non-current assets and measured at their carrying amount before they were classified as held for sale, adjusted for all the depreciation and amortization that would otherwise have been recognized had the assets not been classified as held for sale. The table below shows the values as assets held for sale at 31 December 2020.
The carrying amount of assets and liabilities held for sale in the 2020 Financial Statements is detailed below:

(euro/000)	31.12.2020
Non-current assets	5,785
Current assets	
Total assets	**5,785**

(euro/000)	31.12.2020
Non-current liabilities	
Current liabilities	
Total liabilities	**-**

Note 37 - Acquisitions

INSO-SOF

Description of the operation

On 1 June 2021, the Group finalized the acquisition of the business unit of INSO – Sistemi per le INfrastrutture SOciali S.p.A., a business unit representing the company's main activities, and of its subsidiary SOF, formerly part of the Condotte group, under extraordinary administration since 2018, was completed. Finalization of the transaction was subject to certain contractual conditions in addition to the Ministry of Economic Development giving the relevant authorization to the special administrators appointed to sell the company's business units. As part of the operation, the Group also acquired the 99% stake in Ergon Project Ltd from Hospital Building & Technologies S.c.a.r.l.
The acquisition was conducted through the subsidiary Fincantieri Infrastructure S.p.A. with the aim of further strengthening its position in the large infrastructure segment. It involved the transfer of the business unit, and some controlling interests, to the newly formed company "FINSO – Fincantieri INfrastrutture SOciali S.p.A." (FINSO for short). Fincantieri Infrastructure S.p.A. holds 90% of the capital in FINSO and the remaining part is held by Sviluppo Imprese Centro Italia SGR S.p.A. ("SICI"), representing the Tuscany Region.
INSO was founded in the 1960s and became part of the Condotte group in 2012. It is specialized in the development of construction projects and supply of technologies in the healthcare, industrial and service sectors. Its areas of activities include: construction, where it operates as general contractor in the realization of infrastructure for the healthcare and other sectors; concessions and management, where it operates directly or via the subsidiary SOF by providing facility management services; supply of instrumentation, as system integrator, in the supply of medical equipment and technologies.
The consideration contractually agreed for the acquisition of the business unit is euro 30 million, to be paid as follows: euro 7,576 thousand at the date of execution and then in 3 annual instalments of euro 7,476 thousand each starting from 31 May 2022. Based on the contractual provisions and the carrying amounts at the date the business unit is transferred, compared to those identified at the time of the offer, the consideration is also subject to adjustment upwards or downwards up to a maximum of 35% of that defined in the contract. At the date of closure of the financial statements, the estimated price adjustment was approximately euro 2,000 thousand. This acquisition was entirely financed using the Company's own funds.

Accounting for the acquisition

The acquisition of the INSO business unit is a business combination, in accordance with the provisions of IFRS 3 – Business combinations. The assets and liabilities acquired, duly aligned to the accounting standards of the Fincantieri Group, were measured at fair value at the Acquisition Date (1 June 2021), in accordance with IFRS 3 (Purchase Price Allocation). The valuation process for the identifiable assets acquired and liabilities assumed, as well as the estimate of the consideration recognized as price adjustment, were completed during the second half of 2021 and, therefore, the balances recognized in these financial statements are to be considered final.
The following table shows the total consideration and fair value of the assets acquired and liabilities assumed.

As illustrated below, a comparison of these values with the consideration does not show any differences, either as goodwill or as a gain on acquisition.

(euro/000)	
Consideration for 100% of the business unit	30,000
Consideration for price adjustment	(2,000)
(a) Total estimated consideration	**28,000**
Provisional carrying amount of the net assets acquired	
Intangible assets	46,311
Rights of use	4,376
Plant and machinery	3,355
Investments	1,695
Other non-current financial assets	6
Other non-current assets	710
Deferred taxes	(4,998)
Inventory	2,635
Other current financial assets	317
Contract assets net of invoices issued	2,360
Trade receivables and other current assets	81,695
Cash and cash equivalents	11,329
Employee severance fund and provisions for risks and charges	(4,359)
Other non-current liabilities	-
Provision for onerous contracts	(40,374)
Trade payables and other current liabilities	(68,935)
Non-current financial liabilities	(3,896)
Current financial liabilities	(4,227)
Total	**28,000**
Non-controlling interests	-
(b) Total net assets acquired	**28,000**
(c) Pro-rata equity = (b) x 100%	**28,000**
Goodwill/Gains from acquisition = (a-c)	**0**

The purchase price allocation process involved, inter alia:

- the identification and valuation of intangible assets with a finite useful life, such as the order book for service contracts included in the backlog at the date of acquisition, for a total of euro 39,912 thousand;
- the recording of a risk provision for onerous contracts on construction contract assets and liabilities for a total of euro 40,374 thousand;
- the determination of the tax effects on the recognition of the order book.

It should be noted that the value of the order book has been estimated using the so-called "Income Approach", i.e. on the basis of the income flows, net of taxes, that will derive from future revenues from orders not yet realized (or only partly realized). The provision for risks for onerous contracts on Contract assets and liabilities recorded relates to construction contracts and refers to the revised estimate of costs expected to be incurred to complete the contracts estimated at the time of acquisition.

The costs incurred for the acquisition amount to a total of euro 1,470 thousand and have been charged to profit and loss as follows: euro 132 thousand in the financial year ending 31 December 2020 and euro 1,338 thousand in these Consolidated Financial Statements.

IDS

Description of the operation

The acquisition of IDS Ingegneria dei Sistemi S.p.A. was completed on 3 September 2021, the date on which Fincantieri Nextech S.p.A. acquired 78.68% of the Share Capital from FINSIS S.p.A. for a consideration of €11,400 thousand. Also on 3 September 2021, but as part of a separate agreement, Fincantieri NexTech acquired 10.58% of the capital of IDS from a minority shareholder for a countervalue of euro 3,000 thousand. Finally, as part of the transaction, in May 2021 Fincantieri Nextech signed an investment agreement with SIMEST (a 10% minority shareholder of IDS) that included a commitment by Fincantieri Nextech to purchase the SIMEST stake by 2026 at an agreed price based on a formula that sets the value of the shareholding within a pre-established range.
The company, founded in 1980 and based in Pisa, is active in the production of high-tech products in the civil and military sectors (e.g. naval, aeronautical, air navigation, space and environment). In particular, the Company, thanks to its expertise and constant investment in research and development, designs and markets integrated solutions in a wide range of sectors, from satellite communications to flight procedure management systems, from the design of naval and aeronautical components to radar systems for railway, homeland security and defence applications.

Accounting for the acquisition

The purchase price for the purposes of the allocation process was identified as the consideration paid for the purchase of the controlling stake of euro 11.4 million. The consideration paid for subsequent acquisitions of minority interests and the value recorded for the recognition of the put option for minority shareholders have been recorded as a reduction of group equity. The value of the net assets acquired at the date of acquisition was euro 4,871 thousand. The purchase price allocation process resulted in the identification and valuation of a capital gain related to the building owned by the company (as per expert appraisal), for a value of euro 1,960 thousand and the related recognition of deferred tax liabilities for euro 606 thousand. The residual goodwill pertaining to the Group recognized in the balance sheet amounted to euro 6,512 thousand. The allocation was accounted for on a definitive basis.

Team Turbo Machines

Description of the operation

The acquisition of Team Turbo Machines SAS - a company incorporated under French law - was completed on 31 July 2021, the date on which FINCANTIERI S.p.A. acquired 85% of the capital from the Hiolle group for euro 5,100 thousand. The sale agreements also provide for the possibility for FINCANTIERI S.p.A. to acquire the remaining 15% by 2024 through a combination of Put and Call options granted to the contracting parties.
The company provides after-sales maintenance services for steam turbines installed in petrochemical plants, sugar refineries, waste-to-energy plants and power plants, serving some of the most important utilities networks operating in the French-speaking area.

Accounting for the acquisition

The accounting for the transaction took into account the combination of Put and Call options entered into for the purchase of 15% of the capital owned by the minority shareholder.

Considering that the exercise price of both options - estimated at euro 1,400 thousand - was defined on the same calculation basis, the Fincantieri Group is substantially exposed to fluctuations in the fair value of the investee also for the portion owned by the minority shareholder, a situation which allowed the Group to opt for the early recognition of the acquisition of non-controlling interests as provided by IAS 32. This approach does not require the recognition of minority interests in the consolidated financial statements.
The purchase price for the purposes of the allocation process was therefore quantified at € 6,500 thousand, as the sum of the consideration paid for the purchase of the 85% stake (euro 5.1 million) and the estimated fair value of the exercise price of the option right recognized under financial liabilities (euro 1.4 million). The value of the net assets acquired at the date of acquisition was euro 1,423 thousand. The purchase price allocation process involved the identification and valuation of client relationships and order backlog among the intangible assets with a finite useful life, for a value of €7,051 thousand and the related recognition of deferred tax liabilities for €1,974 thousand.
There is no residual value allocable to goodwill. The allocation was accounted for on a definitive basis.

Naval branch of Metalsigma

Description of the operation

On 16 December 2021, MI S.p.A. finalized the acquisition of the naval branch of Metalsigma S.r.l. (already leased from August 2020), with the object of providing glass processing services as a component of naval furnishing. The consideration paid for the acquisition of the business unit was euro 523 thousand.

Accounting for the acquisition

The surplus of the purchase price over the net assets of the business unit acquired at the date of acquisition was euro 9,754 thousand. The purchase price allocation process resulted in the recognition of amortizable intangible assets for euro 4,960 thousand and deferred tax liabilities for euro 1,384 thousand. The residual goodwill pertaining to the Group recognized in the balance sheet amounted to euro 6,178 thousand. The allocation is provisional and will be completed in the 12 months following the date of acquisition.

Marine Project Solutions

Description of the operation

On 17 December 2021, MI S.p.A. completed the acquisition of 100% of Marine Project Solutions S.c.a.r.l., a consortium company active in the business of supplying interiors and glazing in the marine sector. The consideration paid for the acquisition of the business unit was euro 749 thousand.

Accounting for the acquisition

The purchase price is substantially in line with the value of the net assets acquired at the date of acquisition and therefore no amount can be allocated to goodwill. The allocation was accounted for on a definitive basis.

Note 38 - Events after 31 December 2021

On 17 January 2022, in the presence of the Minister for Equal Opportunities and the Family, Elena Bonetti, the Chief Executive Officer of Fincantieri, Giuseppe Bono, the General Secretaries of FIM, FIOM and UILM, Roberto Benaglia, Francesca Re David and Rocco Palombella, and the Minister herself signed an agreement for the creation of company crèches to support parents. The first one will be inaugurated in Trieste early this year at the headquarters of the company's Merchant Shipping Division and will be named 'Fincantesimo'. This will be followed by a nursery school for employees of the Monfalcone shipyard, to be set up in the Albergo Operai (former workers' hostel), a symbolic place for Fincantieri's historical link with the local area. The implementation of the project will then continue with the gradual implementation of the service in the other company sites.
On 27 January 2022, Fincantieri and ENEA signed a memorandum of understanding to identify areas of common interest for the development of a portfolio of research and innovation programmes. The main areas include energy efficiency, technologies and systems for power generation from renewable sources, for the production, transport and distribution of hydrogen, fuel cells, the circular economy, management and control strategies for Smart Ports and Smart Cities, materials technologies and sustainability projects in the marine and terrestrial environment.
On 10 February 2022, BNP Paribas Italian Branch and Fincantieri finalized an agreement to transform credit guarantees of up to euro 700 million granted by the bank into a "sustainability-linked Guarantees Facility".
The agreement has a minimum duration of more than four years and is the first transaction of its kind for the shipbuilding group.
On 10 March 2022, the construction of the new MSC Crociere Terminal began in Miami with the "laying of the foundation stone". The project, built by Fincantieri Infrastructure in the city considered to be the world capital in terms of cruise tourism, will be the largest and most advanced terminal in the United States, as well as one of the main ones on an international scale, and will be able to host up to three new-generation, low environmental impact ships at the same time, such as MSC Crociere's future liquefied natural gas (LNG) ships due to enter service in the coming months, handling up to 36,000 passengers a day.
On 22 March 2022 Fincantieri Marine Systems North America (FMSNA), a company specializing in the marketing of naval systems, services and components that is part of the US subsidiary Fincantieri Marine Group (FMG), was awarded the contract for the maintenance of the US Navy's Avenger class minesweepers.
On 23 March 2022, the Temporary Grouping of Companies made up of Società Italiana Dragaggi, agent, Fincantieri Infrastructure Opere Marittime, Sales and Fincosit, signed with the Port System Authority of the Northern Tyrrhenian Sea the contract for the construction of maritime defence works and dredging relating to the first implementation phase for the Europa Platform. The contract has a total value of around euro 383 million, with Fincantieri's share close to euro 100 million.
Starting from the early months of 2022, as explained in more detail in Note 3, paragraph 19.7 "Subsequent events", the outbreak of the Russia-Ukraine war marked the beginning of a period of great instability at a global level, both in geopolitical and economic terms. This context, which is still evolving, makes it particularly complex to assess the impact of future scenarios on the Group's business and performance.

Companies included in the scope of consolidation

Principal activity	Registered office	Countries in which they operate		Share Capital	% interest held		% consolidated by Group
Subsidiaries consolidated line-by-line							
BACINI DI PALERMO S.p.A. Dry-dock management	Palermo	Itay	EUR	1,032,000	100	FINCANTIERI S.p.A.	100
GESTIONE BACINI LA SPEZIA S.p.A. Dry-dock management	La Spezia	Itay	EUR	260,000	99.89	FINCANTIERI S.p.A.	99.98
ISOTTA FRASCHINI MOTORI S.p.A. Design, construction and sale of fast medium-duty diesel engines	Bari	Itay	EUR	3,330,000	100	FINCANTIERI S.p.A.	100
FINCANTIERI HOLDING B.V. Holding company for foreign investments	Netherlands	Netherlands	EUR	9,529,384.54	100	FINCANTIERI S.p.A.	100
FINCANTIERI INDIA Pte. Ltd. Design, technical support and marketing	India	India	INR	10,500,000	99 1	Fincantieri Holding B.V. FINCANTIERI S.p.A.	100
SOCIETÀ PER L'ESERCIZIO DI ATTIVITÀ FINANZIARIE - S.E.A.F. S.p.A. Financial support for Group companies	Trieste	Itay	EUR	6,562,000	100	FINCANTIERI S.p.A.	100
FINCANTIERI SI S.p.A. Electric, electronic and electromechanical industrial solutions	Trieste	Itay France	EUR	500,000	100	S.E.A.F. S.p.A.	100
BOP6 S.c.a.r.l. Electrical installation	Trieste	Itay France	EUR	40,000	5 95	FINCANTIERI S.p.A. Fincantieri SI S.p.A.	100
FINCANTIERI SWEDEN AB Sale, maintenance and after-sales service	Sweden	Sweden	SEK	50,000,000	100	FINCANTIERI S.p.A.	100
FINCANTIERI AUSTRALIA Pty Ltd. Dormant	Australia	Australia	AUD	2,400,100	100	FINCANTIERI S.p.A.	100
FINCANTIERI SERVICES MIDDLE EAST LLC Project management services	Qatar	Qatar	EUR	200,000	100	FINCANTIERI S.p.A.	100
FINCANTIERI (SHANGHAI) TRADING Co. Ltd. Engineering design, consulting and development	China	China	RMB	35,250,000	100	FINCANTIERI S.p.A.	100
FINCANTIERI DRAGAGGI ECOLOGICI S.p.A. Eco-dredging, construction and maintenance of river, lake and maritime works	Rome	Italy	EUR	500,000	55	FINCANTIERI S.p.A.	55
FINCANTIERI SERVICES DOHA LLC Maintenance of waterborne transport vessels	Qatar	Qatar	EUR	2,400,000	100	FINCANTIERI S.p.A.	100
TEAM TURBO MACHINES SAS Repair, maintenance and installation of gas turbines	France	France	EUR	250,000	85	FINCANTIERI S.p.A.	100
MARINE INTERIORS S.p.A. Ship interiors	Trieste	Italy Romania Norway	EUR	1,000,000	100	FINCANTIERI S.p.A.	100
MARINE INTERIORS CABINS S.p.A. Ship interiors	Trieste	Italy Romania Norway	EUR	5,120,000	100	Marine Interiors S.p.A.	100
MI S.p.A. Ship interiors	Trieste	Italy	EUR	50,000	100	Marine Interiors S.p.A.	100
MARINE PROJECT SOLUTIONS S.c.a.r.l. Ship interiors	Vittorio Veneto (TV)	Italy France Norway	EUR	500,000	100	MI S.p.A.	100
SEAENERGY A MARINE INTERIORS COMPANY S.r.l. Manufacture of furniture	Pordenone	Italy Romania Norway	EUR	50,000	85	Marine Interiors S.p.A.	85
FINCANTIERI INFRASTRUCTURE S.p.A. Carpentry	Trieste	Italy Romania	EUR	500,000	100	FINCANTIERI S.p.A.	100
FINCANTIERI INFRASTRUCTURE USA Inc. Holding company	USA	USA	USD	100	100	Fincantieri Infrastructure S.p.A.	100
FINCANTIERI INFRASTRUCTURE FLORIDA Inc. Legal activities	USA	USA	USD	100	100	Fincantieri Infrastructure USA Inc.	100
FINCANTIERI INFRASTRUCTURE WISCONSIN Inc. Construction of maritime, land and building works	USA	USA	USD	100	100	Fincantieri Infrastructure USA Inc.	100
FINCANTIERI INFRASTRUCTURE OPERE MARITTIME S.p.A. Design, construction and maintenance of civil, maritime and hydraulic infrastructures	Trieste	Italy	EUR	100,000	100	Fincantieri Infrastructure S.p.A.	100
FINCANTIERI INFRASTRUTTURE SOCIALI S.p.A. Development of construction projects and supply of technologies in the healthcare sector	Florence	Italy Chile France Serbia S. Marteen Greece Switzerland	EUR	20,000,000	90	Fincantieri Infrastructure S.p.A.	90
SOF S.p.A. Installation of plumbing, heating and air conditioning systems	Florence	Italy	EUR	5,000,000	100	Fincantieri INfrastrutture SOciali S.p.A.	90
ERGON PROJECTS Ltd. Design, construction and management of healthcare facilities and infrastructure	Malta	Malta	EUR	896,000	99 1	Fincantieri INfrastrutture SOciali S.p.A. SOF S.p.A.	89.10 0.01
INSO ALBANIA S.h.p.k. Design, construction and management of healthcare facilities and infrastructure	Albania	Albania	LEK	4,000,000	100	Fincantieri INfrastrutture SOciali S.p.A.	90
CONSTRUCTORA INSO CHILE S.p.A. Administrative and management activities for civil and healthcare infrastructure	Chile	Chile	CLP	10,000,000	100	Fincantieri INfrastrutture SOciali S.p.A.	90
EMPOLI SALUTE GESTIONE S.c.a.r.l. Non-medical support services, management of retail space and other activities	Florence	Italy	EUR	50,000	95 5	Fincantieri INfrastrutture SOciali S.p.A. SOF S.p.A.	85,50 4.50
FINCANTIERI NEXTECH S.p.A. Automation systems	Milan	Italy	EUR	12,000,000	100	FINCANTIERI S.p.A.	100
E-PHORS S.p.A. Design, production of products or services in the field of IT security	Milan	Italy	EUR	500,000	100	Fincantieri NexTech S.p.A.	100
REICOM S.r.l. Design and engineering	Milan	Italy	EUR	600,000	100	Fincantieri NexTech S.p.A.	100

Principal activity	Registered office	Countries in which they operate		Share Capital	% interest held		% consolidated by Group
S.E.C. S.r.l. SÉCURITÉ DES ENVIRONNEMENTS COMPLEXES Design and engineering	Milan	Italy	EUR	10,000	100	Fincantieri NexTech S.p.A.	100
C.S.I. CONSORZIO STABILE IMPIANTI S.r.l. System installation	Milan	Italy	EUR	40,000	75.65	Fincantieri NexTech S.p.A.	75.65
HMS IT S.p.A. Design and engineering	Rome	Italy	EUR	1,500,000	60	Fincantieri NexTech S.p.A.	60
ESSETI SISTEMI E TECNOLOGIE S.r.l. ICT consulting and services	Milan	Italy	EUR	100,000	51	Fincantieri NexTech S.p.A.	51
MARINA BAY S.A. Dormant	Luxembourg	Luxembourg	EUR	31,000	100	Fincantieri NexTech S.p.A.	100
S.L.S.- SUPPORT LOGISTIC SERVICES S.r.l. Design and construction of electronic and telecommunication systems	Guidonia Montecelio (RM)	Italy	EUR	131,519	60	Fincantieri NexTech S.p.A.	60
ISSEL NORD S.r.l. Logistics engineering	Follo	Italy	EUR	400,000	100	Fincantieri NexTech S.p.A.	100
SEASTEMA S.p.A. Design and development of integrated automation systems	Genoa	Italy	EUR	300,000	100	Fincantieri NexTech S.p.A.	100
CENTRO PER GLI STUDI DI TECNICA NAVALE - CETENA S.p.A. Ship research and experimentation	Genoa	Italy	EUR	1,000,000	86.10	Fincantieri NexTech S.p.A.	86.10
IDS INGEGNERIA DEI SISTEMI S.p.A. Design, production and maintenance of systems for both civil and military applications	Pisa	Italy	EUR	13,171,240	90	Fincantieri NexTech S.p.A.	90
IDS INGEGNERIA DEI SISTEMI (UK) Ltd. Installation, repair and maintenance of gas turbines	UK	UK	GBP	180,000	100	IDS Ingegneria Dei Sistemi S.p.A.	90
IDS AUSTRALASIA PTY Ltd. Installation, repair, maintenance and gas turbine installation	Australia	Australia	AUD	100,000	100	IDS Ingegneria Dei Sistemi S.p.A.	90
IDS NORTH AMERICA Ltd. Installation, repair, maintenance and gas turbine installation	Canada	Canada	CAD	5,305,000	100	IDS Ingegneria Dei Sistemi S.p.A.	90
IDS KOREA CO. Ltd. Installation, repair, maintenance and gas turbine installation	Asia	Asia	KRW	434,022,000	100	IDS Ingegneria Dei Sistemi S.p.A.	90
IDS TECHNOLOGIES US Inc. Installation, repair, maintenance and gas turbine installation	USA	USA	USD	-	100	IDS Ingegneria Dei Sistemi S.p.A.	90
ROB.INT S.r.l. Manufacture of air and spacecraft and related devices n.e.c.	Pisa	Italy	EUR	100,000	100	IDS Ingegneria Dei Sistemi S.p.A.	90
TRS SISTEMI S.r.l. Manufacture of computers and peripheral equipment	Rome	Italy	EUR	90,000	100	IDS Ingegneria Dei Sistemi S.p.A.	90
SKYTECH ITALIA S.r.l. Information technology consultancy	Rome	Italy	EUR	90,000	100	IDS Ingegneria Dei Sistemi S.p.A.	90

Principal activity	Registered office	Countries in which they operate		Share Capital	% interest held		% consolidated by Group
FLYTOP S.r.l. in liquidation Design, manufacture, industrialization and marketing of aircraft systems	Rome	Italy	EUR	50,000	100	IDS Ingegneria Dei Sistemi S.p.A.	90
FINCANTIERI OIL & GAS S.p.A. Holding company	Trieste	Italy	EUR	21,000,000	100	FINCANTIERI S.p.A.	100
FINCANTIERI USA HOLDING Inc. Holding company	USA	USA	USD	-	100	FINCANTIERI S.p.A.	100
FINCANTIERI USA Inc. Holding company	USA	USA	USD	1,029.75	65	FINCANTIERI S.p.A.	100
FINCANTIERI SERVICES USA LLC After-sales services	USA	USA	USD	300,001	100	Fincantieri USA Inc.	100
FINCANTIERI MARINE GROUP HOLDINGS Inc. Holding company	USA	USA	USD	1,027.97	87.44	Fincantieri USA Inc.	87.44
FINCANTIERI MARINE SYSTEMS NORTH AMERICA Inc. Sale and after-sale services relating to mechanical products	USA	USA Bahrain	USD	501,000	100	Fincantieri USA Inc.	100
FMSNA YK Dormant	Japan	Japan	JPY	3,000,000	100	Fincantieri Marine Systems North America Inc.	100
FINCANTIERI MARINE GROUP LLC Shipbuilding and ship repairs	USA	USA	USD	1,000	100	Fincantieri Marine Group Holdings Inc.	87.44
MARINETTE MARINE CORPORATION Shipbuilding and ship repairs	USA	USA	USD	146,706	100	Fincantieri Marine Group LLC	87.44
ACE MARINE LLC Building of small aluminium ships	USA	USA	USD	1,000	100	Fincantieri Marine Group LLC	87.44
ARSENAL S.r.l. IT consulting	Trieste	Italy	EUR	10,000	100	Fincantieri Oil & Gas S.p.A.	100
VARD HOLDINGS Ltd. Holding company	Singapore	Singapore	SGD	932,200,000	98.33	Fincantieri Oil & Gas S.p.A.	98.33
VARD SHIPHOLDING SINGAPORE Pte. Ltd. Charter of boats, ships and barges	Singapore	Singapore	USD	1	100	Vard Holdings Ltd.	98.33
VARD GROUP AS Shipbuilding	Norway	Norway	NOK	26,795,600	100	Vard Holdings Ltd.	98.33
SEAONICS AS Offshore handling systems	Norway	Norway	NOK	46,639,721	100	Vard Group AS	98.33
SEAONICS POLSKA SP. Z O.O. Engineering services	Poland	Poland	PLN	400,000	100	Seaonics AS	98.33
CDP TECHNOLOGIES AS Technological research and development	Norway	Norway	NOK	500,000	100	Seaonics AS	98.33
CDP TECHNOLOGIES ESTONIA OÜ Automation and control systems	Estonia	Estonia	EUR	5,200	100	CDP Technologies AS	98.33
VARD AQUA SUNNDAL AS Supplier of aquaculture equipment	Norway	Norway	NOK	1,100,000	100	Vard Group AS	98.33
VARD AQUA CHILE SA Supplier of aquaculture equipment	Chile	Chile	CLP	106,000,000	95	Vard Aqua Sunndal AS	93.41
VARD AQUA SCOTLAND Ltd. Technological solutions for aquaculture	UK	UK	GBP	10,000	100	Vard Aqua Sunndal AS	98.33

Principal activity	Registered office	Countries in which they operate		Share Capital	% interest held		% consolidated by Group
VARD ELECTRO AS Electrical/automation installation	Norway	Norway UK	NOK	1,000,000	100	Vard Group AS	98.33
VARD ELECTRO ITALY S.r.l. Production, sale and assistance for electrical equipment	Trieste	Italy	EUR	200,000	100	Vard Electro AS	98.33
VARD ELECTRO ROMANIA S.r.l. (formerly VARD ELECTRO TULCEA S.r.l.) Electrical installation	Romania	Romania	RON	6,333,834	100	Vard Electro AS	98.33
VARD ELECTRICAL INSTALLATION AND ENGINEERING (INDIA) Pvt. Ltd. Electrical installation	India	India	INR	14,000,000	99.5 0.5	Vard Electro AS Vard Electro Tulcea S.r.l.	98.33
VARD ELECTRO BRAILA S.r.l. Electrical installation	Romania	Romania	RON	45,000	100	Vard Electro AS	98.33
VARD ELECTRO BRAZIL (INSTALAÇÕES ELETRICAS) Ltda. Electrical installation	Brazil	Brazil	BRL	3,000,000	99 1	Vard Electro AS Vard Group AS	98.33
VARD PROMAR SA Shipbuilding	Brazil	Brazil	BRL	1,109,108,180	99.999 0.001	Vard Group AS Vard Electro Brazil Ltda.	98.33
VARD NITEROI RJ S.A. (formerly FINCANTIERI DO BRASIL PARTICIPAÇÕES SA) Shipbuilding and ship repairs	Brazil	Brazil	BRL	3,386,274.15	99.99 0.01	Vard Group AS Vard Electro Brazil (Instalacoes Eletricas) Ltda	100
VARD INFRAESTRUTURA Ltda. Dormant	Brazil	Brazil	BRL	10,000	99.99 0.01	Vard Promar SA Vard Group AS	98.33
ESTALEIRO QUISSAMÃ Ltda. Dormant	Brazil	Brazil	BRL	400,000	50.50 49.50	Vard Group AS Vard Promar SA	98.33
VARD ELECTRO CANADA Inc. Installation and integration of electrical systems	Canada	Canada	CAD	100,000	100	Vard Electro AS	98.33
VARD ELECTRO US Inc. Installation and integration of electrical systems	USA	USA	USD	10	100	Vard Electro Canada Inc.	98.33
VARD RO HOLDING S.r.l. Holding company	Romania	Romania	RON	82,573,830	100	Vard Group AS	98.33
VARD TULCEA SA Shipbuilding	Romania	Romania	RON	151,606,459	99.996	Vard RO Holding S.r.l.	98.33
VARD BRAILA SA Shipbuilding	Romania	Romania Italia	RON	165,862,177.50	94.12 5.88	Vard RO Holding S.r.l. Vard Group AS	98.33
VARD INTERNATIONAL SERVICES S.r.l. Dormant	Romania	Romania	RON	100,000	100	Vard Braila S.A.	98.33
VARD ENGINEERING CONSTANTA S.r.l. Engineering	Romania	Romania	RON	1,408,000	70 30	Vard RO Holding S.r.l. Vard Braila S.A.	98.33
VARD SINGAPORE Pte. Ltd. Sales and holding company	Singapore	Singapore	USD	6,000,000	100	Vard Group AS	98.33
VARD VUNG TAU Ltd. Shipbuilding	Vietnam	Vietnam	USD	8,000,000	100	Vard Singapore Pte. Ltd.	98.33
VARD ACCOMMODATION AS Ship accommodation installation	Norway	Norway	NOK	500,000	100	Vard Group AS	98.33
VARD ACCOMMODATION TULCEA S.r.l. Ship accommodation installation	Romania	Romania	RON	436,000	99.77 0.23	Vard Accomodation AS Vard Electro Tulcea S.r.l.	98.33
VARD PIPING AS Pipe installation	Norway	Norway	NOK	100,000	100	Vard Group AS	98.33

Principal activity	Registered office	Countries in which they operate		Share Capital	% interest held		% consolidated by Group
VARD DESIGN AS Design and engineering	Norway	Norway	NOK	4,000,000	100	Vard Group AS	98.33
VARD DESIGN LIBURNA Ltd. Design and engineering	Croatia	Croatia	HRK	20,000	51	Vard Design AS	50.15
VARD ENGINEERING BREVIK AS Design and engineering	Norway	Norway	NOK	105,000	100	Vard Group AS	98.33
VARD ENGINEERING GDANSK Sp. Z.o.o. Offshore design and engineering activities	Poland	Poland	PLN	50,000	100	Vard Engineering Brevik AS	98.33
VARD MARINE Inc. Design and engineering	Canada	Canada	CAD	9,783,700	100	Vard Group AS	98.33
VARD MARINE US Inc. Design and engineering	USA	USA	USD	1,010,000	100	Vard Marine Inc.	98.33
Joint ventures consolidated using the equity method							
ORIZZONTE SISTEMI NAVALI S.p.A. Management of large naval vessel contracts	Genoa Algeria	Italia Algeria	EUR	20,000,000	51	FINCANTIERI S.p.A.	51
ETIHAD SHIP BUILDING LLC Design, production and sale of civilian and naval ships	Arab Emirates	Arab Emirates	AED	2,500,000	35	FINCANTIERI S.p.A.	35
NAVIRIS S.p.A. Design, manufacture, maintenance and conversion of ships for naval or government use	Genoa	Italy	EUR	5,000,000	50	FINCANTIERI S.p.A.	50
NAVIRIS FRANCE SAS Shipbuilding	France	France	EUR	100,000	100	Naviris S.p.A.	50
CSSC - FINCANTIERI CRUISE INDUSTRY DEVELOPMENT LIMITED Design and marketing of cruise ships	Hong Kong	Hong Kong	EUR	140,000,000	40	FINCANTIERI S.p.A.	40
ISSEL MIDDLE EAST INFORMATION TECHNOLOGY CONSULTANCY LLC IT consultancy and Oil & Gas services	Arab Emirates	Arab Emirates	AED	150,000	49	Issel Nord S.r.l.	49
CSSC - FINCANTIERI (SHANGAI) CRUISE DESIGN LIMITED Engineering, Project Management and Supply Chain Management	Hong Kong	Hong Kong	RMB	1,000,000	100	CSSC - Fincantieri Cruise Industry Development Limited	40
BUSBAR4F S.c.a.r.l. Installation of electrical systems	Trieste	Italy France	EUR	40,000	10 50	FINCANTIERI S.p.A. Fincantieri SI S.p.A.	60
FINCANTIERI CLEA BUILDINGS S.c.a.r.l. Contract management and execution	Verona	Italy	EUR	10,000	51	Fincantieri Infrastructure S.p.A.	51
4TCC1- S.c.a.r.l. ITER project	Trieste	Italy France	EUR	100,000	5 75	FINCANTIERI S.p.A. Fincantieri SI S.p.A.	80
PERGENOVA S.c.p.a. Construction of bridge in Genoa	Genoa	Italy	EUR	1,000,000	50	Fincantieri Infrastructure S.p.A.	50
CONSORZIO F.S.B. Construction	Marghera (VE)	Italy	EUR	15,000	58.36	FINCANTIERI S.p.A.	58.36

Principal activity	Registered office	Countries in which they operate		Share Capital	% interest held		% consolidated by Group
FINMESA S.c.a.r.l. Design and realization of power generation plants from photovoltaic renewable sources	Milan	Italy	EUR	20,000	50	Fincantieri SI S.p.A.	50
POWER4FUTURE S.p.A. Design, production and installation of electricity storage products	Calderara di Reno (BO)	Italy	EUR	3,200,000	52	Fincantieri SI S.p.A.	52
NUOVO SANTA CHIARA HOSPITAL S.c.a.r.l. Construction of hospital buildings	Florence	Italy	EUR	30,000	50	Fincantieri INfrastrutture SOciali S.p.A.	45
VIMERCATE SALUTE GESTIONI S.c.a.r.l. Other business support service activities n.e.c.	Milan	Italy	EUR	10,000	3.65	SOF S.p.A.	3.29
2F PER VADO S.c.a.r.l. Execution of works for the construction of the new vado ligure breakwater	Genoa	Italy	EUR	10,000	49	Fincantieri Infrastructure S.p.A.	49
ERSMA 2026 S.r.l. Demolition and dismantling of buildings and other structures	Rome	Italy	EUR	10,000	20	Fincantieri SI S.p.A.	20
Associates consolidated using the equity method							
CASTOR DRILLING SOLUTION AS Offshore drilling technology	Norway	Norway	NOK	229,710	34.13	Seaonics AS	33.56
BREVIK TECHNOLOGY AS Technology licences and patents	Norway	Norway	NOK	1,050,000	34	Vard Group AS	33.43
MOKSTER SUPPLY AS Shipowner	Norway	Norway	NOK	13,296,000	40	Vard Group AS	39.33
MOKSTER SUPPLY KS Shipowner	Norway	Norway	NOK	131,950,000	36	Vard Group AS	35.40
REM SUPPLY AS Shipowner	Norway	Norway	NOK	345,003,000	26.66	Vard Group AS	26.21
OLYMPIC GREEN ENERGY KS Shipowner	Norway	Norway	NOK	4,841,028	29.50	Vard Group AS	29.01
DOF ICEMAN AS Shipowner	Norway	Norway	NOK	23,600,000	50	Vard Group AS	49.17
CSS DESIGN LIMITED Design and engineering	UK	UK	GBP	100	31	Vard Marine Inc.	30.48
ISLAND OFFSHORE XII SHIP AS Shipowner	Norway	Norway	NOK	404,097,000	46.90	Vard Group AS	46.12
ISLAND DILIGENCE AS Shipowner	Norway	Norway	NOK	17,012,500	39.38	Vard Group AS	38.72
CENTRO SERVIZI NAVALI S.p.A. Steelworking	San Giorgio di Nogaro (UD)	Italy	EUR	12,782,000	10.93	FINCANTIERI S.p.A.	10.93
GRUPPO PSC S.p.A. Construction and systems	Maratea (PZ)	Italy Qatar Romania Colombia Spain	EUR	1,431,112	10	FINCANTIERI S.p.A.	10
DECOMAR S.p.A. Eco-dredging	Massa	Italy	EUR	2,500	20	FINCANTIERI S.p.A.	20
PRELIOS SOLUTIONS & TECHNOLOGIES S.r.l. Engineering	Milan	Italy	EUR	50,000	49	Fincantieri NexTech S.p.A.	49

Principal activity	Registered office	Countries in which they operate		Share Capital	% interest held		% consolidated by Group
LEONARDO SISTEMI INTEGRATI S.r.l. Engineering	Genoa	Italy	EUR	65,000	14.58	Fincantieri NexTech S.p.A.	14.58
MC4COM - MISSION CRITICAL FOR COMMUNICATIONS SOCIETÀ CONSORTILE S.r.l. Engineering	Milan	Italy	EUR	10,000	50	HMS IT S.p.A.	0.30
UNIFER NAVALE S.r.l. in liquidation Production of pipes for the shipping and petrochemical sectors	Finale Emilia (MO)	Italy	EUR	150,000	20	S.E.A.F. S.p.A.	20
CITTÀ SALUTE RICERCA MILANO S.p.A. Execution of construction activities and other civil engineering works n.e.c.	Milan	Italy	EUR	5,000,000	30	Fincantieri INfrastrutture SOciali S.p.A.	27
CISAR COSTRUZIONI S.c.a.r.l. Execution of works for the construction of the City of Health and research	Milan	Italy	EUR	100,000	30	Fincantieri INfrastrutture SOciali S.p.A.	27
ISLAND DISCOVERER AS Shipowner	Norway	Norway	NOK	400,000	46.90	Vard Group AS	46.12
NOTE GESTIONE S.c.a.r.l. Installation of plumbing, heating and air conditioning systems	Reggio Emilia	Italy	EUR	20,000	34	SOF S.p.A.	30.60
NORD OVEST TOSCANA ENERGIA S.r.l. Other business support service activities n.e.c.	Vicopisano (PI)	Italy	EUR	1,000,000	34	SOF S.p.A.	30.60
S.ENE.CA GESTIONI S.c.a.r.l. Other business support service activities n.e.c.	Florence	Italy	EUR	10,000	49	Fincantieri INfrastrutture SOciali S.p.A.	44.10
HOSPITAL BUILDING TECHNOLOGIES S.c.a.r.l. Sale and purchase of real estate on own properties	Florence	Italy	EUR	10,000	20	SOF S.p.A.	18
BIOTECA SOC. CONS. a r.l. Performance of contracts for the supply and installation of furniture and furnishings	Carpi (MO)	Italy	EUR	100,000	33.33	SOF S.p.A.	30
Island Defender AS Shipowner	Norway	Norway	NOK	90,000	100	Island Offshore XII AS	46.90
ENERGETIKA S.c.a.r.l. Supply of energy and related services for government bodies	Florence	Italy	EUR	10,000	40	SOF S.p.A.	36
STARS RAILWAY SYSTEMS Design and marketing of radar products for railway safety	Rome	Italy	EUR	300,000	48	IDS Ingegneria Dei Sistemi S.p.A.	45
ITS INTEGRATED TECH SYSTEM S.r.l. Marketing of systems and equipment for territorial monitoring and control	La Spezia	Italy	EUR	10,000	51	Rob.Int S.r.l.	45.90
DIDO S.r.l. Support for the design and development of advanced computer applications	Milan	Italy	EUR	142,800.57	30	FINCANTIERI S.p.A.	30

Management representation on the Consolidated Financial Statements

Management representation on the Consolidated Financial Statements pursuant to art. 154-*bis*, par. 5 of legislative decree 58/1998 (*Italy's consolidated law on finance*)

1. The undersigned Giuseppe Bono, in his capacity as Chief Executive Officer, and Felice Bonavolontà, as Manager Responsible for Preparing Financial Reports of FINCANTIERI S.p.A. ("Fincantieri"), with reference to the requirements of art. 154-*bis*, paragraphs 3 and 4, of Legislative Decree 58 dated 24 February 1998, hereby represent:

   - the suitability in relation to the business's organization and,
   - the effective application

   of the administrative and accounting processes for the preparation of the Consolidated Financial Statements during the year 2021.

2. The adequacy of the administrative and accounting processes for preparing the Consolidated Financial Statements at 31 December 2021 has been evaluated on the basis of a procedure established by Fincantieri in compliance with the *Internal Control - Integrated Framework* published by the *Committee of Sponsoring Organizations of the Treadway Commission*, which is the generally accepted standard model internationally.

3. The undersigned also represent that:

   3.1 the Consolidated Financial Statements:

   a) have been prepared in accordance with the International Financial Reporting Standards endorsed by the European Union under Regulation (EC) 1606/2002 of the European Parliament and Council dated 19 July 2002;
   b) correspond to the underlying accounting records and books of account;
   c) are able to give a true and fair view of the assets, liabilities, financial position and results of operations of the issuer and the group of companies included in the consolidation.

   3.2 the Report on Operations includes a reliable analysis of the performance and results of operations, as well as the situation of the issuer and of all the companies included within the consolidation, together with a description of the main risks and uncertainties to which they are exposed.

23 March 2022

CHIEF EXECUTIVE OFFICER

Giuseppe Bono

MANAGER RESPONSIBLE
FOR PREPARING FINANCIAL REPORTS

Felice Bonavolontà

Report by the independent auditors

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Fincantieri S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Fincantieri S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Fincantieri S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Impairment test pertaining to the Cash Generating Units "Vard Offshore and Specialized Vessels", "Vard Cruise", "Vard Systems and Components" and "FMG Group"	
Description of the key audit matter	The consolidated financial statements as at 31 December 2021, include, within Intangible assets, goodwill totaling Euro 272 million, out of which Euro 60 million pertaining to the Cash Generating Unit ("CGU") "Vard Offshore and Specialized Vessels", Euro 66 million to the CGU "Vard Cruise", Euro 59 million to the CGU "Vard Systems and Components" and Euro 70 million to the CGU "FMG Group". "Vard Offshore and Specialized Vessels" is the CGU within Vard Group dedicated to the design and construction of high-end offshore support vessels, specialized ships, vessels for offshore wind farms and open ocean aquaculture, as well as to the offer of innovative products in the field of drillships and semi-submersible drilling rigs. "Vard Cruise" is the CGU within Vard Group operating in the design and construction of cruise ships and expedition cruise vessels. The CGU "Vard Systems and Components" is the CGU within Vard Group dedicated to integrated solutions related to naval mechanical, electrical and electronical systems. The CGU "FMG Group" refers to the US based group headed by Fincantieri Marine Group LLC, which operates in the construction of medium size vessels for civil clients and government agencies. Such goodwill, as provided by IAS 36 Impairment of assets, is not amortized but subject, at least annually, to an impairment test comparing the recoverable value of such CGUs – as value in use, determined using the Discounted Cash Flows (DCF) method – with the carrying value of net invested capital of those CGUs, which includes the goodwill as well as other assets, tangible and intangible, allocated therein. The impairment test process is complex and is based upon assumptions pertaining, among others, to the forecast on expected cash flows, derived from the business plan prepared with regards to the period 2022-2026 by Management of Group companies to which the above CGUs refer, the definition of an appropriate discount rate (WACC) and long-term growth rate (g-rate). Such assumptions depend upon future expectations and market conditions which can vary upon time, with consequent effects, which could potentially be of significant magnitude, with respect to judgements made by the Directors. Due to the relevance of goodwill included in the Fincantieri Group consolidated financial statements, the subjective estimates pertaining to the definition of CGUs cash flows and key parameters of the impairment test model, as well as in light of losses incurred by Vard Group, we considered the impairment test to be a key audit matter for the Fincantieri Group consolidated financial statements.

	Notes to the consolidated financial statements, and in particular Note 6, provide Directors disclosures with regards to the impairment test, including the result of the sensitivity analysis performed, which describes the effects to the outcome of the test deriving from changes in the key variables used in performing the impairment test itself.
Audit procedures performed	We have preliminarily examined methodologies used by Management in determining the value in use of CGUs, analysing methods and assumptions utilized in the execution of the impairment test. Within our verifications, we have carried out, among others, the following procedures, also with the support of experts, part of our network: • identification and understanding of relevant controls enacted by Group Management with regards to the impairment test process; • analysis of reasonableness of main assumptions adopted in forecasting cash flows projections, also through analysis of industry data and information obtained from Management; • retrospective analysis of actual figures with respect to original plans in order to evaluate the nature of deviations and the reliability of the planning process; • evaluation of reasonableness of the discount rate (WACC) and long-term growth rate (g-rate) applied; • verification of the clerical accuracy of the model used to determine the CGU value in use; • testing of the accuracy of the CGU carrying value and comparison with the value in use deriving from the impairment test; • verification of the sensitivity analysis prepared by Management. Furthermore, we examined the appropriateness and compliance of disclosures on the impairment test included in the consolidated financial statements with respect to IAS 36 requirements.
Contract Assets and Liabilities	
Description of the key audit matter	Fincantieri Group in its consolidated financial statements as at 31 December 2021, accounted for contracts assets and liabilities totaling Euro 2,639 million and Euro 1,361 million respectively. Construction contracts are valued on the basis of the percentage of completion, estimating the progress with the cost-to-cost method. Moreover, in the event the completion of the contract is expected to result in a loss, such loss is entirely accrued in the period in which it can be reasonably predicted.

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	The valuation of construction contracts under such method requires the application of estimates with regards to the total costs and cost to complete for each contract. Such estimates are periodically updated and request significant and complex assumptions from Management, which can be affected by several elements, such as: • Management's capability to develop reasonable estimates at the beginning of the contract and at subsequent updates; • multi-annual duration of the contracts; • the complexity, customization and degree of innovation of contracts; • contractual obligations for interventions during the warranty period of the contracts. Taking into consideration the relevance of values pertaining to construction contracts and the complexity of assumptions used in the estimates about costs to complete the projects, we deemed the evaluation of contracts assets and liabilities to be a key audit matter for the Fincantieri Group's consolidated financial statements as of 31 December 2021. Disclosures related to contracts assets and liabilities are included in Notes 14 and 24 of the consolidated financial statements as well as in the description of accounting standards used and in the paragraph "Subjective accounting estimates and judgements - Revenue recognition for construction contracts".

Audit procedures performed	The procedures addressing this key audit matter included, among others:
	• understanding of criteria and procedures adopted by Management in determining the percentage of completion of the contracts;
	• understanding of relevant internal controls pertaining to both initial estimates and subsequent periodical updates on total revenues, total costs and costs to complete the contracts;
	• analysis, on a sample basis, of reasonableness of estimates of contracts costs to complete through:
	  o analysis of contracts signed with customers,
	  o tests on projects costs incurred,
	  o discussions with project managers, controllers and/or head of business lines;
	• retrospective analysis on results of estimates made in the prior year related to construction contracts;
	• discussion with head of legal department of the Company with regards to potential lawsuits related to contracts;
	• examination of appropriateness of disclosures included in the notes to the consolidated financial statements and its compliance with applicable accounting standards.

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Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Fincantieri S.p.A. on 15 November 2019 appointed us as auditors of the Company for the years from 31 December 2020 to 31 December 2028.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

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We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of Fincantieri S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Fincantieri S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Fincantieri Group as at 31 December 2021, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Fincantieri Group as at 31 December 2021 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Fincantieri Group as at 31 December 2021 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

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Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of Fincantieri S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Barbara Moscardi
Partner

Udine, Italy
April 4, 2022

As disclosed by the Directors on page 150 of the Annual Report 2021, the accompanying consolidated financial statements of Fincantieri S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

GLOSSARY

1 - Operating Activities

Shipowner
The entity that operates the ship, irrespective of whether it is the owner or not.

Dry-dock
Basin-like structure in which ships are built or repaired.

Order backlog
Residual value of orders not yet completed. This is calculated as the difference between the total value of an order (including any additions and amendments) and the value reported as "Work in progress" at the period-end reporting date.

Mega yachts
The business of building motor yachts that are at least 70 meters (230 feet) in length.

Merchant vessels
Ships intended for commercial purposes, mostly involving passenger transportation. Examples are cruise ships, ferries (either for transporting just vehicles or for both vehicles and passengers), container ships, oil tankers, dry and liquid bulk carriers, etc.

Naval Vessels
Vessels used for military purposes, such as surface combat vessels (aircraft carriers, destroyers, frigates, corvettes, patrol ships) as well as support craft and submarines.

Order intake
Value of new orders, including order additions and variations, awarded to the Company in each reporting period.

Order book
Value of principal contracts, order additions and variations, in respect of orders not yet delivered or fulfilled.

Soft Backlog
Value of existing contract options and letters of intent as well as of contracts at an advanced stage of negotiation, none of which yet reflected in the order backlog.

Total order book
This is calculated as the sum of the order book and soft backlog.

Total backlog
This is calculated as the sum of the order backlog and soft backlog.

Refitting/refurbishment
The business of refitting ships that are obsolete or no longer fit for use after changes in the law and/or regulations.

GT - Gross Tonnage
A unit that measures a ship's total internal volume, including its engine rooms, fuel tanks and crew quarters. Its measurement is based on the external area of the bulkheads.

CGT - Compensated Gross Tonnage
An international unit of measurement that provides a common way of measuring the amount of work needed to build a given ship. It is calculated by multiplying the GT of a ship by a coefficient determined according to the type and size of ship.

2 - Accounting and Finance

Impairment testing
This is the work performed by the Group to assess, at every reporting date, whether there is evidence that an asset might be impaired, by estimating its recoverable amount.

Business combination
This is the aggregation of entities or businesses into a single entity that is required to prepare financial statements.

Net fixed capital
This reports the fixed assets used in the business and includes Intangible assets, Property, plant and equipment, Investments and Other non-current assets (including the fair value of derivatives classified in non-current Financial assets and non-current Financial liabilities) net of Employee benefits.

Net working capital
This is equal to capital employed in ordinary operations which includes Inventories and advances, Construction contracts and advances from clients, Construction loans, Trade receivables, Trade payables, Provisions for risks and charges, and Other current assets and liabilities (including Income tax assets, Income tax liabilities, Deferred tax assets and Deferred tax liabilities, as well as the fair value of derivatives classified in current Financial assets and current Financial liabilities).

Net invested capital
This represents the sum of Net fixed capital and Net working capital.

CGU
Acronym for Cash-Generating Unit, defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

EBIT
Acronym for Earnings Before Interest and Taxes. It is defined as: Profit/(loss) for the year adjusted for the following items (i) Income taxes, (ii) Share of profit/(loss) of investments accounted for using the equity method, (iii) Income/(expense) from investments, (iv) Finance costs, (v) Finance income, (vi) costs associated with the "Wage Guarantee Fund", (vii) costs relating to reorganization plans and other non-recurring personnel costs, (viii) provisions for costs and legal expenses associated with lawsuits for asbestosrelated damages, and (ix) other nonrecurring income and expenses.

EBITDA
Acronym for Earnings Before Interest, Taxes, Depreciation and Amortization. It is defined as: Earnings before taxes, before finance income and costs, before income and expenses from investments and before depreciation, amortization and impairment, as reported in the financial statements, adjusted by the following items: (i) provisions for costs and legal expenses associated with lawsuits brought by employees for asbestos-related damages, (ii) costs relating to the impacts deriving from the spread of COVID-19, (iii) costs relating to reorganization plans and non-recurring other personnel costs, (iv) other extraordinary income and expenses.

Fair value
The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

IAS/IFRS
Acronyms for the International Accounting Standards and International Financial Reporting Standards, adopted by the Company.

Net expenditure/disposals
These represent investments and disinvestments in property, plant and equipment, intangible assets, equity investments and other net non-operating assets.

Operating capex
This represents investments in property, plant and equipment and intangible assets other than those acquired in a business combination and allocated to property, plant and equipment or intangible assets.

Net financial position
A line in the statement of financial position that summarizes the Company's financial position and includes:
- Net current cash/(debt): cash and cash equivalents, held-for-trading securities, current financial receivables, current bank debt (excluding construction loans), current portion of long-term loans and credit facilities, other current financial liabilities;
- Net non-current cash/(debt): noncurrent financial receivables, non-current bank debt, bonds, other non-current financial liabilities.

Statement of cash flows
This examines all the cash flows that caused changes in cash and cash equivalents, in order to determine "Net cash flows for the period", as the difference between cash inflows and outflows in the period.

Revenue
This line in the income statement reports revenue earned on contracts and revenue from the sale of various products and services.

Revenue and income excluding pass-through activities
The item Revenue and income excluding pass-through activities: these exclude the portion of revenues that relates to sales contracts with pass-through activities and which have a contra-entry in the cost item; pass-through activities are those contracts for which the Company invoices the entire contractual amount to the end customer but does not directly manage the construction contract.

Basic or diluted earnings per share
Basic earnings per share are calculated by dividing profit or loss for the reporting period attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period.
Diluted earnings per share are calculated in the same way as for basic earnings per share, but take account of all dilutive potential ordinary shares as follows:

- profit or loss attributable to ordinary shares is increased by the after-tax amount of dividends and interest recognized in the period in respect of the dilutive potential ordinary shares and is adjusted for any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares;
- the weighted average number of ordinary shares outstanding is increased by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

WACC
Acronym for Weighted Average Cost of Capital. This represents the average cost of the various sources of company financing, both in the form of debt and of capital.

FINCANTIERI

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