fincantieri annual report 2015

FINCANTIERI
The sea ahead

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_annual report 2015

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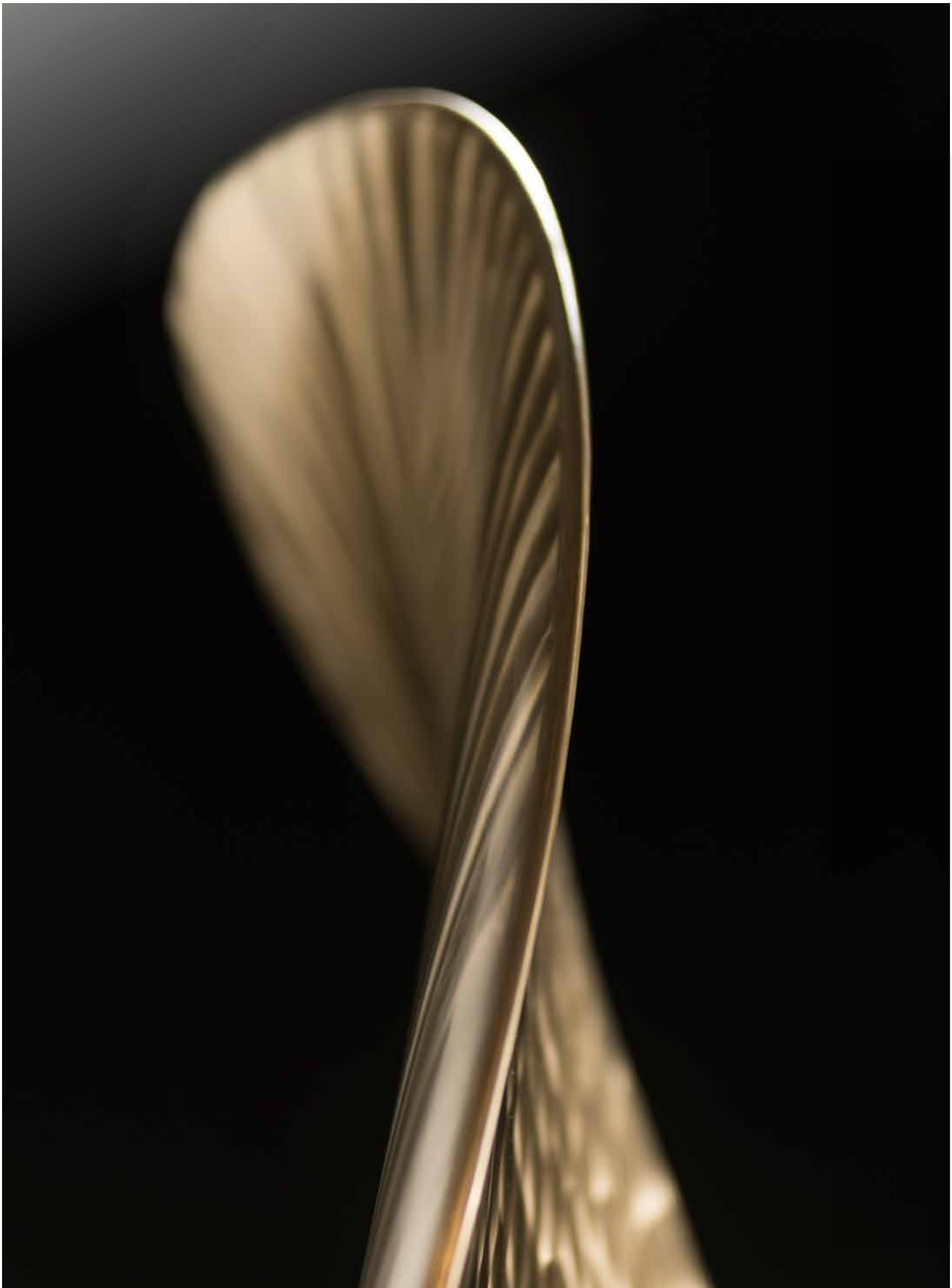


Vincenzo Petrone

Chairman of Fincantieri

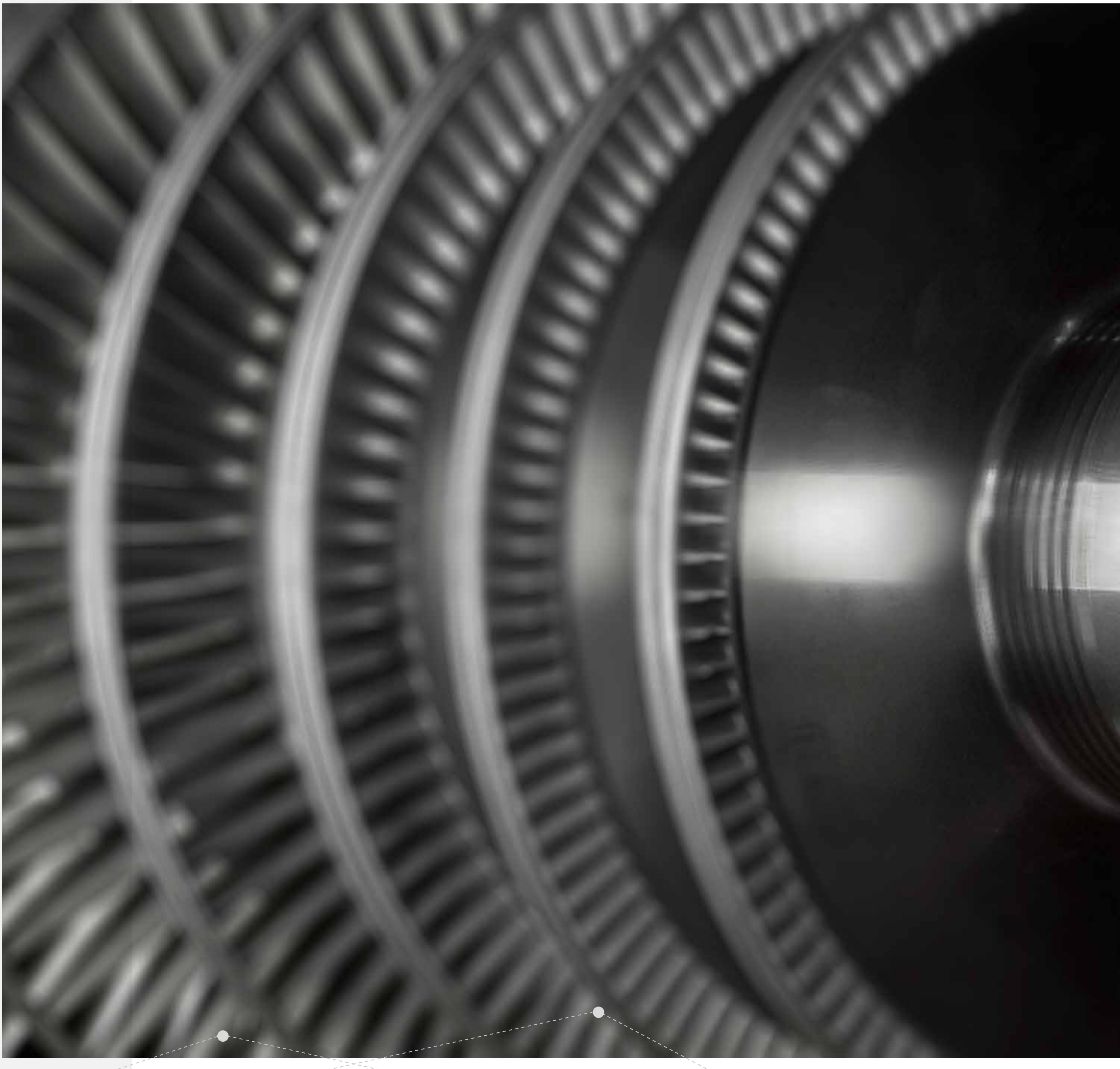
To our Shareholders

The year 2015 was one of sharp contradictions for the shipbuilding industry.
Temporary difficulties in some sectors juxtaposed with very significant growth prospects for both cruise and naval businesses.
With reference to the higher value shipbuilding sectors in which Fincantieri operates, rising demand for cruise ships contrasted with the collapse in demand for all types of offshore vessel following the relentless and unexpected fall in oil prices.
The finalization of agreements to build 19 cruise ships of more than 10,000 GT, versus 16 such orders placed in 2014, represents a new industry record and will help saturate production capacity in specialized European yards, ensuring exceptionally long workload visibility, with delivery dates stretching beyond 2020.
Fincantieri has scored several important commercial successes, notably the signing of a memorandum of agreement with Carnival Corporation & plc, becoming operational in the first few months of 2016, for the construction of four cruise ships for three different brands (P&O Australia, Costa Asia and Princess Cruises), the signing of an agreement with Viking Ocean Cruises for the construction of two more cruise ships and the signing of a major contract to build three cruise ships for Virgin Cruises, a Virgin Group company and new entrant to the cruise market.
Leading shipowning groups are investing in new ships not only to renew those serving traditional markets but also to secure new passengers in Far East markets (especially China and Australia), while new shipowning groups are selectively assailing specific emerging segments of the market by offering other forms of segmentation.
Examples include Viking Cruises, which is investing ever more in "destination oriented" cruises for "affluent" older customers, and Virgin Cruises, whose first foray into this business aims to introduce the "Virgin lifestyle" to a relatively young, highly educated and well-off public.
Given the exceptional level of market demand, the major shipbuilders are investing to expand production capacity, and for the first time in the industry's history, a shipowner, the Genting group of Asia, parent of three cruise lines, has bought a number of German shipyards in order to dedicate them to its fleet renewal program in view of the lack of available slots at more renowned shipyards.

The liveliness of the cruise market contrasts with the adverse state of the offshore market, where the lack of demand, the cancellation of orders and requests for postponed delivery dates are causing major difficulties for the leading industry players, especially for the Korean yards of Hyundai, Daewoo and Samsung. In 2015 these Korean companies posted a combined operating loss of some euro 6.8 billion, of which euro 4.4 billion attributable to Daewoo alone.
To address this crisis situation, restructuring and efficiency programs have been announced, resulting in 3,000 jobs being cut already in 2015.
The crisis is being felt by all those companies heavily dependent on the offshore sector, such as Technip and Rolls-Royce which are implementing globe-wide plans to reduce their workforces and rationalize assets.
In contrast, Fincantieri can rely on a well-balanced business portfolio and is able to counterbalance the cyclical offshore downturn by also activating design and production synergies with the Group's other business units.
The naval market has also been a source of considerable satisfaction for our Group, with the finalization of orders for 9 vessels (7 multi-purpose offshore patrol vessels, 1 logistics support vessel and 1 multi-purpose amphibious unit) as part of the Italian Navy's fleet renewal program, the exercise of the option for the construction of the ninth and tenth FREMMs and the continuation of the LCS program at the subsidiary Marinette Marine Corporation with an order for the ninth ship under the contract signed in 2010, and advanced procurement funding for the tenth and final ship under this same contract.
The relations with and products developed for the two navies, in Italy and the US, lay the foundations for the acquisition of more international contracts, together with the possibility of offering refitting/upgrading services for secondhand vessels purchased by foreign navies, also in connection with the Italian Navy's vessel retirement program.
The Group's massive current order backlog offers considerable security for the future and sets the stage for further growth in its core businesses.
Fincantieri has an extraordinary human and technological capital as well as the credentials to exploit the favorable market situation to generate value for all its stakeholders.

Vincenzo Petrone

Chairman of Fincantieri



Giuseppe Bono

Chief Executive Officer of Fincantieri

To our Shareholders

The year 2015 clearly marks the end of shipbuilding's longest crisis, managed by Fincantieri with a strategy that has enabled us to come out stronger and as undisputed leader in the high value segments of the shipbuilding industry.
In fact, the Fincantieri Group has closed 2015 with a record order backlog of almost euro 19 billion, of which euro 3 billion in soft backlog[1], which, combined with other important business opportunities at an advanced stage of negotiation, ensure long-term revenue visibility.
The collapse in demand since 2008 has severely impacted shipyards around the world, especially in Europe, where closures and restructurings have resulted in the loss of 50,000 direct jobs, without counting the contraction of the subcontractor network.
The European shipbuilding industry now consists of individual excellent companies, of which Fincantieri is surely the most representative. In fact, Fincantieri has diversified and strengthened its business over the years, also through acquisitions abroad, to become a globally recognized benchmark in its sector and a symbol of Italian industrial growth.
The strategy followed for managing the crisis period, with restructuring focused on the preservation of production and design capability, a heritage not only of Fincantieri, but of Italy as a whole, has proven correct. This strategy has effectively laid the foundations to exploit the current cruise

1. 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..

market boom and the solid prospects in both the naval and equipment and systems sectors, while giving rise to nonetheless relatively modest costs.

The results for 2015, which mark the end of the restructuring phase, were partially affected by these earlier strategic decisions and by the downturn in the offshore market, linked to the unforeseeable and insistent decline in oil prices.

Revenue came to euro 4,183 million, slightly down (-4.9%) on the year before, mainly because of contraction in the offshore market; the share of Group revenue generated abroad continued to grow, reaching 85%, up from 82% in 2014.

EBITDA was a negative euro 26 million, of which euro -23 million in the Shipbuilding segment, euro -3 million in the Offshore segment and euro 31 million in the Equipment, Systems and Services segment. The VARD Group made a positive contribution of Euro 1 million.

The Group share of the loss for the year was euro 175 million, of which euro 37 million attributable to the VARD Group, while the Group share of the result before extraordinary and non-recurring income and expenses was a loss of euro 141 million.

Net financial position reported net debt of euro 438 million, reflecting typical trends in working capital shortly before vessel delivery, with as many as 4 cruise ships scheduled for handover in the first half of 2016.

The results for 2015 were affected by the particular stage of completion of cruise ship orders acquired during the crisis, comprising a large number of prototype vessels ordered by different operators at challenging prices; this has led to an overload on the engineering and production facilities that has not been adequately supported by a subcontractor network, seriously weakened by the economic and financial crisis and now taking its time to re-establish itself, despite the recovery.

Since full client satisfaction is our priority in terms of on-time delivery and the technical and qualitative performance of our ships, management of these operational challenges has given rise to additional costs which have penalized the financial year just ended, during which two prototype vessels were delivered and work performed on another four due for delivery in 2016.

Fincantieri's rigorous approach is founded on developing new-generation platforms, with innovation costs funded entirely from its own resources and involving expenditure of more than euro 200 million in the last three years, and represents an important investment for the future by laying the foundations for acquiring new orders with low implementation risk and higher margins.

This has been a safe bet for Fincantieri, given the exceptional growth in demand since 2014 and the confidence accorded us by the market.

In fact, we have managed to attract not only the major shipowning groups but also new entrants, as evidenced by an order book containing orders from 11 cruise lines for very different ships, duly configured to serve various segments, from the luxury to the more commercial end of the market, and designed to host from a Western to an Asian clientele.

The exceptionally long workload visibility assured by the order book is a great opportunity. To exploit it properly and honor the commitment to our clients and shareholders, we must manage with care the industrial complexity associated with this enormous workload and ensure the right degree of efficiency.

This goal, shared by the whole of Fincantieri, must be embraced by the Italian production system as a whole and especially by the subcontractor network, an integral part of our production process being fast required to return to a brisk pace of operation, also with our support and guidance.

The 2016-2020 plan forecasts revenue to grow by up to 50% by 2020, with an EBITDA margin of 7-8% in this same year, with the 2017 net profit marking a resumption in dividend payouts.

The plan is constructed on solid foundations, with 90% of expected revenue covered by cruise contracts and memorandum of agreement already signed, with negotiations for major naval contracts already at a very advanced stage of negotiation.

Fincantieri is working not only on expanding production capacity at the Monfalcone and Marghera yards to build larger vessels but also on implementing further commercial and production synergies with the subsidiary VARD.

In this sense, the different cycles of the cruise and offshore markets can be transformed into opportunities.

Based on oil price scenarios, demand for offshore vessels is expected to start recovering in 2018, before which this market is able to offer some interesting opportunities in adjacent segments, but without the same numbers and level of orders as in the past.

VARD has initiated a restructuring process to adapt its business to the market trend, without however dispersing know-how and skills; at the same time it has developed a product diversification strategy by directing its marketing efforts at new clients and adjacent market segments, such as offshore wind and aquaculture.

The Brazilian shipyards made a negative contribution to VARD's operating performance last year, also reflecting this country's current political and economic challenges; the current plan is to rationalize production structure by phasing out newbuilding at the Niterói yard, with the intention of continuing to operate in this country as long as there are sustainable economic and financial conditions to do so.

One important channel for pursuing the Fincantieri strategy will be the exploitation of commercial and production synergies with VARD, particularly allowing it to cope with the workload in the years ahead and to strengthen client retention.

In fact, VARD design and production resources, especially those within its Romanian operations, can help produce equipped hull parts in support of the Italian shipyards and allow other opportunities to be grasped that would otherwise be lost in the sector of small to medium ships for luxury-expedition cruises, until now the almost exclusive preserve of Fincantieri.

The signing of a letter of intent between VARD and Ponant, a French shipowner, for the construction of four luxury expedition cruise ships by the VARD production network, with Fincantieri's support for certain strategic parts, is a first important step in this direction.

With reference to other sectors, the Group's naval business can count on a large order book, thanks to the Italian Navy's renewal program and to continuation of the FREMM program in Italy and the LCS program in the US, with deliveries through until 2026. The availability of well proven products developed for national navies represents an important wealth of experience for being awarded new programs by foreign navies, especially in countries without a strong local shipbuilding industry.

In the Equipment, Systems and Services segment, the Group is engaged in responding to the huge volume of business, especially associated with the Italian fleet renewal program, and in developing the business areas of cabins and integrated systems, both of which insourced in 2015.

It is also planned to carry on the policy of redesigning the value chain, with the insourcing of other high-value, critically important activities, such as air conditioning systems and public areas. All this will allow us to strengthen our control over the product and to develop after-sales services in all business areas, particularly the cruise one.

Comparing the past with the current industry scenario, Fincantieri is experiencing an entirely extraordinary situation in the affirmative. It is time to ride the wave of recovery by bringing into play every tool at our disposal and the individual commitment of the Group's skilled workforce and our subcontractor partners, to build a success story and deliver value to all those who have placed their trust in us.

Giuseppe Bono

Chief Executive Officer of Fincantieri

parent company directors and officers

Board of Directors

(2013-2015)

Vincenzo Petrone (Chairman)
Giuseppe Bono (Chief Executive Officer)
Simone Anichini
Massimiliano Cesare
Andrea Mangoni (*)
Anna Molinotti (**)
Leone Pattofatto
Paola Santarelli
Paolo Scudieri
Maurizio Castaldo (Secretary)

Board of Statutory Auditors

(2014-2016)

Gianluca Ferrero (Chairman)
Alessandro Michelotti (Standing member)
Fioranna Vittoria Negri (Standing member)
Claudia Mezzabotta (Alternate member)
Flavia Daunia Minutillo (Alternate member)

Manager responsible for preparing financial reports

Carlo Gainelli

Independent Auditors

(2013-2021)

PricewaterhouseCoopers S.p.A.

Oversight Board (Leg. Decree 231/01)

(2015-2017)

Guido Zanardi (Chairman)
Stefano Dentilli (Member)
Giorgio Pani (Member)

(*) Resigned as Director on 9 November 2015.

(**) Resigned as Director on 21 March 2016.

Information regarding the composition and functions of the Board Committees (the Internal Control and Risk Committee, which is also serving on an interim basis as the committee responsible for related party transactions, the Remuneration Committee and the Nomination Committee) is provided in the Corporate Governance section of the Fincantieri website at www.fincantieri.it.

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.

Overview

The structure of the Fincantieri Group and overview of the companies included in its consolidation will now be presented.

SEGMENTS

BUSINESS AREAS

PRODUCT PORTFOLIO

COMPANIES AND OPERATING UNITS

SHIPBUILDING

Cruise ships

Luxury/niche

Upper premium

Premium

Contemporary

Ferries

Cruise ferries

Ro-Pax

Hi-tech ferries

Fast Ferries

Ship repairs and conversions

Repair

Refitting

Conversion

Refurbishment

Naval Vessels

Aircraft carrier

Submarines

Destroyers

Frigates

Corvettes

Patrol vessels

Amphibious ships

Logistic support

Special vessels

Barges

Mega Yacht

Luxury Yacht →60m

FINCANTIERI S.p.A.
- Monfalcone
- Marghera
- Sestri Ponente
- Ancona
- Castellammare di Stabia
- Palermo
- Trieste
- Integrated Naval Shipyard Riva Trigoso and Muggiano
- Genoa

Cetena S.p.A.

Bacini Palermo S.p.A.

Gestione Bacini La Spezia S.p.A.

FMG LLC
- Sturgeon Bay

Fincantieri Marine Group Holdings Inc.

Marinette Marine Corporation LLC
- Marinette

ACE Marine LLC
- Green Bay

Fincantieri USA Inc.

Fincantieri India Private Ltd.

Fincantieri do Brasil Partecipacões S.A.

Fincantieri Holding BV

Fincantieri (Shanghai) Trading Co. Ltd.

Marine Interiors S.p.A.

FINCANTIERI SI S.P.A.

Camper&Nicholsons International S.A.

OFFSHORE

Offshore

Offshore Support Vessels

Construction Vessels

Drilling Vessels

Fincantieri Oil&Gas S.p.A.

Vard Holdings Ltd.

Vard Group A.S.
- Aukra
- Langsten
- Brattvaag
- Brevik
- Søviknes

Vard Tulcea S.A.
- Tulcea

Vard Niterói S.A.
- Niterói

Vard Promar S.A.
- Promar

Vard Vung Tau Ltd.
- Vung Tau

Vard Electro A.S.

Vard Design A.S.

Vard Piping A.S.

Vard Accommodation A.S.

Vard Braila S.A.

Vard Marine Inc.

EQUIPMENT, SYSTEMS AND SERVICES

Equipment and systems

Steam turbines

Stabilization, propulsion, dynamic positioning and power generation systems

Automation systems

Electrical and electronic systems

After-sales

After-sales services
- Integrated logistic support
- In-service of warranty service

Product lifecycle management

Training and assistance

FINCANTIERI S.p.A.
- Riva Trigoso

Seastema S.p.A.

Delfi S.r.l.

Seaf S.p.A.

Isotta Fraschini Motori S.p.A.
- Bari

FMSNA Inc.

Fincantieri Sweden AB

OTHER

FINCANTIERI S.p.A.
- Corporate

The Fincantieri Group is now the largest shipbuilder by revenue in the Western world (meaning Europe and North America) and one of the most dynamic and diversified players in the industry, being focused on high value-added segments with high-tech content and high unit values, and with a position of excellence in all these segments that make it one of the most technologically complex groups on the international scene. In fact, the Group is a world leader in the design and construction of cruise ships, among the world leaders in the design and construction of naval combat, support and special vessels and submarines, and one of the leading global players in the design and construction of high-end offshore support vessels (OSV).

Fincantieri operates in 13 countries spanning four continents (Europe, North America, South America and Asia), with 21 shipyards located in Italy, Norway, Romania, United States of America, Brazil, and Vietnam plus a joint venture in the United Arab Emirates, and a total workforce of more than 20,000.

Fincantieri's business is widely diversified by end markets, geographical exposure and by client base, with revenue evenly balanced between cruise ship, naval and offshore vessel construction, giving it an edge over less diversified players by being able to mitigate the effects of fluctuations in demand on the end markets served. In particular, the Group operates through the following three segments:

- Shipbuilding: encompassing the business units that build cruise ships and naval vessels and offer other products and services (ferries, mega-yachts and ship repairs and conversions);
- Offshore: encompassing the design and construction of high-end offshore support vessels by its subsidiary Vard Holdings and the offer of innovative products in the field of drillships and semi-submersible drilling rigs;
- Equipment, Systems and Services: encompassing the design and manufacture of high-tech equipment and systems, such as stabilization, propulsion, positioning and power generation systems, ship automation systems, steam turbines, and the provision of logistical support and after-sales services.

the fincantieri planet

SHIPYARDS AND DOCKS

_ europe

ITALY

TRIESTE
MONFALCONE
MARGHERA
SESTRI PONENTE
GENOA
RIVA TRIGOSO-MUGGIANO
ANCONA
CASTELLAMMARE DI STABIA
PALERMO

NORWAY

AUKRA
BRATTVAAG
BREVIK
LANGSTEN
SØVIKNES

ROMANIA

BRAILA
TULCEA

_ asia

VIETNAM

VUNG TAU

_ americas

USA

GREEN BAY
MARINETTE
STURGEON BAY

BRAZIL

NITERÓI
SUAPE

HEADQUARTERS AND MAIN SUBSIDIARIES

_ europe

ITALY

FINCANTIERI S.p.A. (Headquarter)
Orizzonte Sistemi Navali
Cetena
Delfi
Seastema
Isotta Fraschini Motori
Fincantieri Oil&Gas
Seaf
Marine Interiors
Fincantieri SI

NORWAY

Vard Group (Headquarter)
Vard Design
Vard Piping
Vard Electro
Vard Accommodation
Vard Trading
Vard Offshore Brevik
Vard Engineering Brevik
Seaonics

PRINCIPALITY OF MONACO

Camper&Nicholsons International

SWEDEN

Fincantieri Sweden

POLAND

Seaonics Polska

_ asia

CHINA

Fincantieri (Shanghai) Trading

INDIA

Fincantieri India
Vard Electrical Installation
and Engineering (India)

BAHRAIN

FMSNA

UAE

Etihad Ship Building

SINGAPORE

Vard Holdings
Vard Shipholding Singapore

JAPAN

FMSNA YK

_ americas

USA

Fincantieri Marine Group
Fincantieri Marine Systems North America
Fincantieri USA
Vard Marine US

CANADA

Vard Marine

BRAZIL

Fincantieri do Brasil Participações

More than
20,000
employees

21
shipyards

4
continents

fincantieri group report on operations

Introduction

To our Shareholders,

The year 2015 was marked by major commercial successes which, with the signing of important agreements and negotiations currently being finalized, assure the Group future growth in its business and revenue through another significant increase in the order backlog. In particular, Fincantieri managed to win a record volume of new cruise ship orders, strengthening its partnership with historic clients and embarking on new ones with other important players.
It was also a year in which the stage of production of the large number of prototype vessels ordered by different operators during the crisis at particularly challenging prices, gave rise to significant operational problems. However, it should be noted that it was this very backlog that allowed Fincantieri to preserve its production structure in readiness for a renewed upturn in demand commencing in 2014.
Added to these difficulties was the performance in the Offshore segment, whose global market remains extremely depressed due to the steep decline in oil prices, as well as the persistently problematic political and economic situation in Brazil, with negative repercussions on the operations of the local shipyards managed by the Group's subsidiary VARD.
The cruise business's commercial successes included the signing of a memorandum of agreement with Carnival Corporation & plc, operational from 2016, for the construction of four new cruise ships worth a total of around euro 2.5 billion, the signing of an agreement with Viking Ocean Cruises for the construction of two more cruise ships and the signing of a major contract, still subject to finalization of shipowner financing, to build three cruise ships for Virgin Cruises, a Virgin Group brand and new entrant to the cruise market.
In the naval vessels business, orders were finalized during 2015 for 9 naval vessels under the Italian Navy's fleet renewal program (7 multi-purpose offshore patrol vessels, 1 logistics support vessel and 1 multi-purpose amphibious unit). The same program contains options for the construction of three additional multi-purpose offshore patrol vessels. The Italian Navy also exercised an option for the construction of the ninth and tenth vessels completing the FREMM program. The US Navy confirmed the placement of an order with the subsidiary Marinette Marine Corporation for another ship under the LCS program, the ninth under the contract signed in 2010, as well as advanced procurement funding for the tenth and final ship under this same contract. Confirming the importance and strategic value of the LCS program, the client has also awarded the American shipyard a priced option for an additional ship.
In order to consolidate its presence in the Indian market, towards the end of 2015 Fincantieri signed a contract with Mazagon Dock Limited (MDL), one of the most important Indian shipyards, controlled by the Ministry of Defense and specialized in the construction of naval and offshore vessels, for the provision of technical advice in connection with the project to build seven frigates for the Indian Navy.
Following these commercial successes, as at 31 December 2015 the Group could count on an expected total backlog worth approximately euro 18.7 billion, of which some euro 15.7 billion in order backlog (the residual value of firm orders not yet completed) and euro 3.0 billion in soft backlog (representing the 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), a large part of which Fincantieri believes it can convert into firm orders by the close of 2016. The significant value of soft backlog translates into an expected order book of approximately euro 25.1 billion.

Fincantieri is still engaged in negotiations with trade unions for the renewal of the supplementary agreement applying at its Italian sites. In fact, after extending the 2009 supplementary agreement for two years and in the absence of an understanding with the unions, Fincantieri announced on 30 March 2015 that the agreement was terminated once and for all and is now negotiating the terms of its renewal with the unions.

On the operational front, it is important to recall the exceptional number of prototype cruise ships simultaneously under construction. With 2 prototypes already delivered in 2015 and another 4 due for delivery in 2016, these ships, being built for a large number of different clients, have generated a serious overload which failed to find adequate support from a subcontractor network seriously weakened by the global financial and economic crisis. The operational difficulties for the new prototypes became particularly evident during the second half of 2015, since the typical dynamics of the business imply a high concentration of costs in the outfitting phase during the last few months of construction. The significant extra costs incurred to manage these issues involving prototype ships heavily penalized the Shipbuilding segment's EBITDA margin for the year.

It should also be noted that the vessels currently under construction were ordered during the new-build construction crisis triggered by the global financial crisis and so reflect severely depressed prices. Furthermore, the costs of these ships are being affected not only by a workload distribution that does not yet permit full capacity utilization of the Italian production facilities but also by the need to rebuild, including through direct intervention with more critical suppliers, a subcontractor network already seriously undermined by the years of global financial and economic crisis.

Another point of note is the fact that Fincantieri is expensing most of the costs of prototypes under construction, while still waiting to receive grants for maritime industry research and innovation, allocated under the 2014 Stability Law and subsequently re-presented in the 2015 Stability Law for a reduced amount.

In order to solve these issues, Fincantieri will continue the improvement programs already started so as to guarantee, in the medium term, the necessary strengthening of competencies and business competitiveness, in particular by revising its design and production processes.

As regards the Offshore operating segment and specifically the subsidiary VARD, the global market situation remains extremely depressed due to the steep decline in oil prices, which reached their lowest level in 6 years during the second half of the year, causing a general scaling back of investment plans and introduction of cost-containment programs by the majority of clients. In such a context, VARD has not only initiated programs to reorganize its operations, in particular at its shipyards in Romania and Norway, with the aim of achieving a structural reduction in the cost base, but it has also stepped up actions to develop synergies with the Italian cruise ship business, with the construction of sections for the large ships being built at the Italian yards as well as the possibility of building complete expedition cruise ships.

Another measure adopted by the VARD Group to tackle the drop in offshore demand is business diversification by leveraging its accumulated know-how to position itself in the market for fishing and aquaculture vessels, which accounted for about 13% of its total order intake for the year.

VARD has also sought to diversify its client base by seeking out new clients within the core offshore market, with the result that all the orders won in 2015 were with new clients.

Performance in 2015 was affected by ongoing operational problems in VARD's Brazilian business, also as a consequence of the current difficult political and economic situation in this South American country. In particular, progress in the LPG carrier construction program for Transpetro at the new Promar shipyard in Brazil has not been satisfactory since the work involved and its complexity have proved much greater than originally expected. As a result, during the third quarter of 2015 the delivery dates were revised and the related additional costs recognized, only to be further

increased in the last quarter to reflect the conditions agreed with Transpetro upon delivery of the first vessel at the beginning of January 2016. In addition, during the last quarter of 2015 Transpetro canceled the contracts for the construction of two of the LPG carriers included in the Vard Promar order book. Vard Promar has initiated legal action against Transpetro for damages relating to the contracts in question. The cancellation of these contracts has had no effect on the 2015 results because the orders were still at a very early stage of advancement.
The subsidiary VARD nonetheless made a positive contribution of euro 1 million to EBITDA, reflecting the negative performance of its Brazilian companies and the positive results of its other companies despite having had to face a significant drop in offshore demand which reduced the margins on its work in progress. The contribution to the Fincantieri Group's net result was a loss of Euro 37 million, out of the VARD Group's total net loss of euro 144 million, including euro 41 million in unrealized foreign exchange losses recorded against the USD loan to build the new Promar shipyard following the Brazilian Real's devaluation against the US Dollar over the course of 2015.
As reported earlier, significant synergies between VARD and Fincantieri were already implemented during the year on the design and production front, and an increasing use of the VARD Romanian operations is being examined not only to support the Italian shipyards but also for a structural increase in the Group's cruise ship production capacity.
With regard to the operations in Brazil, VARD expects to see activities at the Niterói yard steadily reduce with completion of the vessels currently under construction, while it will continue to focus on the Promar shipyard to strengthen its presence in this country and become a major player for the development of future programs, provided economic and financial conditions are satisfied.
At the consolidated level, the Fincantieri Group has recorded a negative EBITDA of euro 26 million, and a net loss attributable to the Group of euro 175 million. Including non-controlling interests the loss is euro 289 million.
The Group's Net financial position, which does not include construction loans, reports a net debt balance of euro 438 million at 31 December 2015 (euro 44 million in net cash at 31 December 2014). The change in Net financial position is due to funding requirements in the Shipbuilding and Offshore businesses, which have a large number of deliveries scheduled in the first half of 2016, duly reflected in the high amount of working capital employed in construction at 31 December 2015.
The delivery of a large number of cruise ships and offshore vessels scheduled in 2016, whose payment terms envisage receipt of most of the price upon delivery, will help free up the currently committed financial resources. These resources can then be reinvested in the construction of other ships currently in the order book. It is also noted that the Parent Company has finalized a construction loan with a leading international bank, capped at euro 150 million, for the purpose of financing cruise ship construction. This loan had been drawn down by euro 120 million at 31 December 2015.
During the presentation of its 2015 final results, Fincantieri also presented its Business Plan for 2016-2020 which, in keeping with the strategy of growth and diversification pursued to date, aims to consolidate the Group's global leadership at the high value-added end of the shipbuilding market. In particular, the Plan envisages further development of the existing business platforms, not only in core sectors, by finalizing major negotiations in progress, but also in new geographical areas and high-potential markets, such as China, including through new strategic partnerships.
The Plan also includes actions to increase the Group's profitability, ensuring a return for shareholders, including through additional development of important production synergies with the subsidiary VARD by using the Romanian shipyard in Tulcea to support the Italian production network.
The Shipbuilding segment is expected to see a major increase in volumes in coming years and a gradual recovery in margins, thanks not only to the start of production of cruise ships ordered

after the crisis at substantially higher prices than those of the prototypes but also to a higher proportion of segment revenue from the naval business. In response to this heavy prospective workload, Fincantieri will also continue to optimize its production and design systems in Italy.

With reference to the Offshore segment, VARD plans to diversify its business in response to the crisis in its core Oil&Gas business and to take every necessary step to reduce its cost base, including by rationalizing its production facilities, with the aim of becoming more competitive in readiness to seize the opportunities arising once the market recovers. In terms of diversification of its revenue sources, it is worth noting that 13% of VARD's order intake in 2015 came from the fishing and aquaculture sector, while new clients accounted for 100% of the order intake in the offshore industry. Lastly, in March 2016, VARD signed an important agreement with PONANT for four small luxury cruise ships, to be built entirely in Romania and Norway, with support and supply of critical parts by Fincantieri.

The Equipment, Components and Services will continue its strategy of regaining control over the value chain by taking back in-house high value-added activities and outsourcing lower margin activities, with the aim of strengthening its control over the product and further developing the after-sale business.

In light of the above, the consolidated financial projections for 2016 put revenue growth at 4-6% compared with 2015, with an EBITDA margin of approximately 5% and a net financial position with approximately euro 0.7-0.8 billion in net debt.

The consolidated forecast results for 2018 put revenue growth at 16-23% compared with 2016, with an EBITDA margin of approximately 6-7% and a net financial position with approximately euro 0.4-0.6 billion in net debt.

Lastly, the forecast for 2020 is as follows: revenue growth of 16-21% on 2018, EBITDA margin of approximately 7-8% and net financial position with approximately euro 0.1-0.3 billion in net debt.

Based on the above forecast results, the result before extraordinary and non-recurring income and expenses is expected to return to profit from 2016, while distribution of dividends is expected to resume with the 2017 profit.

Financial Highlights

Financial year 2015 reported the following results:

- A record level of order intake totaling euro 10,087 million (up euro 4,448 million on 2014), of which euro 9,262 million in the Shipbuilding segment (euro 4,400 million in 2014), with a backlog at 31 December 2015 of euro 15,721 million. The growth in order intake is primarily due to contracts won in the cruise business and to the new contracts awarded by the Italian Navy;
- Revenue and income of euro 4,183 million (euro 4,399 million in 2014), down 4.9% on the prior year mainly because of contraction in the Offshore market;
- EBITDA is a negative euro 26 million (positive euro 297 million in 2014), with the EBITDA margin falling 7.4 percentage points compared with 2014. Of this reduction, euro 218 million is attributable to the Shipbuilding operating segment, mainly in connection with the cruise ships business, and euro 111 million is attributable to the Offshore operating segment, mainly because of weak operating performance by VARD's Brazilian shipyards;
- Profit/(loss) before extraordinary and non-recurring income and expenses is a loss of euro 252 million (profit of euro 87 million in 2014). This result includes the recognition of euro 41 million in unrealized potential foreign exchange losses (and so without a corresponding monetary impact), reflecting the impact of the Brazilian Real's devaluation against the US Dollar over the course of 2015 on the USD loan to build the new Vard Promar shipyard. The Group share of this result is a loss of euro 141 million, compared with a profit of euro 99 million in 2014;
- Loss for the year of euro 289 million (profit of euro 55 million in 2014). The Group share of this result is a loss of euro 175 million, compared with a profit of euro 67 million in 2014;
- Net financial position is a negative euro 438 million at 31 December 2015, mainly due to funding requirements in the Shipbuilding and Offshore businesses, which have a large number of deliveries scheduled in the first half of 2016, duly reflected in the high amount of working capital employed in construction at 31 December 2015; consistent with the presentation at 31 December 2014, this figure excludes construction loans (euro 1,103 million at 31 December 2015), which are treated as part of working capital;
- Capital expenditure in 2015 of euro 161 million (euro 162 million in 2014);
- Free cash flow is a negative euro 459 million (negative euro 124 million in 2014) due to the absorption of euro 287 million in cash by operating activities and of euro 172 million by investing activities;
- Construction loans of euro 1,103 million at 31 December 2015 (euro 847 million at 31 December 2014), of which euro 983 million relating to VARD and euro 120 million to the Parent Company;
- Headcount decreased from 21,689 employees at 31 December 2014 (of whom 7,706 in Italy) to 20,019 at 31 December 2015 (of whom 7,771 in Italy). This is due to a reduction in the number of resources employed at the VARD yards, particularly in Romania as a result of cost-cutting measures in response to the contraction in workload triggered by the difficulties in the Oil&Gas market in which the subsidiary operates.

Economic data		31.12.2015	31.12.2014
Revenue and income	Euro/million	4,183	4,399
EBITDA	Euro/million	(26)	297
EBITDA margin (*)	*Percentage*	*(0.6)%*	*6.8%*
EBIT	Euro/million	(137)	198
EBIT margin (**)	*Percentage*	*(3.3)%*	*4.5%*
Profit/(loss) before extraordinary and non-recurring income and expenses	Euro/million	(252)	87
Extraordinary and non-recurring income and (expenses)	Euro/million	(50)	(44)
Profit/(loss) for the year	Euro/million	(289)	55
Group share of profit/(loss) for the year	Euro/million	(175)	67

Financial data		31.12.2015	31.12.2014
Net invested capital	Euro/million	1,704	1,486
Equity	Euro/million	1,266	1,530
Net financial position	Euro/million	(438)	44

Other indicators		31.12.2015	31.12.2014
Order intake (***)	Euro/million	10,087	5,639
Order book (***)	Euro/million	22,061	15,019
Order backlog (***)	Euro/million	15,721	9,814
Soft backlog	Euro/billion	3.0	5.0
Capital expenditure	Euro/million	161	162
Free cash flow	Euro/million	(459)	(124)
Research and Development costs	Euro/million	90	101
Employees at the end of the period	Number	20,019	21,689
Vessels delivered (****)	Number	21	25

Ratios		31.12.2015	31.12.2014
ROI	*Percentage*	(8.6)%	13.9%
ROE	*Percentage*	(20.7)%	4.0%
Total debt/Total equity	Number	0.7	0.4
Net financial position/EBITDA	Number	n.s.	n.a.
Net financial position/Total equity	Number	0.3	n.a.

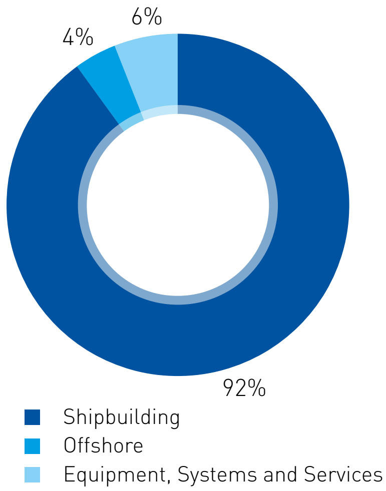
(*) Ratio between EBITDA and Revenue and income
(**) Ratio between EBIT and Revenue and income
(***) Net of eliminations and consolidation adjustments
(****) Number of vessels over 40 meters long
n.a. not applicable
n.s. not significant
The percentages contained in this report have been calculated with reference to amounts expressed in thousands of euros.

GROUP OPERATIONAL PERFORMANCE

Order intake

Order intake in 2015 amounted to euro 10,087 million (euro 5,639 million in 2014), of which euro 5,235 million secured in the fourth quarter of 2015. The value of order intake is almost double that in 2014 and represents a record in the Group's recent history despite the downturn in the Offshore segment. Of the total new orders, 92% related to the Shipbuilding segment, 4% to the Offshore segment, and 6% to the Equipment, Systems and Services segment. New orders won by the Parent Company accounted for 91% of the total.
The book-to-bill ratio (between order intake and revenue generated in the period) was equal to 2.4 at 31 December 2015 (1.3 in 2014).
In the naval vessels business, orders were finalized during 2015 for 9 naval vessels under the Italian Navy's fleet renewal program (7 multi-purpose offshore patrol vessels, 1 logistics support vessel and 1 multi-purpose amphibious unit). The same program contains options for the construction of three additional multi-purpose offshore patrol vessels. The Italian Navy also exercised an option for the construction of the ninth and tenth vessels completing the FREMM program. The US Navy confirmed the placement of an order with the subsidiary Marinette Marine Corporation for another ship under the LCS program, the ninth under the contract signed in 2010, as well as advanced procurement funding for the tenth and final ship under this same contract. Confirming the importance and strategic value of the LCS program, the client has also awarded the American shipyard a priced option for an additional ship.
In the cruise ships business, Fincantieri and Carnival Corporation & plc signed a memorandum of agreement for the construction of 4 new cruise ships worth a total of around euro 2.5 billion. The related contracts, subject to several conditions including satisfactory shipowner financing, will become operational during 2016. Two of these ships will be for the Costa Asia brand, one for P&O Cruises Australia and one for Princess Cruises.
During the year, Fincantieri expanded its client base with the signing of an important contract, still subject to finalization of shipowner financing, for the construction of three cruise ships for Virgin Cruises, a Virgin Group brand and new entrant to the cruise market.
In addition, during the last quarter of 2015 Fincantieri finalized an important contract with Viking Ocean Cruises for the construction of two more cruise ships. The new ships will be sisters to the four already ordered in the past and will enter the Viking fleet in mid-2018 and at the end of 2020 respectively.
As for the Offshore segment, the persistent decline in oil prices, already commencing in the second half of 2014, has significantly altered the spending outlook for oil exploration & production companies, which have scaled back their investment plans and initiated cost-cutting programs. As a result, order intake in 2015 was somewhat reduced at euro 402 million (for four OSCVs, one Stern trawler and one Coastal fishing vessel), compared with euro 1,131 million in 2014.

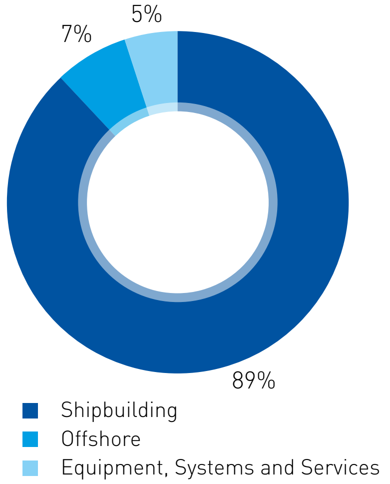
% order intake
by operating segment in 2015



During 2015, the Equipment, Systems and Services segment finalized euro 639 million in new orders, partly in connection with the Italian Navy's fleet renewal program and the contract with the Bangladesh Coast Guard to supply four Italian Navy "Minerva" class corvettes upgraded and converted into Offshore Patrol Vessels (OPV) and the related integrated logistics support services.

Order intake analysis *(Euro/million)*	**31.12.2015**		**31.12.2014**	
	Amounts	%	Amounts	%
FINCANTIERI S.p.A.	9,155	91	3,936	70
Rest of Group	932	9	1,703	30
Total	**10,087**	**100**	**5,639**	**100**
Shipbuilding	9,262	92	4,400	78
Offshore	402	4	1,131	20
Equipment, Systems and Services	639	6	204	4
Consolidation adjustments	(216)	(2)	(96)	(2)
Total	**10,087**	**100**	**5,639**	**100**

% order backlog by segment
at 31 December 2015



Order backlog

The order backlog, representing the residual value of orders not yet completed, amounted to euro 15,721 million at 31 December 2015 (euro 9,814 million at the end of December 2014), with the order book's profile extending until 2026. The growth in backlog on a year earlier confirms the Group's ability to finalize contracts under negotiation, contract options and commercial opportunities and to transform them into order backlog. The backlog represents about 3.8 years of work in relation to revenue generated in 2015, with most of it in the Shipbuilding segment, which accounts for 89% of the Group's total order backlog. It is also reported that in the first quarter of 2015, the VARD Group terminated contracts for the construction of two vessels, for one of which it had received an advance of 10%, after the companies that had ordered them filed for bankruptcy, while in the last quarter of the year, Transpetro, one of the principal clients of Vard Promar, cancelled orders for the construction of two LPG carriers. The value of these four vessels has been excluded from the backlog at 31 December 2015.

The composition of the backlog by operating segment is shown in the following table.

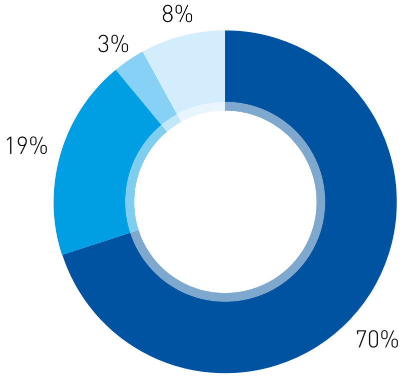
Backlog analysis *(Euro/million)*	**31.12.2015**		**31.12.2014**	
	Amounts	%	Amounts	%
FINCANTIERI S.p.A.	13,607	87	6,877	70
Rest of Group	2,114	13	2,937	30
Total	**15,721**	**100**	**9,814**	**100**
Shipbuilding	14,067	89	7,465	76
Offshore	1,143	7	2,124	22
Equipment, Systems and Services	732	5	300	3
Consolidation adjustments	(221)	(1)	(75)	(1)
Total	**15,721**	**100**	**9,814**	**100**

The soft backlog, representing the 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, amounted to approximately euro 3.0 billion at 31 December 2015, compared with euro 5.0 billion at 31 December 2014.

Soft backlog *(Euro/billion)*	**31.12.2015**	**31.12.2014**
	Amounts	Amounts
Group total	**3.0**	**5.0**

The following table shows the deliveries scheduled each year for vessels currently in the order book, analyzed by the main business units. Compared with the situation presented at 31 December 2014, it has been agreed with the cruise clients concerned to postpone the delivery of two cruise ships from 2016 to the first half of 2017 in order to ensure a better distribution of workload. With reference to naval vessels, it should be noted that: delivery of the "Pietro Venuti" submarine, the third in the U212A "Todaro" class, originally scheduled for the last quarter of 2015, has been postponed to 2016; delivery of the LCS7, expected at the end of 2015 in advance of the contractual delivery date, has also been postponed to 2016.
In the Offshore segment, VARD has adjusted production schedules as a consequence of variation orders for several projects agreed during 2015, leading to extended delivery dates and an improved workload balance at the yards. In addition to the above, VARD has extended the delivery dates of the ships under construction at the Group's Brazilian yards. As mentioned earlier, contracts for the construction of two LPG carriers were cancelled by Transpetro in the last quarter of 2015.

(number)	***2016***	***2017***	***2018***	***2019***	***2020***	***Beyond 2020***
Cruise ships	5	5	5	4	2	2
Naval >40 m.	10	8	3	5	1	9
Offshore	18	10	1			



Capital expenditure

Capital expenditure totaled euro 161 million in 2015, of which euro 39 million for Intangible assets (including euro 24 million for development projects) and euro 122 million for Property, plant and equipment.

The Parent Company accounted for 70% of this total expenditure.

Capital expenditure represented 3.8% of the Group's revenue in 2015 (3.7% in 2014).

Capital expenditure in 2015 mainly related to projects designed to support the growth in production volumes and to improve health and safety and compliance with environmental regulations within the production sites. In more detail, there were investments to increase production efficiency and improve automated processes, through technological modernization of hull construction infrastructure, and investments to improve the logistics support facilities, involving the reorganization of operational areas at production sites and the maintenance of high standards of reliability for shipyard equipment.

There was also continued investment in developing new technologies, particularly with regard to cruise ships.

Capital expenditure analysis *(Euro/million)*	**31.12.2015**		**31.12.2014**	
	Amounts	%	Amounts	%
FINCANTIERI S.p.A.	112	70	98	60
Rest of Group	49	30	64	40
Total	**161**	**100**	**162**	**100**
Shipbuilding	112	70	98	61
Offshore	31	19	47	29
Equipment, Systems and Services	5	3	5	3
Other activities	13	8	12	7
Total	**161**	**100**	**162**	**100**
Intangible assets	39	24	38	23
Property, plant and equipment	122	76	124	77
Total	**161**	**100**	**162**	**100**

R&D AND INNOVATION

The Group is well aware that Research and Innovation are the foundations for success and future competitiveness. Accordingly, its 2015 income statement contains euro 90 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 24 million in development costs in 2015 for projects with long-term utility; these projects mainly relate to innovative devices and systems able to meet the new international safety regulations and to reduce the pollution produced by cruise ships.

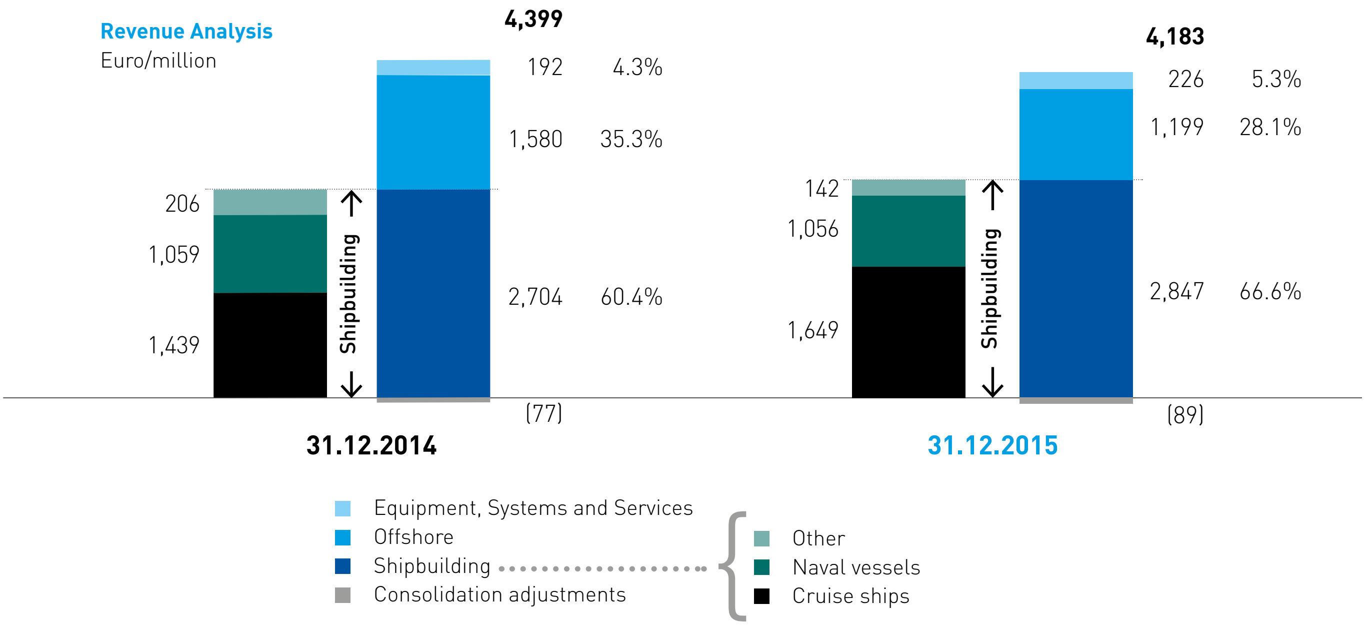
GROUP FINANCIAL RESULTS

Presented below are the reclassified versions of the income statement, statement of financial position and statement of cash flows and the breakdown of net financial position, used by management to monitor business performance.
Please note that "Provisions and impairment" have been changed to "Provisions" and report increases and releases of provisions for risks and provisions for the impairment of assets other than intangible assets and property, plant and equipment, whose impairment is recorded in "Depreciation, amortization and impairment" (previously "Depreciation and amortization"). This descriptive change has not involved any amendments to the comparative figures.
A reconciliation of these reclassified statements to the IFRS statements can be found later on in this report.

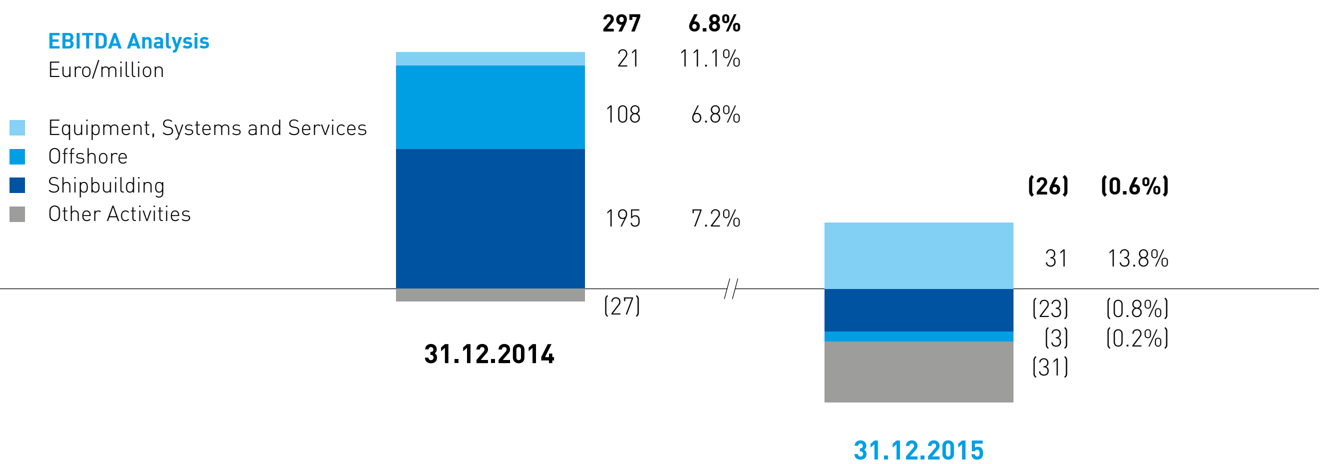
RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(Euro/million)	31.12.2015	31.12.2014
Revenue and income	**4,183**	**4,399**
Materials, services and other costs	(3,337)	(3,234)
Personnel costs	(865)	(843)
Provisions	(7)	(25)
EBITDA	**(26)**	**297**
EBITDA margin	***(0.6)%***	***6.8%***
Depreciation, amortization and impairment	(111)	(99)
EBIT	**(137)**	**198**
EBIT margin	***(3.3)%***	***4.5%***
Finance income/(costs)	(135)	(66)
Income/(expense) from investments	(3)	6
Income taxes	23	(51)
Profit/(loss) before extraordinary and non-recurring income and expenses	**(252)**	**87**
of which attributable to Group	*(141)*	*99*
Extraordinary and non-recurring income and (expenses)	(50)	(44)
Tax effect of extraordinary and non-recurring income and expenses	13	12
Profit/(loss) for the year	**(289)**	**55**
Group share of profit/(loss) for the year	*(175)*	*67*

Revenue and income amount to euro 4,183 million, reporting a decrease of euro 216 million (or 4.9%) on 2014. This change reflects, on the one hand, growth in Shipbuilding revenue, particularly by the cruise ship business which accounted for 39% of the Group's total revenue for the year (32% in 2014), and on the other, a decline in Offshore revenue, which accounted for 28% of the Group's total revenue (35% in 2014).
Export revenue accounted for 85% of the total in 2015, up from 82% in 2014.



EBITDA is a negative euro 26 million at 31 December 2015, with the **EBITDA margin** a negative 0.6%. Of the year-on-year reduction in EBITDA, euro 218 million is attributable to the Shipbuilding operating segment, essentially in connection with the cruise ships business, and euro 111 million is attributable to the Offshore operating segment, mainly because of weak operating performance by VARD's Brazilian shipyards. The Equipment, Systems and Services segment reported euro 31 million in EBITDA for 2015, an increase of euro 10 million on 2014. It should also be noted that the Offshore segment's profitability in 2014 had benefited from euro 35 million in utilizations of the provision for risks on contracts in Brazil, recognized at the time of the VARD Group's acquisition and utilized in full by 31 December 2014.



EBIT is a negative euro 137 million in 2015 compared with a positive euro 198 million in 2014. The change in this performance measure is mainly attributable to the factors described above, along with an increase of euro 12 million in depreciation and amortization charges for the period. Accordingly, the **EBIT margin** (EBIT expressed as percentage of Revenue and income) was a negative 3.3% at 31 December 2015.

Finance income/(costs) and Income/(expense) from investments report a net expense of euro 138 million (euro 60 million at 31 December 2014). The increase on the previous year is mainly attributable to the recognition of euro 47 million in net foreign exchange losses (euro 2 million in 2014), of which euro 41 million (euro 8 million in 2014) unrealized mostly in connection with currency balances recorded by companies within the VARD Group, and to higher finance costs for construction loans (euro 36 million at 31 December 2015 versus euro 26 million at 31 December 2014). Investments produced euro 3 million in expense compared with euro 6 million in income in 2014.

Income taxes report a net positive balance of euro 23 million in 2015, compared with a net negative balance of euro 51 million in 2014, and mostly refer to income from the group tax consolidation and to deferred tax assets recognized by the Parent Company on provisions made in the period; with reference to the VARD Group's Brazilian subsidiaries, the result for the period includes losses for which no deferred tax assets have been recognized.

Profit/(loss) before extraordinary and non-recurring income and expenses reports a loss of euro 252 million at 31 December 2015, reflecting the factors discussed above. The Group share of this result is a loss of euro 141 million, compared with a profit of euro 99 million in 2014.

Extraordinary and non-recurring income and expenses report euro 50 million in net expenses at 31 December 2015 and included costs relating to claims under asbestos-related lawsuits (euro 30 million), charges for business reorganization plans and other non-recurring personnel costs mainly relating to VARD (euro 17 million) and company costs for Italy's Extraordinary Wage Guarantee Fund (euro 3 million). At 31 December 2014, extraordinary and non-recurring income and expenses reported euro 44 million in net expenses and included company costs for the Extraordinary Wage Guarantee Fund (euro 10 million), charges connected with business reorganization plans (euro 9 million), costs relating to claims under asbestos-related lawsuits (euro 21 million) and non-recurring expenses relating to the initial public offering (euro 4 million).

Tax effect of extraordinary and non-recurring income and expenses is a net positive euro 13 million at 31 December 2015.

Profit (loss) for the year is a loss of euro 289 million in 2015, posting a deterioration from the previous year's profit of euro 55 million for the reasons described above. The Group share of this result is a loss of euro 175 million, compared with a profit of euro 67 million in 2014.

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Euro/million)	31.12.2015	31.12.2014
Intangible assets	518	508
Property, plant and equipment	974	959
Investments	62	60
Other non-current assets and liabilities	(44)	(48)
Employee benefits	(57)	(62)
Net fixed capital	**1,453**	**1,417**
Inventories and advances	405	388
Construction contracts and client advances	1,876	1,112
Construction loans	(1,103)	(847)
Trade receivables	560	610
Trade payables	(1,179)	(1,047)
Provisions for risks and charges	(112)	(129)
Other current assets and liabilities	(196)	(18)
Net working capital	**251**	**69**
Net invested capital	**1,704**	**1,486**
Share capital	863	863
Reserves and retained earnings attributable to the Group	274	447
Non-controlling interests in equity	129	220
Equity	**1,266**	**1,530**
Net financial position	**438**	**(44)**
Sources of funding	**1,704**	**1,486**

The **Reclassified consolidated statement of financial position** reports an increase in Net invested capital at 31 December 2015 of euro 218 million since the end of the previous year, mainly due to the following factors:

- **Net fixed capital** presents an overall increase of euro 36 million, including the effect of translating foreign currency balances of international subsidiaries (euro 35 million). Of particular note is the increase of euro 25 million in the value of Intangible assets and Property, plant and equipment, net of the above exchange effects and amortization and depreciation for the period;
- **Net working capital** reports a positive balance of euro 251 million (euro 69 million at 31 December 2014). In detail: the growth in production volumes has led to increases in both Inventories and advances (by euro 17 million) and Construction contracts (by euro 764 million); Trade receivables have decreased by euro 50 million, while Trade payables have increased by euro 132 million; lastly, Other current assets and liabilities report a decrease of euro 178 million mainly reflecting the negative impact of fair value changes in currency derivatives. It is recalled that, in view of 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. Of the total construction loans reported at 31 December 2015, euro 983 million refer to the VARD Group, while the remaining euro 120 million relate to the Parent Company, which finalized a construction loan with a leading international bank during the year for the purpose of financing cruise ship construction.

Equity reports a decrease of euro 264 million, mainly reflecting the result for the year (a loss of euro 289 million) as partially offset by the positive change in the currency translation reserve (euro 23 million).

Net financial position reports euro 438 million in net debt at 31 December 2015 (euro 44 million in net cash at 31 December 2014). This amount does not include construction loans.

CONSOLIDATED NET FINANCIAL POSITION

(Euro/million)	31.12.2015	31.12.2014
Cash and cash equivalents	**260**	**552**
Current financial receivables	**53**	**82**
Current bank debt	(187)	(32)
Current portion of bank loans and credit facilities	(63)	(47)
Other current financial liabilities	(13)	(1)
Current debt	**(263)**	**(80)**
Net current cash/(debt)	**50**	**554**
Non-current financial receivables	**113**	**90**
Non-current bank debt	(299)	(290)
Bonds	(298)	(297)
Other non-current financial liabilities	(4)	(13)
Non-current debt	**(601)**	**(600)**
Net financial position	**(438)**	**44**

The above **Consolidated net financial position**, which excludes construction loans, presents a net debt balance of euro 438 million (euro 44 million in net cash at 31 December 2014). The change in Net financial position is due to funding requirements in the Shipbuilding and Offshore businesses, which have a large number of deliveries scheduled in the first half of 2016, duly reflected in the high amount of working capital employed in construction at 31 December 2015. The delivery of a large number of cruise ships and offshore vessels scheduled in 2016, whose payment terms envisage receipt of most of the price upon delivery, will help free up the currently committed resources, which can then be reinvested in the construction of other ships currently in the order book.

RECLASSIFIED CONSOLIDATED STATEMENT OF CASH FLOWS

(Euro/million)	31.12.2015	31.12.2014
Net cash flows from operating activities	(287)	33
Net cash flows from investing activities	(172)	(157)
Net cash flows from financing activities	167	303
Net cash flows for the period	**(292)**	**179**
Cash and cash equivalents at beginning of period	**552**	**385**
Effects of currency translation difference on opening cash and cash equivalents		(12)
Cash and cash equivalents at end of period	**260**	**552**

(Euro/million)	31.12.2015	31.12.2014
Free cash flow	**(459)**	**(124)**

The **Reclassified consolidated statement of cash flows** reports negative **Net cash flows for the period** of euro 292 million (versus a net positive euro 179 million in 2014), reflecting negative **Free cash flow** (the sum of cash flow from operating activities and cash flow from investing activities) of euro 459 million, as offset by euro 167 million in cash flows provided by financing activities.

Net cash flows from operating activities include the change in construction loans, which provided euro 282 million in cash flow at 31 December 2015 (euro 354 million at 31 December 2014).

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 2015 and 2014.

	31.12.2015	31.12.2014
ROI	(8.6)%	13.9%
ROE	(20.7)%	4.0%
Total debt/Total equity	0.7	0.4
Net financial position/EBITDA	n.s.	n.a.
Net financial position /Total equity	0.3	n.a.

n.a. not applicable
n.s. not significant

ROI and ROE at 31 December 2015 have been affected by the negative results for the year and so are not immediately comparable with those at 31 December 2014.

The indicators of the strength and efficiency of the capital structure at 31 December 2015 compared with those at 31 December 2014 report an increase, both for the reduction in equity, due to the loss for the year, and for the increase in gross and net debt, due to the absorption of financial resources needed to cope with the growth in production volumes in the Shipbuilding segment and partly to finance VARD's working capital in connection with a number of orders due for delivery in the first half of 2016. At 31 December 2014, some of the indicators were not applicable because of the positive Net financial position at that date.

DIVIDENDS

In line with the policy previously announced by management, it is proposed not to distribute a dividend for 2015.

Operational review by segment

SHIPBUILDING

The Shipbuilding operating segment is engaged in the design and construction of cruise ships, ferries, naval vessels and mega-yachts, as well as in ship repair and conversion activities. Production is carried out at the Group's shipyards in Italy and the United States.

(Euro/million)	**31.12.2015**	**31.12.2014**
Revenue and income (*)	2,847	2,704
EBITDA (*)	(23)	195
EBITDA margin (*) (**)	*(0.8)%*	*7.2%*
Order intake (*)	9,262	4,400
Order book (*)	18,540	10,945
Order backlog (*)	14,067	7,465
Capital expenditure	112	98
Vessels delivered (number) (***)	9	7

(*) Before eliminations between operating segments

(**) Ratio between segment EBITDA and Revenue and income

(***) Vessels over 40 meters long

Revenue and income

Revenue from the Shipbuilding operating segment amounted to euro 2,847 million at 31 December 2015 (euro 2,704 million at 31 December 2014), of which euro 1,649 million from the cruise ships business unit (euro 1,439 million at 31 December 2014) and euro 1,056 million from the naval vessels business unit (euro 1,059 million at 31 December 2014). Compared with 2014, cruise ship production volumes increased by euro 210 million, with 11 ships under construction at the Group's Italian yards compared with 9 at 31 December 2014; the impact on revenue was partially weakened by the adverse effects on working capital of revising cost estimates to complete orders due for delivery in 2016 and thereafter. Revenue from the naval vessels business benefited from the positive trend in the USD/Euro rate as far as the FMG Group's contribution was concerned, while also reflecting weak activity in Italy pending the start of work on the Italian Navy's fleet renewal program in 2016. Revenue from other activities reported a decrease of euro 64 million from euro 206 million at 31 December 2014.

EBITDA

The segment's EBITDA was a negative euro 23 million at 31 December 2015, with a negative margin of 0.8%. As mentioned in previous quarterly reports, Fincantieri is currently engaged in managing a particularly challenging order book, which includes a large number of prototypes currently under design or construction for different clients, with 2 cruise ship prototypes already handed over in 2015 and another 4 due for delivery in 2016.

The exceptional number of prototype ships simultaneously in the design phase, never recorded before and spread over a large number of clients, has also led to a serious overload which failed to find adequate support from a subcontractor network seriously weakened by the global financial and economic crisis. In the case of new prototypes due for delivery from March 2016 on, this overload became particularly evident during the second half of 2015, since the typical dynamics of the business imply a high concentration of costs in the outfitting phase during the last few months of construction.

Furthermore, it is worth recalling not only that the margins on these vessels, ordered during the new-build construction crisis triggered by the global financial crisis, reflect severely depressed prices but also that the workload in 2015 did not allow full utilization of capacity in the Italian production facilities. Consequently, given the significant extra costs involved in managing such issues affecting prototype ships, the EBITDA margin of the Shipbuilding segment was heavily penalized.

In order to solve these issues, Fincantieri will continue the improvement programs already started so as to guarantee, in the medium term, the necessary strengthening of competencies and business competitiveness, in particular by revising its design and production processes.

It is important to note that, given the deteriorating crisis in the offshore segment and the absence of sufficient specialized resources in its own network, during the second half of 2015 Fincantieri developed important synergies with VARD's Romanian operations, both by using in Italy a large number of their production and design personnel and by taking steps to increase the use of the Romanian yards to build hull parts for the Italian shipyards or to build small specialized cruise ships.

Another point of note is the fact that Fincantieri is expensing most of the costs of prototypes under construction, while still waiting to receive grants for maritime industry research and innovation, allocated under the 2014 Stability Law and subsequently re-presented in the 2015 Stability Law for a reduced amount.

Order intake

New order intake of euro 9,262 million in 2015 refers to:

- nine naval vessels (7 multi-purpose offshore patrol vessels, 1 logistics support vessel and 1 multi-purpose amphibious unit) under the Italian Navy's fleet renewal program;
- two Multi Mission European Frigates (or FREMMs), the ninth and tenth in completion of a series of ten such vessels supplied to the Italian Navy;
- two ships under the Littoral Combat Ship program for the US Navy, the ninth (LCS 21) and the tenth (LCS 23) under the contract for ten such ships signed in 2010 through the subsidiary Marinette Marine Corporation (MMC);

- one ATB (Articulated Tug Barge), comprising 1 tug and 1 barge, for petroleum/chemical transportation, which will be built at the Sturgeon Bay shipyard;
- four new cruise ships for brands of the US group, Carnival Corporation (2 ships for the Costa Asia brand, 1 for P&O Cruises Australia and 1 for Princess Cruises). The ships, which will be built at the Monfalcone and Marghera shipyards, are intended to operate in emerging cruise markets including those in China and Australia;
- three new cruise ships for Virgin Cruises, a Virgin Group brand and new entrant to the cruise market;
- two new cruise ships for Viking Ocean Cruises, which will be sister ships to the four already ordered in the past, one of which delivered in spring 2015.

Capital expenditure

Capital expenditure on Property, plant and equipment in 2015 mostly involved, in the case of the Monfalcone and Marghera yards, continued work to upgrade hull-building technology and improve logistics support facilities; at the Sestri and Ancona yards, work was performed to optimize the logistics structure and renew equipment in support of new production volumes, while the maintenance projects, initiated in 2014, carried on at the Marinette and Sturgeon Bay yards in the United States. As far as Intangible assets were concerned, there was continued expenditure on developing new technologies that comply with new international rules on cruise ship safety and noise reduction, and which are being applied to the new prototypes currently in the order book.

Production

The number of ships delivered during 2015 is analyzed as follows:

(number)	Deliveries
Cruise ships	3
Cruise ferries	1
Naval vessels > 40 m long	5
Mega-yachts	
Naval vessels < 40 m long	3

In particular, the main deliveries were:

- "Britannia", the new flagship of P&O Cruises, a Carnival Group brand, delivered by the Monfalcone shipyard;
- "Viking Star", a prototype, delivered to Viking Ocean Cruises by the Marghera shipyard;
- "Le Lyrial", the fourth super-luxury small cruise ship for the French cruise line Ponant, delivered by the Ancona shipyard;
- "Carabiniere", the fourth frigate in the Italian Navy's FREMM program, delivered by the Muggiano shipyard;
- "F.-A.-Gauthier", the first ever LNG powered ferry built in Italy by the Castellammare di Stabia shipyard for the Canadian shipowner, Société des Traversiers du Québec;
- "USS Milwaukee" (LCS 5) built at the Marinette shipyard in the United States for the US Navy under the Littoral Combat Ship program.

In addition, two barges and a tug were delivered by the Group's Sturgeon Bay shipyards to Moran Towing.
Lastly, the Palermo yard completed refitting and delivery of the "MSC Sinfonia", "MSC Opera" and "MSC Lirica", the remaining three of the four MSC ships included in the "Renaissance" program.

OFFSHORE

The Offshore operating segment is engaged in the design and construction of support vessels for the oil&gas exploration and production market. Fincantieri operates in this market through the VARD Group and Fincantieri Oil&Gas S.p.A..
The VARD Group also provides its clients with turnkey electrical systems, inclusive of engineering, manufacturing, installation, integration testing and commissioning.

(Euro/million)	**31.12.2015**	**31.12.2014**
Revenue and income (*)	1,199	1,580
EBITDA (*)	(3)	108
EBITDA margin (*) (**)	*(0.2)%*	*6.8%*
Order intake (*)	402	1,131
Order book (*)	2,729	3,623
Order backlog (*)	1,143	2,124
Capital expenditure	31	47
Vessels delivered (number)	12	18

(*) Before eliminations between operating segments
(**) Ratio between segment EBITDA and Revenue and income

Revenue and income

In an extremely depressed global market due to the steep decline in oil prices, which reached their lowest level in 6 years during the second half of the year, causing a general scaling back of investment plans and introduction of cost-cutting programs by the majority of clients, revenue from the Offshore operating segment came to euro 1,199 million at 31 December 2015, down 24.1% from euro 1,580 million in 2014, reflecting weaker activity at some European yards due to lower demand and the negative impact of changes in the Norwegian krone/Euro exchange rate (euro 84 million). It should also be noted that revenue and income in 2014 included the effects of utilizing euro 35 million from the provision recognized at the time of allocating the VARD Group's purchase price for delays and higher expected costs at its Brazilian shipyards. Following these utilizations, as at 31 December 2014 the provision had been utilized in full.

EBITDA

The Offshore segment's EBITDA was a negative euro 3 million at 31 December 2015, versus a positive euro 108 million in 2014, with the margin dropping from 6.8% in 2014 to -0.2% in 2015. This deterioration reflects negative performance by the Brazilian companies, only partially offset by the positive results of the VARD Group's other companies, achieved despite the drop in offshore demand and lower margins on vessels under construction at its European yards. In response to this situation, the subsidiary has not only initiated programs to reorganize its operations, in particular at its shipyards in Romania and Norway, with the aim of achieving a structural reduction in the cost base, but it has also stepped up actions to develop synergies with the Italian cruise ship business, with the construction of sections for the large ships being built at the Italian yards as well as the possibility of building complete expedition cruise ships. In Norway, the order backlog is still ensuring a good level of activity although temporary layoffs are already being used for provisional reductions in the workforce. In Brazil, where the difficult political and economic context continues to be a challenge, the Niterói yard has revised the estimated completion costs for the last two vessels under construction, expected to be delivered in the first half of 2016. As for the new Promar shipyard, progress in the LPG carrier construction program for Transpetro has not been satisfactory since the work involved and its complexity have proved much greater than originally expected. As a result, during the third quarter of 2015 the delivery dates were revised and the related additional costs recognized, only to be further increased in the last quarter to reflect the conditions agreed with Transpetro upon delivery of the first vessel at the beginning of January 2016. In addition, during the last quarter of 2015 Transpetro canceled the contracts for the construction of two of the LPG carriers included in the Vard Promar order book. Vard Promar has initiated legal action against Transpetro for damages relating to the contracts in question. The cancellation of these contracts has had no effect on the 2015 results because the orders were still at an a very early stage of advancement. Lastly, the revision of costs and programs has also led to delays for the 2 PLSV (pipelay support vessels) under construction.

Order intake

New order intake amounted to euro 402 million in 2015. In detail:

- 4 Offshore Subsea Construction Vessels (OSCV), one for Kreuz Subsea, two for Topaz Energy and Marine, and the last one, acquired in the fourth quarter of 2015, for an important international client;
- 1 Stern trawler for a new Canadian client;
- 1 Coastal fishing vessel for Brevik AS.

Since the second half of the prior year the decline in oil prices has significantly altered the spending outlook for oil exploration & production companies, which have responded by generally scaling back their investment plans and initiating cost-cutting programs.

The order backlog stood at euro 1,143 million at 31 December 2015, relating to 29 vessels, of which 18 of VARD's own design, ensuring a good volume of activity until 2017.

As reported earlier, in the first quarter of 2015, the VARD Group terminated contracts for the construction of two vessels, for one of which it had received a 10% advance payment, after the companies that had ordered them filed for bankruptcy. In September 2015 the first of the two vessels was transferred, upon completion, to Vard Shipholding Singapore Pte. Ltd., a newly-formed wholly-owned subsidiary company. Pending its sale, this vessel has since been chartered to DOF, while the other vessel is still under completion. Both vessels have been recorded among inventories at 31 December 2015. During the last quarter of the year, Transpetro, one of the principal clients of Vard Promar, cancelled orders for the construction of two LPG carriers. The value of these four vessels has been excluded from the backlog at 31 December 2015.

Capital expenditure

Capital expenditure in 2015 mainly related to the final stages of completion of the Vard Promar shipyard in Brazil, as well as to projects for technological upgrades at the yards in Romania and Vietnam, designed to improve production efficiency through greater process automation.

Production

The number of ships delivered during 2015 is analyzed as follows:

(number)	Deliveries
AHTS	1
PSV (including MRV)	5
OSCV	3
Other	3

1 AHTS (Anchor Handling Tug Supply vessel)

- "Skandi Angra" was delivered to Norskan Offshore (DOF group) by the Niterói shipyard (Brazil).

5 PSV (Platform Supply Vessels)

- "Troms Mira" and "Troms Hera" were delivered to Troms Offshore (Tidewater group) by the Vard Vung Tau shipyard (Vietnam);
- "Stril Barents" was delivered to Simon Møkster Shipping by the Vard Aukra shipyard (Norway);
- "Island Clipper" was delivered to Island Offshore by the Vard Brevik shipyard (Norway);
- "MMA Plover" was delivered to Mermaid Marine Australia Offshore by the Vard Vung Tau shipyard (Vietnam).

3 OSCV (Offshore Subsea Construction Vessels)

- "Skandi Africa" was delivered to DOF by the Vard Søviknes shipyard (Norway);
- "Far Sleipner" and "Far Sentinel" were delivered to Farstad Shipping by the Vard Langsten shipyard (Norway).

3 Others

- "Marjata", a special ship for the Royal Norwegian Navy, was delivered by the Vard Langsten shipyard (Norway);
- 1 Offshore Tug Vessel, was delivered to Buksér og Berging by the Vard Braila shipyard (Romania);
- "Oscar Niemeyer", an LPG carrier, was delivered to Transpetro by the Vard Promar shipyard (Brazil).

EQUIPMENT, SYSTEMS AND SERVICES

The Equipment, Systems and Services operating segment is engaged in the design and manufacture of systems and equipment and the provision of after-sales services. These activities are carried out by FINCANTIERI S.p.A. and its subsidiaries Isotta Fraschini Motori S.p.A., Delfi S.r.l., Seastema S.p.A., and FMSNA Inc..

(Euro/million)	**31.12.2015**	**31.12.2014**
Revenue and income (*)	226	192
EBITDA (*)	31	21
EBITDA margin (*) (**)	*13.8%*	*11.1%*
Order intake (*)	639	204
Order book (*)	1,181	663
Order backlog (*)	732	300
Capital expenditure	5	5
Engines produced in workshops (number)	44	53

(*) Before eliminations between operating segments

(**) Ratio between segment EBITDA and Revenue and income

Revenue and income

Revenue from the Equipment, Systems and Services operating segment increased by 17.7% year-on-year to euro 226 million at 31 December 2015. This improvement was primarily due to higher volumes of both after-sales services for naval vessels and sales of ship automation systems, in line with the development prospects for this business.

EBITDA

The segment's EBITDA came to euro 31 million at 31 December 2015 (EBITDA margin of 13.8%), up from euro 21 million in 2014 (EBITDA margin of 11.1%). The improvement mainly reflects the greater contribution of after-sales support services for both naval vessels and propulsion systems.

Order intake

New order intake for Equipment, Systems and Services amounted to euro 639 million in 2015, mostly comprising:

- provision of Integrated Logistic Support (ILS) and In Service Support (ISS) for the three classes of ship (LSS, LHD and PPA) under the Naval Law for the Italian Navy and provision of ILS for the Algerian Navy's BDSL ship, for the Norwegian government's polar icebreaker and for the "Al shareeah", a UAE Navy landing craft;
- supply of complete package of ship systems for the ninth and tenth Fremms and for the LSS for the Italian Navy;
- contract to convert corvettes to OPV (Offshore Patrol Vessels) for the Bangladesh Coast Guard and to upgrade the Amerigo Vespucci, a tall ship owned by the Italian Navy;
- complete revamping of a steam power generation plant and supply of a steam turbine for A2A, an Italian client;
- 13 generating sets, of which 10 for the US Navy's LCS program, 2 for the Singapore Navy's Delta program and 1 for a cruise order;
- 4 entertainment management systems for cruise orders, of which 2 for Seabourn, 1 for Silversea and 1 for Carnival;

- supply of automation systems for the LSS, LHD and PPA contracts, for a ferry built at a third-party shipyard, as well as modifications to the FREMM automation system for the Italian Navy;
- design of a package for the salinization of gas turbines for ship propulsion;
- 4 stabilization systems for cruise orders for Princess, HAL, CCL and Seabourn and 3 thruster positioning systems for the BAM II Series and Seabourn orders;
- 6 turbine generators, including one for Carnival, and 2 mechanical drive turbines;
- after-sales services and supply of spare parts for programs of the US Navy and US Coast Guard, for programs of the Italian Navy, for cruise clients and other smaller clients.

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)	**31.12.2015**	**31.12.2014**
Revenue and income		
EBITDA	(31)	(27)
EBITDA margin	*n.a.*	*n.a.*
Capital expenditure	13	12

n.a. not applicable

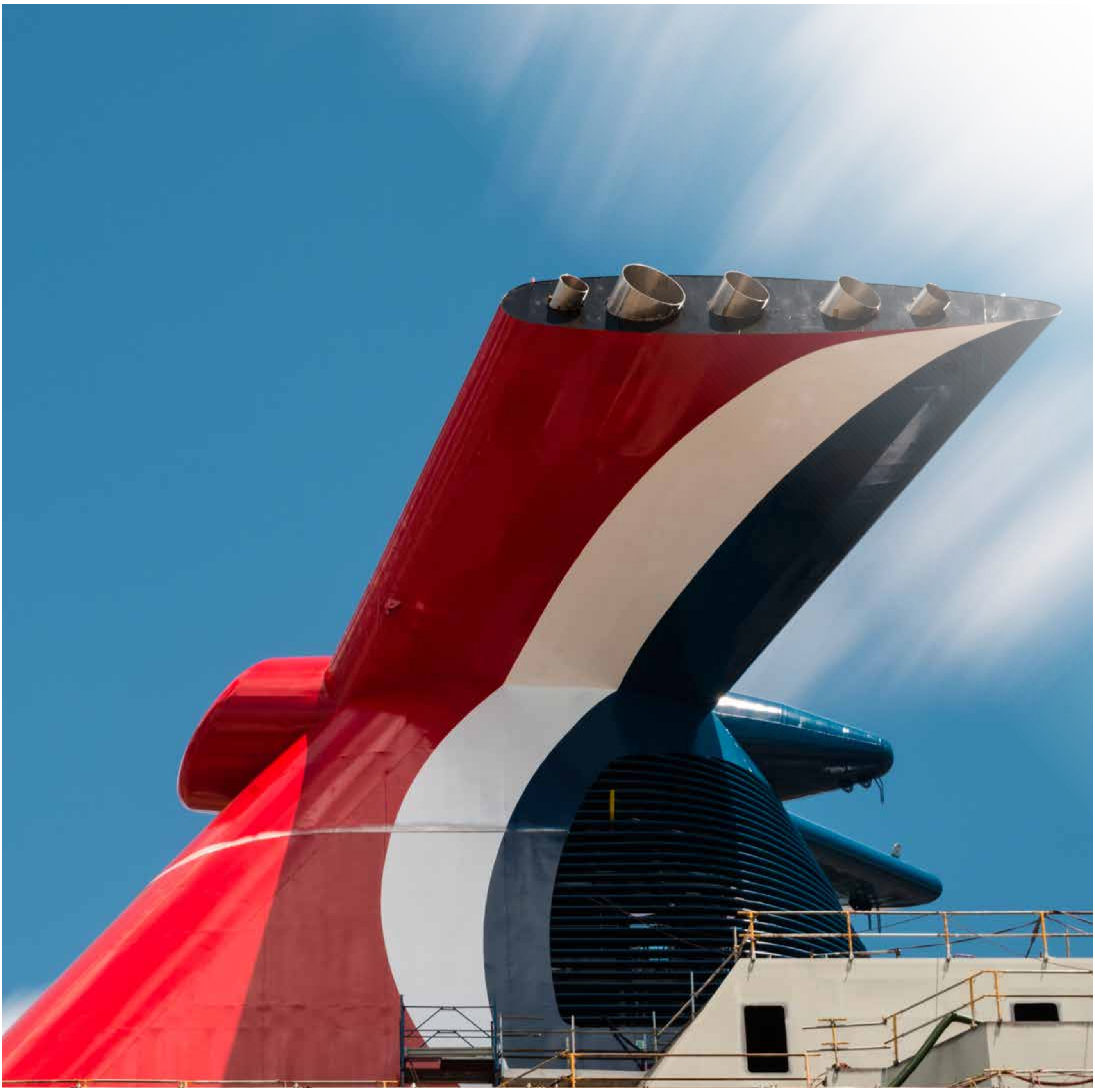
Capital expenditure

The most significant items of expenditure related to development of the information systems in support of the Group's business; in particular, work was started to implement an integrated system for ship design (CAD) and project lifecycle management (PLM) aimed at improving the efficiency and effectiveness of the design process. In addition, like in 2014, work continued to improve the supply chain management systems and update the Group's enterprise management software and IT infrastructure.

Core markets

Shipping in general

Demand for merchant ships in 2015 equated to around 40 million in compensated gross tonnage, reporting a decline from the year before. However, within this scenario the cruise ships sector enjoyed a particularly positive trend, with demand driven by decisions by the main players to increase their production capacity.



Cruise Ships

The Cruise Lines International Association, the world's largest cruise industry trade association, estimates that passenger numbers will continue to grow in 2016 to around 24 million (versus about 23 million in 2015), promoting higher profitability and increased fleet utilization for most of the industry's major players.

The past two years have witnessed a major upsurge in new-build demand due to increased demand for cruises in Europe and North America, the opening of new cruise markets (Asia and China in particular) and the entry of new players with innovative strategic approaches.

In fact, on the one hand, the major shipowning groups (Carnival, Royal Caribbean, Norwegian Cruise Line, MSC) are investing in new ships not only to renew fleets serving traditional markets, with older ships being sold or repositioned to marginal markets, but also to expand their offering in the Far East with the goal of winning new passengers.

On the other hand, however, new shipowning groups, like Viking Cruises, Virgin Cruises and Crystal Cruises, not being conditioned by previous investments, are focusing selectively on specific emerging segments of the market.

Orders were placed in 2015 for 19 new ships with a gross tonnage of more than 10,000 tons, an improvement on the figure reported in 2014 (16 ships) and a new industry record: the large volume of orders in the past two years has resulted in a steady increase in the workload and production visibility of European shipyards.

The coming years can expect to see a robust level of market demand, largely thanks to investment initiatives and projects at advanced stages of discussion with the shipbuilders, some of which already materializing in the form of Memoranda of Agreement, Letters of Intent or Slot Reservation Agreements.

Expectations for a continuous stream of investment projects are justified by projected increases in cruise passenger numbers, mainly driven by maturing of markets in the Far East (China in particular) and Australia.

Thanks to its large and diverse product portfolio, Fincantieri has been able to win orders for very different types of ship, duly configured to serve the various sectors of the tourist industry, from the contemporary mass cruise segment to the luxury end of the market, and hosting both a Western and Asian clientele.

At the end of December 2015, the Fincantieri order book contained 23 ships ordered by 11 different cruise lines. Fincantieri is able to serve a far larger number of clients simultaneously than its competitors and to offer a far wider variety of platforms, confirming the strength of its product range and design capabilities.

"Britannia"
P&O Cruises

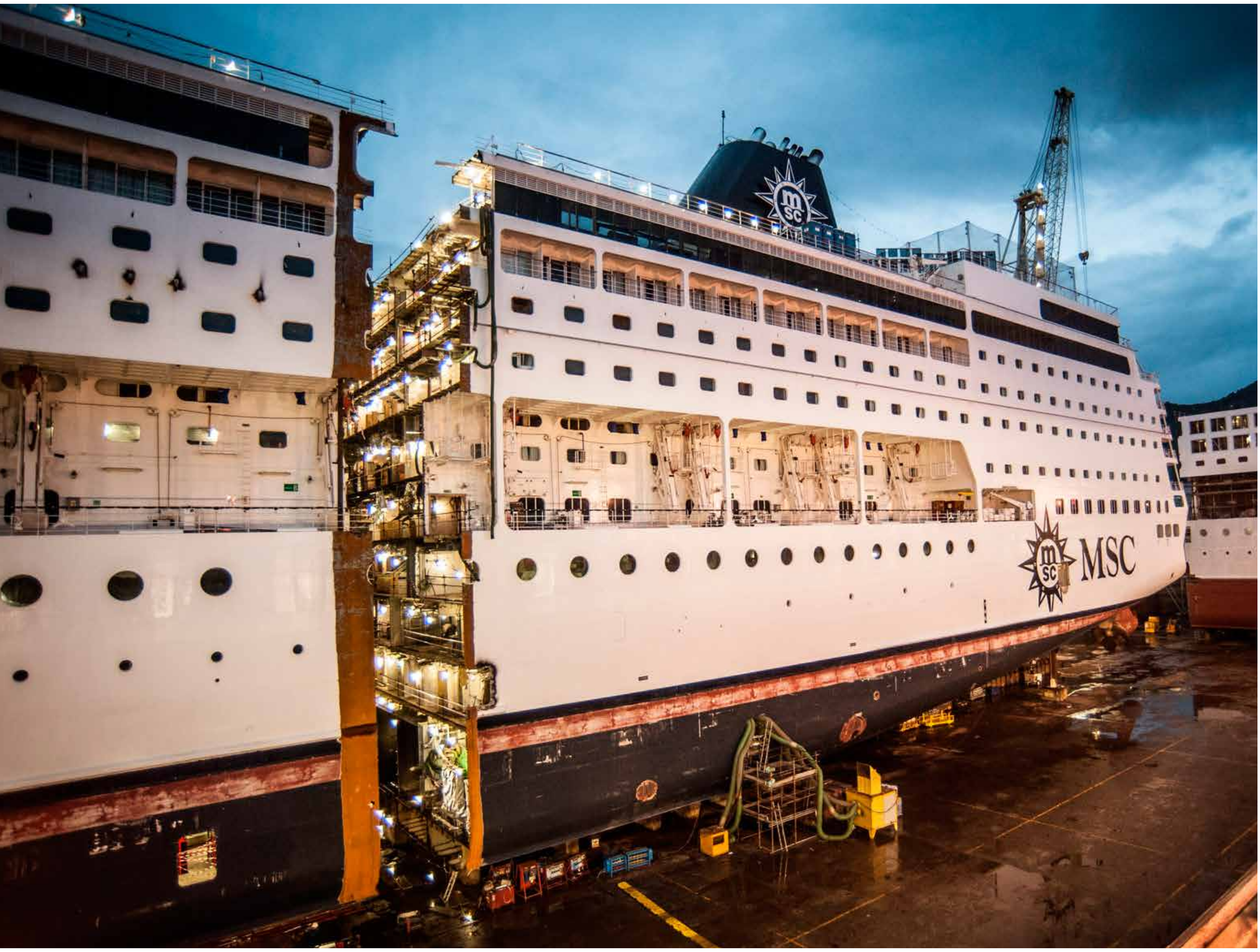
Repairs and conversions

Once again in 2015 the repairs market in general was adversely affected by the modest amount of resources allocated by shipowners to fleet maintenance as a result of the depressed state of the shipping industry.

Cruise ships went against this trend, with demand for work to bring ships into line with the latest environmental standards (eg., installation of scrubbers and new wastewater treatment systems), to improve the level of customer satisfaction (with needs changing according to demographic factors and geographical origin), to upgrade ships to meet next-generation standards, while ensuring consistent brand perception, and to increase ship profitability by adding cabins or making public areas multifunctional.

In this context, one of the most significant projects completed by Fincantieri has been the "Renaissance" program for MSC Cruises; during 2015 this involved the elongation of the "MSC Sinfonia", "MSC Opera" and "MSC Lirica" with the insertion of a 24-metre section containing 106 passenger cabins as well as additional crew accommodation and indoor and outdoor public areas.

Lengthening
"MSC Armonia"
Renaissance Programme



FREMM frigate Alpino and submarine Pietro Venuti

Naval Vessels

Once again in 2015 most of the orders for naval vessels were in domestic/captive markets, meaning programs awarded by the various national navies to domestic shipbuilders, while the non-captive part of the international market continued to see growing demand for on-site construction and technology transfer.

Overall, demand on the market accessible to Fincantieri was around Euro 3.5 to 4.0 billion over the thee-year period 2012-2014, which more than doubled in value in 2015, mainly thanks to initiation of the Italian Navy's fleet renewal program.

As part of this renewal program, OCCAR (*Organisation Conjointe de Coopération en matière d'ARmement* or Organization for joint armament cooperation) commissioned Fincantieri to build 7 multi-purpose offshore patrol vessels, three of which under option, for delivery during the period 2021- 2026, 1 logistics support ship (LSS) and 1 landing helicopter dock (LHD).

On the domestic market, the Italian FREMM program for European multi-mission frigates was fully implemented in April 2015 with exercise of the option to build the ninth and tenth such vessels, expected to be delivered after 2020.

In addition to building these vessels at its yards, Fincantieri will also provide support services in the first decade of their life cycle, involving logistics activities (courses, spare parts, technical documentation) during the construction phase and service support once in operation, as well as relevant equipment and components such as shaft lines, steering equipment, thrusters, stabilizing fins and other handling equipment made by the Equipment and Systems business.

During 2015, orders were secured to build two more Littoral Combat Ships (LCS 21 and LCS 23) under the program for the US Navy. These ships, the last of 10 under the agreement signed in 2010, will be built by the American subsidiary Fincantieri Marine Group at its Marinette shipyard. A contract variation was also agreed involving a priced option for one more ship, the LCS 25, to be funded in 2016. The US Navy Budget for 2016 provides for the construction of nine additional LCS to be ordered by 2018 with the aim of having a fleet of 52 LCS by 2030, belonging to the Freedom and Independence classes.

Mega yachts

Although the market for luxury goods continues to grow, like the amount of wealth and number of people holding it, the mega-yachts market shrunk in 2015 due to the climate of uncertainty surrounding geopolitical rather than economic factors.

In fact, 6 yachts of more than 80 meters long were ordered in 2015 against a peak of 18 the year before.

On the supply side, a small group of Dutch, German and Italian shipbuilders are the main players especially for customized larger projects, while competition in the market for smaller vessels (60-80 meters) and semi-custom vessels is much more fragmented with the appearance of untested new operators, often in emerging countries.

Offshore

Already since the second half of 2014, offshore industry demand has been experiencing a significant slowdown due to the steep decline in oil prices, leading to a widespread reduction in investment plans and the introduction of cost-cutting programs by the majority of industry operators.

This situation has had a major impact on demand not only for drillships and semisubs, but also for Platform Supply Vessels (PSV) and Anchor Handling Tug Supply vessels (AHTS) especially at the high-end of the market; also, fleet inactivity and insufficient charters to cover operating costs have caused the postponed delivery of numerous vessels already on order.

right
Offshore Subsea
Construction Vessels
"Far Sleipner" - VARD

below
Mega yacht "Serene"
Fincantieri Yachts

In general it is likely to take time to absorb existing capacity and that global demand will remain negligible in coming years.
The scenario is similar for offshore subsea construction vessels for which demand has fallen off in the wake of the high volume of orders secured in the last two or three years. Recent requests have been for smaller and more versatile vessels, suitable for use in different operating environments.
Demand for offshore subsea construction vessels should recover faster than that for PSV and AHTS, although it will remain at a modest level and concentrated on small and medium, highly cost-efficient vessels.
Demand for Inspection Maintenance and Repair Vessels could benefit from the growing need for maintenance of existing subsea structures, after a period of limited investment even in maintenance activities and essential repairs.

Research, development and innovation

The Group spent a total of euro 90 million on research, innovation and development in 2015, corresponding to 2.2% of its revenue. Such a level of investment is necessary for enhance the Group's competitive advantage in a market that, despite signs of improvement, remains difficult and where product and process innovation is a key factor for success.
During the year, the Group carried on developing different technological solutions that focus on energy efficiency, environmental impact reduction, payload maximization, product and operating cost reduction, improvements in safety and quality perception and cost-competitive compliance with rapidly evolving regulations. Such activities led to the filing in 2015 of nine patent applications for innovative solutions applicable to the Group's products and three patent applications for designs.
In support of Research and Innovation, Fincantieri has continued not only with its Innovation Challenge, under an Open Innovation model, by extending this initiative to the University of Naples, but also with the innovation project concerning its supply chain in order to share with suppliers the roadmap of principal systems innovation and related activities.
Over the course of 2015 the technology scouting process has been revised and improved in order to analyze developments in innovation, whether radical or incremental, in sectors other than shipbuilding with a view to identifying technologies transferable to Fincantieri's fields of operation. This activity has led to the definition of a number of good design ideas.
In addition, preliminary studies have been completed for the medium to long-term innovation projects identified by the "A Journey to the Future" project examining mega trends that will impact the Group.

As a supplier of high-tech solutions for the offshore oil & gas industry, the subsidiary VARD, operating in an increasingly challenging market, is conducting a wide range of Research and Development (R&D) activities, both in-house and in collaboration with industrial and academic partners. The VARD projects pay particular attention to safety, optimization of costs and fuel consumption, functionality and environmental impact. In addition, VARD is constantly working on developing new solutions to improve efficiency on board its vessels.
During 2015, the crisis in the offshore oil & gas industry, VARD's core market, prompted it to diversify its products and explore new market opportunities. In fact, it is in the process of building a new series of ships for fishing and aquaculture. VARD aims to further strengthen its competence in this segment by drawing directly on its experience in R&D, engineering and design.
In the summer of 2015, VARD launched "A step forward", its latest innovation project involving a series of initiatives to improve the efficiency of future ships through better organization of on-board space to ensure not only high standards of comfort and privacy for the crew, but also high standards of overall ship safety and performance.

REFERENCE FRAMEWORK

Fincantieri participates in the "Horizon 2020" program which offers funding for Research & Innovation projects through Public Private Partnerships (PPP), designed to achieve better synergies between stakeholders through long-term participation and formal commitment in terms of results and resources.
SEA Europe, the association representing the European maritime industry and to which all the continent's major shipbuilding countries belong, set up the association known as "Vessels for the Future" in November 2014. The initiative, of which Fincantieri is a founding member along with Rolls Royce, aims to promote research, development and innovation in the maritime sector through a Public Private Partnership with the European Union, focusing European maritime research in the Horizon 2020 program on the key issues of competitive pricing, environmental sustainability and safety.
As part of the "CSA Blue Growth" program, work has continued on the "Blue Med - research and innovation initiative for blue jobs and growth in the Mediterranean". Fincantieri has helped finalize an integrated maritime strategic research agenda for the Mediterranean, to be implemented in the Horizon 2020 Blue Growth program's work program for 2016-2018.
The activities of the European Sustainable Shipping Forum (ESSF), launched in 2014, have been extended beyond the original deadline of mid-2015. The ESSF, whose round tables are chaired by Fincantieri, aims to identify and overcome technological and regulatory gaps to promote the use of LNG as an alternative fuel and the use of scrubbers to treat atmospheric emissions, identifying at the same time the associated needs for Research, Development and Innovation. During 2015, in addition to technological and regulatory issues, a proposal was discussed to establish a "Green Shipping Financing Tool" designed to support investment in low-emission ships.
In Italy, the 2015 Stability Law has introduced a new mechanism to support maritime industry product and process innovation which finally puts shipbuilding on a par with other industries, thereby removing the restrictions previously imposed by the Shipbuilding Framework.
Lastly, Fincantieri has strongly supported the Italian Ministry of Education's efforts to ensure a proper understanding of the industrial issues in connection with the Joint Programming Initiative Health and Productive Seas and Oceans (JPI Oceans), which has 23 participating States; in fact, Fincantieri has led the pilot action for Italy relating to maritime technologies, which has attracted

the immediate interest of Germany, United Kingdom, Netherlands, Norway and Portugal, and the action aimed to give greater centrality to Mediterranean issues within the Horizon 2020 BLUEMED initiative, through the establishment of a network between 9 Mediterranean Member States, led by Italy and launched with the Venice Declaration adopted in October by the respective Ministers of Research.

PRINCIPAL EUROPEAN PROJECTS

In Europe, Fincantieri has continued to work on the joint JOULES project focused on improving a ship's energy efficiency throughout its operating life. The year saw the conclusion of the MOSAIC project, coordinated by the subsidiary Cetena S.p.A., on hull structural efficiency, and of the GRIP project on improving hydrodynamic and systems efficiency for lower energy consumption.
Fincantieri continues to participate in the MESA (Maritime Europe Strategy Action) support action, aimed at reinforcing the research and innovation strategies of transport-related industries in Europe, through the formation of special integration groups for specific areas of technological interest.
In June, work started on the "LeanSHIPS" project, the first initiative launched in the "Horizon 2020" program. This 48-month project concerns the development of specific solutions for further reductions in the environmental impact of European-built ships.
With reference to projects funded by the European Defence Agency (EDA) in which the Fincantieri Group participates, worth mentioning are the AMMS project ("Impact of Mission Modularity on a Naval Ship's Life Cycle Cost"), concluded in 2015, and the EDA project ("Study on Industrial and Technological Competences in the Naval Sector").
Fincantieri and its subsidiary Cetena continue to participate in the program of activities defined by Cooperative Research Ships (CRS), an organization run by MARIN (Maritime Research Institute Netherlands) and which, for over 40 years, has brought together a select group of international experts in hydrodynamics, benefiting from all the results and advanced simulation tools produced by such cooperation.
In 2015, Vard Design presented a select number of shipping companies with two new Trimaran OSV initiatives, as part of the Statoil Arclog R&D project. These projects form key elements in the logistics chain for drilling in remote locations and will be further developed and evaluated.
Vard Design is also involved in a three-year project called "Vista" (Virtual Sea Trial) and in "SFI Smart Maritime" and "SFI MOVE", both large-scale R&D projects supported by the Norwegian Research Council and estimated to last eight years. The "Vista" project involves virtual prototyping in order to develop a virtual benchmarking system for Offshore Supply Vessels and their propulsion and primary energy generating systems. "SFI Smart Maritime" aims to create a center of expertise to improve maritime industry energy efficiency and reduce emissions. Lastly, "SFI MOVE" is intended to support the process of innovation for maritime operations and to develop know-how, methods and tools to make installation and maintenance of offshore structures and equipment in deep water safer and more efficient.

PRINCIPAL NATIONAL PROJECTS

During 2015, Italy's Ministry of Economic Development successfully completed first-stage reviews of the four projects, ended in 2013 and 2014, which had benefited from grants under the Technological Innovation Fund, set up under art. 14 of Law 46/82.

In March 2015, the joint industrial innovation project known as "New generation naval systems" was finalized and admitted to the Ministry of Economic Development's 2015 "Sustainable Mobility" call for industrial projects; the project is being developed in partnership with other companies and headed up by Fincantieri.

In April 2015, an application was presented in response to the call for joint research projects, under the "Industrial Track" Agreement on Cooperation in the field of research and industrial, scientific and technological development between Italy and Israel, and subsequently approved for funding.

In October 2015, the contract was signed with the Ministry of Foreign Affairs and International Cooperation and the Convention finalized with Nanto Cleantech, the Israeli partner. The project known as "RedFriCoat - Novel Process for producing Reduced Friction Coatings for Fluids Flowing Over Solids" involves developing a new process for the production of hull coatings, by studying and adopting superhydrophobic surfaces made up of two emerging nanomaterials (nanoclay and silicon).

Two new applications were presented in October 2015 for funding under the Ministry of Economic Development's new special revolving fund instituted in accordance with art. 14 of Law 46 dated 17 February 1982, renamed "Fund for sustainable growth"; these applications were in response to the following calls:

- "Digital Agenda" aimed at supporting projects that exploit the full potential of ICT to promote innovation, savings, economic growth, employment growth and competitiveness, by developing specific Key Enabling Technologies, as defined by the EU Horizon 2020 program;
- "Sustainable Industry" aimed at supporting projects that pursue the goal of sustainable growth, to promote a resource-efficient, greener and more competitive economy, using Key Enabling Technologies.

Product and process innovation will receive added impetus thanks to the 11 applications submitted by Fincantieri in November 2015 for funding under Law 190 of 23 December 2014 (the 2015 Stability Law) which authorizes funding for innovative projects involving shipbuilding products and processes. In this context, Fincantieri and the National Research Council have signed a Partnership Agreement to develop a number of projects aimed at devising and testing more effective and efficient methodological and technological solutions.

In addition, several research and development projects are in progress within the regional clusters that the Group has joined (Friuli Venezia Giulia's Naval and Nautical Technology Cluster, Liguria's Marine Technology Cluster, Liguria's integrated smart systems Technology Cluster, Campania's Technology Cluster for engineering of polymers, composites and structures and Sicily's Sea Transport Technology Cluster).

In particular, the Green-Drill "Eco-friendly ships and systems" projects has been completed within the Friuli Cluster, while Fincantieri has launched three major projects in recent years within the Liguria Cluster that will end in 2016. These projects are:

- Pyxis "Integrated Mast Systems for Naval Vessels";
- FluMarTurb "Fluid-dynamic design of turbomachinery for eco-friendly marine power systems";
- ProDifCon "Integrated design, naval vessel defense and control".

Lastly, the following projects were completed during the year by Sicily's Sea Transport Technology Cluster of which Fincantieri is a member:

- TESEO, aimed at developing a power generation system using hydrogen-powered fuel cells for use on board larger vessels and mega-yachts;
- STI-TAM, aimed at developing waste treatment systems;
- SEAPORT, aimed at reduction of environmental impacts and sustainable development of port areas through ship-shore interconnection to power dual-fuel ships (LNG).

Human resources and industrial relations

The following section will present the Group's employment figures as well as its main initiatives in the field of Human Resources and Industrial Relations.

HEADCOUNT

(number)	2015	2014
Employees at year end:		
Total at year end	20,019	21,689
- of whom in Italy	7,771	7,706
- of whom in Parent Company	7,337	7,302
Average number of employees	21,120	21,154
- of whom in Italy	7,701	7,692
- of whom in Parent Company	7,289	7,366

The Parent Company had 7,337 employees at 31 December 2015, an increase of 35 on a year earlier reflecting the net effect of 256 new entries and 221 leavers, in line with the Reorganization plan agreed with the trade unions at the end of 2011 and with plans to shift the skills mix towards more engineering and technical skills in the design and production areas.

INDUSTRIAL RELATIONS

With reference to the Parent Company's industrial relations, the Extraordinary Wage Guarantee Fund, activated in 2012 and subsequently extended through the agreements signed with the trade unions at the Ministry of Labor in 2013 and 2014, reached the end of its term during the year.

Surplus headcount continued to be managed during the first eight months of the year using mechanisms that limited the economic and social consequences for Fincantieri employees. Accordingly, the Parent Company released 221 staff, using "mobility" procedures, redundancy incentives, outplacements and voluntary redundancies, and transferred or retrained 133 others, while it temporarily laid off an average of 227 staff using the Extraordinary Wage Guarantee Fund.

In the final part of the year, the discontinuity of workloads caused by the temporary decline in the shipping market prompted Fincantieri to initiate procedures to access the Ordinary Wage Guarantee Fund to make temporary layoffs for a 13-week period at the Palermo yard. This action will cover a maximum of 148 employees.

In December, the same reason prompted Fincantieri to start consultations with the unions to apply the Ordinary Wage Guarantee Fund for a 13-week period at the Castellammare di Stabia yard from the first half of January 2016. This action should involve a maximum of 145 employees.

During 2015 negotiations continued to agree the new in-house supplementary collective labor contract.

As for VARD, the Group undertook to reduce its workforce during 2015 as a direct result of the drop in demand affecting the entire offshore industry. Despite the difficult situation, the relationship between management, employees and union representatives was generally positive and constructive. In Norway, local legislation allowed the VARD yards to reduce personnel using flexible work arrangements, while in Romania "mobility" procedures were adopted.

As for the American subsidiary Fincantieri Marine Group, industrial relations focused on improving relations with the unions at Marinette Marine Corporation, resulting in fewer labor disputes and arbitrations. Instead, the focus at Fincantieri Bay Shipbuilding was on renewing the collective labor contract with the main trade union.

TRAINING AND DEVELOPMENT

During 2015 Fincantieri invested heavily in the development and ongoing training of its resources, two inseparable factors for constructing know-how and unique competencies and maximizing technical and professional growth.

Over the years Fincantieri has designed technical and management training courses that enhance the competencies of employees at different stages of their careers with the aim of developing a common core of skills and fostering the sharing of corporate values and the Group's distinctive standards of corporate conduct.

Such educational activities are conducted by the Fincantieri Corporate University, the in-house training academy established in partnership with Italy's most renowned business schools. During 2015 the content and methods of delivery of the Corporate University's courses were updated.

Several editions of the "Academy" course were held during the year for the large intake of new junior staff with the purpose of accelerating and optimizing the induction of young graduate recruits into the organization.
The annual edition of the "Competency Management" program was run, providing support to the career development of middle management.
A "New Management Program" was also developed and introduced in 2015 for recently appointed senior managers with the aim of spreading the Fincantieri management culture and of developing and strengthening the core competencies, as per the Fincantieri competency model, required to serve in a management capacity and as a corporate role model. The "Xcellence Program" was developed to offer courses on specific topics for senior and middle managers.
In the light of the competitive challenges facing Fincantieri at present and in the future, a series of seminars were launched during the year on Manufacturing Management and Operations Management, designed to promote ever closer integration between in-house skills and stimuli from research institutes and the business community.
Numerous technical courses were introduced during the year, mainly through the e-Learning platform in order to capitalize on and spread corporate know-how to a wide audience. This platform will continue to be used in 2016.
At year end a major training program was initiated and will continue in coming years in support of the Integrated Ship Design & Manufacturing Project (ISDM), involving the adoption of a new integrated system of Computer Aided Design (CAD) and Product Lifecycle Management (PLM). These training activities aim not only to develop the skills needed to use the new system but also to teach new working practices in terms of business processes and procedures.
Work continued during the year on the "Middle Managers" project, involving both the shipyards and head office. The project stems from the business need to develop the system of relationships within the organization by developing a sense of greater accountability at all levels and giving these persons the necessary impetus to act as managers of change and innovation and to lead Fincantieri in its new challenges.
Training for temporarily laid off employees continued to be provided through until August 2015, when it ended.
Like every year, Fincantieri has dedicated every effort to training in health and safety at work, both of which cardinal issues and essential values for the business. Training initiatives have involved not only compulsory courses in compliance with applicable rules, issued by the State-Regions Conference, on health and safety at work, but also the "Confined Spaces" project in compliance with Presidential Decree 177/2011.
Overall, the Parent Company organized 2,440 training events during 2015, with around 21,200 participants, for a total of more than 200,500 hours.
The annual evaluation of individual performance, a strategically important factor for the development of human resources, was conducted once again in 2015 for the entire workforce of white collar and management staff. This process is aimed at ensuring consistency between corporate culture and evaluation criteria and allows corporate resources to be mapped against a set of uniform drivers, and also makes the relationship between "superior" and employee more effective through the feedback process.
Fincantieri has carried forward the "Development Center" project to support and complement the annual performance evaluation, and to develop more targeted and effective individual skills. Covering a large number of employees, not only senior and middle managers but also new graduates, the project is designed to analyze potential and existing management skills,

to create individual development plans and define career progression paths. In fact, ad hoc training programs were implemented during the year, based on the results of evaluations conducted in 2014 and early 2015, with the aim of developing and enhancing each individual's competencies identified as areas for improvement and broadening.
With a view to cutting costs because of the temporary decline in offshore demand, the subsidiary VARD not only generally stopped recruitment by its European yards in 2015 but it also reduced investment in training (except for mandatory training and training on occupational health and safety issues), preferring e-learning tools as an alternative to traditional methods.
Seeking to reduce the impact of the delicate situation in the oil & gas industry, the Norwegian government decided in 2015 to provide businesses undertaking diversification programs with financing for in-house training. Immediately qualifying for this type of financing, the VARD Group launched an initial training program followed by another four different training projects organized and managed by VARD Academy, due to be delivered from the first quarter of 2016.
As part of the talent management process, the subsidiary Fincantieri Marine Group embarked on the process of succession planning and distribution of individual development plans, according to Parent Company guidelines. Among the training topics receiving particular attention in the United States during 2015 were the development of leadership at managerial level and wage bargaining.

TALENT ACQUISITION

In the area of recruitment, talent acquisition activities were stepped up during 2015, not only nationally but also internationally, with the aim of widening the selection channels and enhancing employer branding in order to attract quality resources consistent with the business's needs, strategies and programs.
Among the actions to enhance its visibility as an employer abroad, Fincantieri has forged ties with top international universities specialized in engineering and shipbuilding. It has also signed letters of intent with certain universities in Croatia and the United States to establish long-term partnership programs to recruit students for international internships.
Employer branding activities have also been enhanced nationally through increasingly effective collaboration with Italy's main universities.
In 2015 a complex internal recruiting process was developed to reduce the workforce in VARD in the face of diminished workload and to satisfy the parallel strong demand for new recruits in FINCANTIERI S.p.A., particularly in the design and production supervision functions. This process has resulted in the employment in Italy of highly qualified VARD personnel originating from its operations in Norway, Croatia and Romania.
Parent Company collaboration with subsidiaries saw Fincantieri conduct a project with Etihad Ship Building (ESB) in the United Arab Emirates to present the activities of FINCANTIERI S.p.A. and ESB to the top local universities. This project has led to the placement of local students on internships in Italy, with a view to the continuous exchange of knowledge between business and universities.
The Parent Company has also assisted Fincantieri Marine Group (FMG) in structuring employer branding activities through agreeing how the company should present itself on the principal social recruiting networks. This has allowed FMG to meet the high recruitment target for 2015 and to present the Group's activities and career opportunities more effectively.

The "Recruiting Upstream" project started in 2014 continued throughout the year and, supported by the School-Work experience projects under Law 107/2015, has led to the participation of high school students and graduates in training and orientation programs with the aim of developing, already during their studies, skills that match the needs of the labor market and ensure a flow of young people joining the business.
Once again in 2015, FMG has looked to further education colleges to prepare and develop in its workers skills in critical areas of ship production and has used specific funds and grants made available by the State to finance its training costs.

TALENT MANAGEMENT

The "Retention Risk Rate" project was initiated and established itself during 2015 with the purpose of identifying the resources at risk retention on the basis of certain parameters.
Instead, in the area of career paths, individual development plans have been prepared for a large number of management resources based on the results of the assessment of their competencies, as set out in the Fincantieri Competency model.

PRIVACY PROTECTION

As far as privacy protection regulations are concerned, the Regulator's requirements dated 25 June 2009 concerning the duties of the system administrator continued to be implemented during the year.
As part of the Information Security Management System project, VARD has created and implemented group-wide security policies that meet ISO standards. To improve the security of its information systems, VARD has also updated all its firewalls around the group which are monitored centrally by a system at VARD's Norwegian headquarters.

Respect for the environment

Fincantieri carried on, during 2015, activities for the certification of its production sites in accordance with ISO 14001 standards, with particular reference to the Arsenale Triestino San Marco shipyard, the Naval Vessels headquarters in Genoa, the Marghera shipyard, the Castellammare di Stabia shipyard and the Sestri Ponente shipyard.
During 2015 activities were also initiated to renew the ISO 14001 certification at the Riva Trigoso and Muggiano yards.
At the same time, the certifying body (RINA) continued to monitor the Environmental Management System at the Ancona yard and at the Naval Vessels HQ.
Work also continued in 2015 to firmly establish the Environmental Management System in order to ensure implementation of the environmental policy and facilitate the certification of Prevention and Protection Services by the auditing body.
The objective for 2016 will be additional implementation of the Environmental Management System, in accordance with ISO 14001 standards 2015 edition, at the other production sites in Palermo, the Merchant Vessels HQ, the Repairs and Conversions HQ, the Monfalcone yard and the Mega-yachts HQ.
VARD, which is already certified under ISO 14001, continued to improve its procedures to minimize environmental impact, particularly with regard to waste management, noise abatement, emissions reduction and the construction of eco-friendly ships.
VARD is also investing in 690 volt power systems to reduce exhaust emissions during ship commissioning within shipyards.

Lastly, the Group's US companies also continued to pursue the objective of improving their "green" credentials by developing partnerships with environmental associations, both locally and nationally, and by seeking to establish a culture based on "Reducing, Reusing and Recycling" waste and spent substances.

Ethics and safety at work

ETHICS AND SOCIAL RESPONSIBILITY

The scale and importance of its activities mean that Fincantieri plays a significant role in the economic development and welfare of the communities where it is present.
Fincantieri is well aware of the importance of this role and so bases its every action on strict compliance with the law and international conventions, on the protection of its workers' health and safety, on defense of the environment, and on protection of the interests of its shareholders, employees, customers, financial and trading partners and the local community in general.
As a result, Fincantieri has adopted and constantly updates organizational models, and specific instruments and policies able to provide both responsible and rigorous support to such commitments.
In terms of ethics and social responsibility, VARD complies with two international certification standards: SA 8000 (Social Accountability) and OHSAS 18001 (Occupational Health and Safety Assessment Series). The SA 8000 standard is based on principles established in international documents such as, among others, the Conventions of ILO (International Labor Organization) and the Universal Declaration of Human Rights, which are particularly relevant in emerging markets. All VARD's workplaces operate according to this standard. During 2015, VARD was the subject of a series of audits conducted by customers, achieving the same positive feedback on each occasion.
Compliance with OHSAS 18001 demonstrates VARD's commitment to guarantee health and safety at work. During the year the two VARD shipyards in Romania and the one in Vietnam were officially certified under this standard.

CODE OF CONDUCT

The complexity of the circumstances in which Fincantieri operates means that it is important to clearly reaffirm the set of values the Group recognizes, accepts and shares, and the series of responsibilities it assumes both internally and externally. This is why Fincantieri has long since drawn up a Code of Conduct, compliance with which by every member of the business is essential for the Group's smooth operation, reliability and reputation, all of which crucial factors for enterprise success.
Fincantieri employees must not only fulfill the general duties of loyalty, fidelity and propriety and of performing the terms of their employment in good faith, but they must also refrain from competing with the Group, observe company rules and abide by the standards set out in the Code. Employee relationships at every level must be based on transparency, propriety, loyalty and mutual respect.
The directors and every member of the business must be familiar with the contents of the Code, must actively contribute to its implementation and report any weaknesses and breaches. Fincantieri is committed to facilitating and promoting awareness of the Code among employees and to encouraging their constructive contribution to its contents; accordingly, the Code of Conduct can be consulted on

the Company's website and intranet, is publicly displayed in all its offices, and has been distributed to every employee and all new employees.

SAFETY AT WORK

The initiatives implemented by Fincantieri in 2015 have further enhanced growth in the corporate culture of safety introduced at the end of 2011.

The drivers of activities undertaken during 2015 were:

- the "Towards Zero Accidents" project, in its fourth year of application;
- completion of the training activities introduced under standards issued by the State-Regions Conference;
- the continuation of activities to obtain certification of the Occupational Health and Safety Management System in accordance with the requirements of BS OHSAS 18001;
- the "Monfalcone Shipyard" improvement plan, whose results have been transposed to other production sites.

These actions have made it possible to consolidate the success achieved in recent years in reducing accidents and injuries, even with the significant upturn in activity at all production sites. The total number of accidents was 278, remaining almost in line with that of the prior year.

In terms of health and safety at work, the Group's US companies have continued their efforts to identify and adopt best practices for safety at work. Among the activities carried out, an advanced training program for middle and top managers has been activated and delivered to ensure and promote the spread of a safety-oriented corporate culture.

"Towards Zero Accidents" project

All the organizational activities in support of the "Towards Zero Accidents" project have continued in 2015. These activities involved:

- intensification of the communication campaign, which began in previous years, with the provision of films for screening in public areas of yards, intended to illustrate the best practices to adopt during the performance of work or to ensure adequate on-site safety;
- development of a new training tool called "Active Safety" (to complement the compulsory training courses required by Legislative Decree 81/08 and the State-Regions Conference), with the novelty of the direct involvement of officers (Heads of Production) in training their employees;
- start of an improvement project specifically aimed at developing processes to manage work in confined spaces, by modifying existing procedures and introducing control software. The project, still in progress, has been supported by a training program for all those involved (Fincantieri managers, supervisors and workers), which has been agreed with the trade unions and financed through Fondimpresa. In parallel, a training program has also been initiated for all staff of subcontractors that work within "Confined Spaces".

Mirroring "Towards Zero Accidents", VARD has taken forward its "Vision Zero" project, which aims to avoid any kind of accident, both for people and the environment, and has produced important results. Despite these positive initiatives, during 2015 a serious injury occurred due to a fire at the Vard Promar yard. Since then, the rules have been further tightened up concerning protective equipment and the adoption of preventive behavior for workplace safety in order to prevent the recurrence of similar events in the future.

The US subsidiaries have continued their efforts under the "Towards Zero Accidents" project, obtaining numerous awards of excellence for both the Marinette and Sturgeon Bay yards, including the "Safety Excellence Award" and the "Industry Improvement Award" from the National Security Council, the Security Council of Wisconsin and the Shipbuilders Council of America.

"Monfalcone Shipyard" Improvement Plan

During 2015, activities were undertaken to improve the operational tools used within the Occupational Health and Safety Management System, involving the management of training and the computerization of certain activities. In addition, work started to computerize the risk assessment document and will be completed in the course of 2016. Activities still in progress include chemical risk management, with particular reference to managing safety data sheets and waste using specific new software, which will later be extended to the whole of the risk assessment document.

BS OHSAS 18001 certifications

During 2015, work continued on obtaining certification of the Occupational Health and Safety Management System in accordance with the requirements of the BS OHSAS 18001 international standard. In fact, the Naval Vessels HQ, the Arsenale Triestino San Marco (ATSM) and the Marghera shipyard all obtained certification. The process of obtaining certification was initiated for the Castellammare di Stabia and Sestri Ponente yards.

At the same time the certifying body (RINA) continued to monitor the Environmental Management System at the other sites already certified BS OHSAS 18001, namely Muggiano, Riva Trigoso, Ancona, Naval Vessels HQ and Arsenale Triestino San Marco.

The objective for 2016 will be additional implementation of the Occupational Health and Safety Management System, in accordance with BS OHSAS 18001 standards, at the Palermo shipyard, the Merchant Vessels HQ, the Repairs and Conversions HQ, the Monfalcone shipyard and the Mega-yachts HQ.

Internal audits

Internal audits were conducted during 2015 at all production sites to check compliance with legal and regulatory requirements and, where present, to inspect the Occupational Health and Safety Management System and the Environmental Management System.

The results of this work, also in light of the improvements introduced under the "Towards Zero Accidents" project, of site certification activities and other actions taken during 2015, have shown a substantial improvement in safety within all the Fincantieri sites.

Enterprise risk management

The Fincantieri Group is exposed in the normal course of its business activities to various financial and non-financial risk factors, which, if they should materialize, could have an impact on the results of operations and financial condition of the Group.

RISKS RELATED TO OPERATIONAL COMPLEXITY

Description of risk

Given the operational complexity stemming not only from the inherent nature of shipbuilding but also from the Group's geographical and product diversification and acquisition-led growth, the Group is exposed to the risk of:

- not guaranteeing adequate control of project management activities;
- not adequately managing the operational, logistical and organizational complexity that characterizes the Group;
- not adequately managing the complexity arising from its product diversification;
- failing to efficiently distribute workloads according to production capacity (plant and labor) or that excess capacity might impede the achievement of competitive margins;
- not meeting market demand due to insufficient production capacity.

Impact

If the Group was unable to implement adequate project management activities, with sufficient or effective procedures and actions to control the proper completion and efficiency of its shipbuilding processes, or if it was unable to adequately manage the complexity arising from its product diversification or if it failed to efficiently distribute workloads according to production capacity (plant and labor) available on each occasion at the different production facilities, revenue and profitability might decline, with possible negative effects on its results of operations and financial condition.

Mitigation

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. In addition, the Group has adopted a flexible production structure in order to respond efficiently to fluctuations in demand for ships 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.

RISKS RELATED TO NATURE OF THE MARKET

Description of risk

The Fincantieri Group has many years of experience of building cruise ships for Carnival, an American shipowner and key player in the cruise industry, which operates not only through the Carnival line but also through other prestigious lines such as P&O, Princess Cruises, Holland America Line, Cunard and Costa Cruises. The special relationship with the Carnival Group is certainly a strength for the Fincantieri Group, but also potentially a weakness if the client concentration aspect is considered. In the naval vessels business, the bulk of revenue has traditionally come from the Italian Navy, representing a strategic asset for the Group, but whose demand for new ships is heavily dependent on defense spending policy. The subsidiary VARD operates in the offshore vessels market, where it has longstanding relationships with shipowners and companies operating in this sector, such as DOF, Technip and Island Offshore. In addition, VARD is building a number of ships in Brazil for Transpetro, a subsidiary of Petrobras.

The shipbuilding market in general is historically characterized by cycles, sensitive to trends in the industries served. The Group's offshore and cruise clients base their investment plans on demand by their own clientele; in the case of offshore, the main influence is energy demand and oil price forecasts, which in turn drive investment in exploration and production, while in the cruise market the main influence is the trend in the leisure market.

Impact

Postponement of fleet renewal programs or other events affecting the order backlog with the Fincantieri Group's principal cruise ship client could impact capacity utilization and business profitability; similarly a downturn in the offshore market has led to a reduction in the level of orders for the subsidiary VARD, exposing it to the risk of cancellation or postponement of current orders. Equally, the availability of resources earmarked by the State for defense spending on fleet modernization programs is a variable that could influence the Group's economic and financial performance.

Mitigation

The Fincantieri Group's policy of diversifying its cruise ship clients, while continuing to satisfy Carnival's requirements, has allowed it to enlarge the client base. In the naval vessels business, participation in international projects, like the FREMM program between Italy and France, has been of importance, as has the Group's expansion into the United States aimed at securing opportunities to expand production for the US defense sector and its efforts to develop international business through an active presence in the defense markets of other foreign countries with no domestic shipbuilding industry or, even if present, that lack the right technical skills, know-how or infrastructure for vessels of this kind.

In order to mitigate the impact of the shipbuilding market cycle, the Group has pursued a diversification strategy in recent years, expanding its business both in terms of products and geographical coverage. Since 2005 the Group has expanded into the businesses of offshore, mega-yachts, marine systems and components, repairs, refitting and after-sales service. In parallel, the Group has expanded its business internationally, including through acquisitions.

Given the current decline in offshore market volumes, the subsidiary VARD is actively working to diversify its products and target new market segments in order to reduce its exposure to the cyclical nature of the offshore Oil&Gas industry. In addition, VARD has initiated a program to scale back the workforce at its facilities in Norway and Romania. This program includes actions to improve efficiency and cut costs so as to adjust production capacity flexibly in line with new order development, by reducing the workforce while preserving the core competencies needed to capture any opportunities once recovery sets in.

RISKS RELATED TO MAINTENANCE OF COMPETITIVENESS IN CORE MARKETS

Description of risk

The production of standard vessels is now dominated by Asian shipyards, meaning that competitiveness can only be maintained by specializing in high value-added markets. As far as civilian vessels are concerned, the Parent Company has been focusing for several years on the cruise ship and cruise ferry segments, where it has a long track record; following the acquisition of VARD, it has recently extended this focus to the production of offshore support vessels. Additional factors that may affect competitiveness are the risk that due attention is not given to client needs, or that standards of quality and product safety are not in line with market demands and new regulations. Moreover, aggressive commercial policies, development of new products and new technologies, or increases in production capacity by competitors may lead to increased price competition, consequently impacting the required level of competitiveness.

Impact

Inattentive monitoring of the Group's markets and slow responses to the challenges posed by competitors and client needs may lead to a reduction in competitiveness, with an associated impact on production volumes, and/or less remunerative pricing, resulting in a drop in profit margins.

Mitigation

The Group endeavors to maintain competitive position in its business areas by ensuring a high quality, innovative product, and by seeking optimal costing as well as flexible technical and financial solutions in order to be able to propose more attractive offers than the competition. Despite the difficult market environment, the subsidiary VARD remains highly focused on research and development, having launched the "A step forward" project for the development of new design concepts for highly innovative vessels able to generate higher returns on investment for shipowners.

Description of risk

The difficult political and economic context and worsening regulatory environment of countries in which the Group operates, particularly for VARD's activities in Brazil, may adversely impact operations and future cash flows. In addition, the pursuit of business opportunities in emerging markets, particularly in the defense sector, leads to increased exposure to country risk and/or risk of international bribery and corruption.

Impact

Situations involving country risk may have negative effects on the Group's results of operations and financial condition due to loss of clients, profits and competitive advantage.

Mitigation

In pursuing business opportunities in emerging markets, the Group safeguards itself by favoring commercial prospects that are supported by inter-governmental agreements or other forms of cooperation between States, as well as by establishing, within its own organization, appropriate safeguards to monitor the processes at risk.

RISKS RELATED TO CONTRACT MANAGEMENT

Description of risk

The shipbuilding contracts managed by the Group are mostly multi-year contracts for a fixed consideration, any change in which must be agreed with the client. Contract pricing must necessarily involve careful evaluation of the costs of raw materials, machinery, components, sub-contracts and all other construction-related costs (including personnel and overheads); this process is more complicated in the case of prototype or particularly complex ships.

Impact

Cost overruns not foreseen at the pre-contractual stage and not covered by a parallel increase in price can lead to a reduction in margins on the contracts concerned.

Mitigation

The Group takes into consideration expected increases in the components of contract costs when determining the offer price. In addition, at the time of signing the contract, fixed-price purchase options will already have been defined for some of the vessel's principal components.

Description of risk

Many factors can influence production schedules, as well as capacity utilization, and so impact agreed vessel delivery dates with possible penalties payable by the Group. These factors include, inter alia, strikes, poor industrial productivity, inadequate logistics and warehouse management, unexpected problems during design, engineering and production, events linked to adverse weather conditions, design changes or problems in procuring key supplies.

Impact

When the causes of late delivery are not recognized by contract, shipbuilding contracts provide for the payment of penalties that generally increase the longer the delay.

Mitigation

The Group manages its contracts through dedicated structures that control all aspects during the contract life cycle (design, procurement, construction, outfitting).

Description of risk

The operational management of contracts carries a risk that a counterparty with whom the Group is doing business is unable to meet its commitments, more specifically involving client default on contractual payments, or supplier failure to discharge its obligations for operational or financial reasons.

Impact

Counterparty failure can have serious effects on the Group's production and cash flows, given the high unit value of shipbuilding orders and the strategic nature of certain supplies for the production process.

Mitigation

When acquiring shipbuilding orders, and where deemed necessary, the Group performs checks on the financial strength of its counterparties, including by obtaining information from the banking system. Suppliers are subject to a strict qualification process, including evaluation of the potential risks associated with the counterparty concerned. As regards the financial aspect, the Group offers suppliers the opportunity to use instruments that facilitate their access to credit.

Description of risk

A significant number of the Group's shipbuilding contracts (in general, for merchant vessels like cruise ships and offshore support vessels) establish that clients pay only a part of the contract price during ship construction; the balance of the price is paid upon delivery.
As a result, the Group incurs significant upfront costs, assuming the risk of incurring such costs before receiving full payment of the price from its clients and thus having to finance the working capital absorbed by ships during construction.

Impact

If the Group was unable to finance the working capital needs of ships during construction, it might not be able to complete contracts or win new ones, with negative effects on its results of operations and financial condition.

Mitigation

The Group's objective is to maintain a more than sufficient level of committed and uncommitted credit lines and construction loans to guarantee coverage of the working capital needs generated by its operations.

Description of risk

The ships built by the Group can have a high contract price, meaning that its clients often rely on finance to finalize the placement of orders.
Overseas clients may be eligible for export finance schemes structured in accordance with OECD rules.
Under such schemes, overseas buyers of ships can obtain bank credit against receipt of a guarantee by a national export credit agency, which in the case of Italy is SACE S.p.A..
The availability of export financing is therefore a key condition for allowing overseas clients to award contracts to the Group, especially where cruise ship construction is concerned.

Impact

The lack of available finance for the Group's clients could have a highly negative impact on the Group's ability to obtain new orders as well as on the ability of clients to comply with the contractual terms of payment.

Mitigation

Fincantieri supports overseas clients during the process of finalizing export finance and particularly in managing relations with the agencies and companies involved in structuring such finance (for example, SACE, Simest and the banks). In addition, the process of structuring finance is managed in parallel with the process of finalizing the commercial contract, the enforceability of which is often subject to the shipowner's receipt of the commitment by SACE and the banks to provide an export credit guarantee.
As an additional safeguard for the Group, in the event of a client default on its contractual obligations, Fincantieri has the right to terminate the contract, retaining ownership of the ship under construction and keeping the payments received. The client may also be held liable for any uncovered costs.

RISKS RELATED TO PRODUCTION OUTSOURCING AND RELATIONS WITH SUPPLIERS AND LOCAL COMMUNITIES

Description of risk

The Fincantieri Group's decision to outsource some of its business activities is dictated by strategic considerations based on two factors: a) outsource activities for which it has the skills but insufficient in-house resources; b) outsource activities for which there are no in-house skilled resources and which would be too expensive and inefficient to develop.

Dependence on suppliers for certain business activities may result in the inability to ensure high standards of quality, failure to meet delivery dates, the acquisition of excessive supplier bargaining power, and a lack of access to new technologies.

In addition, the significant presence of suppliers in the production process has an impact on local communities, possibly requiring to the Group to address social, political and legality issues.

Impact

A negative performance by suppliers in terms of quality, timing or costs causes production costs to rise, and the client's perception of the quality of the Fincantieri product to deteriorate. As for other partners at the local level, non-optimal relations may impact the Group's ability to compete.

Mitigation

The Group has specific personnel in charge of coordinating the assembly of ship internal systems and managing specific areas of outsourced production. In addition, the Fincantieri Group carefully selects its "strategic suppliers", which must meet the highest standards of performance. The Parent Company has developed a precise program of supplier performance evaluation in this regard, ranging from measurement of the services rendered, both in terms of quality of service offered and punctuality of delivery, to the strict observation of safety regulations, in line with the Group's "Towards Zero Accidents" objective. In addition, particular attention is paid in general to relations with the local communities that interact with the Group's shipyards, involving appropriate institutional relationships, as sometimes supplemented by the conclusion of appropriate legality and/or transparency protocols with the local authorities.

RISKS RELATED TO KNOWLEDGE MANAGEMENT

Description of risk

The Fincantieri Group has a vast accumulation of experience, know-how and business knowledge. As far as the workforce is concerned, the domestic labor market is not always able to satisfy the needs of production, either in terms of numbers or skills. The effective management of the Group's business is also linked to the ability to attract highly professional resources for key roles, and the ability to retain such talents within the Group; this involves suitable skills management based on a continuous improvement model, achieved by investing in staff training and performance evaluation.

Impact

The inadequacy of the domestic labor market to meet the Group's needs, the inability to acquire the necessary skills and the failure to transfer specific knowledge to the Group's resources, particularly in the technical sphere, could have negative effects on product quality.

Mitigation

The Human Resources Department constantly monitors the labor market and maintains frequent contact with universities, vocational schools and training institutes. The Group also makes a significant investment in training its staff, not only in technical-specialist and managerial-relational skills, but also regarding safety and quality. Lastly, specific training activities are planned to ensure that key management positions are covered in the event of staff turnover.

RISKS RELATED TO LEGAL AND REGULATORY ENVIRONMENT

Description of risk

The Fincantieri Group must abide by the rules, regulations and laws in force in the countries where it operates. Any breaches of such rules and regulations could result in civil, administrative or criminal sanctions, along with an obligation to do all that is necessary to conform with such regulations, the costs and liability for which could have a negative impact on the Group's business and results. The Group's activities must also comply with regulations governing the environment and health and safety at work.

Impact

Any breaches of safety or environmental standards, any changes in the local legal and regulatory framework, as well as the occurrence of exceptional or unforeseen events, could cause the Fincantieri Group to incur extraordinary costs relating to the environment or health and safety at work.

Mitigation

The Group promotes compliance with all rules, regulations and laws that apply to it and implements and updates suitable prevention control systems for mitigating the risks associated with breach of such rules, regulations and laws. Accordingly, in order to prevent and manage the risk of occurrence of unlawful acts, the Parent Company has adopted an organizational, management and control model under Italian Legislative Decree 231 of 8 June 2001, which is also binding for suppliers and, in general, for third parties working with Fincantieri. In particular, the Parent Company has implemented the provisions of Italian Legislative Decree 81/2008 - "Implementation of art. 1 of Law no. 123 dated 3 August 2007, concerning health and safety at work" (known as the "Health and Safety at Work Act"). Fincantieri has adopted suitable organizational models for preventing breach of these regulations, and sees that such models are reviewed and updated on an ongoing basis. The commitment to pursue and promote principles of environmental sustainability has been reaffirmed in the Parent Company's Environmental Policy document, which binds the Group to uphold regulatory compliance and to monitor working activities so as to ensure effective observance of the rules and regulations. The subsidiary VARD is also committed to minimizing the impact of its activities on the environment, involving actions in terms of resources, policies and procedures to improve its environmental performance. Fincantieri and VARD have started to implement and operate an Environmental Management System at their sites with a view to obtaining certification under UNI EN ISO 14001:2004.

Description of risk

Working in the defense and security sector, the Group is exposed to the risk that the evolving tendency in this sector could lead in the near future to restrictions on the currently permitted exceptions to competition law, with consequent limitations on the direct award of business in order to ensure greater competition in this particular market.

Impact

Possible limitations on the direct award of business could prevent the Group from being awarded work through negotiated procedures, without any prior publication of a public tender notice.

Mitigation

The Group is monitoring the possible evolution of national and Community legislation that could open up the possibility of competing in the defense and security sector including in other countries.

RISKS RELATED TO INFORMATION ACCESS AND OPERATION OF THE COMPUTER SYSTEM

Description of risk

The Group's business could be adversely affected by:

- inadequate management of the Group's sensitive data, due to ineffective protective measures, with unauthorized persons outside the Group able to access and use confidential information;
- improper access to information, involving the risk of accidental or intentional alterations or cancellations by unauthorized persons;
- IT infrastructure (hardware, networks, software) whose security and reliability are not guaranteed, resulting in possible disruption of the computer system or network or in illegal attempts to gain unauthorized access or breaches of its data security system, including coordinated attacks by groups of hackers.

Impact

Computer system failures, loss or corruption of data, including as a result of external attacks, inappropriate IT solutions for the needs of the business, or updates to IT solutions not in line with user needs, could affect the Group's operations by causing errors in the execution of operations, inefficiencies and procedural delays and other disruptions, affecting the Group's ability to compete on the market.

Mitigation

The Group considers it has taken all necessary steps to minimize these risks, by drawing on best practice for its governance systems and continuously monitoring the management of its IT infrastructure and applications. The ways of accessing and operating on the computer system are managed and maintained to ensure proper segregation of duties, enhanced with the adoption of a new access management procedure using special software, allowing prior identification and treatment of the risks of segregation of duties (SoD) resulting from inappropriate attribution of access credentials.

RISKS RELATED TO EXCHANGE RATES

Description of risk

The Group is exposed to exchange rate risk on loans, on sales and purchase contracts and on assets and liabilities denominated in a currency other than the functional one (economic risk and transaction risk). In addition, translation risk can arise when preparing the consolidated financial statements, through translation of the income statements and balance sheets of consolidated companies that prepare their financial statements in a functional currency other than the Euro (mainly NOK, USD and BRL).

Impact

The absence of adequate currency risk management could erode profit margins, particularly if currencies in which shipbuilding contracts are denominated were to depreciate, or if the currencies in which procurement contracts are denominated were to appreciate.

Mitigation

Fincantieri has a policy for managing economic and transaction financial risks that defines instruments, responsibilities and reporting procedures, establishing what can be used and the authorization levels required in different situations. The Group does not take out any hedges against currency risk related to the translation of financial statements of subsidiaries that use functional currencies other than the Euro (translation risk).

RISKS RELATED TO EXISTING DEBT

Description of risk

Some of the loan agreements entered into by the Group require it or some of its companies to comply with conditions, commitments and constraints of a financial and legal nature (such as the occurrence of events of default, even potential ones, cross-default clauses and covenants), non-observance of which could lead to early repayment of the loans. In addition, future increases in interest rates could lead to higher payments depending on the level of indebtedness outstanding at the time. Lastly, the Group might not be able to access sufficient credit to properly finance its activities (such as in the case of particularly poor financial performance) or it might be able to access it only under particularly onerous terms and conditions.

Impact

In the event of having limited access to credit, including because of its financial performance, or in the event of a rise in interest rates or of early repayment of debt, the Group could be forced to delay raising capital or to seek financial resources under more onerous terms and conditions, with negative effects on its results of operations and financial condition.

Mitigation

The Group constantly monitors both the circumstances that could adversely affect its results of operations and financial condition and its current and future capital and financial structure in order to ensure access to adequate types of finance in terms of amount and conditions.

A fuller analysis of financial risks can be found in the notes of the financial statements.

Corporate Governance

The "Report on Corporate Governance and Ownership Structure" (the "Report") required by art. 123-bis of Italy's Consolidated Law on Finance is a stand-alone document approved by the Board of Directors on 31 March 2016, and published in the "Corporate Governance" section of the Company's website at www.fincantieri.it.
The Report has been prepared in accordance with the recommendations of the Corporate Governance Code and modeled on the "Format for the report on corporate governance and ownership structure - V Edition (January 2015)" drawn up by Borsa Italiana S.p.A..
The Report contains a general and complete overview of the corporate governance system adopted by FINCANTIERI S.p.A.. It illustrates 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 "Remuneration Report", 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 "Corporate Governance" section of the Company's website.

Other information

STOCK PERFORMANCE

The stock lost 48% of its value over 2015, going from a price of euro 0.77 on 2 January 2015 to euro 0.40 euro on 30 December 2015. The FTSE MIB, the index comprising Italy's 40 largest stocks, gained 12.0% over the same period, while the FTSE Mid Cap, of which Fincantieri is part, gained 36.7%.
The FINCANTIERI S.p.A. stock enjoyed an upward trend in the first four months of 2015, reaching a high for the year of euro 0.85 on 20 April 2015, retreating thereafter with a steep fall after 15 October 2015 when VARD issued a profit warning that its third-quarter and full-year financial results for 2015 would be severely affected by operational challenges at its Brazilian shipyards, as well as by the deteriorating political and economic situation in this South American country. In this context and exacerbated by increased volatility of the financial markets and declining oil prices, the Fincantieri stock price continued its downward trend, reaching a low of euro 0.35 on 16 December 2015 and closing 2015 at euro 0.40. The stock's average price for the year was euro 0.68.
At the end of December, Fincantieri had a market capitalization of about euro 677 billion. In terms of stock liquidity, a total of 497 million shares were traded during the year, with an average daily trading volume of around 2.0 million shares.
The process ended on 30 September 2015 of allotting bonus shares to entitled shareholders, as indicated in paragraph 5.2.3.4 of the Initial Italian Public Offering Prospectus for the listing of its ordinary shares on the Electronic Stock Market (MTA), organized and managed by Borsa Italiana S.p.A.
The allotment of bonus shares, made available by the Selling Shareholder Fintecna S.p.A., involved a total of 14,735,406 ordinary shares, of which 14,272,716 shares allotted to the general public and 462,690 shares to Fincantieri employees.
Further to the allotment of bonus shares by the Selling Shareholder Fintecna S.p.A., ownership of Fincantieri's share capital of euro 862,980,725.70 at 31 December 2015 was as follows: 71.6% held by Fintecna S.p.A. and 28.4% by the general market.

Key figures		**31.12.2015**	**31.12.2014**
Share capital	Euro	862,980,725.70	862,980,725.70
Shares outstanding	Number	1,692,119,070	1,692,119,070
Market capitalization (*)	Euro/million	677	1,300

Performance		**31.12.2015**	**31.12.2014**
Price at year end	Euro	0.40	0.77
Year high	Euro	0.85	0.78
Year low	Euro	0.35	0.62
Average price	Euro	0.68	0.70(**)

(*) Number of shares outstanding multiplied by reference share price at period end
(**) Average share price from the listing date (3 July 2014) to 30 December 2014

OTHER SIGNIFICANT EVENTS IN THE PERIOD

On 29 January 2015, Fincantieri announced the incorporation of Fincantieri SI, a company based in Trieste, to design, manufacture and supply integrated innovative systems in the field of electric, electronic and electromechanical industrial solutions.

On 4 February 2015, SEA Europe, the association representing the European maritime industry and to which all the continent's major shipbuilding countries belong, officially launched the association known as "Vessels for the Future". The initiative, of which Fincantieri is a founding member along with Rolls Royce, aims to promote research, development and innovation in the maritime field, with a particular focus on vessels of the future and their operational requirements.

On 9 February 2015, the three winning project ideas were announced for Innovation Challenge, the Open Innovation initiative developed by Fincantieri with the Department of Chemical, Management, Computer and Mechanical Engineering at the University of Palermo. The ideas selected will become joint research projects between Fincantieri and the University of Palermo.

On 13 April 2015, Vard Group AS (55.63% controlled by Fincantieri) announced the incorporation of Vard Contracting AS, a Norwegian-registered company in which it owns 100% of the shares. The new company's mission is to improve control over services provided by subcontractors at Norwegian shipyards, to strengthen the competitiveness of these yards and to defend the Group's know-how.

In April, Fincantieri signed an agreement with Banca Mediocredito FVG, allowing the naval engineering group's suppliers to access factoring services and to benefit from specific banking products giving them easier and cheaper access to credit. The agreement will enable Fincantieri's suppliers, particularly those in the Italian region of Friuli Venezia Giulia, many of whom already customers of Banca Mediocredito, to receive earlier payment for receivables owed by Fincantieri and to be eligible for banking services only available to supplier arrangements between the parties, thereby providing suppliers with better financial support.

During April 2015, Fincantieri signed agreements with the University of Palermo and the University of Rijeka aimed at working and cooperating together for mutual benefit.

On 5 May 2015, the subsidiary Marine Interiors S.p.A. finalized the acquisition of Santarossa Contract, a company in a state of voluntary arrangement and a traditional supplier of Fincantieri for the design and creation of turnkey cabin solutions and refitting for the cruise industry. This acquisition confirms Fincantieri's strategy of extending direct control over higher value-added business segments, with the aim of expanding its areas of business whilst also reducing its procurement costs.

On 5 May 2015, an employee of a subcontractor was hit violently in the face and on the head by a metal pipe during end-of-warranty work aboard an Italian Navy vessel at the Fincantieri yard in Muggiano, involving the removal of pipes in the emergency compressor room on deck 2 of the vessel. The worker was immediately attended to by the ship's doctor and then by a hospital emergency team and members of the Fire Department, duly alerted by Fincantieri, and then transported by helicopter to St. Martin's Hospital in Genoa where, because of the serious injuries suffered, he died.

On 22 May 2015, Fincantieri signed an agreement for the acquisition of a minority stake via capital injection in Camper & Nicholsons International ("Camper and Nicholsons"), a global leader in all luxury yachting activities. The agreement gives Fincantieri the option to increase its interest in Camper & Nicholsons at a later date.

On 2 June 2015, VARD announced that the "Skandi Africa", an Offshore Subsea Construction Vessel (OSCV), had received the prestigious "Ship of the Year" award, instituted by the major Nordic shipping magazine, Skipsrevyen. The award was presented by Norwegian Minister of Trade and Industry, Mrs. Monica Mæland, at the Nor-Shipping international maritime exhibition to representatives of DOF Subsea as shipowner and of VARD as designer and builder.

On 2 June 2015, VARD announced the launch of its "A step forward" innovation project following its strategy and long shipbuilding traditions in developing high technology and new solutions. The goal of the project is to develop tools to enable higher returns on investment for shipowners, increase the efficiency and ease of operations, and provide an attractive work environment on board.

On 24 June 2015, Vard Holdings Limited announced the acquisition of 100% of the shares in ICD Software AS and its subsidiaries. The ICD Software Group is specialized in development automation and control system software for the offshore and marine sectors and has 63 employees, half of whom in Norway and the rest in two subsidiaries in Poland and Estonia. The acquisition was made by Seaonics AS, a 51% subsidiary of Vard Group AS. As a result of the acquisition, Seaonics is expected to be able to expand its business in deck handling equipment and automation technology. The acquisition forms part of the initiatives taken by the VARD Group to enhance its product range and develop new areas of business.

On 29 June 2015, Fincantieri launched the "Active Safety" training project at all the Group's Italian yards, with a session devoted to the topic of "protection from slips, trips and falls", representing a major cause of shipyard injury. The project, involving about 4,000 employees and about 13,000 workers in subcontractor firms, is part of the "Towards Zero Accidents" operational safety program started by the Group in 2011, which over the years has led to a more than 50% reduction in the number of on-site accidents.

On 29 June 2015, in implementation of an order issued by the Criminal Court of Gorizia, the Italian Military Police's Environmental Operations Task Force from Udine preventively seized some areas of the Monfalcone shipyard used for sorting process residues and essential for the proper conduct of the production process. The request for seizure formed part of an investigation initiated in May 2013, and had already been rejected by the examining magistrate (GIP) at the Court of Gorizia, and by the latter Court on appeal. Following acceptance of the subsequent appeal to the Supreme Court filed by the Court of Gorizia's Public Prosecutor, the latter court was invested with renewed authority in this matter and ordered the precautionary measure. Fincantieri was forced, in accordance with the aforementioned court order, to suspend working activities for all the workers involved in the production cycle at the Monfalcone shipyard with effect from 30 June 2015. Following the entry into force of Legislative Decree 92 of 4 July 2015, the Gorizia Prosecutor's Office subsequently ordered on 6 July 2015 the release of the seized areas in the Monfalcone shipyard, allowing all the shipyard's production workers to resume their working activities on 7 July.

In order to secure its presence in the Chinese market, during the month of July Fincantieri established a Shanghai-based subsidiary in China, under the name of Fincantieri (Shanghai) Trading Co. Ltd.. Forming part of Fincantieri's international expansion strategy, the aim is to capture the important business opportunities offered by the Chinese market in several sectors, such as cruise ships, repairs and conversions, offshore and marine systems and equipment.

On 21 July 2015, Vard Holdings Limited (55.63% controlled by Fincantieri) announced the incorporation of Vard Electro Italy S.r.l., an Italian-registered company 100% of whose shares owned by Vard Electro AS. The new company will supply turnkey electrical systems to other companies in the Fincantieri Group.

On 6 August 2015, Fincantieri Marine Group LLC, Fincantieri's American subsidiary, and Gibbs & Cox Inc., the leading independent naval engineering and design firm in North America, announced a joint research and development initiative in the field of commercial and military vessels. The strategic alliance will focus on developing innovative concepts for commercial and military vessels with particular attention to affordability and production efficiency. These projects will find applications both in the United States and international marketplaces.

During the month of August, as part of an international cooperation program with the United Arab Emirates, Fincantieri held training courses at the Genoa headquarters of its subsidiary CETENA, a center for naval and maritime field research, for students of the Higher Colleges of Technology and Khalifa University of Science, Technology and Research. Both these universities are located in Abu Dhabi and are among the most prestigious in the entire region. The aim of this initiative was to raise awareness of Italian excellence in shipbuilding in its various aspects (naval, cruise, mega-yachts) and strengthen ties with leading UAE universities that have been opening up, in recent years, to the shipbuilding field.

On 22 September 2015, Vard Holdings Limited announced the incorporation of Vard Shipholding Singapore Pte. Ltd. in Singapore. The new company, 100% owned by Vard Holdings Limited, will manage the charter of the first of two Platform Supply Vessels ("PSV"), owned by the company and built at the Vard Vung Tau shipyard in Vietnam and whose construction contracts were terminated after the original client companies filed for bankruptcy. At the same time Vard Holdings Limited announced that a contract had been secured to charter this PSV to DOF.

During the 2015 Monaco Yacht Show, held in the Principality of Monaco in September, Fincantieri, the leading western shipbuilding group, and Pininfarina, standard-bearer of Italian design for the past 85 years, presented "Ottantacinque", a concept for a latest-generation luxury mega-yacht. "Ottantacinque" will be a cutting-edge mega-yacht, 85 meters long and 2,460 gross tons, with 5 decks, each of which featuring high-tech solutions and exclusive interiors.

On 15 October 2015, Fincantieri announced that VARD had issued a Profit Warning regarding its third-quarter and full-year financial results for 2015 due to operational challenges at its Brazilian shipyards combined with the negative trend in the Brazilian economic and political environment.

On 9 November 2015, Mr. Andrea Mangoni tendered his resignation as Director of the Board and General Manager of Fincantieri.
On 17 November 2015, the President of the National Research Council, Luigi Nicolais, and the CEO of Fincantieri, Giuseppe Bono, signed an agreement in Rome widening the strategic partnership agreement made at the end of November 2011 in connection with research, technological innovation and training related to the shipbuilding industry.
On 21 December 2015, Fincantieri signed a contract with Mazagon Dock Limited (MDL), one of the most important Indian shipyards, controlled by the Ministry of Defense and specialized in the construction of naval and offshore vessels, for the provision of technical advice in connection with Project 17A to build seven stealth frigates for the Indian Navy.

KEY EVENTS AFTER THE REPORTING PERIOD ENDED 31.12.2015

On 11 January 2016, Vard Holdings Limited announced that Transpetro had taken delivery of the "Barbosa Lima Sobrinho", a Liquefied Petroleum Gas (LPG) carrier and the very first vessel to be entirely built and delivered by Vard Promar.
On 26 January 2016, in the presence of the Italian Prime Minister, Matteo Renzi, and the President of Iran, Hassan Rouhani, on an official visit to Italy, Fincantieri signed a number of framework agreements with some leading Iranian companies, paving the way to the pursuit of contracts worth several hundreds of thousands of euros and the potential development of joint activities. In particular, Fincantieri has entered into a cooperation and development agreement with Azim Gostaresh Hormoz Shipbuilding Industry Co (AGH), a new Iranian shipyard, strategically located in the Persian Gulf. The agreement provides for cooperation between the two companies for the construction of new merchant vessels and offshore vessels both in the field of ship repairs and conversions and in refitting of vessels already in operation.
On 22 February 2016, Vard Holdings Limited announced it had secured a contract for the design and construction of a stern trawler for HAVFISK ASA (HAVFISK). The contract is worth approximately NOK 325 million (euro 34 million).
On 29 February 2016, Vard Holdings Limited announced its financial results for the fourth quarter of 2015 and for the year ended 31 December 2015 and provided information about its diversification strategy.
On 2 March 2016, Fincantieri and Huarun Dadong Dockyard (HRDD), one of the largest Chinese shipyards specialized in ship repair and refitting, signed in Shanghai an exclusive cooperation agreement in the field of ship repair and conversions for cruise ships based in China. The understanding includes the development of technical skills, project management, and logistics procedures.
On 3 March 2016, "Itarus", a semisubmersible floating platform built by Fincantieri for RosRAO, Russia's federal state unitary enterprise for radioactive waste management, was delivered by the shipyard in Muggiano (La Spezia).
On 7 March 2016, Fincantieri and Rhode Island University (U.S.A.), through its International Engineering Program (IEP), signed an important understanding for the start of mutual collaboration to develop academic and cultural interchange.
On 7 March 2016, Vard Holdings Limited announced the incorporation of a new company, Vard Electro Canada Inc., in Canada, all of whose share capital is owned by Vard Electro AS. The core business of the new company will be to install and integrate electrical systems with the goal of supporting the growth of Vard Electro AS in North America.

In mid-March, during Seatrade Cruise Global, the cruise industry's most important event held in the United States, Fincantieri announced that its subsidiary Vard Holdings Limited ("VARD") had signed a historic letter of intent with PONANT, a French cruise operator controlled by the Artemis Group (the Pinault family's holding company), for the construction of four small luxury cruise ships. The agreement, subject to several conditions including satisfactory ship owner financing, marks VARD's entry to the cruise shipbuilding sector.
On 21 March 2016, Mrs. Anna Molinotti tendered her resignation as a member of the Board of Directors and of the Remuneration Committee.
On 24 March 2016, the "Viking Sea", the second ship in a series of six ships ordered by Viking Ocean Cruises from Fincantieri, was delivered at the Ancona shipyard.
On 31 March 2016, "Koningsdam", a prototype ship and new flagship of Holland America Line, a brand of the Carnival Group, the world's largest cruise operator, was delivered at Fincantieri's shipyard in Marghera.
Also on 31 March 2016, Fincantieri announced a contract with Norwegian Cruise Line Holdings worth euro 422 million for the construction of the second ultra-luxury cruise ship for the Regent Seven Seas Cruises brand.
In March 2016, the VARD Group was informed that one of its clients was planning a financial restructuring. In this context, the client has indicated its desire to reach a consensual termination of the shipbuilding contract in progress. If the parties fail to reach an amicable agreement and the client decides to unilaterally terminate the contract, the Group will be contractually entitled to withhold the advance payments already received, and it will also be entitled to resell the ship, with the possibility of claiming against the original client for any reductions in the sale price given to a new client to complete the sale. The bank has confirmed that the construction loan given to build this vessel will be extended until September 2016 even if the contract has not been completed.

BUSINESS OUTLOOK

During the presentation of its 2015 final results, Fincantieri also presented its Business Plan for 2016-2020 which, in keeping with the strategy of growth and diversification pursued to date, aims to consolidate the Group's global leadership at the high value-added end of the shipbuilding market.
In particular, the Plan envisages further development of the existing business platforms, not only in core sectors, by finalizing major negotiations in progress, but also in new geographical areas and high-potential markets, such as China, including through new strategic partnerships.
The Plan also includes actions to increase the Group's profitability, ensuring a return for shareholders, including through additional development of important production synergies with the subsidiary VARD by using the Romanian shipyard in Tulcea to support the Italian production network.
The Shipbuilding segment is expected to see a major increase in volumes in coming years and a gradual recovery in margins, thanks not only to the start of production of cruise ships ordered after the crisis at substantially higher prices than those of the prototypes but also to a higher proportion of segment revenue from the naval business. In response to this heavy prospective workload, Fincantieri will also continue to optimize its production and design systems in Italy.
With reference to the Offshore segment, VARD plans to diversify its business in response to the crisis in its core Oil&Gas business and to take every necessary step to reduce its cost base, including by rationalizing its production facilities, with the aim of becoming more competitive in readiness to seize the opportunities arising once the market recovers. In terms of diversification of its revenue sources, it is worth noting that 13% of VARD's order intake in 2015 came from the fishing and aquaculture sector, while new clients accounted for 100% of the order intake in the offshore industry. Lastly, in March 2016, VARD signed an

important agreement with PONANT for four small luxury cruise ships, to be built entirely in Romania and Norway, with support and supply of critical parts by Fincantieri.
The Equipment, Components and Services will continue its strategy of regaining control over the value chain by taking back in-house high value-added activities and outsourcing lower margin activities, with the aim of strengthening its control over the product and further developing the after-sale business.
In light of the above, the consolidated financial projections for 2016 put revenue growth at 4-6% compared with 2016, with an EBITDA margin of approximately 5% and a net financial position with approximately euro 0.7-0.8 billion in net debt.
The consolidated forecast results for 2018 put revenue growth at 16-23% compared with 2016, with an EBITDA margin of approximately 6-7% and a net financial position with approximately euro 0.4-0.6 billion in net debt.
Lastly, the forecast for 2020 is as follows: revenue growth of 16-21% on 2018, EBITDA margin of approximately 7-8% and net financial position with approximately euro 0.1-0.3 billion in net debt.
Based on the above forecast results, the result before extraordinary and non-recurring income and expenses is expected to return to profit from 2016, while distribution of dividends is expected to resume with the 2017 profit.

TRANSACTIONS WITH THE CONTROLLING COMPANY AND OTHER GROUP COMPANIES

Direction and coordination by Fintecna S.p.A., the main shareholder of FINCANTIERI S.p.A., ceased as from 3 July 2014.
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, FINCANTIERI S.p.A. has adopted a "Procedure for Related Party Transactions" with effect from 3 July 2014.
As far as related party transactions 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 conditions, taking into account the characteristics of the goods and services involved.
Information about related party transactions, including the disclosures required by the Consob Communication dated 28 July 2006, is presented in Note 32 of the Notes to the Consolidated Financial Statements at 31 December 2015.

PURCHASE OF OWN SHARES

No purchases of the Parent Company's own shares were made on the market in 2015.


AZURA
HAMILTON

Alternative non-gaap performance measures

Fincantieri's management reviews the performance of the Group and its business segments using certain non-GAAP measures not defined under IFRS. In particular, EBITDA is used as the main earnings indicator, as it enables the Group's underlying profitability to be assessed, by eliminating the impact of volatility associated with non-recurring items or extraordinary items outside the ordinary course of business.

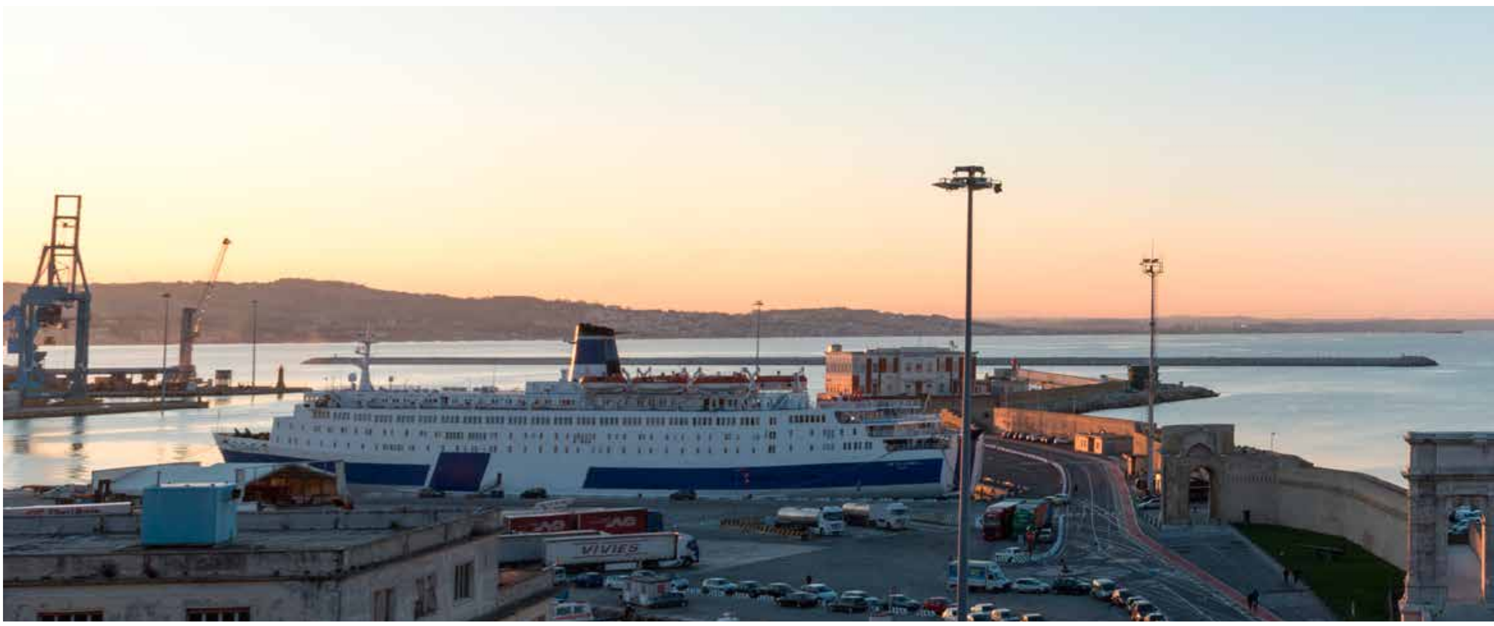
As required by Recommendation no. 05-178b of the Committee of European Securities Regulators, the components of each of these measures are described below:

- **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 by the following items:
  - company costs for the Extraordinary Wage Guarantee Fund;
  - costs relating to reorganization plans and non-recurring other personnel costs;
  - provisions for costs and legal expenses associated with lawsuits brought by employees for asbestos-related damages;
  - other expenses or income outside the ordinary course of business due to particularly significant non-recurring events.
- **EBIT**: this is equal to EBITDA after deducting depreciation, amortization and recurring impairment (this excludes impairment of goodwill, intangible assets and property, plant and equipment recognized as a result of impairment tests).
- **Profit/(loss) before extraordinary and non-recurring income and expenses**: 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, 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 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 and Net working capital.
- **Free cash flow**: this is equal to the sum of (i) net cash flows from operating activities, (ii) net cash flows from investing activities and (iii) cash flows arising from the change in construction loans.
- **ROI**: the Group calculates ROI (Return on investment) as (i) the ratio between EBIT and the arithmetic mean of Net invested capital at the beginning and end of the reporting period, for the value reported at 31 December 2015, and (ii) the ratio between EBIT and Net invested capital at 31 December 2014.
- **ROE**: the Group calculates ROE (Return on equity) as (i) the ratio between Profit/(loss) for the period and the arithmetic mean of total Equity at the beginning and end of the reporting period, for the value reported at 31 December 2015, and (ii) the ratio between Profit/(loss) for the period and total Equity at 31 December 2014.

- **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.
- **Net financial position/Total equity**: this is calculated as the ratio between the Net financial position, as monitored by the Group, and Total equity.
- **Provisions**: these refer to increases in the Provisions for risks and charges, and impairment of Trade receivables and Other non-current and current assets.

ITALIAN STOCKMARKET REGULATIONS

Art. 36 of the Consob Market Regulations (adopted by Consob Resolution no. 16191/2007 and subsequent amendments) sets out the listing conditions for companies that control companies incorporated in and governed by the laws of non-EU countries. With reference to these regulatory requirements concerning the listing conditions for companies that control companies, incorporated in and governed by the laws of non-EU countries, that are material to the consolidated financial statements, it is reported that as at 31 December 2015, 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 (art. 36).
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 2015.



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 for the year of the Parent Company FINCANTIERI S.p.A. with the consolidated figures (Group and non-controlling interests).

	31.12.2015		31.12.2014	
(Euro/000)	Equity	Profit/(loss) for the year	Equity	Profit/(loss) for the year
Parent Company Financial Statements	**1,183,108**	**(112,732)**	**1,295,659**	**37,519**
Share of equity and net result of consolidated subsidiaries, net of carrying amount of the related investments	(185,661)	(48,975)	(145,845)	23,408
Consolidation adjustments for difference between purchase price and corresponding book value of equity	209,515	(10,741)	237,299	6,277
Reversal of dividends distributed by consolidated subsidiaries to the Parent Company		(2,000)		(400)
Joint ventures and associates accounted for using the equity method	7,992	(224)	8,199	81
Elimination of intercompany profits and losses and other consolidation adjustments	(2,758)	65	(2,823)	50
Exchange translation differences from line-by-line consolidation of foreign subsidiaries	(74,177)		(82,472)	
Equity and profit for the year attributable to owners of the parent	**1,138,019**	**(174,607)**	**1,310,017**	**66,935**
Non-controlling interests	128,079	(114,147)	219,875	(11,655)
Total consolidated equity and profit/(loss) for the year	**1,266,098**	**(288,754)**	**1,529,892**	**55,280**

Reconciliation of the reclassified financial statements used in the report on operations with the mandatory ifrs statements

CONSOLIDATED INCOME STATEMENT

(Euro/million)	31.12.2015 Amounts in IFRS statement	31.12.2015 Amounts in reclassified statement	31.12.2014 Amounts in IFRS statement	31.12.2014 Amounts in reclassified statement
A – Revenue		**4,183**		**4,399**
Operating revenue	4,125		4,315	
Other revenue and income	58		84	
B - Materials, services and other costs		**(3,337)**		**(3,234)**
Materials, services and other costs	(3,345)		(3,241)	
Recl. to I – Extraordinary and non-recurring income and expenses	8		7	
C - Personnel costs		**(865)**		**(843)**
Personnel costs	(878)		(862)	
Recl. to I – Extraordinary and non-recurring income and expenses	13		19	
D – Provisions		**(7)**		**(25)**
Provisions	(36)		(43)	
Recl. to I – Extraordinary and non-recurring income and expenses	29		18	
E – Depreciation, amortization and impairment		**(111)**		**(99)**
Depreciation, amortization and impairment	(111)		(99)	
F – Finance income and (costs)		**(135)**		**(66)**
Finance income and costs	(135)		(66)	
Recl. to I – Extraordinary and non-recurring income and expenses				
G - Income/(expense) from investments		**(3)**		**6**
Income/(expense) from investments	(3)		6	
H - Income taxes		**23**		**(51)**
Income taxes	36		(39)	
Recl. to I – Extraordinary and non-recurring income and expenses	(13)		(12)	
I - Extraordinary and non-recurring income and expenses		**(50)**		**(44)**
Recl. from B - Materials, services and other costs	(8)		(7)	
Recl. from C - Personnel costs	(13)		(19)	
Recl. from D - Provisions	(29)		(18)	
Recl. from F – Finance income and costs				
L- Tax effect of extraordinary and non-recurring income and expenses		**13**		**12**
Recl. from H – Income taxes	13		12	
Profit/(loss) for the year		**(289)**		**55**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Euro/million)		31.12.2015 Amounts in IFRS statement	31.12.2015 Amounts in reclassified statement	31.12.2014 Amounts in IFRS statement	31.12.2014 Amounts in reclassified statement
A)	**Intangible assets**		**518**		**508**
	Intangible assets	518		508	
B)	**Property, plant and equipment**		**974**		**959**
	Property, plant and equipment	974		959	
C)	**Investments**		**62**		**60**
	Investments	62		60	
D)	**Other non-current assets and liabilities**		**(44)**		**(48)**
	Derivative assets	2		1	
	Other non-current assets	11		15	
	Other liabilities	(47)		(46)	
	Derivative liabilities	(10)		(18)	
E)	**Employee benefits**		**(57)**		**(62)**
	Employee benefits	(57)		(62)	
F)	**Inventories and advances**		**405**		**388**
	Inventories and advances	405		388	
G)	**Construction contracts and client advances**		**1,876**		**1,112**
	Construction contracts - assets	2,554		1,649	
	Construction contracts – liabilities and client advances	(678)		(537)	
H)	**Construction loans**		**(1,103)**		**(847)**
	Construction loans	(1,103)		(847)	
I)	**Trade receivables**		**560**		**610**
	Trade receivables and other current assets	888		975	
	Recl. to N) Other assets	(328)		(365)	
L)	**Trade payables**		**(1,179)**		**(1,047)**
	Trade payables and other current liabilities	(1,366)		(1,277)	
	Recl. to N) Other liabilities	187		230	
M)	**Provisions for risks and charges**		**(112)**		**(129)**
	Provisions for risks and charges	(112)		(129)	
N)	**Other current assets and liabilities**		**(196)**		**(18)**
	Deferred tax assets	151		141	
	Income tax assets	35		55	
	Derivative assets	37		47	
	Recl. from I) Other current assets	328		365	
	Deferred tax liabilities	(82)		(84)	
	Income tax liabilities	(3)		(25)	
	Derivative liabilities and option fair value	(475)		(287)	
	Recl. from L) Other current liabilities	(187)		(230)	
O)	**Net assets/(liabilities) held for sale**				
NET INVESTED CAPITAL			**1,704**		**1,486**
P)	**Equity**		**1,266**		**1,530**
Q)	**Net financial position**		438		**(44)**
SOURCES OF FUNDING			1,704		**1,486**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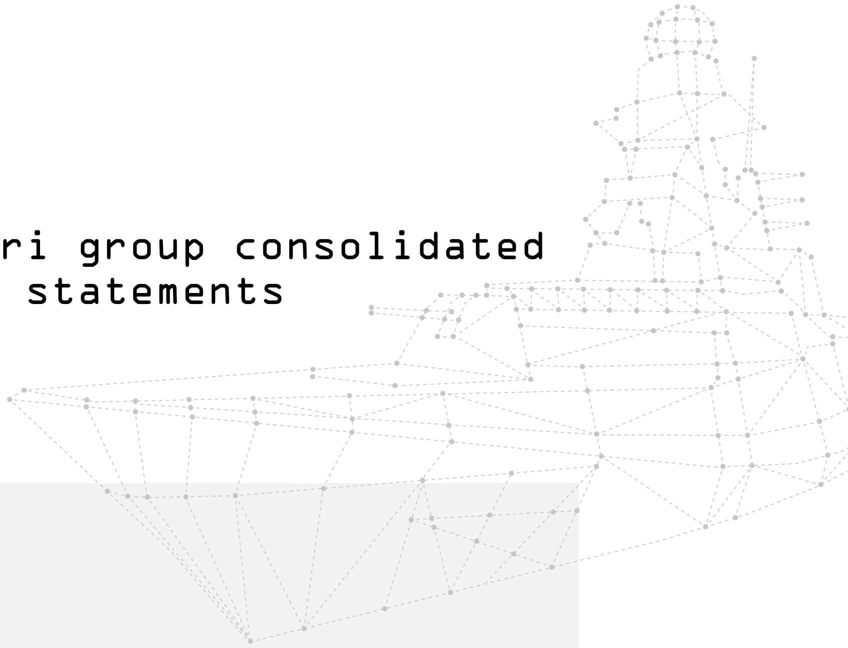


fincantieri group consolidated financial statements

Consolidated statement of financial position

(Euro/000)	Note	31.12.2015	*of which related parties Note 32*	31.12.2014	*of which related parties Note 32*
ASSETS					
NON-CURRENT ASSETS					
Intangible assets	6	517,977		508,643	
Property, plant and equipment	7	973,905		958,517	
Investments accounted for using the equity method	8	57,076		52,796	
Other investments	8	5,146		7,683	
Financial assets	9	141,586	*9,061*	124,480	*7,147*
Other assets	10	10,728	*704*	14,705	*972*
Deferred tax assets	11	150,974		140,914	
Total non-current assets		**1,857,392**		**1,807,738**	
CURRENT ASSETS					
Inventories and advances	12	404,908	*3,319*	388,467	*842*
Construction contracts – assets	13	2,554,122		1,649,278	
Trade receivables and other current assets	14	888,033	*145,401*	975,051	*104,992*
Income tax assets	15	34,866		54,532	
Financial assets	16	97,918	*752*	136,693	*1,396*
Cash and cash equivalents	17	259,507		552,285	
Total current assets		**4,239,354**		**3,756,306**	
TOTAL ASSETS		**6,096,746**		**5,564,044**	
EQUITY AND LIABILITIES					
EQUITY	18				
Equity attributable to owners of the					
Share capital		862,981		862,981	
Reserves and retained earnings		275,038		447,036	
Total Equity attributable to owners of the parent		**1,138,019**		**1,310,017**	
Non-controlling interests		128,079		219,875	
Total Equity		**1,266,098**		**1,529,892**	
NON-CURRENT LIABILITIES					
Provisions for risks and charges	19	98,765		108,621	
Employee benefits	20	56,574		62,141	
Financial liabilities	21	637,698	*30,164*	652,918	*17,625*
Other liabilities	22	46,544		45,506	
Deferred tax liabilities	11	81,546		84,277	
Total non-current liabilities		**921,127**		**953,463**	
CURRENT LIABILITIES					
Provisions for risks and charges	19	13,200		19,864	
Construction contracts – liabilities	23	678,627		536,601	
Trade payables and other current liabilities	24	1,366,765	*17,052*	1,277,425	*14,981*
Income tax liabilities	25	3,068		25,178	
Financial liabilities	26	1,847,861	*35,902*	1,221,621	*1,762*
Total current liabilities		**3,909,521**		**3,080,689**	
TOTAL EQUITY AND LIABILITIES		**6,096,746**		**5,564,044**	

Consolidated statement of comprehensive income

(Euro/000)	Note	2015	of which related parties Note 32	2014	of which related parties Note 32
Operating revenue	27	4,125,074	*406,684*	4,314,962	*360,701*
Other revenue and income	27	57,873	*2,235*	83,744	*2,804*
Materials, services and other costs	28	(3,344,246)	*(36,183)*	(3,240,630)	*(25,264)*
of which non-recurring	*32*	*(7,745)*		*(6,967)*	
Personnel costs	28	(878,375)		(861,422)	
of which non-recurring	*32*	*(13,242)*		*(18,234)*	
Depreciation, amortization and impairment	28	(111,660)		(99,207)	
of which non-recurring	*32*				
Provisions	28	(35,493)		(42,884)	
of which non-recurring	*32*	*(28,603)*		*(18,376)*	
Finance income	29	53,632	*287*	36,254	*335*
Finance costs	29	(188,913)	*(1,647)*	(102,553)	*(4,298)*
of which non-recurring	*32*				
Income/(expense) from investments	30	(2,510)		859	
Share of profit/(loss) of investments accounted for using the equity method	30	(96)		5,049	
Income taxes	31	35,960		(38,892)	
PROFIT/(LOSS) FOR THE YEAR (A)		**(288,754)**		**55,280**	
Attributable to owners of the parent		*(174,607)*		*66,935*	
Attributable to non-controlling interests		*(114,147)*		*(11,655)*	
Basic earnings/(loss) per share (Euro)	32	(0.10319)		0.04564	
Diluted earnings/(loss) per share (Euro)	32	(0.10319)		0.04564	
Other comprehensive income/(losses), net of tax (OCI)					
Gains/(losses) from remeasurement of employee defined benefit plans	18-20	1,983		(5,594)	
Total gains/(losses) that will not be reclassified to profit or loss, net of tax	18	**1,983**		**(5,594)**	
attributable to non-controlling interests		***6***		***(11)***	
Effective portion of gains/(losses) on cash flow hedging instruments	4-18	(1,692)		566	
Gains/(losses) arising from changes in OCI of investments accounted for using the equity method		(345)		(2,964)	
Gains/(losses) arising from fair value measurement of available-for-sale securities and bonds					
Exchange gains/(losses) arising on translation of foreign subsidiaries' financial statements	18	23,086		(55,142)	
Total gains/(losses) that may be subsequently reclassified to profit or loss, net of tax	18	**21,049**		**(57,540)**	
attributable to non-controlling interests		***20,423***		***(9,586)***	
Total other comprehensive income/(losses), net of tax (B)	18	**23,032**		**(63,134)**	
attributable to non-controlling interests		***20,429***		***(9,597)***	
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR (A) + (B)		**(265,722)**		**(7,854)**	
Attributable to owners of the parent		*(172,004)*		*13,398*	
Attributable to non-controlling interests		*(93,718)*		*(21,252)*	

Consolidated statement of changes in equity

(Euro/000)	Note	Share capital	Reserves and retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	**Total**
1.1.2014	18	**633,481**	**334,860**	**968,341**	**242,225**	**1,210,566**
Business combinations						
Share capital increase		229,500	110,428	339,928	1,160	341,088
Share capital increase – non-controlling interests						
Acquisition of non-controlling interests			(1,642)	(1,642)	(2,258)	(3,900)
Dividend distribution			(10,000)	(10,000)		(10,000)
Other changes/roundings			(8)	(8)		(8)
Total transactions with owners		**229,500**	***98,778***	***328,278***	***(1,098)***	***327,180***
Profit/(Loss) for the year			66,935	66,935	(11,655)	55,280
OCI for the year			(53,537)	(53,537)	(9,597)	(63,134)
Total comprehensive income for the year			***13,398***	***13,398***	***(21,252)***	***(7,854)***
31.12.2014	18	**862,981**	**447,036**	**1,310,017**	**219,875**	**1,529,892**
Business combinations					1,978	1,978
Share capital increase						
Share capital increase – non-controlling interests						
Acquisition of non-controlling interests						
Dividend distribution					(48)	(48)
Other changes/roundings			6	6	(8)	(2)
Total transactions with owners			***6***	***6***	***1,922***	***1,928***
Profit/(Loss) for the year			(174,607)	(174,607)	(114,147)	(288,754)
OCI for the year			2,603	2,603	20,429	23,032
Total comprehensive income for the year			***(172,004)***	***(172,004)***	***(93,718)***	***(265,722)***
31.12.2015	18	**862,981**	**275,038**	**1,138,019**	**128,079**	**1,266,098**

Consolidated statement of cash flows

(Euro/000)	Note	31.12.2015	31.12.2014
NET CASH FLOWS FROM OPERATING ACTIVITIES	33	**(568,308)**	**(319,509)**
- of which related parties		*(40,547)*	*(54,657)*
Investments in:			
- intangible assets		(39,133)	(37,375)
- property, plant and equipment		(121,866)	(122,194)
- equity investments		(6,501)	(3,144)
- receivables and other financial assets			
- cash out for business combinations, net of cash acquired		(4,978)	(8,165)
Disposals of:			
- intangible assets		133	15
- property, plant and equipment		368	639
- equity investments			11,854
- other non-current financial assets and receivables			
CASH FLOWS FROM INVESTING ACTIVITIES		**(171,977)**	**(158,370)**
Change in non-current loans:			
- disbursements		182,204	77,303
- repayments		(163,373)	(32,583)
Change in non-current financial receivables:			
- disbursements		(19,568)	(38,685)
- repayments		2,249	11,492
Change in current bank loans and credit facilities			
- disbursements		896,271	1,200,908
- repayments		(469,699)	(847,817)
Change in current loans from controlling companies			
Change in payables/receivables due to/from associates			
Change in other current financial liabilities/receivables		27,213	(63,807)
Change in receivables for held-for-trading financial instruments		(796)	7
Change in payables for held-for-trading financial instruments		(6,167)	13,519
Contribution by shareholders			1,160
Capital increase			339,928
Change in non-controlling interests			(3,900)
CASH FLOWS FROM FINANCING ACTIVITIES		**448,334**	**657,525**
- of which related parties		*45,409*	*287*
NET CASH FLOWS FOR THE YEAR		**(291,951)**	**179,646**

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**552,285**	**384,506**
Effect of exchange rate changes on cash and cash equivalents		(827)	(11,867)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**259,507**	**552,285**

notes to the consolidated financial statements

Note 1 – Form, contents and other general information

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 2015, 71.6% of the Company's share capital of euro 862,980,725.70 was held by Fintecna S.p.A.; the remainder of share capital was distributed between a number of private investors, none of whom held significant interests of 2% or above. It should be noted that 100% of the share capital of Fintecna S.p.A. is owned by Cassa Depositi e Prestiti S.p.A. (hereinafter also referred to as "CDP"), 80.1% of whose share capital is in turn owned by Italy's Ministry of Economy and Finance.

PRINCIPAL ACTIVITIES OF THE GROUP

The Group is one of the world's top players in the shipbuilding industry and one of the most diversified globally, offering design and construction services for high value-added products such as cruise ships, naval vessels, ferries, mega-yachts, offshore vessels, and marine systems and equipment.

- Shipbuilding: encompassing the business units that build cruise ships and naval vessels and offer other products and services (ferries, mega-yachts and ship repairs and conversions);
- Offshore: encompassing the design and construction of high-end offshore support vessels by its subsidiary Vard Holdings and the offer of innovative products in the field of drillships and semi-submersible drilling rigs;
- Equipment, Systems and Services: encompassing the design and manufacture of high-tech equipment and systems, such as stabilization, propulsion, positioning and power generation systems, ship automation systems, and steam turbines, and the provision of logistical support and after-sales services.

BASIS OF PREPARATION

In 2007 Fincantieri adopted the option permitted by Italian Legislative Decree 38 dated 28 February 2005, governing the exercise of the options contained in article 5 of European Regulation no.1606/2002 concerning international accounting standards.
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 Italian 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 PricewaterhouseCoopers 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 2015 were approved by the Company's Board of Directors on 31 March 2016.

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.

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 2015

A brief description of the amendments, improvements and interpretations applicable to financial years ended 31 December 2015 is provided below. The application of such revisions, where applicable, has not had a material impact on the present consolidated financial statements.

As part of its program of annual improvements to the standards, on 12 December 2013, the IASB issued *Annual Improvements* to IFRSs: 2011 - 2013 Cycle (effective for annual accounting periods beginning on or after 1 January 2015); most of the changes are clarifications or corrections of existing IFRSs or amendments as a consequence of previous changes to IFRSs.

The Group has applied the amendments to the related standards/interpretations retrospectively to its 2015 financial statements, without any significant impact.

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

As part of its program of annual improvements to the standards, on 12 December 2013, the IASB issued *Annual Improvements to IFRSs: 2010 - 2012 Cycle* (effective for annual accounting periods beginning on or after 1 February 2015); most of the changes are clarifications or corrections of existing IFRSs or amendments as a consequence of previous changes to IFRSs.

On 21 November 2013, the IASB issued the document *Defined Benefit Plans: Employee Contributions (Amendments to IAS 19 Employee Benefits).* The amendments to IAS 19 allow contributions from employees or third parties, that are independent of the number of years of service, to be treated as a reduction in current service cost rather than attributing them to the period over which service is rendered. This treatment is optional and not mandatory. The amendments are effective retrospectively for annual accounting periods beginning on or after 1 February 2015.

In May 2014, the IASB issued amendments to *IFRS 11 - Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations,* to provide guidance on when an entity should apply the principles in IFRS 3 to account for the acquisition of an interest in a joint operation that constitutes a business. These amendments are effective retrospectively for annual accounting periods beginning on or after 1 January 2016. Earlier adoption is permitted.

In May 2014, the IASB published amendments to *IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets*. The IASB has clarified that revenue-based methods to calculate asset depreciation or amortization are not appropriate because the revenue generated by an activity that includes the use of an asset generally does not reflect the pattern of consumption of an asset's expected future economic benefits. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits generated by an intangible asset. However, there are limited circumstances when this presumption can be overcome. These amendments are effective for annual accounting periods beginning on or after 1 January 2016. Earlier adoption is permitted.

On 12 August 2014, the IASB published some amendments to *IAS 27 - Separate Financial Statements*. The purpose is to allow parent entities to use the equity method to account for investments in subsidiaries, associates and joint ventures even in their separate financial statements. These amendments are effective for annual accounting periods beginning on or after 1 January 2016.

As part of its program of annual improvements to the standards, on 25 September 2014, the IASB issued *Annual Improvements to IFRSs: 2012 - 2014 Cycle* (effective for annual accounting periods beginning on or after 1 January 2016); most of the changes are clarifications or corrections of existing IFRSs or amendments as a consequence of previous changes to IFRSs.

On 18 December 2014, the IASB published amendments to *IAS 1 - Presentation of Financial Statements*. The purpose is to clarify some doubts about presentation and disclosure requirements and to ensure that reporting entities can use their professional judgement in deciding what information to publish in their financial statements, with the focus on materiality. These amendments are effective for annual accounting periods beginning on or after 1 January 2016.

The Group intends to adopt these standards when they become effective. The preliminary analysis suggests that they should have no material impact on either the recognition or initial and subsequent measurement of the Group's assets, liabilities, costs and revenues.

Accounting standards, amendments and interpretations already issued but not yet effective

The following is a brief description of the new standards and interpretations already issued but not yet effective or not yet endorsed by the European Union and therefore not applicable for the preparation of financial statements for annual accounting periods ended 31 December 2015. The list excludes those standards and interpretations concerning matters not applicable to the Group.

In May 2014, the IASB issued *IFRS 15 - Revenue from Contracts with Customers,* which requires an entity to recognize revenue when control of the goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new revenue recognition model defines a five-step process to achieve this purpose. The new standard also requires disclosure of additional information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The new standard is effective for annual accounting periods beginning on or after 1 January 2018. The Group is evaluating the method of implementing this new standard and its impact on the consolidated financial statements.

In July 2014, the IASB issued *IFRS 9 - Financial Instruments.* The series of changes made by the new standard supersede IAS 39 and introduce a logical approach to the classification and measurement of financial instruments based on their cash flow characteristics and the business model for managing such assets, a single model for the impairment of financial assets based on expected loss and a substantially new approach to hedge accounting. The new standard is effective retrospectively from 1 January 2018.
On 11 September 2014, the IASB published some amendments to *IFRS 10 - Consolidated Financial Statements* and to *IAS 28 - Investments in Associates and Joint Ventures.* The purpose is to clarify how to account for the results of a sale or contribution of assets between group companies and their associates and joint ventures. The process of endorsing these amendments has been suspended and their effective date has been postponed to a future date to be determined.
On 18 December 2014, the IASB published amendments to *IFRS 10, IFRS 12* and *IAS 28.* The purpose is to clarify: i) how to account for investment entities; ii) the exemption from presenting consolidated financial statements for companies that control investment entities and iii) how a non-investment entity investor must apply the equity method to an investment entity investee. These amendments are effective for annual accounting periods beginning on or after 1 January 2016.

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 the provisions of Consob Resolution no. 15519 of 27 July 2006 concerning financial statement formats.
Please note, with reference to the Statement of Comprehensive Income, that "Depreciation and amortization" has been changed to "Depreciation, amortization and impairment", which reports depreciation, amortization and impairment of Intangible assets and Property, plant and equipment, and "Provisions and impairment" has been changed to "Provisions", which report increases and releases of provisions for risks and of provisions for the impairment of assets other than Intangible assets and Property, plant and equipment. This descriptive change has not involved any reclassifications of the comparative figures.

FUNCTIONAL AND 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, amount of share capital, the interests held and the companies which hold them.

The scope of consolidation includes the following companies incorporated during 2015:

- Vard Contracting AS incorporated by Vard Group AS in Norway. The new company, 100% owned by Vard Group AS, will perform various shipbuilding services in support of the VARD Group;
- Fincantieri (Shanghai) Trading Co. Ltd., based in Shanghai and 100% owned by FINCANTIERI S.p.A. The new company will be responsible for developing the business in the Chinese market;
- Vard Electro Italy S.r.l., 100% owned by Vard Electro AS and based in Italy. The new company will supply turnkey electrical systems to other companies in the Fincantieri Group;
- Fincantieri Sweden AB, based in Stockholm and 100% owned by FINCANTIERI S.p.A. The new company will be responsible for sales, maintenance and after-sales service in relation to the equipment and systems business;
- Vard Shipholding Singapore Pte. Ltd., based in Singapore. The new company, 100% owned by Vard Holdings Limited, will manage the charter of a Platform Supply Vessel ("PSV"), owned by the company and built at the Vard Vung Tau shipyard in Vietnam.

The following acquisitions also took place:

- on 21 May 2015, FINCANTIERI S.p.A. signed an agreement to acquire a joint interest in the Camper & Nicholsons International group, a global leader in all luxury yachting activities. The acquisition has involved the subscription to a reserved capital increase for euro 4.9 million (representing 17.63% of the capital of Camper & Nicholsons International S.A.) and the simultaneous signing of two call and put options with the minority shareholder, at an agreed exercise price of euro 9.2 million, over its remaining shares to bring the Fincantieri interest to 50%. The purchase price allocation process has been completed, resulting in the identification of euro 3.8 million in goodwill included in the carrying amount of the investment accounted for using the equity method.
- on 24 June 2015, the Group acquired through Seaonics AS (a 51% subsidiary of VARD Group AS), 100% of the ICD Software Group specialized in developing automation and control system software for the offshore and marine sectors. The acquisition date book value of the net assets acquired is approximately euro 1.4 million. The allocation of the purchase price (of euro 9 million) has involved recognizing euro 4.8 million in intangible assets (industrial patents and intellectual property rights) and euro 3 million in goodwill.

The Consolidated Financial Statements at 31 December 2015 have not been affected by any significant transactions or unusual events except as reported in the Notes.

BASIS OF CONSOLIDATION

Subsidiaries

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 parent 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:

	2015		2014	
	12-month average	Closing rate at 31-Dec	12-month average	Closing rate at 31-Dec
US Dollar (USD)	1.1095	1.0887	1.3285	1.2141
UAE Dirham (AED)	4.0733	3.9966	4.8796	4.4594
Brazilian Real (BRL)	3.7004	4.3117	3.1211	3.2207
Norwegian Krone (NOK)	8.9496	9.603	8.3544	9.0420
Indian Rupee (INR)	71.1956	72.0215	81.0406	76.7190
Romanian Leu (RON)	4.4454	4.524	4.4437	4.4828
Chinese Yuan (CNY)	6.9733	7.0608	8.1857	7.5358
Swedish Krona (SEK)	9.3535	9.1895	9.0985	9.3930

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.

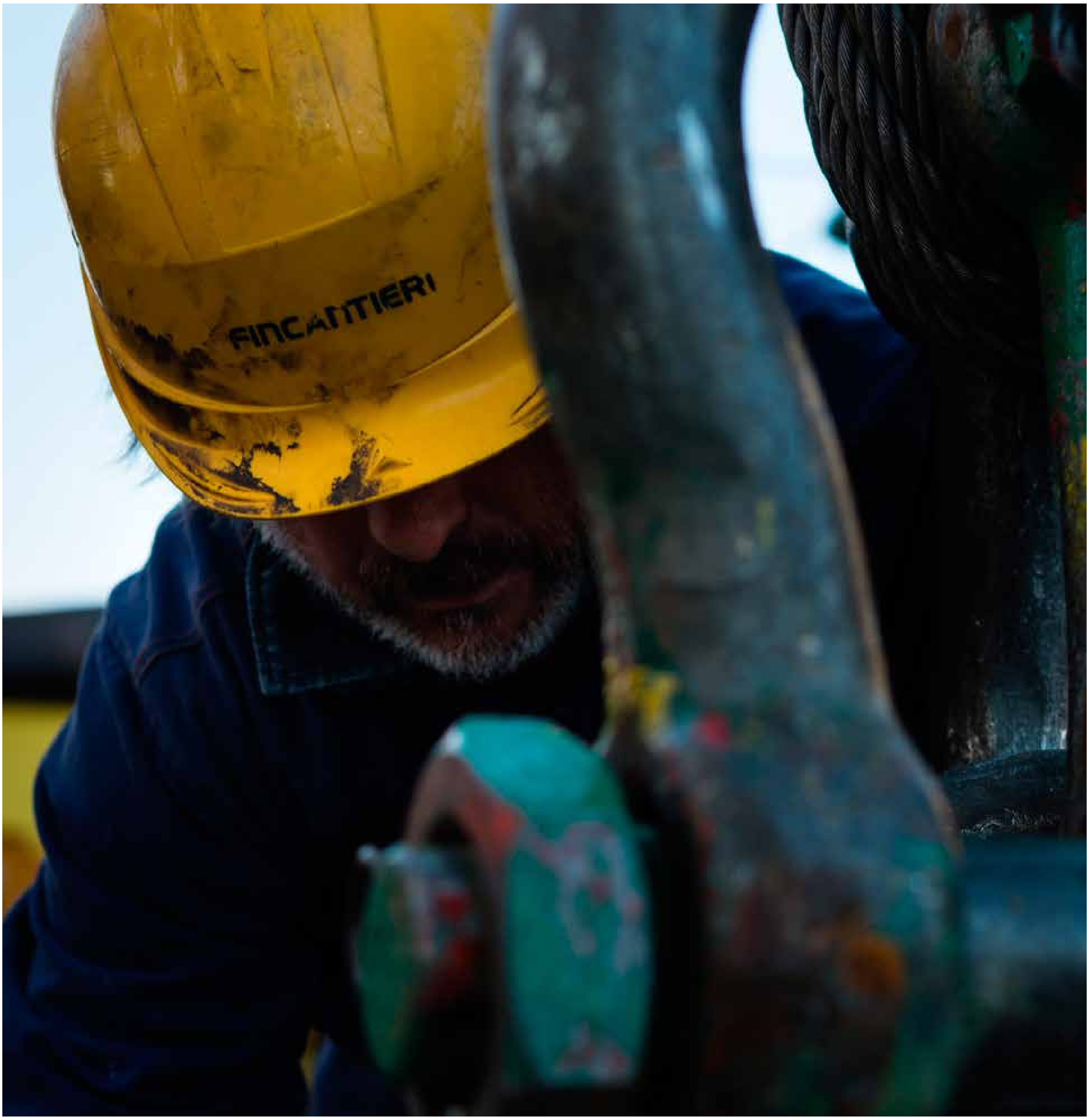
The cost of acquisition includes contingent consideration, recognized at its acquisition-date fair value. Subsequent changes in fair value are recognized in profit or loss or other comprehensive income if the contingent consideration is a financial asset or liability. Contingent consideration classified 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.

National tax consolidation

Based on the provisions of Italy's Income Tax Code (Presidential Decree 917/86, art. 117 et seq) and as a result of the provisions of art. 11, par. 4 of the Ministerial Decree dated 9 June 2004 relating to the "Application of the national tax consolidation regime, contained in articles 117 to 128 of the Income Tax Code", as from 2013 the Company has joined the national group tax consolidation of CDP, together with its subsidiaries Isotta Fraschini Motori S.p.A. and Fincantieri Oil&Gas S.p.A..



Note 3 - Accounting policies

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 3 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 (3 years).

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.

2. 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.

Property, plant and equipment acquired under finance lease, where the risks and rewards incidental to ownership of an asset are substantially transferred to the Group, are recognized as assets at the lower of their fair value or the present value of the minimum lease payments, including any purchase option cost. The corresponding lease liability is reported in financial liabilities. Leased assets are depreciated using the same criteria and useful lives as indicated below for owned assets.

Leases where the lessor substantially retains all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognized as expenses on a straight-line basis over the lease term.

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 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.
Property, plant and equipment leased out by the Fincantieri Group under finance lease agreements (or under a contract treated the same as a finance lease), where all the risks and rewards of ownership are substantially transferred to the lessee, are recognized as financial receivables in the statement of financial position. Income from the sale of a leased asset is recognized when the asset is transferred to the lessee. Such income is determined as the difference between: i) the fair value of the asset at the commencement of the lease term, or, if lower, the present value of the minimum lease payments accruing to the Group, computed at a market rate of interest; and ii) the leased asset's production costs plus any legal costs and internal costs directly attributable to negotiating and arranging the lease. After recognizing the financial receivable, finance income is recognized by applying a constant periodic rate of return to the outstanding receivable so that it is spread over the lease term on a systematic and rational basis.
The criteria used to identify and determine any impairment losses for property, plant and equipment can be found in paragraph 3 below.

3. 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.

4. OTHER INVESTMENTS

Investments in companies other than subsidiaries, associates and joint ventures (generally where the Group's interest is less than 20%) are classified as non-current financial assets and represent available-for-sale financial assets that are carried at fair value, if determinable, changes in which are recognized among the components of other comprehensive income until these assets are sold or suffer an impairment loss; at such time, the effects previously recognized among the components of other comprehensive income are reclassified to profit or loss for the period. Investments in other smaller companies, whose fair value cannot be determined, are stated at cost less any impairment losses.

5. 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.

6. CONSTRUCTION CONTRACTS

Construction contracts are recognized in accordance with the percentage of completion method 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, taking into account the stage of completion of the contract and any expected risks. 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.
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.
Construction contracts are reported as the costs incurred plus profit recognized to date, less provision for any estimated future losses and less 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 "Construction contracts – assets" and if it is negative, the difference is classified as a liability under "Construction contracts – 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.

7. FINANCIAL LIABILITIES

Financial liabilities, inclusive of loans and borrowings, trade payables, other payables and other liabilities, other than derivatives, are 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 8.5.

7.1 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. Under these arrangements, the supplier has the discretionary option to sell receivables due from the Parent Company 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 extensions can be either interest-bearing or non-interest bearing. Since the primary obligation is still to the supplier, the related liability retains its nature and so continues to be classified in trade payables.

8. FINANCIAL ASSETS

The Group classifies financial assets in the following categories:

- assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity financial assets;
- available-for-sale financial assets.

8.1 Financial assets at fair value through profit or loss

This category includes financial assets acquired for trading in the near term, as well as derivative instruments, for which reference should be made to paragraph 8.5. The fair value of these instruments is determined with reference to the market value at the period-end reporting date: in the case of unlisted instruments, fair value is determined using commonly used valuation

techniques. Changes in the fair value of instruments classified in this category are recognized immediately in profit or loss.
Classification as current or non-current reflects management's expectations regarding their trading: assets expected to be realized within 12 months or designated as held for trading purposes are classified as current assets.

8.2 Loans and receivables

This category includes non-derivative (trade and financial) receivables, including debt instruments, that are not quoted in an active market and for which fixed or determinable payments are expected and there is no predetermined intent of subsequent resale. These assets are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. Trade receivables, with normal commercial terms of payment, are not discounted. If there is objective evidence of impairment, the amount of the asset is reduced to the present value of estimated future cash flows: impairment losses identified by impairment tests are recognized in profit or loss.
If, in subsequent periods, the reasons for the impairment loss cease to apply, the amount of the asset is reinstated, but to no more than the amortized cost it would have had if no impairment had been previously recognized. 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.

8.3 Held-to-maturity financial assets

This category includes non-derivative financial assets, not representing equity investments, that have fixed or determinable payments and fixed maturities and for which the Group has the positive intention and ability to hold to maturity. These financial assets are recognized on the basis of the settlement date and, at the time of initial recognition, they are measured at purchase cost, including any directly attributable transaction costs. They are subsequently measured at amortized cost using the effective interest method, less any impairment losses.
They are classified as current assets if their contractual maturity is expected within the next 12 months. If there is objective evidence of impairment, the amount of the asset is reduced to the present value of estimated future cash flows: impairment losses identified by impairment tests are recognized in profit or loss. If, in subsequent periods, the reasons for the impairment loss cease to apply, the amount of the asset is reinstated, but to no more than the amortized cost it would have had if no impairment had been previously recognized.

8.4 Available-for-sale financial assets

This category includes non-derivative financial assets, specifically designated as available for sale or not classified in any of the previous categories. These assets are measured at fair value, which is determined with reference to market prices at the year-end or interim reporting date or using financial valuation techniques and models, with changes in value recognized in a specific equity reserve ("Available-for-sale fair value reserve"). This reserve is reversed to profit or loss only when the financial asset is sold, or when there is evidence that a decline in the fair value already recognized in equity will not be recovered. The classification as current or non-current assets depends on the intentions of management and the financial asset's effective marketability: they are classified as current assets if expected to be realized within the next 12 months.
If there is objective evidence of impairment, the amount of the asset is reduced to the present value of estimated future cash flows: negative fair value changes previously recognized in equity are transferred to profit or loss. Previously recognized impairment losses are reversed if the

circumstances leading to their original recognition no longer apply; reversals relating to financial instruments that are equity instruments are not recognized through consolidated profit or loss.

8.5 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 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 methods for 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, a highly probable forecast transaction 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. If a hedged transaction is no longer regarded as probable, the unrealized gains or losses recognized in other comprehensive income are immediately 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.

9. 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.

9.1 Grants related to assets

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.

9.2 Grants related to income

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

10. 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.

11. 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 through "Other 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.

12. 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.

13. REVENUE, DIVIDENDS, FINANCE INCOME AND COSTS

Revenue from construction contracts is recognized using the percentage of completion method. When it is probable that total contract costs will exceed total 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 paragraph 8.5 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.
Revenue from the sale of goods is recognized when the risks and rewards of ownership of the goods are transferred to the buyer, and when the amount of revenue can be measured reliably and is expected to be received.
Dividends received from investee companies not consolidated on a line-by-line basis are recognized in profit or loss when the shareholder's right to receive payment is established.
Finance income and costs are recognized in profit or loss in the period in which they accrue.

14. 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 carryforward 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".

15. EARNINGS PER SHARE

15.1 Basic earnings per share

Basic earnings per 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.

15.2 Diluted earnings per share

Diluted earnings per 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. For the purpose of calculating diluted earnings per share, the weighted average number of ordinary shares is adjusted for the assumed conversion of all dilutive potential ordinary shares into ordinary shares, while profit attributable to owners of the parent is adjusted to take account of any after-tax effect of such a conversion.

16. 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 categories, 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.

16.1 Revenue recognition for construction contracts

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 construction contracts and margins relating to work in progress requires management to estimate correctly the costs of completion, any 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.

16.2 Provisions for risks and charges

The Group recognizes provisions for legal and tax risks and outstanding litigation where the outcome is expected to be negative. The amount of the provisions relating to such risks represents management's best estimate at the current date. This estimate is derived by adopting assumptions that depend on factors that may change over time.

16.3 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 national tax consolidation of CDP. 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.

16.4 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.

16.5 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.

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 construction contracts, by the Italian government both for grants receivable and for supplies to the country's military services, by the United Arab Emirates Navy and by the US Navy and US Coast Guard for vessels under construction.
With specific regard to trade receivables due from private shipowners, the Fincantieri Group constantly monitors customer creditworthiness, credit exposure and promptness of payments. It should be noted that the terms of payment are usually very short and those applied in the shipping industry stipulate that vessel delivery is subject to receipt of final payment.
The following tables provide a breakdown by risk class of the exposure as at 31 December 2015 and 2014 based on the nominal value of receivables before any provision for impairment of receivables.

	31.12.2015					
		Past due				
(Euro/000)	Not yet due	0 – 1 month	1 – 4 months	4 – 12 months	Beyond 1 year	**Total**
Trade receivables:						
- from public entities	26,547	10,961	1,264	1,894	16,176	56,842
- indirectly from public entities (*)	38,100		6,168		7,183	51,451
- from private shipowners	255,434	35,049	14,119	20,406	54,188	379,196
TOTAL TRADE RECEIVABLES	**320,081**	**46,010**	**21,551**	**22,300**	**77,547**	**487,489**
Government grants financed by BIIS	34,110					34,110
Other government grants	15,307					15,307
Receivables from associates	10,092					10,092
Receivables from joint ventures	106,314					106,314
Receivables from controlling companies	24,068					24,068
Receivables from other companies	161					161
Other receivables	88,288				45,955	134,243
Other financial receivables	154,324					154,324
GROSS TOTAL	**752,745**	**46,010**	**21,551**	**22,300**	**123,502**	**966,108**
Provision for impairment of receivables						(58,083)
NET TOTAL						**908,025**
Advances, prepayments and accrued income						91,371
TOTAL						**999,396**

	31.12.2014					
		Past due				
(Euro/000)	Not yet due	0 – 1 month	1 – 4 months	4 – 12 months	Beyond 1 year	**Total**
Trade receivables:						
- from public entities	22,114	7,596	2,687	65,113	27,718	125,228
- indirectly from public entities (*)	5,889			3,353	3,830	13,072
- from private shipowners	313,264	42,684	13,876	10,175	65,261	445,260
TOTAL TRADE RECEIVABLES	**341,267**	**50,280**	**16,563**	**78,641**	**96,809**	**583,560**
Government grants financed by BIIS	40,790					40,790
Other government grants	16,122					16,122
Receivables from associates	9,402					9,402
Receivables from joint ventures	61,015					61,015
Receivables from controlling companies	23,687					23,687
Receivables from other companies	113					113
Other receivables	126,993				48,649	175,642
Other financial receivables	160,742					160,742
GROSS TOTAL	**780,131**	**50,280**	**16,563**	**78,641**	**145,458**	**1,071,073**
Provision for impairment of receivables						(61,961)
NET TOTAL						**1,009,112**
Advances, prepayments and accrued income						90,297
TOTAL						**1,099,409**

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

LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Group's net financial position reported net debt of euro 438 million at the end of 2015 compared with net cash of euro 44 million at the end of 2014. The change since the previous year is mainly due to the growing financial needs of cruise ship production, which has recently seen a rapid growth in volumes.

The following tables show the contractual maturities of 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.

	31.12.2015					
(Euro/000)	On demand	Within 1 year	Between 1 and 5 years	Beyond 5 years	Contractual cash flows	Carrying amount
Payables to controlling company		3,199	17,286	13,481	33,966	33,201
Payables to joint ventures	4,746	1,623			6,369	6,369
Bank loans and credit facilities	1,278	945,053	659,886	94,227	1,700,444	1,614,868
BIIS loans		8,146	29,176	133	37,455	34,110
Payables to suppliers	231,216	919,611	23,334	2	1,174,163	1,174,163
Finance lease obligations		298	19		317	317
Bond		11,250	322,500		333,750	297,604
Other financial liabilities		29,599	3,491	849	33,939	33,888
Other liabilities	4,694	164,669	11,070	1,266	181,699	181,699
TOTAL	**241,934**	**2,083,448**	**1,066,762**	**109,958**	**3,502,102**	**3,376,219**
Advances, accrued expenses and deferred income						42,264
TOTAL						**3,418,483**

	31.12.2014					
(Euro/000)	On demand	Within 1 year	Between 1 and 5 years	Beyond 5 years	Contractual cash flows	Carrying amount
Payables to controlling company		1,486	4,067	1,878	7,431	7,307
Payables to joint ventures	2,672	1,872			4,544	4,544
Bank loans and credit facilities	3,559	963,782	244,200	90,240	1,301,781	1,207,207
BIIS loans		8,146	32,589	4,866	45,601	40,790
Payables to suppliers	173,712	852,850	15,996	33	1,042,591	1,042,591
Finance lease obligations		368	318		686	647
Bond		11,250	332,425		343,675	296,835
Other financial liabilities	15,649	296	12,409	421	28,775	28,749
Other liabilities	4,806	189,063	6,911	5,699	206,479	206,479
TOTAL	**200,398**	**2,029,113**	**648,915**	**103,137**	**2,981,563**	**2,835,149**
Advances, accrued expenses and deferred income						69,765
TOTAL						**2,904,914**

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.

Currency risk

Exposure to currency risk arises primarily when shipbuilding contracts are denominated in foreign currencies and, to a lesser extent, 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 taken out depending on currency market trends and 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 2015, the Group was exposed to currency risk primarily in connection with certain orders in the cruise and offshore businesses. This risk was mitigated using hedging instruments.

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 changes in interest rates; this risk is hedged 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 hedged 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.

The Group arranged a cash flow hedge in 2009, still in place at 31 December 2015, against a long-term floating-rate loan taken out for refinancing purposes following the acquisition of Fincantieri Marine Group LLC. This cash flow hedge involves an interest rate swap that converts the floating rate into a fixed one.

Other market risks

The Group's production costs are affected by movements in the price of the principal raw materials used, such as steel, copper and fuel for sea trials and for powering ships when in dock. The Fincantieri Group endeavors, wherever possible, to enter into contracts which mitigate in the short term the risk of rising costs of goods and services. In addition, during 2015, the Group entered into swaps to fix the purchase price of part of its copper needs through until 2018.

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. Derivatives have tested positively as far as cash flow hedge effectiveness is concerned and so no ineffective portion of these hedges has needed to be expensed to profit or loss.

	31.12.2015			
(Euro/000)	Positive fair value	Notional amount	Negative fair value	Notional amount
CASH FLOW HEDGING DERIVATIVES				
Interest rate swaps			374	12,000
Forwards	2,361	215,225	70,328	600,626
FAIR VALUE HEDGING DERIVATIVES				
Interest rate swaps				
Forwards	35,963	461,521	384,403	1,089,902
Futures				
Options				
HEDGING DERIVATIVES WHICH DO NOT QUALIFY FOR HEDGE ACCOUNTING				
Interest rate swaps				
Forwards	111	15,125	293	9,481
Futures			4,339	16,932
Options			655	27,556
HELD-FOR-TRADING DERIVATIVES				
Interest rate swaps				
Forwards				
Futures				
Options	796	76,537	7,371	117,376

(Euro/000)	31.12.2014 Positive fair value	Notional amount	Negative fair value	Notional amount
CASH FLOW HEDGING DERIVATIVES				
Interest rate swaps			826	20,000
Forwards	458	31,572	462	31,572
FAIR VALUE HEDGING DERIVATIVES				
Interest rate swaps				
Forwards	44,431	498,351	246,381	1,488,037
Futures				
Options				
HEDGING DERIVATIVES WHICH DO NOT QUALIFY FOR HEDGE ACCOUNTING				
Interest rate swaps				
Forwards	221	7,239	17	508
Futures	425	9,000	1,864	14,090
Options	2,714	31,572	27,249	483,379
HELD-FOR-TRADING DERIVATIVES				
Interest rate swaps				
Forwards			588	12,767
Futures				
Options			12,950	252,533

The following tables provide an analysis of the maturity of derivative contracts. The amounts included in these tables represent undiscounted future cash flows, which refer to just the intrinsic value.

	31.12.2015			
(Euro/000)	Within 1 year	Between 1 and 5 years	Beyond 5 years	**Total**
CURRENCY RISK MANAGEMENT				
Outflow	1,459,798	460,770		**1,920,568**
Inflow	1,049,664	433,592		**1,483,256**
INTEREST RATE RISK MANAGEMENT				
Outflow	290	61		**351**
Inflow		3		**3**
COMMODITY PRICE RISK MANAGEMENT				
Outflow	13,667	3,265		**16,932**
Inflow	9,639	2,871		**12,510**

	31.12.2014			
(Euro/000)	Within 1 year	Between 1 and 5 years	Beyond 5 years	**Total**
CURRENCY RISK MANAGEMENT				
Outflow	1,239,217	1,235,157		**2,474,374**
Inflow	1,131,813	1,049,628		**2,181,441**
INTEREST RATE RISK MANAGEMENT				
Outflow	545	364		**909**
Inflow	50	32		**82**
COMMODITY PRICE RISK MANAGEMENT				
Outflow	12,475	10,615		**23,090**
Inflow	11,839	9,209		**21,048**

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.

MOVEMENTS IN THE CASH FLOW HEDGE RESERVE

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

	Equity			Profit or loss
(Euro/000)	Gross	Taxes	Net	
1.1.2014	**(1,048)**	**288**	**(760)**	**22,031**
Change in fair value	(248)	54	(194)	
Utilization	1,048	(288)	760	(760)
Other income/(expenses) for risk hedging				(59,932)
Finance income/(costs) relating to held-for-trading derivatives and time-value component of hedging derivatives				227
31.12.2014	**(248)**	**54**	**(194)**	**(60,465)**
	Equity			Profit or loss
(Euro/000)	Gross	Taxes	Net	
Change in fair value	(2,743)	857	(1,886)	
Utilization	248	(54)	194	(194)
Other income/(expenses) for risk hedging				(49,088)
Finance income/(costs) relating to held-for-trading derivatives and time-value component of hedging derivatives				(12,912)
31.12.2015	**(2,743)**	**857**	**(1,886)**	**(62,194)**

FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

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

(Euro/000)	A	B	C	D	E	F	**Total**	**Fair value**
					31.12.2015			
Investments carried at fair value					4,040		**4,040**	***4,040***
Derivative financial assets	36,870	2,361					**39,231**	***39,231***
Other financial assets				211,001			**211,001**	***198,320***
Trade receivables and other current assets				888,033			**888,033**	***888,033***
Cash and cash equivalents				259,507			**259,507**	***259,507***
Derivative financial liabilities	(397,061)	(70,702)					**(467,763)**	***(467,763)***
Other financial liabilities	(17,452)					(2,000,344)	**(2,017,796)**	***(2,040,128)***
Other non-current liabilities						(46,544)	**(46,544)**	***(46,544)***
Trade payables and other current liabilities						(1,366,765)	**(1,366,765)**	***(1,377,333)***
					31.12.2014			
Investments carried at fair value					6,703		**6,703**	***6,703***
Derivative financial assets	47,790	458					**48,248**	***48,248***
Other financial assets				227,630			**227,630**	***227,862***
Trade receivables and other current assets				975,051			**975,051**	***975,051***
Cash and cash equivalents				552,285			**552,285**	***552,285***
Derivative financial liabilities	(289,047)	(1,288)					**(290,335)**	***(290,335)***
Other financial liabilities	(15,649)					(1,568,555)	**(1,584,204)**	***(1,599,672)***
Other non-current liabilities						(45,506)	**(45,506)**	***(45,506)***
Trade payables and other current liabilities						(1,277,423)	**(1,277,423)**	***(1,277,423)***

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 = Held-to-maturity investments
D = Loans and receivables (including cash and cash equivalents)
E = Available-for-sale financial assets
F = 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 2015 and 2014 according to their level in the fair value hierarchy.

(Euro/000)	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
		31.12.2015		
Assets				
Available-for-sale financial assets				
Equity instruments	3,124		916	4,040
Debt instruments				
Hedging derivatives		38,435		38,435
Held-for-trading derivatives		796		796
Total assets	**3,124**	**39,231**	**916**	**43,271**
Liabilities				
Financial liabilities at fair value through profit or loss			17,452	17,452
Hedging derivatives		460,392		460,392
Held-for-trading derivatives		7,371		7,371
Total liabilities		**467,763**	**17,452**	**485,215**

Available-for-sale financial assets classified as Level 3 relate to equity investments carried at fair value. Level 3 also includes the financial liabilities relating to the fair value of options on equity investments calculated using valuation techniques whose inputs are not observable on the market. Movements in financial assets and liabilities classified as Level 3 are basically due to currency translation differences, which have had no impact on profit or loss.

(Euro/000)	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
		31.12.2014		
Assets				
Available-for-sale financial assets				
Equity instruments		5,750	952	6,702
Debt instruments				
Hedging derivatives		48,248		48,248
Held-for-trading derivatives				
Total assets		**53,998**	**952**	**54,950**
Liabilities				
Financial liabilities at fair value through profit or loss			15,649	15,649
Hedging derivatives		276,797		276,797
Held-for-trading derivatives		13,538		13,538
Total liabilities		**290,335**	**15,649**	**305,984**

Note 5 - Sensitivity analysis

CURRENCY RISK

With regard to currency risk, the Group has performed sensitivity analysis including and excluding the effect of derivatives, which are essentially related to hedging transactions, 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 work in progress, 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 2015 for individual exchange rates.

(Euro/million)	Effect on pre-tax profit	Pre-tax effect on equity	Effect on pre-tax profit	Pre-tax effect on equity
	31.12.2015		**31.12.2014**	
Including hedging derivatives				
Foreign currency appreciation	(237)	(332)	(209)	(211)
Foreign currency depreciation	215	291	185	187
Excluding hedging derivatives (*)				
Foreign currency appreciation	(16)	(16)	(8)	(8)
Foreign currency depreciation	16	16	8	8

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

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 2.3 million in the event of a 0.50% increase in interest rates and a positive impact of euro 2.2 million in the event of a 0.50% reduction.

Note 6 - Intangible assets

Movements in this line item are as follows:

(Euro/000)	Goodwill	Client relationships and order backlog	Develop-ment costs	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other intangibles	Intangibles in progress and advances	**Total**
- cost	299,813	210,397	26,832	81,229	14,602	6,203	20,047	659,123
- accumulated amortization and impairment losses		(25,134)	(12,557)	(77,949)	(723)	(3,428)		(119,791)
Net carrying amount at 1.1.2014	**299,813**	**185,263**	**14,275**	**3,280**	**13,879**	**2,775**	**20,047**	**539,332**
Movements in 2014 - business combinations	1,785					265		2,050
- additions			4,331	4,573	327	4,959	23,185	37,375
- net disposals					(5)			(5)
- reclassifications/ other			15,740	1,530	63		(17,342)	(9)
- amortization		(18,302)	(2,281)	(3,587)	(277)	(1,165)		(25,612)
- impairment losses								
- exchange rate differences	(36,401)	(9,900)	(77)		1,846	44		(44,488)
Closing net carrying amount	**265,197**	**157,061**	**31,988**	**5,796**	**15,833**	**6,878**	**25,890**	**508,643**
- cost	265,197	199,317	40,912	87,115	16,920	11,782	25,890	647,133
- accumulated amortization and impairment losses		(42,256)	(8,924)	(81,319)	(1,087)	(4,904)		(138,490)
Net carrying amount at 31.12.2014	**265,197**	**157,061**	**31,988**	**5,796**	**15,833**	**6,878**	**25,890**	**508,643**
Movements in 2015 - business combinations	3,065			4,805				7,870
- additions			3,579	1,109	495	962	32,988	39,133
- net disposals			(132)	(1)				(133)
- reclassifications/ other			11,998	1,920			(13,918)	
- amortization		(17,325)	(6,051)	(3,256)	(231)	(1,559)		(28,422)
- impairment losses								
- exchange rate differences	(4,648)	(5,667)	(176)	(327)	1,675	16	13	(9,114)
Closing net carrying amount	**263,614**	**134,069**	**41,206**	**10,046**	**17,772**	**6,297**	**44,973**	**517,977**
- cost	263,614	192,085	55,918	94,038	19,119	13,009	44,973	682,756
- accumulated amortization and impairment losses		(58,016)	(14,712)	(83,992)	(1,347)	(6,712)		(164,779)
Net carrying amount at 31.12.2015	**263,614**	**134,069**	**41,206**	**10,046**	**17,772**	**6,297**	**44,973**	**517,977**

Capital expenditure in 2015 has involved additions of euro 39,133 thousand (euro 37,375 thousand in 2014), mainly relating to the development of innovative devices and systems to improve cruise ship safety and reduce their level of pollution. Such costs have been capitalized in view of the long-term utility of the projects concerned, whose benefits are not limited to a specific ship, but will be applied to future new builds as well.

During 2015, the Group also expensed to profit or loss euro 90 million in research and development costs for various projects involving product and process innovations (euro 101 million in 2014), that will let the Group retain its leadership of all high-tech market sectors for the foreseeable future.

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

"Concession, licenses, trademarks and similar rights" include euro 16,993 thousand for trademarks with indefinite useful lives, reflecting the expectation for their use and referring to the names of the American shipyards acquired (namely Marinette and Bayshipbuilding); these trademarks have been allocated to the cash-generating unit ("CGU") representing the American group acquired. All such assets have nonetheless been allocated to their respective cash-generating units for the purposes of impairment testing, which has not revealed any evidence of impairment.

Goodwill amounts to euro 263,614 thousand at 31 December 2015. The increase of euro 3,065 thousand is due to the VARD Group's acquisition during the year of ICD Software AS, described in more detail in Note 2. This acquisition has also resulted in the addition of euro 4,805 thousand to "Industrial patents and intellectual property rights".

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") may not exceed the long-term average growth rates predicted for the markets in which the individual cash-generating units CGUs operate.

For the purpose of impairment testing, the Group uses cash flow projections based on the best information available at the time, in this case derived from the Strategic Plan 2016-2020 approved by Group Management.

The growth rate used to estimate cash flows beyond the explicit planning period is determined on the basis of realistic projections of estimated long-term sector growth, reflected in market data and information available to Group Management.

Expected future cash flows have been discounted using WACC (Weighted Average Cost of Capital) for the individual sectors to which the CGUs refer, as 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 growth rates ("g rate") used to project the cash flows of CGUs beyond the explicit planning period have been estimated on the basis of the anticipated growth scenarios for the individual sectors in which the CGUs operate.

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 the Group's past performance and with management expectations of performance in the markets concerned.

The following table shows the amount of goodwill allocated to each CGU, as well as the method used to determine recoverable amount, and the discount and growth rates adopted for this calculation.

CGU	Goodwill carrying amount	Recoverable amount	WACC post-tax	g rate	Cash flow period
FMG Group	72,993	Value in use	6.8%	2.1%	5 years
VARD Group	190,621	Value in use	8.7%	2.8%	5 years

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

FMG Group CGU

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, with reference to those assumptions, changes in which might reasonably cause the test results to be significantly different. This has shown that if, when calculating terminal value, WACC were to increase by 50 basis points or growth rates (g rate) to decrease by 50 basis points, recoverable amounts would still be significantly higher than carrying amounts.

VARD Group CGU

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, with reference to those assumptions, changes in which might reasonably cause the test results to be significantly different. This has shown that if, when calculating terminal value, WACC were to increase by 50 basis points or growth rates (g rate) to decrease by 50 basis points, recoverable amounts would still exceed carrying amounts.
Furthermore, the excess of the CGU's recoverable amount over its net invested capital would reduce to zero if any of the more important basic assumptions were to change as follows:

Reduction in terminal flow EBIT	WACC = 9.6%	*g rate = 1.7%*
-17.3%	+90 basis points	-110 basis points

Note 7 - Property, plant and equipment

Movements in this line item are as follows:

(Euro/000)	Land and buildings	Leased buildings	Industrial plant, machinery and equipment	Assets under concession	Extraordinary maintenance on leased assets	Other assets	Assets under construction and advances	**Total**
- cost	465,245	1,900	968,264	173,451	25,292	152,898	220,155	2,007,205
- accumulated depreciation and impairment losses	(167,434)	(1,425)	(706,412)	(115,537)	(19,167)	(100,685)		(1,110,660)
Net carrying amount at 1.1.2014	**297,811**	**475**	**261,852**	**57,914**	**6,125**	**52,213**	**220,155**	**896,545**
Movements in 2014 - business combinations			397					397
- additions	10,644		45,022	2,489	398	3,811	61,939	124,303
- net disposals	(353)		(502)			(22)		(877)
- reclassifications/ other changes	77,050	474	120,073	1,427	29	1,857	(200,735)	175
- depreciation	(14,092)	(239)	(50,200)	(3,455)	(857)	(4,754)		(73,597)
- impairment losses	(66)							(66)
- exchange rate differences	1,985	85	(1,371)		2	353	10,583	11,637
Closing net carrying amount	**372,979**	**795**	**375,271**	**58,375**	**5,697**	**53,458**	**91,942**	**958,517**
- cost	555,607	2,676	1,121,377	177,368	25,760	154,418	91,942	2,129,148
- accumulated depreciation and impairment losses	(182,628)	(1,881)	(746,106)	(118,993)	(20,063)	(100,960)		(1,170,631)
Net carrying amount at 31.12.2014	**372,979**	**795**	**375,271**	**58,375**	**5,697**	**53,458**	**91,942**	**958,517**
Movements in 2015 - business combinations			225					225
- additions	18,194		32,992	1,608	514	4,859	63,699	121,866
- net disposals	(436)		(663)		(21)	(43)	(472)	(1,635)
- reclassifications/ other changes	6,559		18,721	1,685	2,199	5,229	(34,382)	11
- depreciation	(15,276)	(390)	(54,811)	(3,642)	(1,040)	(5,480)		(80,639)
- impairment losses	(56)		(3,073)					(3,129)
- exchange rate differences	(8,617)	86	(11,807)		2	365	(1,340)	(21,311)
Closing net carrying amount	**373,347**	**491**	**356,855**	**58,026**	**7,351**	**58,388**	**119,447**	**973,905**
- cost	570,647	2,985	1,135,900	180,612	28,378	163,854	119,447	2,201,823
- accumulated depreciation and impairment losses	(197,300)	(2,494)	(779,045)	(122,586)	(21,027)	(105,466)		(1,227,918)
Net carrying amount at 31.12.2015	**373,347**	**491**	**356,855**	**58,026**	**7,351**	**58,388**	**119,447**	**973,905**

Capital expenditure in 2015 has resulted in additions of euro 121,866 thousand, mainly related to:

- modernization of hull-building technologies involving completion of the introduction of hybrid laser technology for welding process at the Monfalcone shipyard and the conduct of extraordinary maintenance work on cutting and welding systems at the Marghera shipyard;
- expenditure to optimize production unit logistical facilities within the Monfalcone, Marghera, Sestri and Ancona shipyards;
- the final stages of completion of the new Promar shipyard in Brazil;
- improved process automation at the Braila shipyard in Romania;
- continued implementation of new technologies to reduce the environmental impact of surface treatments, in particular thanks to the start of a major project at the Monfalcone shipyard focused on blasting and painting work;
- technological upgrading of safety systems pertaining to machinery and lifting equipment at all the main shipyards.

The impairment losses during the year refer to those recognized by the Vard Group against the Niteroi shipyard in Brazil based on its market value less costs to sell.

Vard Promar has been tested for impairment using as its estimated recoverable amount the value in use determined by 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 assumptions about inflation used to define the interest rate. The cash flow projections have been discounted using a WACC of 15%, while the g rate used to determine terminal value is 5%. The impairment test has shown that the asset's recoverable amount exceeds its carrying amount, meaning that no impairment loss needs to be recognized.

With reference to the Fincantieri stockmarket capitalization, which was below the Group's net equity value at 31 December 2015, the carrying amount of assets has been tested to verify recoverability. The related impairment test has shown that recoverable amounts are well above carrying amounts, meaning that no impairment loss needs to be recognized.

The other changes include the reclassification of amounts reported at the end of the previous year in "Assets under construction and advances" to the relevant asset categories once the assets entered service.

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

As at 31 December 2015, the amount of the Group's property, plant and machinery pledged as collateral against loans received was approximately euro 226 million (euro 167 million at the end of 2014).

Contractual commitments already given to third parties as of 31 December 2015 for capital expenditure not yet reflected in the financial statements amounted to approximately euro 62 million, of which euro 52 million for Property, plant and equipment and euro 10 million for Intangible assets.

Note 8 – 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 cost	Other companies carried at fair value	**Total other investments**	**Total**
1.1.2014	45,849	15,798	**61,647**	1,527	7,390	**8,917**	**70,564**
Business combinations	646		**646**				**646**
Additions	3,134		**3,134**	10		**10**	**3,144**
Revaluations/ (Impairment losses) through profit or loss	4,184	865	**5,049**	(538)		**(538)**	**4,511**
Revaluations/ (Impairment losses) through equity	(2,964)		**(2,964)**				**(2,964)**
Disposals	(11,790)		**(11,790)**	(17)	(24)	**(41)**	**(11,831)**
Dividends from investments accounted for using the equity method							
Reclassifications/ Other				(1)	(119)	**(120)**	**(120)**
Exchange rate differences	(2,926)		**(2,926)**		(545)	**(545)**	**(3,471)**
31.12.2014	36,133	16,663	**52,796**	981	6,702	**7,683**	**60,479**
Business combinations							
Additions	1,364	4,987	**6,351**	129	21	**150**	**6,501**
Revaluations/ (Impairment losses) through profit or loss	49	(145)	**(96)**		(2,458)	**(2,458)**	**(2,554)**
Revaluations/ (Impairment losses) through equity	(345)	19	**(326)**				**(326)**
Disposals				(4)		**(4)**	**(4)**
Dividends from investments accounted for using the equity method							
Reclassifications/ Other	526		**526**				**526**
Exchange rate differences	(2,175)		**(2,175)**		(225)	**(225)**	**(2,400)**
31.12.2015	35,552	21,524	**57,076**	1,106	4,040	**5,146**	**62,222**

With regard to investments in joint ventures, reference should be made to Note 2 concerning the acquisition by FINCANTIERI S.p.A. in May 2015 of a joint interest in the Camper & Nicholsons International group, a global leader in all luxury yachting activities.

"Revaluations/(impairment losses) through profit or loss" of investments accounted for using the equity method (associates and joint ventures) include euro 96 thousand for the recognition of the Group's share of the loss for the year of associates and joint ventures; "revaluations/(impairment losses) through equity" report a negative balance of euro 326 thousand.

"Other investments" include euro 4,040 thousand in investments carried at fair value, calculated on the basis of the related prices if quoted in active markets (Level 1), or using valuation techniques whose inputs are not observable on the market (Level 3). The change in the fair value of such investments has resulted in the recognition of net impairment losses of euro 2,458 thousand during the year.

Assessments of the investments at the reporting date have not revealed any other indications of impairment.

Investments at 31 December 2015

Company name	Registered office	% owned	Carrying amount
Investments in associates accounted for using the equity method			
Unifer Navale S.r.l.	Modena	20.00	30
Castor Drilling Solution AS	Norway	34.07	1,164
Olympic Challenger KS	Norway	35.00	13,872
Bridge Eiendom AS	Norway	50.00	278
Brevik Technology AS	Norway	34.00	71
Møkster Supply AS	Norway	40.00	614
Møkster Supply KS	Norway	36.00	4,578
Rem Supply AS	Norway	26.66	11,299
Olympic Green Energy KS	Norway	30.00	2,033
DOF Iceman AS	Norway	50.00	
Taklift AS	Norway	25.47	354
Dameco AS	Norway	34.00	9
CSS Design Ltd.	British Virgin Islands	31.00	1,250
Total investments in associates accounted for using the equity method			**35,552**
Investments in joint ventures accounted for using the equity method			
Orizzonte Sistemi Navali S.p.A.	Genoa	51.00	17,360
Etihad Ship Building LLC	Arab Emirates	35.00	
Camper & Nicholsons International SA	Luxembourg	17.63	4,164
Total investments in joint ventures accounted for using the equity method			**21,524**
Other investments			
Friulia S.p.A.	Trieste	0.53	869
EEIG Euroyards	Brussels	14.29	10
Consorzio CONAI	Rome	(*)	1
Consorzio IMAST Scarl	Naples	3.24	22
SIIT- Distretto Tecnologico Ligure sui Sistemi Intelligenti Integrati S.c.p.a	Genoa	2.80	14
Consorzio MIB	Trieste	(*)	2
Cons.Ric.Innov.Tec.Sicilia Trasp. Navali Scarl	Messina	6.00	28
Distretto Ligure delle Tecnologie Marine Scarl	La Spezia	10.66	115
International Business Science Company Scarl	Trieste	18.18	10
Consorzio F.S.B. (**)	Venice - Marghera	58.36	5
MARE^{TC} FVG – Maritime Technology cluster FVG S.c.a.r.l.(***)	Monfalcone (Gorizia)	16.48	30
Moldekraft AS	Norway	8.00	521
Klosterøya Vest Holding AS	Norway	6.00	395
REM Offshore ASA	Norway	4.92	3,124
Total other investments			**5,146**

(*) % interest not shown, as consortium membership is subject to continuous change.

(**) Consortium for recharging costs.

(***) Known as DITENAVE S.c.a.r.l. – Distretto Tecnologico Navale e Nautico del Friuli Venezia Giulia at 31.12.2014. The Extraordinary General Meeting on 19 October 2015 approved a divisible share capital increase for cash from euro 150 thousand to euro 500 thousand, meaning for a total of euro 350 thousand (of which euro 150 thousand to be offered for subscription and pre-emption to shareholders and euro 200 thousand directly to third parties, excluding subscription rights for existing shareholders).

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 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 jointly controlled with other shareholders who hold the remainder of share capital.
Camper & Nicholsons International SA was acquired on 21 May 2015 for euro 4,987 thousand by subscribing to a reserved capital increase (representing 17.63% of the capital of Camper & Nicholsons International S.A.); at the same time, two call and put options were agreed with the minority shareholder, at an exercise price of euro 9.2 million, over its remaining shares to bring the Fincantieri interest to 50%. Given the nature of the agreements signed, this constitutes a joint venture arrangement and so Camper & Nicholsons International SA and its subsidiaries have been consolidated using the equity method.

Disclosures relating to investments in associates

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)	31.12.2015	31.12.2014
Profit (loss) from operations in the year	49	4,184
Other comprehensive income	(345)	(2,964)
Total comprehensive income	**(296)**	**1,220**

Other comprehensive income includes the reporting-date fair value of ships being built at the Group's shipyards on behalf of associates.
As at 31 December 2015, the Group has commitments for future capital contributions totaling euro 12,035 thousand in respect of 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 2015 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.

Condensed balance sheet

(Euro/000)	31.12.2015	31.12.2014
ASSETS	**349,386**	**335,563**
NON-CURRENT	**1,470**	**951**
Other assets	1,470	951
CURRENT	**347,916**	**334,612**
Other assets	223,532	196,309
Financial assets	1,156	337
Cash and cash equivalents	123,228	137,966
LIABILITIES	**314,687**	**302,211**
NON-CURRENT	**269**	**459**
Other liabilities	269	459
CURRENT	**314,418**	**301,752**
Other liabilities	314,418	301,752
EQUITY	**34,699**	**33,352**

Condensed comprehensive statement of income

(Euro/000)	2015	2014
Revenue	636,773	754,037
Depreciation and amortization	(237)	(240)
Interest income	2,803	4,749
Pre-tax profit from recurring operations	**1,446**	**2,541**
Income taxes	(80)	(258)
Net profit from recurring operations	**1,366**	**2,283**
Other comprehensive income/(losses)		
TOTAL COMPREHENSIVE INCOME/(LOSS)	**1,366**	**2,283**

Reconciliation with carrying amount

(Euro/000)	31.12.2015	31.12.2014
Equity at 01.01	**33,333**	**31,069**
Profit/(loss) for period	1,366	2,283
Equity at 31.12	**34,699**	**33,352**
51% interest in joint venture	17,696	17,010
Other changes	(336)	(347)
Carrying amount	**17,360**	**16,663**

Disclosures relating to non-controlling interests material to the Group

Given the materiality of the non-controlling interests in Vard Holdings Limited (44.37%), the parent company of the VARD Group, over which FINCANTIERI S.p.A. has control with an interest of 55.63%, the following tables present summarized financial information for the VARD Group as a whole. Dealings between the Fincantieri Group and the VARD Group are governed by the authorization procedures contained in the regulations for related party transactions ("IPT Mandate": Interested Person Transactions Mandate), approved by the shareholders of Vard Holdings in General Meeting. It should be noted that although there are currently no cash pooling arrangements between the Fincantieri Group and the VARD Group, cash can nonetheless be transferred between the two entities in accordance with the procedures contained in the IPT Mandate.

Condensed balance sheet

(Euro/million)	31.12.2015	31.12.2014
ASSETS	**2,177**	**2,151**
NON-CURRENT	**392**	**419**
Other assets	301	339
Financial assets	91	80
CURRENT	**1,785**	**1,732**
Other assets	1,638	1,452
Financial assets	51	59
Cash and cash equivalents	96	221
LIABILITIES	**1,869**	**1,724**
NON-CURRENT	**147**	**160**
Other liabilities	22	27
Financial liabilities	125	133
CURRENT	**1,722**	**1,564**
Other liabilities	652	672
Financial liabilities	1,070	892
EQUITY	**308**	**427**

Condensed comprehensive statement of income

(Euro/million)	2015	2014
Revenue	1,263	1,547
Depreciation and amortization	(26)	(23)
Interest income	3	4
Interest expense	(9)	(2)
Pre-tax profit from recurring operations	**(135)**	**29**
Income taxes	(9)	(23)
Net profit from recurring operations	**(144)**	**6**
Net profit from non-recurring operations		
TOTAL PROFIT/(LOSS) FOR THE YEAR	**(144)**	**6**
Other comprehensive income/(losses)	41	11
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(103)**	**17**
- attributable to owners of the parent	*(37)*	*53*
- attributable to non-controlling interests	*(66)*	*(36)*

Condensed statement of cash flows

(Euro/million)	31.12.2015	31.12.2014
Cash flows from operating activities		
Gross cash flows from operating activities	(104)	109
Interest paid	(7)	(1)
Taxes paid	(21)	(25)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**(132)**	**83**
NET CASH FLOWS FROM INVESTING ACTIVITIES	**(35)**	**(104)**
NET CASH FLOWS FROM FINANCING ACTIVITIES	**24**	**52**
Net cash flows for the period	**(143)**	**31**
Cash and cash equivalents at beginning of year	221	209
Exchange rate differences for cash and cash equivalents [*]	(4)	(23)
Term deposits	22	4
Cash and cash equivalents at end of year (including term deposits)	96	221

(*) Including NOK/EUR exchange rate differences

Note 9 – Non-current financial assets

These are analyzed as follows:

(Euro/000)	31.12.2015	31.12.2014
Grants financed by BIIS	27,177	34,110
Derivative assets	1,598	504
Other non-current financial receivables	103,750	82,719
Non-current financial receivables from investee companies	9,061	7,147
NON-CURRENT FINANCIAL ASSETS	**141,586**	**124,480**

The above grants relate to production grants under Italian Law 431/91. In detail, during 2004 the Group received a total of euro 92.8 million in capital grants from the Ministry of Infrastructure and Transport. In accordance with the Ministerial Decree approving these grants, i) the Group has entered into a fifteen-year loan for such amount with Banca Infrastrutture Innovazione e Sviluppo (BIIS), due to be extinguished in 2019 (recognized under financial liabilities), ii) the loan is repaid directly by the Ministry of Infrastructure and Transport to BIIS.
Given the nature of the financial receivables and financial liabilities in question, the repayment of the loan with BIIS has no impact on the Group's cash flows.
"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" report loans to third parties bearing market rates of interest. The increase in this balance is attributable to the grant of new loans to shipowners.
"Non-current financial receivables from investee companies" refer to market rate loans to VARD Group companies that are not consolidated line-by-line.

Note 10 – Other non-current assets

Other non-current assets are analyzed as follows:

(Euro/000)	31.12.2015	31.12.2014
Other receivables from investee companies	704	972
Government grants receivable	1,573	2,011
Firm commitments	1,065	
Other receivables	7,386	11,722
OTHER NON-CURRENT ASSETS	**10,728**	**14,705**

Other non-current assets are all stated net of the related provision for impairment.

"Government grants receivable" reports the non-current portion of state aid granted by governments in the form of tax credits.

(Euro/000)	31.12.2015	31.12.2014
- between one and two years	625	601
- between two and three years	423	560
- between three and four years		470
- between four and five years		380
- beyond five years	525	
Total	**1,573**	**2,011**

"Firm commitments" reflect the fair value of hedged items in fair value hedges used by the VARD Group to hedge currency risk arising on construction contracts in currencies other than the functional currency.

"Other receivables" of euro 7,386 thousand (euro 11,722 thousand at 31 December 2014) include euro 4,693 thousand in amounts owed by the Iraqi Ministry of Defense, as discussed in more detail in the specific section on litigation in Note 32. The remaining balance of euro 2,693 thousand (euro 7,029 thousand at 31 December 2014) refers to 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 1.1.2014	**16,656**
Utilizations	
Increases/(Releases)	
Total at 31.12.2014	**16,656**
Utilizations	
Increases/(Releases)	(552)
Total at 31.12.2015	**16,104**

During 2015, the sum of euro 552 thousand was released from the provision after collecting a receivable that had been written off in full in the past.

Note 11 - Deferred tax assets and liabilities

Deferred tax assets are analyzed as follows:

(Euro/000)	Sundry impairment losses	Product warranty	Other risks and charges	Business com-binations	Fair value derivatives	Actuarial valuation employee severance benefit	Carry-forward tax losses	Other temporary differences	**Total**
1.1.2014	**63,252**	**8,924**	**14,363**	**11,332**	**288**	**7,546**	**36,871**	**25,075**	**167,651**
Changes in 2014									
- business combinations									
- through profit or loss	(39,093)	3,420	4,448	(11,344)		145	4,427	2,272	(35,725)
- impairment losses									
- through other comprehensive income					(235)	2,122	176	3,777	5,840
- other changes	283	453	14				17,247	(17,672)	325
- exchange rate differences	576	35	(334)	12			419	2,115	2,823
31.12.2014	**25,018**	**12,832**	**18,491**	**-**	**53**	**9,813**	**59,140**	**15,567**	**140,914**
Changes in 2015									
- business combinations							(705)		(705)
- through profit or loss	24,854	(3,357)	(3,445)			(2,380)	(3,434)	7,643	19,881
- impairment losses									
- through other comprehensive income					804	(1,433)			(629)
- other changes	(2,861)	(1,321)	(1,516)			(706)	(4,633)	195	(10,842)
- exchange rate differences	33	60	20				607	1,635	2,355
31.12.2015	**47,044**	**8,214**	**13,550**	**-**	**857**	**5,294**	**50,975**	**25,040**	**150,974**

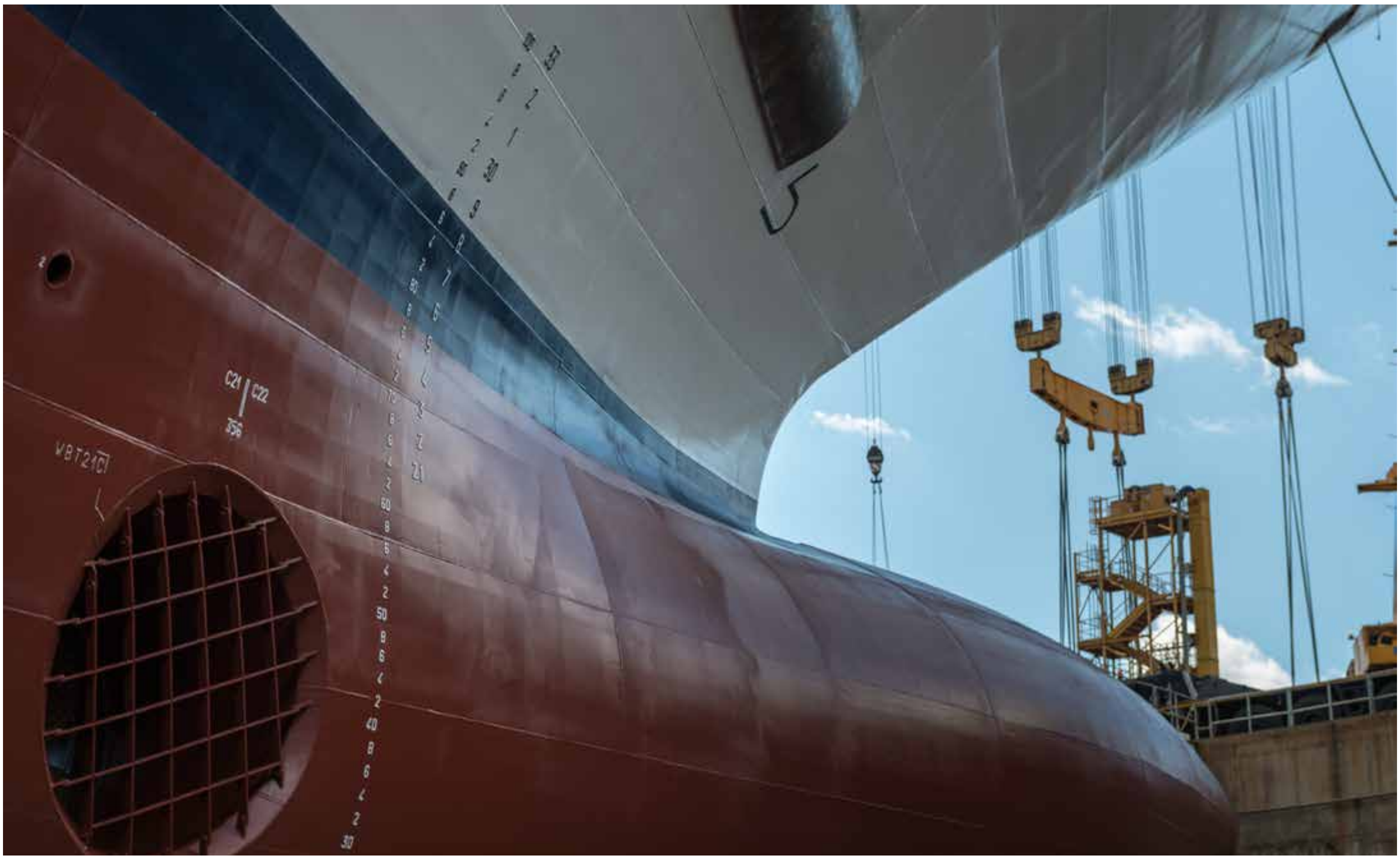
Deferred tax assets have been recognized on items for which the tax is likely to be recovered against forecast future taxable income of Group companies. In addition, some euro 32 million of the deferred tax assets are largely offsettable against the deferred tax liabilities discussed below. In particular, as far as Parent Company deferred tax assets are concerned, amounting to euro 106 million, a plan of recovery has been drawn up in which projected future taxable income is based on the Strategic Plan 2016-2020 and indicates a substantial recovery of the deferred tax assets. No deferred tax assets have been recognized on euro 72 million (euro 43 million at 31 December 2014) in carryforward 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**
1.1.2014	**68,078**	**19,759**	**87,837**
Changes in 2014			
- business combinations			
- through profit or loss	(5,392)	1,186	**(4,206)**
- impairment losses			
- through other comprehensive income			
- exchange rate differences	(644)	1,290	**646**
31.12.2014	**62,042**	**22,235**	**84,277**
Changes in 2015			
- business combinations			
- through profit or loss	(5,164)	277	(4,887)
- impairment losses			
- through other comprehensive income			
- exchange rate differences	453	1,703	**2,156**
31.12.2015	**57,331**	**24,215**	**81,546**

The deferred tax liabilities for business combinations relate to differences arising when allocating purchase price to intangible assets with indefinite useful lives, primarily client relationships and order backlog.

The other temporary differences relate primarily to the difference between book and fiscal values of fixed assets, mainly for the American subsidiaries.



Note 12 - Inventories and advances

These are analyzed as follows:

(Euro/000)	31.12.2015	31.12.2014
Raw materials and consumables	200,935	178,137
Work in progress and semi-finished goods	33,290	12,972
Finished products	31,263	6,191
Merchandise		
Total inventories	**265,488**	**197,300**
Advances to suppliers	139,420	191,167
TOTAL INVENTORIES AND ADVANCES	**404,908**	**388,467**

Inventories and advances are stated net of relevant provisions for impairment.

Raw materials and consumables represent the amount of stock considered to be sufficient for normal production activities.

Work in progress and semi-finished goods and finished products mainly refer to the manufacture of engines and spare parts.

Slow-moving inventories still in stock at year end have been written down to their estimated realizable value. The following table presents the amount of and movements in such provisions for impairment:

(Euro/000)	Provision for impairment - raw materials	Provision for impairment - finished products
1.1.2014	**16,131**	**2,586**
Increases	2,316	113
Utilizations	(3,831)	(141)
Releases	(798)	
Exchange rate differences	24	102
31.12.2014	**13,842**	**2,660**
Increases	4,326	
Utilizations	(3,297)	(50)
Releases	(924)	
Exchange rate differences	25	98
31.12.2015	**13,972**	**2,708**

Note 13 - Construction contracts - assets

These are analyzed as follows:

(Euro/000)	31.12.2015 Construction contracts – gross	31.12.2015 Invoices issued and provision for future losses	31.12.2015 Construction contracts - net assets	31.12.2014 Construction contracts – gross	31.12.2014 Invoices issued and provision for future losses	31.12.2014 Construction contracts - net assets
Shipbuilding contracts	5,766,765	3,224,293	2,542,472	3,459,144	1,819,107	1,640,037
Other contracts for third parties	23,760	12,110	11,650	19,755	10,514	9,241
Total	**5,790,525**	**3,236,403**	**2,554,122**	**3,478,899**	**1,829,621**	**1,649,278**

"Construction contracts - assets" report 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.

Note 14 - Trade receivables and other current assets

These are analyzed as follows:

(Euro/000)	31.12.2015	31.12.2014
Trade receivables	560,018	610,140
Receivables from controlling companies (tax consolidation)	24,068	23,443
Government grants receivable	13,733	14,111
Other sundry receivables	90,027	90,831
Indirect tax receivables	32,916	42,639
Firm commitments	133,439	157,802
Accrued income	32,771	35,750
Prepayments	1,061	335
TOTAL TRADE RECEIVABLES AND OTHER CURRENT ASSETS	**888,033**	**975,051**

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. The provision for past due interest relates to interest charged on the late payment of trade receivables.
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**
1.1.2014	**34,446**	**454**	**6,117**	**41,017**
Business combinations				
Utilizations	(1,883)	(391)		(2,274)
Increases/(Releases)	2,418		165	2,583
Exchange rate differences	(363)			(363)
31.12.2014	**34,618**	**63**	**6,282**	**40,963**
Business combinations				
Utilizations	(2,080)		(73)	(2,153)
Increases/(Releases)	609		206	815
Exchange rate differences	312			312
31.12.2015	**33,459**	**63**	**6,415**	**39,937**

"Government grants receivable" include the recognition by the FMGH Group of operating and capital grants from the state of Wisconsin for the LCS project. This same line item also includes grants receivable for research and innovation, mainly by the Parent Company.
"Other sundry receivables" of euro 90,027 thousand mainly include:

- euro 71,656 thousand for research and building grants, insurance claims, advances to suppliers, sundry receivables from employees and other miscellaneous receivables, mostly relating to the Parent Company (euro 60,297 thousand at 31 December 2014);
- euro 16,701 thousand for the current portion of government grants receivable by shipyards and by shipowners, assigned to Fincantieri as part of the contract price (euro 16,701 thousand at 31 December 2014);
- euro 1,670 thousand for receivables from social security institutions (euro 13,787 thousand at 31 December 2014), most of which advances paid to employees for accidents and amounts owed by INPS (the Italian social security administration) in respect of the Extraordinary Wage Guarantee Fund.

"Indirect tax receivables" of euro 32,916 thousand (euro 42,639 thousand at 31 December 2014) 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" reflect the fair value of hedged items in fair value hedges used by the VARD Group to hedge currency risk arising on construction contracts in currencies other than the functional currency.
"Prepayments" mainly refer to insurance premiums relating to future periods.

Note 15 – Income tax assets

(Euro/000)	31.12.2015	31.12.2014
Italian corporate income taxation (IRES)	23,663	46,825
Italian regional tax on productive activities (IRAP)	4,446	2,318
Foreign tax	6,757	5,389
TOTAL INCOME TAX ASSETS	**34,866**	**54,532**

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 1.1.2014	**2,081**
Increases/(Releases)	2,300
Other changes	(39)
Total at 31.12.2014	**4,342**
Increases/(Releases)	(2,300)
Other changes	
Total at 31.12.2015	**2,042**

Note 16 – Current financial assets

These are analyzed as follows:

(Euro/000)	31.12.2015	31.12.2014
Derivative assets	37,633	47,744
Other receivables	51,326	79,419
Government grants financed by BIIS	6,933	6,680
Accrued interest income	1,169	2,426
Prepaid interest and other financial expense	857	424
TOTAL CURRENT FINANCIAL ASSETS	**97,918**	**136,693**

"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" include interest-bearing receivables from clients and deposits made by the VARD Group as security for certain contractual obligations to its lenders.
"Government grants financed by BIIS" (Banca Infrastrutture Innovazione e Sviluppo) refer to the current portion of government grants receivable by shipyards and by shipowners, assigned to Fincantieri as part of contract price. Note 9 contains information about the non-current portion of these grants.

Note 17 - Cash and cash equivalents

These are analyzed as follows:

(Euro/000)	31.12.2015	31.12.2014
Bank and postal deposits	259,377	552,178
Checks		
Cash on hand	130	107
TOTAL CASH AND CASH EQUIVALENTS	**259,507**	**552,285**

Cash and cash equivalents at period end include euro 21,108 thousand in term bank deposits maturing within 3 months; the remainder refers to the balances on current accounts held with a number of banks.

Note 18 - Equity

EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT

The Ordinary Shareholders' Meeting held on 28 April 2015 adopted a resolution to apportion the Parent Company's profit for 2014 so as to increase the Legal reserve by euro 1,875,969.61 and the Extraordinary reserve, classified among Other reserves and retained earnings, by euro 35,643,422.68.

The composition of equity is analyzed in the following table:

(Euro/000)	31.12.2015	31.12.2014
Attributable to owners of the parent		
Share capital	862,981	862,981
Share premium reserve	110,499	110,499
Legal reserve	33,392	31,516
Cash flow hedge reserve	(1,886)	(194)
Available-for-sale fair value reserve	(226)	(226)
Currency translation reserve	(78,889)	(81,401)
Other reserves and retained earnings	386,755	319,907
Profit/(loss) for the year	(174,607)	66,935
	1,138,019	**1,310,017**
Attributable to non-controlling interests		
Capital and reserves	257,364	267,953
Available-for-sale fair value reserve	(180)	(180)
Currency translation reserve	(14,958)	(36,243)
Profit/(loss) for the year	(114,147)	(11,655)
	128,079	**219,875**
TOTAL EQUITY	**1,266,098**	**1,529,892**

SHARE CAPITAL

A statement confirming execution of the capital increase approved by resolution of the Extraordinary Shareholders' Meeting held on 5 May 2014 was formally lodged with the Trieste Company Registry on 3 July 2014; this increase, involving the issue of 450,000,000 new shares, was completed on 3 July 2014 following the Company's admission to listing on the main Italian stock market (*Mercato Telematico Azionario* or MTA). As a result, the share capital of FINCANTIERI S.p.A. now amounts to euro 862,980,726, fully paid-in, divided into 1,692,119,070 ordinary shares with no par value.

The number of shares is unchanged compared with the previous year.

The application period for the allocation of bonus shares to entitled shareholders ended on 31 August 2015, as specified in paragraph 5.2.3.4 of the Initial Italian Public Offering Prospectus for the listing of its ordinary shares on the Electronic Stock Market (MTA), organized and managed by Borsa Italiana S.p.A.. The bonus shares were made available by the Selling Shareholder Fintecna S.p.A. to subscribers who had been allotted Shares under the Italian Public Offering, and had held full and continuous ownership of such shares for twelve months from the Settlement Date (i.e. from 3 July 2014), provided that the shares had remained deposited with a Bookrunner or other authorized intermediaries participating in the centralized management system of Monte Titoli S.p.A.. The allotment of the bonus shares took place on 30 September 2015 and, as a result of the applications received, a total of 14,735,406 ordinary shares were allotted, of which 14,272,716 to the general public and 462,690 to Fincantieri employees.

SHARE PREMIUM RESERVE

This reserve has been recorded as a result of the capital increase accompanying the Company's listing on the Italian Electronic Stock Market 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.

NON-CONTROLLING INTERESTS

Most of the change compared with 31 December 2014 is due to comprehensive income for the year attributable to non-controlling interests. The remainder of the change mainly reflects an increase in non-controlling interests following the VARD Group's acquisition of ICD Software AS during the year, as described in Note 2.

OTHER COMPREHENSIVE INCOME/LOSSES

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

	31.12.2015			31.12.2014		
(Euro/000)	Gross amount	Tax (expense)/ benefit	Net amount	Gross amount	Tax (expense)/ benefit	Net amount
Effective portion of profits/(losses) on cash flow hedging instruments	(2,495)	803	(1,692)	800	(234)	566
Gains/(losses) from remeasurement of employee defined benefit plans	3,357	(1,374)	1,983	(7,685)	2,091	(5,594)
Gains/(losses) arising from changes in OCI of investments accounted for using the equity method	(345)		(345)	(2,964)		(2,964)
Gains/(losses) arising on translation of financial statements of foreign operations	23,086		23,086	(55,318)	176	(55,142)
Total other comprehensive income/ (losses)	**23,603**	**(571)**	**23,032**	**(65,167)**	**2,033**	**(63,134)**

(Euro/000)	31.12.2015	31.12.2014
Effective portion of profits/(losses) arising in period on cash flow hedging instruments	(2,743)	(248)
Effective portion of profits/(losses) on cash flow hedging instruments reclassified to profit or loss	248	1,048
Effective portion of profits/(losses) on cash flow hedging instruments	**(2,495)**	**800**
Tax effect of other components of comprehensive income	**803**	**(234)**
TOTAL OTHER COMPREHENSIVE INCOME/(LOSSES), NET OF TAX	**(1,692)**	**566**

Note 19 - Provisions for risks and charges

These are analyzed as follows:

(Euro/000)	Litigation	Product warranty	Agent indemnity benefit	Business reorganization	Other risks and charges	**Total**
1.1.2014	**44,336**	**56,738**	**110**	**4,775**	**44,808**	**150,767**
Business combinations						
Increases	18,785	34,566	8		8,242	61,601
Utilizations	(19,831)	(24,382)	(7)	(4,775)	(333)	(49,328)
Releases	(132)	(11,671)			(8,773)	(20,576)
Other movements	(231)	(1)			(13,159)	(13,391)
Exchange rate differences	(95)	44			(537)	(588)
31.12.2014	**42,832**	**55,294**	**111**		**30,248**	**128,485**
Business combinations						
Increases	28,112	24,513	11	1,769	3,182	57,587
Utilizations	(25,212)	(22,326)			(721)	(48,259)
Releases	(73)	(19,497)	(4)		(2,114)	(21,688)
Other movements					(3,707)	(3,707)
Exchange rate differences	(110)	90		(120)	(313)	(453)
31.12.2015	**45,549**	**38,074**	**118**	**1,649**	**26,575**	**111,965**
- of which non-current portion	*44,256*	*30,375*	*118*		*24,016*	*98,765*
- of which current portion	*1,293*	*7,699*		*1,649*	*2,559*	*13,200*

The main component of the "Litigation" provision relates to precautionary provisions for claims brought by employees, authorities or third parties for damages arising from asbestos exposure. The remainder of the litigation provision relates to lawsuits with employees and suppliers and to other legal proceedings.

The "Product warranty" provision relates to 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, but in some cases it may be longer.

The "Business reorganization" provision has been set aside for the cost of the reorganization programs initiated by VARD in its Romanian and Norwegian shipyards.

The provision for "Other risks and charges" includes euro 8,410 thousand for environmental clean-up costs, while the remainder relates 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.

Note 20 - Employee benefits

Movements in this line item are as follows:

(Euro/000)	2015	2014
Opening balance	**62,220**	**60,486**
Business combinations		
Interest cost	1,012	1,925
Actuarial (gains)/losses	(3,418)	7,717
Utilizations for benefits and advances paid	(4,003)	(7,677)
Staff transfers and other movements	826	(222)
Exchange rate differences	1	(9)
Closing balance	**56,638**	**62,220**
Plan assets	(64)	(79)
Closing balance	**56,574**	**62,141**

The balance at 31 December 2015 of euro 56,574 thousand comprises euro 55,889 thousand for employee severance benefit pertaining to the Group's Italian companies.

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:

	31.12.2015	31.12.2014
ECONOMIC ASSUMPTIONS		
Cost of living increase	From 1.5% per annum in 2016 to 2.0% per annum from 2020 on	From 0.6% per annum in 2015 to 2.0% per annum from 2019 on
Discount rate	2.03% per annum	1.49% per annum
Increase in employee severance benefit	From 2.625% per annum in 2016 to 3.0% per annum from 2020 on	From 1.95% per annum in 2015 to 3.0% per annum from 2019 on
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% per annum	3.0% per annum
Expected rate of advances on employee severance benefit	2.0% per annum	2.0% per annum

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	3,237
Between 1 and 2 years	3,315
Between 2 and 3 years	3,037
Between 3 and 4 years	2,924
Between 4 and 5 years	2,922
Total	**15,435**

The Group paid a total of euro 34,474 thousand into defined contribution plans in 2015 (euro 32,985 thousand in 2014).

Note 21 – Non-current financial liabilities

These are analyzed as follows:

(Euro/000)	31.12.2015	31.12.2014
Bond	297,604	296,835
Bank loans and credit facilities - non-current portion	298,490	290,364
Loans from BIIS - non-current portion	27,177	34,110
Liabilities to other lenders	4,300	1,040
Finance lease obligations	19	310
Financial liabilities for the acquisition of equity investments		11,770
Derivative liabilities	10,108	18,489
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**637,698**	**652,918**

BOND

This refers to the bonds placed by FINCANTIERI S.p.A. on 19 November 2013 on the Luxembourg Stock Exchange at a below par price of euro 99.442. These bonds, subscribed solely by institutional investors, will be repaid in a lump sum on 19 November 2018 and carry a fixed coupon of 3.75% payable annually.
The Bond does not envisage any financial covenants and is not secured by collateral.
The Bond Regulations allow holders to request early redemption of the bonds in the event of a change of control. The Regulations also contain a series of standard events of default triggering immediate repayment of the Bond; these include i) non-payment of either principal or interest due in respect of the Bond, ii) cross-acceleration, in the event of non-payment or default against indebtedness of the Company or one of its Material Subsidiaries totaling at least euro 30 million,

iii) enforcement of guarantees over any assets of the Company or any of its Material Subsidiaries with an aggregate value of at least euro 30 million, iv) the start of insolvency proceedings by the Company or any of its Material Subsidiaries, v) the issue of a final judgement for the payment of more than euro 30 million by the Company or one of its Material Subsidiaries when such sentence is not discharged or challenged within 90 days. The Bond Regulations also contain a number of restrictions on the Company and its subsidiaries, with some exceptions related to the Group's ordinary business. In particular, they contain negative pledge clauses (which limit the possibility of giving the Group's assets as security to other lenders, unless such guarantees are also extended to the Bond) and clauses that limit the assumption of new indebtedness by subsidiaries.

BANK LOANS AND CREDIT FACILITIES

The following table presents the composition of bank loans and credit facilities, including disclosure of the non-current portion and the current portion reclassified to current financial liabilities:

(Euro/000)	31.12.2015	31.12.2014
European Investment Bank		126,667
Banca Carige S.p.A.	12,000	20,000
Banca Mediocredito del Friuli Venezia Giulia S.p.A.	21,035	25,305
Mediobanca	65,000	
Banca Popolare di Ancona	30,000	
Banca Popolare dell'Emilia Romagna	25,000	
Cassa di Risparmio di San Miniato	15,000	
Cassa Depositi e Prestiti S.p.A.	33,086	7,280
Unicredit Tiriac Bank SA	13,714	20,000
Innovation Norway	16,481	19,625
Nordea	3,905	6,166
Brazil (Banco do Brazil and BNDES)	105,763	97,676
Other loans and credit facilities	17,219	12,352
TOTAL BANK LOANS AND CREDIT FACILITIES	**358,203**	**335,071**
Non-current portion	*298,490*	*290,364*
Current portion	*59,713*	*44,707*

With reference to the loans granted in 2012 and 2013 by the European Investment Bank ("EIB"), during 2015 the Company repaid all three tranches in advance of their original due dates; in detail, on 10 July 2015 it paid the residual balance of the first tranche, originally due in July 2019, for euro 60 million and, on 9 March 2015, it repaid the second and third tranches, originally due in March 2017, for euro 30 million each.

At the same time as these repayments, the Company took out four new medium-long term unsecured loans: the first with Mediobanca for euro 65 million, repayable in a single installment in May 2017; the second with Banca Popolare di Ancona for euro 35 million, repayable in 7 semi-annual installments starting from December 2015 ending in December 2018; the third with Banca

Popolare dell'Emilia Romagna for euro 25 million, repayable in 6 semi-annual installments from December 2016 to June 2019; and the fourth with Cassa di Risparmio di San Miniato for euro 15 million, repayable in 6 semi-annual installments from June 2016 to December 2018.

These changes have made it possible to align the cost of debt of FINCANTIERI S.p.A. with current market conditions and to extend the average length of this portion of the debt.

In 2009, Banca Carige S.p.A. granted the Group a loan for euro 60 million repayable in semi-annual installments no later than 31 January 2017, the outstanding balance of which was euro 12 million at 31 December 2015.

The Company's exposure to Banca Mediocredito del Friuli Venezia Giulia S.p.A. refers to four different loans made between 2006 and 2014, originally totaling euro 42.7 million (of which euro 9.0 million received in 2014). These loans are repayable in semi-annual installments through until 2022. This credit is secured by a lien on plant and machinery at the Monfalcone shipyard, as disclosed in Note 7.

The exposure to Cassa Depositi e Prestiti S.p.A. refers to five soft loans received by the Company under the "revolving fund in support of businesses and investment in research" (the "Fund"), established under Law 311 of 30/12/2004, for the "Superpanamax cruise ship" development project, for the investment program involving the Palermo yard under Law 488 of 19/12/1992, for the "Ecomos" applied research project under Law 297/1999 and for two technological innovation projects under Law 46/1982 known as "Payload" and "Environmental Logistics".

The following loans have been granted under this Fund and provided by CDP:

- a loan for up to euro 12,488 thousand, receivable in stages according to the progress of the relevant development project. The loan, of which euro 10,966 thousand has been received, is unsecured and must be repaid in semi-annual installments by 30 June 2022;
- a loan for up to euro 3,481 thousand, received in full. The loan is unsecured and must be repaid in semi-annual installments by 30 June 2017;
- a loan for up to euro 4,405 thousand, of which euro 3,724 thousand has been received. The loan is unsecured and must be repaid in semi-annual installments by 30 June 2020;
- a loan for up to euro 10,818 thousand, of which euro 8,654 thousand has been received. The loan is unsecured and must be repaid in semi-annual installments by 30 June 2024;
- a loan for up to euro 13,043 thousand, of which euro 10,434 thousand has been received. The loan is unsecured and must be repaid in semi-annual installments by 30 June 2024.

In December 2014, Vard Tulcea SA obtained a loan from Unicredit Tiriac Bank SA for euro 20 million. The loan is collateralized with shipyard assets and must be repaid in monthly installments by December 2017.

The weighted average interest rate on the above loans, all of which denominated in Euro, was 1.85% at 31 December 2015.

Vard Group AS has six loans with Innovation Norway for a total of NOK 160 million (current and non-current portions), carrying fixed interest of between 3.6% and 4.1%; these loans are secured by plant and machinery and by the dock at the Langesten shipyard and also carry covenants (net working capital > NOK 1,000 million and adjusted equity > NOK 2,100 million). Vard has obtained a waiver from Innovation Norway for the net working capital covenant for the last quarter of 2015, while the equity covenant has been observed.

The loan from Nordea refers to the subsidiary Vard Singapore Pte. Ltd. and has been obtained for the purposes of financing the construction of the Vietnamese shipyard. This loan, originally for USD 15 million (USD 6.0 million outstanding at the end of 2015), has had its maturity extended from 2014 to 2019.

The Brazilian subsidiaries have been granted the following loans and credit facilities.

- Vard Niteròi SA has approximately USD 1.9 million in loans from the Brazilian Development Bank (BNDES) and other smaller loans from Finame for a total of USD 0.1 million, whose purpose is to finance the modernization of the Niteròi shipyard. These loans, which expire in 2016, are collateralized with shipyard assets;
- Vard Promar SA has a long-term financing agreement for USD 141.9 million with Banco do Brasil, maturing in 2029 (USD 104.0 million outstanding at the end of 2015); this loan is being used to finance construction of the shipyard in Suape and is collateralized with shipyard assets.

The weighted average rate of interest on the above loans to Vard Singapore Pte. Ltd., Vard Niteròi SA and Vard Promar SA was around 3.85% at 31 December 2015.

The non-current portion of bank loans and credit facilities reports the installments due beyond one year of loans obtained from financial institutions, analyzed by maturity as follows:

(Euro/000)	31.12.2015			31.12.2014		
	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
- between one and two years	16,669	101,833	118,502	21,467	27,168	48,635
- between two and three years	13,744	30,773	44,517	15,345	88,963	104,308
- between three and four years	15,361	9,296	24,657	10,079	18,233	28,312
- between four and five years	14,438	3,530	17,968	10,065	18,143	28,208
- beyond five years	87,365	5,481	92,846	73,832	7,070	80,902
Total	**147,577**	**150,913**	**298,490**	**130,788**	**159,577**	**290,365**

"Loans from BIIS – non-current portion" reflect the receipt of production grants in the form of loans that are then effectively repaid by the state (see Note 4). The movement in the period is consistent with that of the corresponding amount recognized as a receivable.

"Financial liabilities for the acquisition of equity investments", which reflect the fair value (Level 3) of a put option held by the minority shareholders of Fincantieri USA to sell their shareholding to Fincantieri at a fixed price, have been reclassified to current financial liabilities.

"Derivative liabilities" represent the reporting-date fair value of derivatives with a maturity of more 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.

Note 22 – Other non-current liabilities

These are analyzed as follows:

(Euro/000)	31.12.2015	31.12.2014
Capital grants	29,161	28,282
Other liabilities	17,383	17,224
TOTAL OTHER NON-CURRENT LIABILITIES	**46,544**	**45,506**

"Capital grants" mainly comprise deferred income associated with grants for property, plant and equipment and grants for innovation (euro 29,161 thousand at 31 December 2015 and euro 28,282 thousand at 31 December 2014) which will be released to income in future years to match the related depreciation/amortization of these assets.

"Other liabilities" include euro 4,693 thousand in payables to other parties in respect of the amount owed by the Iraqi Ministry of Defense (see Note 10 - Other non-current assets).

Note 23 - Construction contracts - liabilities

These are analyzed as follows:

	31.12.2015			31.12.2014		
(Euro/000)	Construction contracts - gross	Invoices issued and provision for future losses	Construction contracts - net liabilities	Construction contracts - gross	Invoices issued and provision for future losses	Construction contracts - net liabilities
Shipbuilding contracts	3,482,960	4,138,947	655,987	4,819,305	5,318,735	499,430
Other contracts for third parties	115,969	120,356	4,387	154,843	164,038	9,195
Client advances		18,253	18,253		27,976	27,976
Total	**3,598,929**	**4,277,556**	**678,627**	**4,974,148**	**5,510,749**	**536,601**

"Construction contracts - liabilities" report 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 to date plus recognized margins less any expected losses.

"Construction contracts – net" reflect the valuation of construction contracts in progress and report a increase on the previous year due to the stage of contract completion relative to actual billings. See also Note 13.

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

Note 24 - Trade payables and other current liabilities

These are analyzed as follows:

(Euro/000)	31.12.2015	31.12.2014
Payables to suppliers	1,179,401	1,046,825
Payables to suppliers for reverse factoring		
Social security payables	31,265	29,574
Other payables for deferred employee remuneration	57,000	65,004
Other payables	66,864	79,269
Indirect tax payables	11,694	20,494
Firm commitments	15,690	27,397
Accrued expenses	4,476	8,838
Deferred income	375	24
TOTAL TRADE PAYABLES AND OTHER CURRENT LIABILITIES	**1,366,765**	**1,277,425**

"Payables to suppliers" are euro 132,576 thousand higher than at 31 December 2014, reflecting the growth in production activity during the year.

"Social security payables" of euro 31,265 thousand, refer to amounts due to INPS (the Italian social security administration) for employer and employee contributions on December's wages and salaries and contributions on end-of-year wage adjustments.

"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 and security deposits received.

"Indirect tax payables" include euro 10,632 thousand for indirect tax liabilities of the VARD Group.

"Firm commitments" reflect the fair value of hedged items in fair value hedges used by the VARD Group to hedge currency risk arising on construction contracts in currencies other than the functional currency.

Note 25 - Income tax liabilities

(Euro/000)	31.12.2015	31.12.2014
Italian corporate income taxation (IRES)	98	3,493
Italian regional tax on productive activities (IRAP)	54	471
Foreign tax	2,916	21,214
TOTAL INCOME TAX LIABILITIES	**3,068**	**25,178**

Note 26 - Current financial liabilities

These are analyzed as follows:

(Euro/000)	31.12.2015	31.12.2014
Bank loans and credit facilities - current portion	59,713	44,707
Loans from BIIS - current portion	6,933	6,680
Bank loans and credit facilities - Construction loans	1,102,556	847,454
Other short-term bank debt	185,917	28,403
Liabilities to other lenders - current portion	366	290
Bank credit facilities repayable on demand	1,278	3,559
Financial liabilities for the acquisition of equity investments	11,770	
Payables to controlling companies (Fintecna)		
Payables to joint ventures	1,156	337
Finance lease obligations - current portion	298	337
Fair value of options on equity investments	17,452	15,649
Derivative liabilities	457,655	271,846
Accrued interest expense	2,767	2,359
TOTAL CURRENT FINANCIAL LIABILITIES	**1,847,861**	**1,221,621**

For "Bank loans and credit facilities - current portion" and "Loans from BIIS - current portion", see Note 21.
"Construction loans" are analyzed as follows at 31 December 2015:

(Euro/000)	31.12.2015	31.12.2014
Construction loans		
Italy	120,050	
Norway	624,023	511,298
Singapore	11,926	15,199
Brazil	346,557	320,957
TOTAL CONSTRUCTION LOANS	**1,102,556**	**847,454**

Construction loans are project specific and are secured by the vessels under construction. These loans are repaid in full upon vessel delivery out of the accompanying receipt of client payments 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. Details of these loans are provided below:

- on 29 June 2015, the Parent Company finalized a construction loan with a leading international bank for a maximum of euro 150 million for the purpose of financing cruise ship construction. As at 31 December 2015, euro 120 million had been drawn down against this loan;
- the Norwegian subsidiaries (VARD Group AS and Seaonics AS) have construction loan

facilities with leading international banks for a total of NOK 7,110 million (which can be increased by another NOK 900 million in the presence of a guarantee from GIEK, the Norwegian export credit agency). These facilities had been drawn down by a total of NOK 5,992 million at 31 December 2015. In addition, the loans to Vard Group AS (NOK 7,050 million) carry covenants on net working capital (which must be greater than or equal to NOK 1,000 million) and on equity (which, in the case of one loan for NOK 2,700 million, must be greater than or equal to NOK 2,700 million, while other loans totaling NOK 2,100 million require it to be greater than or equal to NOK 2,100 million). As at 31 December 2015, all the equity covenants were observed, while the banks waived the net working capital covenants for the last quarter of 2015;

- the Brazilian subsidiaries (Vard Niteroi SA and Vard Promar SA) have construction loans with leading Brazilian banks for a total of BRL 683 million for local content and USD 263 million for imported content. These loans had been drawn down at 31 December 2015 by BRL 568 million and USD 234 million respectively;
- Vard Singapore Pte. Ltd. has a construction loan with a leading Norwegian bank for a maximum amount of USD 80 million. This loan had been drawn down by USD 13 million at 31 December 2015.

The construction loans drawn down at 31.12.2015 consist of a fixed-rate portion for approximately euro 220 million (carrying rates at 31 December 2015 of between 2.5% and 4.5%) and a variable-rate portion for about euro 883 million (carrying rates at 31 December 2015 of between 1.8% and 9.4%).

Some of the construction loans include immediate repayment clauses triggered by circumstances of economic and financial distress of clients, construction of whose ships is being financed with such loans. None of the main banks financing the VARD Group has reported the occurrence of such circumstances.

"Other short-term bank debt" at 31 December 2015 reflects committed lines drawn down by the Parent Company (euro 105 million) and a short-term loan taken out towards the end of 2015 with a leading Italian bank (euro 20 million), while "Bank credit facilities repayable on demand" mainly refer to the drawdown of uncommitted lines of credit by different companies in the VARD Group.

At 31 December 2015, FINCANTIERI S.p.A. also had a total of euro 570 million in committed lines of credit with leading Italian and international banks with maturities between 2016 and 2018. In addition to committed credit lines, the Group has access to additional uncommitted credit lines with leading international banks in different currencies (about euro 305 million, USD 17 million, NOK 10 million and BRL 100 million).

"Financial liabilities for the acquisition of equity investments" have been reclassified from non-current financial liabilities (see Note 21).

"Payables to joint ventures" relate to the balance on the intercompany current account with Orizzonte Sistemi Navali.

"Fair value of options on equity investments" (Level 3) refers to the option held by minority shareholders of the Fincantieri Marine Group, exercisable from 1 January 2014, the change in which since 2014 is entirely due to exchange rate differences.

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.

Note 27 - Revenue and income

These are analyzed as follows:

(Euro/000)	2015	2014
Sales and service revenue	3,715,351	2,615,570
Change in construction contracts	409,723	1,699,392
Operating revenue	**4,125,074**	**4,314,962**
Gains on disposal	189	722
Sundry revenue and income	48,935	64,102
Government grants	8,749	18,920
Total other revenue and income	**57,873**	**83,744**
TOTAL REVENUE AND INCOME	**4,182,947**	**4,398,706**

Sundry revenue and income comprise:

(Euro/000)	2015	2014
Penalties charged to suppliers	9,606	8,638
Rental income	1,385	1,385
Insurance claims	15,837	26,614
Recharged costs	8,001	7,008
Income from third parties relating to personnel	245	239
Other sundry income	9,554	17,983
Extraordinary income and other revenue		
Gains on held-for-trading foreign currency derivatives	4,282	1,704
Gains on hedging instruments not qualifying for hedge accounting		171
Other income	25	360
Total	**48,935**	**64,102**

"Recharged costs", of euro 8,001 thousand, mainly refer to various kinds of recharge to customers and suppliers not attributable to specific cost categories.

"Other sundry income" of euro 9,554 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.

Note 28 - Operating costs

MATERIALS, SERVICES AND OTHER COSTS

Materials, services and other costs are analyzed as follows:

(Euro/000)	2015	2014
Raw materials and consumables	(2,375,716)	(2,448,186)
Services	(869,415)	(677,451)
Leases and rentals	(45,321)	(40,065)
Change in inventories of raw materials and consumables	15,982	(2,211)
Change in work in progress	4,555	4,435
Sundry operating costs	(93,513)	(94,699)
Cost of materials and services capitalized in fixed assets	19,182	17,547
Total materials, services and other costs	**(3,344,246)**	**(3,240,630)**

The increase in “Sundry operating costs” is mainly due to recognition of the change in fair value of derivatives. Sundry operating costs also include euro 1,447 thousand in losses on the realization of non-current assets (euro 751 thousand at 31 December 2014).
Materials, Services and Other costs include non-recurring expenses, as reported in Note 32.
The cost of services is analyzed as follows:

(Euro/000)	2015	2014
Subcontractors and outsourced services	(464,393)	(319,694)
Insurance	(37,764)	(36,792)
Other personnel costs	(26,238)	(19,141)
Maintenance costs	(22,761)	(21,470)
Commissioning and trials	(11,983)	(10,712)
Outsourced design costs	(27,818)	(22,716)
Licenses	(4,426)	(6,527)
Transportation and logistics	(20,748)	(18,459)
Technical and other services	(203,879)	(182,914)
Cleaning services	(27,509)	(22,706)
Electricity, water, gas and other utilities	(43,684)	(38,028)
Utilization of product warranty and other provisions	21,788	21,708
Total cost of services	**(869,415)**	**(677,451)**

“Leases and rentals” amounting to euro 45,321 thousand (euro 40,065 thousand in 2014) include rental and hire costs of euro 25,837 thousand (euro 21,877 thousand in 2014), lease costs of euro 16,539 thousand (euro 15,417 thousand in 2014), and concession and similar fees of euro 2,945 thousand (euro 2,771 thousand in 2014).

OPERATING LEASES

The following table analyzes future minimum lease payments under operating leases:

(Euro/000)	2015	2014
Maturity of future minimum operating lease payments:		
Within 1 year	16,390	16,191
Between 1 and 5 years	36,077	37,274
Beyond 5 years	25,918	26,217
Total	**78,385**	**79,682**

PERSONNEL COSTS

(Euro/000)	2015	2014
Personnel costs:		
- wages and salaries	(633,020)	(619,132)
- social security	(187,797)	(185,462)
- costs for defined contribution plans	(34,474)	(32,985)
- other personnel costs	(27,184)	(31,036)
Personnel costs capitalized in fixed assets	4,100	7,193
Total personnel costs	**(878,375)**	**(861,422)**

"Personnel costs" represent the total cost incurred for employees, including wages and salaries, employer social security contributions, gifts and travel allowances.
Personnel costs include non-recurring expenses, as reported in Note 32.

HEADCOUNT

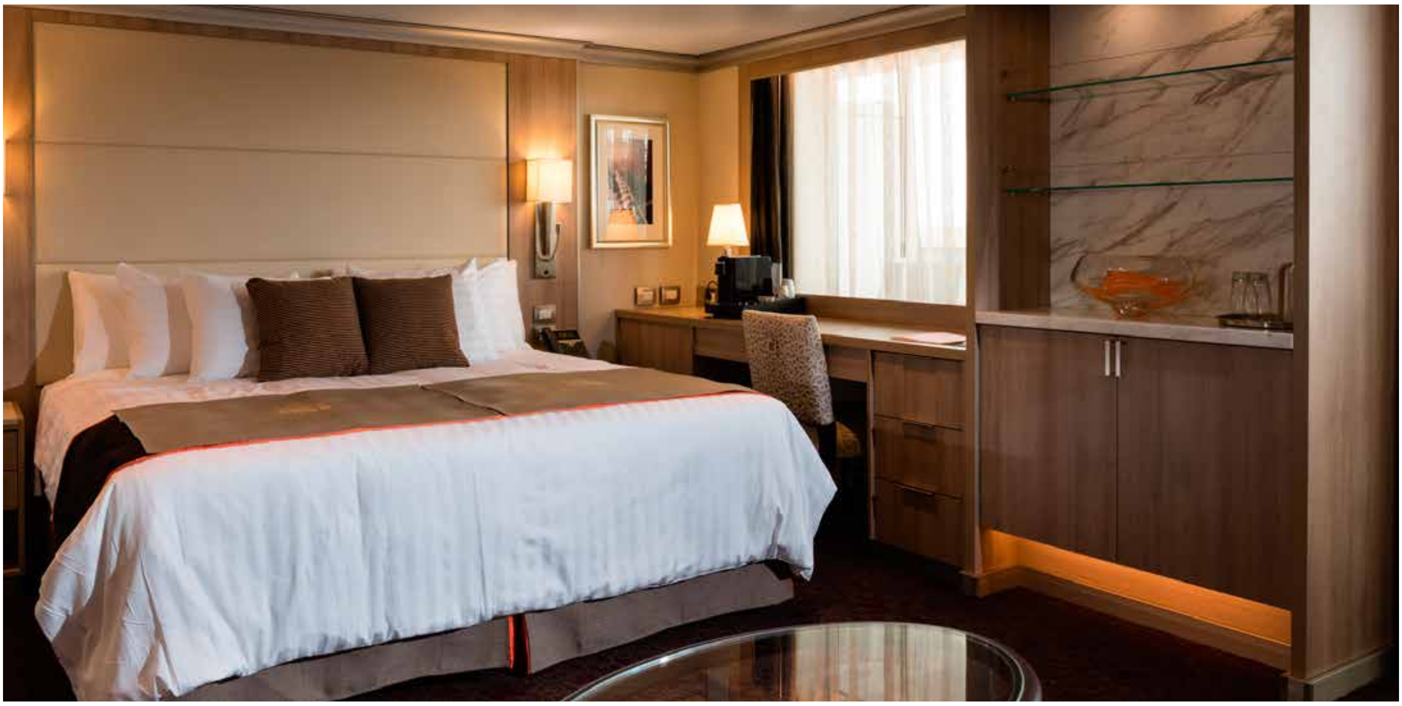
Employees are distributed as follows:

(number)	2015	2014
Employees at period end:		
Total at period end	20,019	21,689
- of whom in Italy	7,771	7,706
- of whom in Parent Company	7,337	7,302
- of whom in VARD	9,957	11,779
Average number of employees	21,120	21,154
- of whom in Italy	7,701	7,692
- of whom in Parent Company	7,289	7,366
- of whom in VARD	11,173	11,336

DEPRECIATION, AMORTIZATION AND IMPAIRMENT AND PROVISIONS

(Euro/000)	2015	2014
Depreciation and amortization:		
- amortization of intangible assets	(28,422)	(25,612)
- depreciation of property, plant and equipment	(80,639)	(73,595)
Impairment:		
- impairment of goodwill		
- impairment of intangible assets		
- impairment of property, plant and equipment	(2,599)	
Total depreciation, amortization and impairment	**(111,660)**	**(99,207)**
Provisions:		
- other impairment losses	(530)	(66)
- impairment of receivables	(1,597)	(4,061)
- increases in provisions for risks and charges	(56,387)	(60,817)
- release of provisions and impairment reversals	23,021	22,060
Total provisions	**(35,493)**	**(42,884)**

A breakdown of depreciation and amortization expense is provided in Notes 6 and 7.
"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" mostly refer to provisions for contractual warranties (euro 24,513 thousand versus euro 34,566 thousand in 2014), to provisions for litigation (euro 28,112 thousand versus euro 18,785 thousand in 2014), to provision for business reorganization (euro 1,769 thousand) and to other provisions for future charges (euro 1,993 thousand versus euro 7,466 thousand in 2014).
Provisions and impairment include non-recurring expenses, as reported in Note 32.



Note 29 - Finance income and costs

These are analyzed as follows:

(Euro/000)	2015	2014
FINANCE INCOME		
Interest and other income from financial assets	4,111	5,849
Income from derivative financial instruments	973	303
Bank interest and fees and other income	6,314	5,613
Foreign exchange gains	42,234	24,489
Total finance income	**53,632**	**36,254**
FINANCE COSTS		
Interest and fees charged by joint ventures	(833)	(2,197)
Interest and fees charged by controlling companies	(66)	(179)
Expenses from derivative financial instruments	(12,788)	(76)
Interest on employee benefit plans	(889)	(1,767)
Interest and fees on bonds	(12,020)	(11,990)
Interest and fees on construction loans	(36,129)	(26,277)
Bank interest and fees and other expense	(37,121)	(33,273)
Foreign exchange losses	(89,067)	(26,794)
Total finance costs	**(188,913)**	**(102,553)**
TOTAL FINANCE INCOME AND COSTS	**(135,281)**	**(66,299)**

"Finance income" includes euro 1,342 thousand (euro 1,591 thousand in 2014) in interest formally paid by the Italian State to the Parent Company, but effectively paid to Banca Infrastrutture Innovazione e Sviluppo (with an equal amount recognized as finance expense), under the structure in place to disburse government grants (see Note 4).

Note 30 - Income and expense from investments

These are analyzed as follows:

(Euro/000)	2015	2014
INCOME		
Dividends from other companies	29	219
Other income from investments		1,963
Total income	**29**	**2,182**
EXPENSE		
Impairment of investments		(538)
Provision for losses on investments	(79)	(784)
Fair value measurement losses	(2,458)	
Losses on disposal of investments	(2)	(1)
Total expense	**(2,539)**	**(1,323)**
INCOME/(EXPENSE) FROM INVESTMENTS	**(2,510)**	**859**
SHARE OF PROFIT/(LOSS) OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD		
Profit	3,024	5,338
Loss	(3,120)	(289)
SHARE OF PROFIT/(LOSS) OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	**(96)**	**5,049**
TOTAL INCOME AND EXPENSE FROM INVESTMENTS	**(2,606)**	**5,908**

Note 8 provides details about investments accounted for using the equity method. The "Share of profit/(loss) of investments accounted for using the equity method" in 2015 mainly reflects the Group's share of profits of Orizzonte Sistemi Navali (euro 697 thousand versus euro 865 thousand in 2014), Olympic Challenger KS (euro 1,853 thousand versus euro 583 thousand in 2014), and Møkster Supply KS (euro 429 thousand versus euro 317 thousand in 2014), while its share of losses mainly refers to DOF Iceman AS (euro 1,621 thousand versus a profit of euro 240 thousand in 2014), Camper & Nicholsons International SA (euro 842 thousand versus not present in 2014), REM Supply AS (euro 253 thousand versus a profit of euro 3,027 thousand in 2014) and CSS Design Ltd. (euro 14 thousand versus a profit of euro 224 thousand in 2014).

Note 31 - Income taxes

These are analyzed as follows:

(Euro/000)	2015		2014	
Current taxes		**22,035**		**(7,369)**
Deferred tax assets:				
– sundry impairment losses	24,854		(39,094)	
– product warranty	(3,357)		3,420	
– other risks and charges	(3,445)		4,447	
– carryforward tax losses	(3,434)		4,427	
– other items	5,263		(8,928)	
– tax rate and other changes	(10,843)			
		9,038		**(35,728)**
Deferred tax liabilities:				
– other items	4,887		4,205	
		4,887		**4,205**
Total deferred taxes		**13,925**		**(31,523)**
TOTAL INCOME TAXES		**35,960**		**(38,892)**

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..

Approximately euro 9 million in net revenue was recognized in 2015 for income taxes relating to previous periods.

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

(Euro/000)	2015	2014
Theoretical corporate income tax rate (IRES)	**27.50%**	**27.50%**
Profit/(loss) before tax	(324,714)	94,172
Theoretical corporate income tax (IRES)	**89,296**	**(25,897)**
Impact of taxes relating to prior periods	8,904	11,233
Non-taxed income and non-deductible expenses		920
Impact of tax losses		2,108
Impairment of deferred tax assets	(8,604)	
Impact of permanent differences and unrecognized temporary differences	(33,624)	(2,005)
Impact of temporary differences not recognized in previous years	392	
Effect of change in tax rates	(13,694)	(4,700)
Impact of different tax rates applicable to foreign entities	(10,629)	(4,788)
IRAP charged to profit or loss	**3,919**	**(15,763)**
Total income taxes through profit or loss	**35,960**	**(38,892)**
Current taxes	22,215	(7,369)
Deferred taxes	13,745	(31,523)

Note 32 - Other information

NET FINANCIAL POSITION

The consolidated net financial position as monitored by the Group is presented below.

(Euro/000)	31.12.2015	31.12.2014
A. Cash	130	107
B. Other cash equivalents	259,377	552,178
C. Held-for-trading securities		
D. Cash and cash equivalents (A)+(B)+(C)	**259,507**	**552,285**
E. Current financial receivables	**53,352**	**82,269**
- of which related parties	*752*	*1,396*
F. Current bank debt	(187,195)	(31,962)
- of which related parties	*(20,000)*	
G. Current portion of non-current debt	(62,480)	(47,071)
- of which related parties	*(2,976)*	*(1,425)*
H. Other current financial liabilities	(13,590)	(959)
- of which related parties	*(12,926)*	*(337)*
I. Current debt (F)+(G)+(H)	**(263,265)**	**(79,992)**
J. Net current debt (D)+(E)+(I)	**49,594**	**554,562**
K. Non-current financial receivables	**112,811**	**89,866**
- of which related parties	***9,061***	***7,147***
L. Non-current bank debt	(298,490)	(290,364)
- of which related parties	*(30,164)*	*(5,855)*
M. Bond	(297,604)	(296,835)
N. Other non-current financial liabilities	(4,319)	(13,120)
- of which related parties		*(11,770)*
O. Non-current debt (L)+(M)+(N)	**(600,413)**	**(600,319)**
P. Net non-current debt (K)+(O)	**(487,602)**	**(510,453)**
Q. Net financial position (J)+(P)	**(438,008)**	**44,109**

For the purposes of complying with Consob Communication no. DEM/6064293/2006, the following table reconciles the above net financial position with the disclosure recommended by the European Securities and Markets Authority (ESMA).

(Euro/000)	31.12.2015	31.12.2014
Net financial position	**(438,008)**	**44,109**
Non-current financial receivables	(112,811)	(89,866)
Construction loans	(1,102,556)	(847,454)
Net financial position as per ESMA recommendation	**(1,653,375)**	**(893,211)**

SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

As required by CONSOB Resolution no. 15519 of 27 July 2006, the following table summarizes the income and expenses arising from non-recurring events or transactions that have been recorded in profit or loss in 2015 and 2014; these amounts, presented before tax effects, have been classified in the following line items:

(Euro/000)		31.12.2015	31.12.2014
Description	**Income statement line**		
Costs associated with the "Extraordinary Wage Guarantee Fund"	Personnel costs	3,023	9,937
Costs relating to reorganization plans and non-recurring other personnel costs	Materials, services and other costs	4,973	1,100
	Personnel costs	10,219	8,277
	Provisions	1,769	
Provisions for costs and legal expenses associated with asbestos-related lawsuits	Materials, services and other costs	2,574	2,947
	Provisions	26,834	18,376
Other non-recurring income and expenses	Materials, services and other costs	198	2,920
	Provisions		
	Finance costs		
Total extraordinary and non-recurring income and expenses		**49,590**	**43,557**

At 31 December 2014, "Other non-recurring income and expenses" included euro 2,747 thousand in costs connected with the Parent Company's IPO.
Extraordinary and non-recurring income and expenses are presented before tax effects of euro 12,643 thousand at 31 December 2015 (euro 12,085 thousand at 31 December 2014).

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 2015.

RELATED PARTY TRANSACTIONS

Intragroup transactions, transactions with Fintecna and its subsidiaries, with Cassa Depositi e Prestiti and its subsidiaries, with companies controlled by 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	31.12.2015							
(Euro/000)	Non-current financial assets	Current financial assets	Advances (*)	Trade receivables and other current assets	Trade receivables and other non-current assets	Non-current financial liabilities	Current financial liabilities	Trade payables and other current liabilities
FINTECNA S.p.A.								(25)
CASSA DEPOSITI E PRESTITI S.p.A.				24,068		(30,164)	(2,976)	(90)
TOTAL CONTROLLING COMPANIES				**24,068**		**(30,164)**	**(2,976)**	**(115)**
ORIZZONTE SISTEMI NAVALI S.p.A.				86,535			(1,156)	(1,376)
CAMPER & NICHOLSONS INT. SA		264						
ETIHAD SHIP BUILDING LLC			2,100	19,513				(3,837)
TOTAL JOINT VENTURES		**264**	**2,100**	**106,048**			**(1,156)**	**(5,213)**
BRIDGE EIENDOM AS	448							
ISLAND OFFSHORE LNG AS								
REM SUPPLY AS	555							
OLYMPIC GREEN ENERGY KS	1,250	82						
DOF ICEMAN AS	6,543							
BREVIK TECHNOLOGY AS		357						
CSS DESIGN					704			
OLYMPIC CHALLENGER KS		49						
CASTOR DRILLING SOLUTION AS	104							
TOTAL ASSOCIATES	**8,900**	**488**			**704**			
CDP IMMOBILIARE S.r.l.				3,250				
TIRRENIA DI NAVIGAZIONE S.p.A.				10,760				
SIMEST S.p.A.							(11,770)	(464)
SACE S.p.A.								
SACE BT S.p.A.								
PENSION FUND FOR SENIOR MANAGERS OF FINCANTIERI S.p.A.								(1,207)
COMETA NATIONAL PENSION FUND								(2,858)
OTHER	161			18				(173)
TOTAL CDP GROUPP	**161**			**14,028**			**(11,770)**	**(4,702)**
HORIZON SAS								(1)
BANCA DEL MEZZOGIORNO - MEDIOCREDITO CENT. S.p.A.							(20,000)	
FINMECCANICA GROUP			1,219	165				(5,595)
ENI GROUP				721				(1,426)
ENEL GROUP				342				
COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE				29				
TOTAL OTHER RELATED PARTIES			**1,219**	**1,257**			**(20,000)**	**(7,022)**
TOTAL RELATED PARTIES	**9,061**	**752**	**3,319**	**145,401**	**704**	**(30,164)**	**(35,902)**	**(17,052)**
TOTAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION	141,586	97,918	404,908	888,033	10,728	637,698	1,847,861	1,366,765
% on consolidated statement of financial position	6%	1%	1%	16%	7%	5%	2%	1%

(*) "Advances" are classified in "Inventories and advances", as detailed in Note 12.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	31.12.2014							
(Euro/000)	Non-current financial assets	Current financial assets	Advances (*)	Trade receivables and other current assets	Trade receivables and other non-current assets	Non-current financial liabilities	Current financial liabilities	Trade payables and other current liabilities
FINTECNA S.p.A.				244				
CASSA DEPOSITI E PRESTITI S.p.A.				23,489		(5,855)	(1,425)	(27)
TOTAL CONTROLLING COMPANIES				**23,733**		**(5,855)**	**(1,425)**	**(27)**
ORIZZONTE SISTEMI NAVALI S.p.A.				53,684			(337)	(3,597)
ETIHAD SHIP BUILDING LLC				7,331				(610)
TOTAL JOINT VENTURES				**61,015**			**(337)**	**(4,207)**
BRIDGE EIENDOM AS	476							
REM SUPPLY AS	590							
OLYMPIC GREEN ENERGY KS		1,356						
DOF ICEMAN AS	5,852							
BREVIK TECHNOLOGY AS		40						
CSS DESIGN Ltd.					972			
CASTOR DRILLING SOLUTION AS	116							
TOTAL ASSOCIATES	**7,034**	**1,396**			**972**			
CDP IMMOBILIARE S.r.l.				3,250				
TIRRENIA DI NAVIGAZIONE S.p.A.				10,760				
SIMEST S.p.A.						(11,770)		(467)
SACE S.p.A.								(257)
SACE BT S.p.A.								
PENSION FUND FOR SENIOR MANAGERS OF FINCANTIERI S.p.A.								(999)
COMETA NATIONAL PENSION FUND								(2,848)
PECOL S.r.l (**)			40					(830)
BOAT S.p.A. (**)								(550)
OTHER	113							(75)
TOTAL CDP GROUPP	**113**		**40**	**14,010**		**(11,770)**		**(6,026)**
HORIZON SAS				1,928				(1)
BANCA DEL MEZZOGIORNO - MEDIOCREDITO CENT. S.p.A.								
FINMECCANICA GROUP			802	1,852				(4,065)
ENI GROUP				2,454				(655)
COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE								
TOTAL OTHER RELATED PARTIES			**802**	**6,234**				**(4,721)**
TOTAL RELATED PARTIES	**7,147**	**1,396**	**842**	**104,992**	**972**	**(17,625)**	**(1,762)**	**(14,981)**
TOTAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION	124,480	136,693	191,167	975,051	14,705	(652,918)	(1,221,621)	(1,277,425)
% on consolidated statement of financial position	6%	1%	0%	11%	7%	3%	0%	1%

(*) "Advances" are classified in "Inventories and advances", as detailed in Note 12.

(**) No longer treated as related parties.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	31.12.2015				
(Euro/000)	Operating revenue	Other revenue and income	Materials, services and other costs	Finance income	Finance costs
FINTECNA S.p.A.			(25)		
CASSA DEPOSITI E PRESTITI S.p.A.			(90)		(229)
TOTAL CONTROLLING COMPANIES			**(115)**		**(229)**
ORIZZONTE SISTEMI NAVALI S.p.A.	399,926	920	(130)		(833)
CAMPER & NICHOLSONS INTERNATIONAL SA					
ETIHAD SHIP BUILDING LLC	5,624	491	(1,776)		
TOTAL JOINT VENTURES	**405,550**	**1,411**	**(1,906)**		**(833)**
BRIDGE EIENDOM AS					
BREVIK TECHNOLOGY AS				8	
REM SUPPLY AS				26	
OLYMPIC GREEN ENERGY KS				61	
DOF ICEMAN AS				192	
TOTAL ASSOCIATES				**287**	
CDP IMMOBILIARE S.r.l.					
TIRRENIA DI NAVIGAZIONE S.p.A.					
SIMEST S.p.A.			(696)		
SACE S.p.A.					(172)
SACE BT S.p.A.					(413)
PENSION FUND FOR SENIOR MANAGERS OF FINCANTIERI S.p.A.			(3,756)		
COMETA NATIONAL PENSION FUND			(8,106)		
OTHER		35	(306)		
TOTAL CDP GROUP		**35**	**(12,864)**		**(585)**
HORIZON SAS		34	(183)		
FINMECCANICA GROUP	213	629	(13,426)		
ENI GROUP	473	126	(7,563)		
ENEL GROUP	336				
COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE	112		(126)		
TOTAL OTHER RELATED PARTIES	**1,134**	**789**	**(21,298)**		
TOTAL RELATED PARTIES	**406,684**	**2,235**	**(36,183)**	**287**	**(1,647)**
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	4,125,074	57,873	(3,344,246)	53,632	(188,913)
% on consolidated statement of comprehensive income	10%	4%	1%	1%	1%

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	31.12.2014				
(Euro/000)	Operating revenue	Other revenue and income	Materials, services and other costs	Finance income	Finance costs
FINTECNA S.p.A.		244	(13)		(132)
CASSA DEPOSITI E PRESTITI S.p.A.			(27)		(42)
TOTAL CONTROLLING COMPANIES		**244**	**(40)**		**(174)**
ORIZZONTE SISTEMI NAVALI S.p.A.	357,652	1,786	(158)		(2,197)
ETIHAD SHIP BUILDING LLC	1,257	639	(2,064)		
TOTAL JOINT VENTURES	**358,909**	**2,425**	**(2,222)**		**(2,197)**
BREVIK TECHNOLOGY AS					
REM SUPPLY AS				42	
OLYMPIC GREEN ENERGY KS				66	
DOF ICEMAN AS				227	
TOTAL ASSOCIATES				**335**	
TIRRENIA DI NAVIGAZIONE S.p.A.					
SIMEST S.p.A.			(696)		
SACE S.p.A.					(815)
SACE BT S.p.A.					(1,112)
PENSION FUND FOR SENIOR MANAGERS OF FINCANTIERI S.p.A.			(3,167)		
COMETA NATIONAL PENSION FUND			(7,563)		
PECOL S.r.l (*)			(2,806)		
BOAT S.p.A. (*)			(2,473)		
OTHER	235		(128)		
TOTAL CDP GROUP	**235**		**(16,833)**		**(1,927)**
HORIZON SAS		52			
FINMECCANICA GROUP		83	(3,946)		
ENI GROUP	1,557		(2,198)		
COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE			(25)		
TOTAL OTHER RELATED PARTIES	**1,557**	**135**	**(6,169)**		
TOTAL RELATED PARTIES	**360,701**	**2,804**	**(25,264)**	**335**	**(4,298)**
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	4,314,962	83,744	(3,240,630)	36,254	(102,553)
% on consolidated statement of comprehensive income	8%	3%	1%	1%	4%

(*) No longer treated as related parties.

The main related party relationships refer to:

- 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, for which Orizzonte Sistemi Navali S.p.A. is the prime contractor, 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 2015 and 2014 relate to its current account with Fincantieri under a centralized treasury management agreement;

- Horizon, in connection with an agreement for the construction of naval vessels between Horizon and the supranational agency acting on behalf of the French and Italian Navies. This construction work has been carried out by various domestic companies, including FINCANTIERI S.p.A.;
- the ENI group (and in particular its associate Rosetti Marino S.p.A.), in connection with an agreement to establish the Fincantieri Offshore Hub, a solid value chain, made up of high quality specialized providers with a successful record in the offshore market, to accompany the product throughout its life cycle, from design and construction through to operational management;
- the FINMECCANICA group in connection with agreements to supply and install combat systems during the construction of naval vessels;
- Tirrenia di Navigazione S.p.A., with whom the receivables at 31 December 2015 and 2014 mainly refer to refurbishment of the Tirrenia fleet;
- CDP Immobiliare S.r.l. (formerly Fintecna Immobiliare S.r.l.), with whom the receivables at 31 December 2015 and 2014 refer to sale of a piece of land;
- Simest S.p.A., with whom the financial liabilities at 31 December 2015 and 2014 relate to the put option to purchase Fincantieri USA;
- costs and revenue or receivables and payables with other related parties at 31 December 2015 and 2014, which mainly refer to the supply of goods or services used in the production process.

The following transactions are also reported in accordance with art. 13, par. 3 (c) of the Consob Regulations concerning related party transactions:

- seven Indemnity and Guarantee Agreements entered into by FINCANTIERI S.p.A. during 2015 with SACE S.p.A. to cover any breach of obligations under export credit insurance policies with a total maximum payout of euro 2,757 million;
- one Indemnity and Guarantee Agreement and five Exporter Indemnity Agreements entered into by FINCANTIERI S.p.A. with SACE S.p.A. and SIMEST S.p.A. as standard operations of less importance;
- a revolving credit facility, granted in August 2015 by Cassa Depositi e Prestiti S.p.A. to FINCANTIERI S.p.A., for a maximum amount of euro 100 million and undrawn at the current reporting date, to finance research, development and innovation programs forming part of shipyard technological upgrades;
- an 18-month revolving credit facility, granted by Banca del Mezzogiorno - Medio Credito Centrale S.p.A. in December 2015, for a maximum amount of euro 20 million all of which drawn down at the current reporting date, to finance the working capital needs of civilian ship construction;
- Cassa Depositi e Prestiti S.p.A. has granted three loans to the Ministry of Infrastructure and Transport, with interest payable by the State, in respect of our supply of two patrol boats to this Ministry;
- the increase in financial liabilities with Cassa Depositi e Prestiti S.p.A. is due to the receipt of euro 4,752 thousand for the second tranche of the soft loan relating to the “Superpanamax” technological innovation project, the receipt of euro 3,724 thousand as the first tranche of the soft loan relating to the “Ecomos” technological innovation project, and the receipt of euro 8,654 thousand and euro 10,434 thousand as the initial disbursements of the soft loans relating to the “Environmental Logistics” and “Payload” technological innovation projects under Law 46/1982.

REMUNERATION OF THE BOARD OF DIRECTORS, BOARD OF STATUTORY AUDITORS, INDEPENDENT AUDITORS AND KEY MANAGEMENT PERSONNEL

(Euro/000)	Emoluments of office [(*)]	Non-monetary benefits	Bonuses and other incentives	Other remuneration
		2015		
Board of Directors of Parent Company	1,357	5	518(***)	
Board of Statutory Auditors of Parent Company	89			
General Managers and Key Management Personnel		199		6,712(**)
Independent Auditors for Parent Company	356			155

		2014		
Board of Directors of Parent Company	1,175	5	180	80
Board of Statutory Auditors of Parent Company	89			
General Managers and Key Management Personnel		64	895	2,355
Independent Auditors for Parent Company	388			1,255

(*) Excluding amounts paid on behalf of subsidiaries.
(**) This figure includes euro 3,885 thousand paid to general managers upon termination of employment.
(***) This amount does not include the medium-term incentive linked to qualitative parameters, for an amount of euro 430 thousand, covering an 18-month period (1 January 2015 - 30 June 2016). This incentive will be paid in the second half of 2016, once the Board of Directors has reviewed the achievement of the specific performance conditions and the Remuneration Committee consulted accordingly.

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

The basic assumptions for calculating basic and diluted Earnings/(Loss) Per Share are as follows:

		31.12.2015	31.12.2014
Profit/(loss) attributable to owners of the parent	Euro/000	(174,607)	66,935
Weighted average number of shares outstanding	Number	1,692,119,070	1,466,502,632
Basic/Diluted Earnings/(Loss) Per Share	**Euro**	**(0.10319)**	**0.04564**

Basic earnings per share have been calculated by dividing profit or loss for the year attributable to owners of the parent by the average number of shares outstanding during the year (see Note 18). Diluted earnings per share are the same as basic earnings per share since there is no dilution.

GUARANTEES

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

(Euro/000)	2015	2014
Sureties	17,273	40,379
Other guarantees	558	2,605
Total	**17,831**	**42,984**

"Sureties" at 31 December 2015, like in 2014, mainly refer to guarantees issued on behalf of the joint venture Orizzonte Sistemi Navali S.p.A (euro 17,273 thousand).
"Other guarantees", like in 2014, mainly relate to release letters issued on behalf of Horizon to the French Ministry of Defense (euro 558 thousand).

LITIGATION

Foreign litigation

With reference to the "Iraq" dispute, described in detail in the Notes to the Consolidated Financial Statements at 31 December 2014, the resumption of contact, including through the Italian Embassy in Baghdad, has resulted in a series of meetings in Baghdad (from 24 to 29 May 2015), organized with the purpose of definitive signature of the two operating agreements - namely the Refurbishment Contract and Combat System Contract - already negotiated in July 2014 and in execution of the Settlement Agreement defining the terms for ending the dispute. Although the Iraqi Government has not denied its intention of signing the operating contracts in completion of this deal, it has requested and received from Fincantieri an extension to the existing agreements, initially until the end of 2015 and subsequently until 30 June 2016, in the hope that in the meantime it will be possible to surmount the stalemate arising primarily from conflicts within the country and the related internal political problems. The prudent approach already adopted therefore remains confirmed.
As regards the "Serene" dispute, in July 2015 Fincantieri lodged its opposition with the Trieste Court of Appeal (against the shipowner's request for recognition of foreign arbitration awards in Italy) in order to have the awards confirmed as contrary to domestic and international public order, as well as to enforce the revocation of the awards themselves for procedural fraud. Serena Equity Limited appeared at the first hearing on 1 December 2015 and after the exchange of briefs, authorized by the judge, at the hearing on 22 March 2016 the Court of Appeal issued an order which rejected not only the injunction for provisional enforceability of the award (arguing the absence in this specific case of fumus boni iuris (prima facie case) and periculum in mora (danger in delay)), but also the testimonial evidence, and which admitted all the documents filed by the parties and lastly scheduled the concluding hearing for 28 June 2016. At the same time, with reference to the verification action brought early in February 2015 in the specialized industrial property division of the Court of Venice, aimed at confirming that the shipowner is not the owner of any intellectual property rights (which, as erroneously recognized by the Arbitration Panel, places a latent constraint on Fincantieri's freedom to do business), the judge has ordered a new notification of the initial proceedings to be sent the shipowner, successfully delivered, and the first hearing has been scheduled for 21 September 2016. The favorable opinion expressed by our lawyers about these court cases remains confirmed.
There is also a case pending in the Court in Patras (Greece), brought by Mr. Papanikolaou and his wife against the Company, Minoan Lines and others following an accident in 2007 involving the claimant whilst aboard the "Europa Palace", built by Fincantieri. According to Mr. Papanikolaou's reconstruction, this accident caused major physical damage, apparently of a totally disabling nature. The Patras Court of Appeal has overturned the first-instance ruling in Fincantieri's favor, and condemned it, jointly and severally with the other defendants, to pay euro 1,364 thousand, from which the amounts already paid by Minoan Lines under an earlier precautionary action can presumably be deducted. Fincantieri filed an appeal with the Greek Court of Cassation on 20 January 2015 and, according to its Greek legal counsel, stands a good

chance of success. The first hearing of this appeal is scheduled for 25 May 2016. The outcome of this appeal will affect a second lawsuit, initiated by Papanikolaou against Fincantieri before the same court for his alleged loss of income over the period 2012-2052. The first hearing, originally scheduled for 8 December 2015, has been postponed to a date to be determined.

Under two summons notified in March 2014, Mr. Anthony Yuzwa convened Fincantieri, Carnival and others to appear before the District Courts of California and Florida. This dispute concerns the loss suffered by the claimant following an accident aboard the "Oosterdam" in 2011, that the claimant alleges was caused by negligence of the defendants. The amount of compensation claimed is not specified. Fincantieri's petitions concerning the lack of notification and jurisdiction were accepted by the American state courts during the course of 2014. The claimant then sent notification of the same documents to the offices of Trieste and to the office of FMSNA in San Diego. After a series of preliminary steps under applicable procedural law, the plaintiff himself has requested the exclusion of Fincantieri from the lawsuit in California. As for the case in Florida, the hearing on the Fincantieri exclusion request is expected to take place at the end of March 2016.

The arbitration award concerning the "Neuman Esser" credit recovery dispute was issued on 19 October 2015, with a favorable outcome for Fincantieri as a result of which it has been paid euro 2,102 thousand.

Further to the losses incurred on eight shipbuilding contracts with Petrobras Transpetro S.A., the Brazilian subsidiary Vard Promar S.A. unsuccessfully attempted an out-of-court renegotiation of the terms of these contracts. Accordingly, in September 2015, the subsidiary initiated legal proceedings to obtain compensation for the losses incurred and to redress the contractual economic imbalance, for a total amount of BRL 244 million (approximately euro 57 million). The preliminary review has confirmed the existence of a contractual imbalance, but the quantification of damages and the outcome of the proceedings depend on the final report, forming the basis upon which the competent court will reach its decision.

In December 2015, Transpetro terminated the contracts for the construction of two vessels and demanded repayment of its previous advance payments. The related claim has been brought in the court of the State of Rio de Janeiro.

VARD has not recognized any receivable in its financial statements at 31 December 2015 for the Traspetro disputes.

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 that could not be resolved commercially, it is reported that the legal actions against Tirrenia and Siremar (under special administration) and Energy Recuperator S.p.A. did not produce any cash recoveries during 2015. However, during 2015 Fincantieri did receive about euro 552 thousand as a result of asset allocation under the special administration of Micoperi S.p.A.. The recoverability of the various receivable positions has been carefully evaluated and duly written down, where necessary.

Litigation with suppliers

These are disputes involving claims by suppliers and contractors that the Company considers unjustified (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 negative assessment actions against such alleged claims.

A provision for risks and charges has been recognized for those disputes not thought to be settled in the Group's favor.

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 2015.

Other litigation

Other litigation includes: i) claims against government bodies for environmental expenses, including disputes with the City of Ancona and disputes with the Ministry of the Environment involving the shipyards in Muggiano and Castellammare; ii) 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; iii) compensation for direct and indirect damages arising from the production process, iv) civil action for injury compensation claims.

Whenever the outcome of such litigation is thought to result in a possible outflow of economic resources, suitable provisions for risks and charges have been recognized.

Criminal prosecutions under Legislative Decree no. 231/2001

The Group is currently involved in six criminal prosecutions brought under Legislative Decree no. 231/2001 in the Court of Gorizia.

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 of sorting and temporary 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. Under this investigation, the public prosecutor's request for seizure of some areas and sheds was rejected in first and second instance, but Italy's Court of Cassation upheld the prosecutor's appeal against such rejection, referring the proceedings back to the Court.

In an order dated 21 May 2015, the court instructed the seizure of some areas and buildings, duly executed by the Environmental Operations Task Force of the Italian Military Police on 29 June 2015. Following the entry into force of Legislative Decree no. 92 of 4 July 2015, the Gorizia Prosecutor's Office subsequently ordered the release of the shipyard's seized areas on 6 July 2015.

Between March and April 2014, notices of conclusion of preliminary investigations were served not only on twenty-one individuals (including members of the Board of Directors and of the Oversight Board, and employees of the Company at the date of the event, some of whom are still in office or employed by the Company) in the various capacities being investigated for the offenses of "willful removal or omission of precautions against workplace accidents" and "bodily harm" under articles 437 and 590 of the Italian Criminal Code and of violation of certain provisions of Legislative Decree no. 81/2008, but also on the Company under art. 25-septies, par. 3, of Legislative Decree no. 231/2001, in connection with an injury to an employee on 13 December 2010 at the Monfalcone shipyard during the lifting of two bundles of iron pipes. At the preliminary hearing on 18 December 2014, the proceedings against the members of the Board of Directors and the Oversight Board and the two General Managers were dismissed, while the other employees of the Company at the date of the incident, as notified above, were formally indicted. Gorzia's public prosecutor has challenged the dismissal in the Court of Cassation which, at the end of the hearing held on 20 January 2016, rejected the appeal and upheld the dismissal of the action against members of the Board of Directors and the Oversight Board, and the two General Managers.

Between September and October 2014, notices of conclusion of preliminary investigations were served not only on twenty-one individuals (including members of the Board of Directors and of the Oversight Board, and employees of the Company at the date of the event, some of whom are still in office or employed by the Company) in the various capacities being investigated for the offenses of "willful removal or omission of precautions against workplace accidents" and "wrongful death" under articles 437 and 589 of the Criminal Code and of violation of certain provisions of Legislative Decree no. 81/2008, but also on the Company under art. 25-septies of Legislative Decree no. 231/2001, in connection with the death of an employee of a contractor on 21 February 2011 after falling into a ventilation shaft.

In September 2015, notices of 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 healed in a year.

In November 2015, notices of conclusion of preliminary investigation were served not only on the former Monfalcone shipyard manager, under investigation for the offense 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, but also on the Company itself, under art. 25f, par. 3, of Legislative Decree no. 231/2001, in connection with an accident on 14 March 2011 at the Monfalcone yard involving an employee who fractured the middle finger of his right hand, which healed in eight months.

In March 2016, notices of conclusion of preliminary investigation were served not only on the former Monfalcone shipyard manager, under investigation for the offense 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 take the suitable measures to protect worker health), but also on the Company itself under art. 25f, par. 3, of Legislative Decree no. 231/2001, in connection with an accident on 29 March 2012 at the Monfalcone yard involving an employee who injured the fifth finger of his left hand, which healed in eight months.

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..

Controlled foreign companies (CFC)

The detailed appeal brought by the subsidiary Fincantieri Oil & Gas S.p.A. against the rejection of the application for CFC exemption with reference to its subsidiary Vard Holdings Limited in Singapore is still awaiting discussion.

Audits and assessments

Fincantieri

With reference to the tax audit of fiscal year 2011, completed in 2014, some matters are still pending on which the tax authorities have not yet pronounced their conclusions. Corresponding provisions have been recognized for the currently quantifiable risks.

Foreign Group companies

The appeal by the subsidiary Vard Niteroi S.A. (Brazil) against the assessment notified in 2014 is still pending. The first-instance administrative ruling in 2015 has had an adverse outcome, as expected; an appeal has been lodged with the second-instance administrative commission, whose composition also includes taxpayer representatives.
The subsidiary has confirmed its overall prevailing opinion about the chances of success, on the basis of which no provisions have been made.

HEADCOUNT

The Group's average workforce numbered 21,120 employees in 2015 (21,154 in 2014), distributed between the various contractual grades as follows:

(number)	2015	2014
Average headcount:		
- Senior managers	350	331
- Middle managers	944	926
- White collars	6,268	5,917
- Blue collars	13,558	13,980
Total average number of employees	**21,120**	**21,154**

Note 33 – Cash flows from operating activities

These are analyzed as follows:

(Euro/000)	31.12.2015	31.12.2014
Profit/(loss) for the year	(288,754)	55,280
Depreciation and amortization	109,061	99,207
(Gains)/losses from disposal of property, plant and machinery	1,258	29
(Revaluation)/impairment of intangible assets and equity investments	5,683	(4,445)
Increases/(releases) of provisions for risks and charges	35,899	41,025
Capitalized interest expense		
Interest on employee benefits	1,011	1,925
Interest income	(10,425)	(11,462)
Interest expense	86,169	73,916
Income taxes	(35,960)	38,892
Non-recurring income/(expenses)		
Impact of exchange rate changes on construction contracts	36,246	
Finance income and costs from derivative financial instruments		
Gross cash flows from operating activities	**(59,812)**	**294,367**
CHANGES IN WORKING CAPITAL		
- inventories	(21,264)	(748)
- construction contracts	(719,435)	(354,307)
- trade receivables	53,641	(258,224)
- other current assets and liabilities	150,916	90,031
- other non-current assets and liabilities	124	(20,548)
- client advances	(11,940)	(30,037)
- trade payables	137,653	148,938
- receivables arising from hedging instruments		
- liabilities arising from hedging instruments		
Cash flows from working capital	**(470,117)**	**(130,528)**
Dividends paid	(48)	(10,000)
Interest income received	9,635	10,363
Interest expense paid	(72,541)	(72,841)
Income taxes (paid)/collected	19,901	(42,516)
Utilization of provisions for risks and charges and for employee benefits	(55,138)	(73,987)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**(568,308)**	**(319,509)**
- of which related parties	*(40,547)*	*(54,657)*

Note 34 – Segment information

IManagement 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, Systems, Components and Services and Other Activities.

The Shipbuilding operating segment is engaged in the design and construction of cruise ships, ferries, naval vessels (for the Italian and foreign navies) and mega-yachts, as well as in ship repair and conversion activities. Production is carried out at the Group's shipyards in Italy and the United States.

The Offshore operating segment is engaged in the design and construction of support vessels for the oil & gas exploration and production market, including the provision of services and production of electronic systems, power and automation solutions, pipe systems, electrical installations and accommodation for such support vessels. Fincantieri operates in this market primarily through the VARD Group.

The Equipment, Systems and Services operating segment is engaged in the manufacture of mechanical products and the provision of after-sales services for products sold.

Other activities primarily refer to the cost of activities by corporate headquarters, which are not allocated to other operating segments.

The Group evaluates the performance of its operating segments and the allocation of financial resources on the basis of revenue and EBITDA, 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 associated with the "Extraordinary Wage Guarantee Fund", (viii) costs relating to reorganization plans and other non-recurring personnel costs, (ix) provisions for costs and legal expenses associated with lawsuits brought by employees for asbestos-related damages, and (x) other particularly material expenses or income outside the ordinary course of business arising from non-recurring events.

The results of the operating segments at 31 December 2015 and 31 December 2014 are reported in the following pages.

	2015				
(Euro/000)	Shipbuilding	Offshore	Equipment, Systems and Services	Other Activities	Group
Segment revenue	**2,846,997**	**1,198,493**	**226,387**	**1,301**	**4,273,178**
Intersegment elimination	(23,829)	(15,828)	(49,595)	(979)	(90,231)
Revenue (*)	**2,823,168**	**1,182,665**	**176,792**	**322**	**4,182,947**
EBITDA	**(23,343)**	**(2,603)**	**31,300**	**(30,931)**	**(25,577)**
EBITDA margin	**(0.8)%**	**(0.2)%**	**13.8%**		**(0.6)%**
Depreciation, amortization and impairment					(111,660)
Finance income					53,632
Finance costs					(188,913)
Income/(expense) from investments					(2,510)
Share of profit of investments accounted for using the equity method					(96)
Income taxes					35,960
Extraordinary and non-recurring income and expenses					(49,590)
Profit/(loss) for the year					**(288,754)**

(*) Revenue: Sum of "Operating revenue" and "Other revenue and income" reported in the consolidated statement of comprehensive income

Details of "Extraordinary and non-recurring income and expenses" (gross of the tax effect of euro 12,643 thousand) can be found in the relevant table in Note 32.

	2014				
(Euro/000)	Shipbuilding	Offshore	Equipment, Systems and Services	Other Activities	Group
Segment revenue	**2,704,465**	**1,579,687**	**191,892**		**4,476,044**
Intersegment elimination	(8,442)	(133)	(68,763)		(77,338)
Revenue (*)	**2,696,023**	**1,579,554**	**123,129**		**4,398,706**
EBITDA	**195,264**	**108,172**	**21,340**	**(27,449)**	**297,327**
EBITDA margin	***7.2%***	***6.8%***	***11.1%***		***6.8%***
Depreciation, amortization and impairment					(99,207)
Finance income					36,254
Finance costs					(102,553)
Income/(expense) from investments					859
Share of profit of investments accounted for using the equity method					5,049
Income taxes					(38,892)
Extraordinary and non-recurring income and expenses					(43,557)
Profit/(loss) for the year					**55,280**

(*) Revenue: Sum of "Operating revenue" and "Other revenue and income" reported in the consolidated statement of comprehensive income.

Details of "Extraordinary and non-recurring income and expenses" (gross of the tax effect of euro 12,085 thousand) can be found in the relevant table in Note 32.
The following table shows a breakdown of Property, plant and equipment in Italy and other countries:

(Euro/million)	31.12.2015	31.12.2014
Italy	601	566
Other countries	372	393
Total Property, plant and equipment	**973**	**959**

Capital expenditure in 2015 on Intangible assets and Property, plant and equipment amounted to euro 161 million (euro 162 million in 2014), of which euro 120 million relating to Italy (euro 110 million in 2014) 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)	31.12.2015		31.12.2014	
	Revenue and income	**%**	**Revenue and income**	**%**
Italy	623	15%	795	18%
Other countries	3,560	85%	3,604	82%
Total Revenue and income	**4,183**		**4,399**	

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)	31.12.2015		31.12.2014	
	Revenue and income	**%**	**Revenue and income**	**%**
Client 1	849	20%	937	21%
Client 2	438	10%	492	11%
Total Revenue and income	**4,183**		**4,399**	

Note 35 - Events after 31 december 2015

On 11 January 2016, Vard Holdings Limited announced that Transpetro had taken delivery of the "Barbosa Lima Sobrinho", a Liquefied Petroleum Gas (LPG) carrier and the very first vessel to be entirely built and delivered by Vard Promar.

On 26 January 2016, in the presence of the Italian Prime Minister, Matteo Renzi, and the President of Iran, Hassan Rouhani, on an official visit to Italy, Fincantieri signed a number of framework agreements with some leading Iranian companies, paving the way to the pursuit of contracts worth several hundreds of thousands of euros and the potential development of joint activities.In particular, Fincantieri has entered into a cooperation and development agreement with Azim Gostaresh Hormoz Shipbuilding Industry Co (AGH), a new Iranian shipyard, strategically located in the Persian Gulf. The agreement provides for cooperation between the two companies for the construction of new merchant vessels and offshore vessels both in the field of ship repairs and conversions and in refitting of vessels already in operation.

On 22 February 2016, Vard Holdings Limited announced it had secured a contract for the design and construction of a stern trawler for HAVFISK ASA ("HAVFISK"). The contract is worth approximately NOK 325 million (euro 34 million).

On 29 February 2016, Vard Holdings Limited announced its financial results for the fourth quarter of 2015 and for the year ended 31 December 2015 and provided information about its diversification strategy.

On 2 March 2016, Fincantieri and Huarun Dadong Dockyard (HRDD), one of the largest Chinese shipyards specialized in ship repair and refitting, signed in Shanghai an exclusive cooperation agreement in the field of ship repair and conversions for cruise ships based in China. The understanding includes the development of technical skills, project management and logistics procedures.

On 3 March 2016, "Itarus", a semisubmersible floating platform built by Fincantieri for RosRAO, Russia's federal state unitary enterprise for radioactive waste management, was delivered by the shipyard in Muggiano (La Spezia).

On 7 March 2016, Fincantieri and Rhode Island University (U.S.A.), through its International Engineering Program (IEP), signed an important understanding for the start of mutual collaboration to develop academic and cultural interchange.

On 7 March 2016, Vard Holdings Limited announced the incorporation of a new company, Vard Electro Canada Inc., in Canada, all of whose share capital is owned by Vard Electro AS.

The core business of the new company will be to install and integrate electrical systems with the goal of supporting the growth of Vard Electro AS in North America.

In mid-March, during Seatrade Cruise Global, the cruise industry's most important event held in the United States, Fincantieri announced that its subsidiary Vard Holdings Limited ("VARD") had signed a historic letter of intent with PONANT, a French cruise operator controlled by the Artemis Group (the Pinault family's holding company), for the construction of four small luxury cruise ships. The agreement, subject to several conditions including satisfactory ship owner financing, marks VARD's entry to the cruise shipbuilding sector.

On 21 March 2016, Mrs. Anna Molinotti tendered her resignation as a member of the Board of Directors and of the Remuneration Committee.

On 24 March 2016, the "Viking Sea", the second ship in a series of six ships ordered by Viking Ocean Cruises from Fincantieri, was delivered at the Ancona shipyard.

On 31 March 2016, "Koningsdam", a prototype ship and new flagship of Holland America Line, a brand of the Carnival Group, the world's largest cruise operator, was delivered at Fincantieri's shipyard in Marghera.

Also on 31 March 2016, Fincantieri announced a contract with Norwegian Cruise Line Holdings worth euro 422 million for the construction of the second ultra-luxury cruise ship for the Regent Seven Seas Cruises brand.

In March 2016, the VARD Group was informed that one of its clients was planning a financial restructuring. In this context, the client has indicated its desire to reach a consensual termination of the shipbuilding contract in progress. If the parties fail to reach an amicable agreement and the client decides to unilaterally terminate the contract, the Group will be contractually entitled to withhold the advance payments already received, and it will also be entitled to resell the ship, with the possibility of claiming against the original client for any reductions in the sale price given to a new client to complete the sale. The bank has confirmed that the construction loan given to build this vessel will be extended until September 2016 even if the contract has not been completed.


SERVIZIO
LOBALE
SAMSUNG
F1
F2
F3
F4
F5
F6
A
B
C
D
E
F
SPACE

Appendix 1

Companies included in the scope of consolidation

COMPANY NAMEE Principal activity	**Registered office**		**Share capital**	**(%) interest held**		**% consolidated by Group**
SUBSIDIARIES CONSOLIDATED LINE-BY-LINE						
BACINI DI PALERMO S.p.A. Dry-dock management	Palermo (Italy)	EUR	1,032,000.00	100.00	Fincantieri S.p.A.	100.00
CENTRO PER GLI STUDI DI TECNICA NAVALE CETENA S.p.A. Ship research and experimentation	Genoa (Italy)	EUR	1,000,000.00	71.10 15.00	Fincantieri S.p.A. Seaf S.p.A.	86.10
FINCANTIERI OIL & GAS S.p.A. Holding company	Trieste (Italy)	EUR	21,000,000.00	100.00	Fincantieri S.p.A.	100.00
FINCANTIERI HOLDING B.V. Holding company for foreign investments	Netherlands	EUR	9,529,384,54	100.00	Fincantieri S.p.A.	100.00
FINCANTIERI MARINE SYSTEMS NORTH AMERICA Inc. Sale and after-sale services relating to mechanical products	USA	USD	501,000.00	100.00	Fincantieri Holding B.V.	100.00
FMSNA YK Servicing and sale of spare parts	Japan	JPY	3,000,000.00	100.00	Fincantieri Marine Systems North America Inc.	100.00
GESTIONE BACINI LA SPEZIA S.p.A. Dry-dock management	Muggiano (La Spezia) (Italy)	EUR	260,000.00	99.89	Fincantieri S.p.A.	99.89
ISOTTA FRASCHINI MOTORI S.p.A. Design, construction, sale and after-sale services relating to fast medium-duty diesel engines	Bari (Italy)	EUR	3,300,000.00	100.00	Fincantieri S.p.A.	100.00
SOCIETÀ PER L'ESERCIZIO DI ATTIVITÀ FINANZIARIE SEAF S.p.A. Financial support for Group companies	Trieste (Italy)	EUR	6,032,000.00	100.00	Fincantieri S.p.A.	100.00
DELFI S.r.l. Technical and logistics engineering	Follo (La Spezia) (Italy)	EUR	400,000.00	100.00	Fincantieri S.p.A.	100.00
SEASTEMA S.p.A. Design and development of integrated automation systems	Genoa (Italy)	EUR	300,000.00	100.00	Fincantieri S.p.A.	100.00
FINCANTIERI USA Inc. Holding company	USA	USD	1,029.75	86.02	Fincantieri S.p.A.	100.00
FINCANTIERI MARINE GROUP HOLDINGS Inc. Holding company	USA	USD	1,027.97	87.44	Fincantieri USA Inc.	87.44
FINCANTIERI MARINE GROUP LLC. Ship building and repair	USA	USD	1,000.00	100.00	Fincantieri Marine Group Holdings Inc.	87.44
MARINETTE MARINE CORPORATION Ship building and repair	USA	USD	146,706.00	100.00	Fincantieri Marine Group LLC	87.44
ACE MARINE LLC. Building of small aluminum ships	USA	USD	1,000.00	100.00	Fincantieri Marine Group LLC	87.44

COMPANY NAMEE Principal activity	Registered office		Share capital	(%) interest held		% consolidated by Group
FINCANTIERI DO BRASIL PARTICIPAÇÕES SA Holding company	Brazil	BRL	1,310,000.00	80.00 20.00	Fincantieri S.p.A. Fincantieri Holding B.V.	100.00
FINCANTIERI INDIA Pte. Ltd. Design, technical support and marketing	India	INR	10,500,000.00	99.00 1.00	Fincantieri Holding B.V. Fincantieri S.p.A.	100.00
MARINE INTERIORS S.p.A. Ship interiors	Trieste (Italy)	EUR	5,120,000.00	100.00	Seaf S.p.A.	100.00
FINCANTIERI SI S.p.A. Electric, electronic and electromechanical industrial solutions	Trieste (Italy)	EUR	500,000.00	100.00	Seaf S.p.A.	100.00
FINCANTIERI SWEDEN AB Sale, maintenance and after-sales service for a series of systems, equipment and related activities	Sweden	SEK	5,000,000.00	100.00	Fincantieri S.p.A.	100.00
FINCANTIERI (SHANGHAI) TRADING Co. Ltd Engineering design, consulting and developmenta	China	CNY	3,500,000.00	100	Fincantieri S.p.A.	100
VARD HOLDINGS Ltd. Holding company	Singapore	SGD	932,200,000.00	55.63	Fincantieri Oil & Gas S.p.A.	55.63
VARD GROUP AS Shipbuilding	Norway	NOK	100,000.00	100.00	Vard Holdings Ltd.	55.63
VARD SHIPHOLDING SINGAPORE Pte. Ltd. Charter of boats, ships and barges	Singapore	USD	1.00	100	Vard Holdings Ltd.	55.63
VARD ELECTRO AS Electrical / automation installation	Norway	NOK	1,000,000.00	100.00	Vard Group AS	55.63
VARD ELECTRO ITALY S.r.l. Installation, production, sale and assistance for electrical equipment and parts	Genoa (Italy)	EUR	200,000.00	100.00	Vard Electro AS	55.63
VARD RO HOLDING S.r.l. Holding company	Romania	RON	82,573,830.00	100.00	Vard Group AS	55.63
VARD NITERÓI SA Shipbuilding	Brazil	BRL	272,783,790.00	99.99 0.01	Vard Group AS Vard Electro Brazil (Instalaçoes Eletricas) Ltda.	55.63
VARD PROMAR SA Shipbuilding	Brazil	BRL	57,600,000.00	50.50	Vard Group AS	28.09
ESTALEIRO QUISSAMÃ Ltda. Project development	Brazil	BRL	400,000.00	50.50	Vard Group AS	28.09
VARD SINGAPORE Pte. Ltd. Sales and holding company	Singapore	USD	6,000,000.00	100.00	Vard Group AS	55.63
VARD DESIGN AS Design and engineering	Norway	NOK	4,000,000.00	100.00	Vard Group AS	55.63
VARD ACCOMMODATION AS Accommodation installation	Norway	NOK	500,000.00	100.00	Vard Group AS	55.63
VARD PIPING AS Pipe installation	Norway	NOK	100,000.00	100.00	Vard Group AS	55.63
VARD BREVIK HOLDING AS Holding company	Norway	NOK	5,810,000.00	100.00	Vard Group AS	55.63
SEAONICS AS Offshore handling systemse	Norway	NOK	29,130,000.00	51.00	Vard Group AS	28.37

COMPANY NAMEE Principal activity	**Registered office**		**Share capital**	**(%) interest held**		**% consolidated by Group**
VARD SEAONICS HOLDING AS Dormant	Norway	NOK	30,000.00	100.00	Vard Group AS	55.63
SEAONICS POLSKA SP. Z O.O. Engineering services	Poland	PLN	50,000.00	100.00	Seaonics AS	28.37
AAKRE EIGENDOM AS Real estate	Norway	NOK	100,000.00	100.00	Vard Group AS	55.63
VARD DESIGN LIBURNA Ltd. Design and engineering	Croatia	HRK	20,000.00	51.00	VARD Design AS	28.37
VARD ELECTRO TULCLEA S.r.l. Electrical installation	Romania	RON	4,149,525.00	99.96	VARD Electro AS	55.61
VARD ELECTRO BRAZIL (INSTALAÇÕES ELETRICAS) LTDA. Electrical installation	Brazil	BRL	3,000,000.00	99.00 1.00	VARD Electro AS VARD Group AS	55.63
VARD ELECTRO BRAILA S.r.l. Electrical installation	Romania	RON	45,000.00	100.00	VARD Electro AS	55.63
VARD ELECTRICAL INSTALLATION AND ENGINEERING (INDIA) Pte. Ltd. Electrical installation	India	INR	7,000,000.00	99.00 1.00	VARD Electro AS VARD Electro Tulcea S.r.l.	55.63
VARD TULCEA SA Shipbuilding	Romania	RON	151,606,459.00	99.996 0.004	Vard RO Holding S.r.l. Vard Group As	55.63
VARD BRAILA SA Shipbuilding	Romania	RON	165,862,177.50	94.12	VARD RO Holding S.r.l.	55.63
VARD ENGINEERING CONSTANTA S.r.l. Engineering	Romania	RON	1,408,000.00	70.00 30.00	VARD RO Holding S.r.l. VARD Braila S.A.	55.63
VARD VUNG TAU Ltd. Shipbuilding	Vietnam	USD	8,000,000.00	100.00	VARD Singapore Pte. Ltd.	55.63
VARD ACCOMMODATION TULCEA S.r.l. Accommodation installation	Romania	RON	436,000.00	99.77 0.23	VARD Accommodation AS VARD Electro Tulcea S.r.l.	55.63
MULTIFAG AS Onshore industrial services and installation	Norway	NOK	20,000,000.00	100.00	VARD Brevik Holding AS	55.63
VARD ENGINEERING BREVIK AS Design and engineering	Norway	NOK	105,000.00	70.00	VARD Brevik Holding AS	38.94
VARD OFFSHORE BREVIK AS Offshore industrial services and installation	Norway	NOK	100,000.00	100.00	VARD Brevik Holding AS	55.63
VARD SHIP REPAIR BRAILA SA Ship repair	Romania	RON	7,798,340.00	68.58 31.42	VARD Braila SA VARD Brevik Holding AS	55.63
BREVIK ELEKTRO AS Onshore electrical installation	Norway	NOK	100,000.00	100.00	Multifag AS	55.63
VARD MARINE INC. Ship design and marine engineering	Canada	CAD	12,783,700.00	100.00	Vard Group AS	55.63
VARD MARINE US INC. Ship design and marine engineering	USA	USD	10,000.00	100.00	Vard Marine Inc.	55.63
VARD ENGINEERING GDANSK SP. Z o.o. Offshore design and engineering activities	Poland	PLN	50,000.00	100.00	Vard Engineering Brevik AS	38.94
VARD CONTRACTING AS Various shipbuilding services	Norway	NOK	3,000,000.00	100.00	Vard Group AS	55.63
ICD SOFTWARE AS Automation and control system software	Norway	NOK	839,000.00	100.00	Seaonics AS	28.37
ICD POLSKA sp. z o.o. Automation and control system software	Poland	PLN	50,000.00	100.00	ICD Software AS	28.37

COMPANY NAMEE Principal activity	Registered office		Share capital	(%) interest held		% consolidated by Group
AJA SHIP DESIGN SA Company in liquidation	Romania	RON	1,095,300.00	60.00	VARD Braila S.A.	33.38
ICD INDUSTRIES ESTONIA OÜ Automation and control system software	Estonia	EUR	2,700.00	100.00	ICD Software AS	28.37
SIA ICD INDUSTRIES LATVIA Automation and control system software	Latvia	EUR	33,164.00	100.00	ICD Software AS	28.37
FASTER IMAGING AS Automation and control system software	Norway	NOK	500,000.00	100.00	ICD Software AS	28.37
INDUSTRIAL CONTROL DESIGN AS Automation and control system software	Norway	NOK	30,000.00	100.00	ICD Software AS	28.37
JOINT VENTURES CONSOLIDATED USING THE EQUITY METHOD						
ORIZZONTE SISTEMI NAVALI S.p.A. Management of contracts to supply large naval vessels	Genoa (Italy)	EUR	20,000,000.00	51.00	Fincantieri S.p.A.	51.00
ETIHAD SHIP BUILDING LLC. Design, production and sale of civilian and naval ships	Arab Emirates	AED	2,500,000.00	35.00	Fincantieri S.p.A.	35.00
CAMPER & NICHOLSON INTERNATIONAL SA Luxury yachting broker Various services relating to luxury yachts	Luxembourg	EUR	940,850.00	17.63	Fincantieri S.p.A.	17.63
ASSOCIATES CONSOLIDATED USING THE EQUITY METHOD						
UNIFER NAVALE S.r.l. (Emilia branch – Modena)	Modena (Italy)	EUR	150,000.00	20.00	Seaf S.p.A	20.00
CASTOR DRILLING SOLUTION AS Offshore drilling technology	Norway	NOK	196,082.00	34.07	Seaonics AS	9.65
OLYMPIC CHALLENGER KS Shipowner	Norway	NOK	84,000,000.00	35.00	VARD Group AS	19.47
BRIDGE EIENDOM AS Real estate	Norway	NOK	3,100,000.00	50.00	VARD Brevik Holding AS	27.82
BREVIK TECHNOLOGY AS Holding of technology licenses and patents	Norway	NOK	45,000.00	34.00	VARD Brevik Holding AS	18.91
MOKSTER SUPPLY AS Shipowner	Norway	NOK	13,296,000.00	40.00	VARD Group AS	22.25
MOKSTER SUPPLY KS Shipowner	Norway	NOK	120,000,000.00	36.00	VARD Group AS	20.03
REM SUPPLY AS Shipowner	Norway	NOK	345,000.00	26.66	VARD Group AS	14.83
OLYMPIC GREEN ENERGY KS Shipowner	Norway	NOK	125,000,000.00	30.00	VARD Group AS	16.69
DOF ICEMAN AS Shipowner	Norway	NOK	23,600,000.00	50.00	VARD Group AS	27.82
TAKLIFT AS Floating cranes	Norway	NOK	2,450,000.00	25.47	VARD Brevik Holding AS	14.17
DAMECO AS Maintenance services	Norway	NOK	606,000.00	34.00	Vard Offshore Brevik AS	18.91
CSS DESIGN LIMITED Design and engineering	British Virgin Islands	GBP	100.00	31.00	Vard Marine Inc.	17.25
CANADIAN SUBSEA SHIPPING COMPANY AS	Norway	NOK	100,800.00	45.00	Vard Group AS	25.03


SEABOURN ENCORE
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management representation on the consolidated financial statements

MANAGEMENT REPRESENTATION ON THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 154-*BIS*, PAR. 5 OF ITALIAN LEGISLATIVE DECREE 58/1998 (ITALY'S CONSOLIDATED LAW ON FINANCE))

1. The undersigned Giuseppe Bono, in his capacity as Chief Executive Officer, and Carlo Gainelli, 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 Italian Legislative Decree 58 dated 24 February 1998, hereby represent:
   - lthe 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 financial year 2015.
2. The adequacy of the administrative and accounting processes for preparing the consolidated financial statements at 31 December 2015 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.
   With reference to the Vard Group, its system of internal controls over the financial reporting process has continued to undergo alignment with that of the Parent Company. This led in 2015 to further testing of controls over of the key processes of Vard Group AS.
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 fair review of operating performance and results as well as the situation of the issuer and the group of companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

31 March 2016

chief executive officer

Giuseppe Bono

manager responsible for
preparing financial reports

Carlo Gainelli

INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N°39 OF 27 JANUARY 2010

To the Shareholders of
Fincantieri SpA

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Fincantieri SpA and its subsidiaries ("Fincantieri Group"), which comprise the statement of financial position as of 31 December 2015, the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other notes.

Directors' responsibility for the consolidated financial statements

The directors of Fincantieri SpA are responsible for the preparation of consolidated financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n°38/2005.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11, paragraph 3, of Legislative Decree n°39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Fincantieri Group as of 31 December 2015 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n°38/2005.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C .F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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Report on compliance with other laws and regulations

Opinion on the consistency with the consolidated financial statements of the report on operations and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) n°720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree n°58/1998, which are the responsibility of the directors of Fincantieri SpA, with the consolidated financial statements of the Fincantieri Group as of 31 December 2015. In our opinion, the report on operations and the information in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Fincantieri Group as of 31 December 2015.

Trieste, 21 April 2016

PricewaterhouseCoopers SpA

Signed by

Maria Cristina Landro
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

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 long (230 feet).

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.

Expected order book

This is calculated as the sum of the order book and soft backlog.

Expected order 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 "Extraordinary 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 asbestos-related damages, and (ix) other non-recurring income and expenses.

EBITDA

Acronym for Earnings Before Interest, Taxes, Depreciation and Amortization. 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) Depreciation, amortization and impairment, (vii) costs associated with the "Extraordinary Wage Guarantee Fund", (viii) costs relating to reorganization plans and other non-recurring personnel costs, (ix) provisions for costs and legal expenses associated with lawsuits for asbestos-related damages, and (x) other non-recurring 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.

Free cash flow

This is calculated as the sum of (i) net cash flows from operating activities, (ii) net cash flows from investing activities and (iii) cash flows arising from the change in construction loans.

IAS/IFRS

Acronyms for the International Accounting Standards and International Financial Reporting Standards, adopted by the Fincantieri Group.

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 Group'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)*: non-current 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.

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

Parent Company
Registered office Via Genova no. 1, 34121 Trieste, Italy
Tel: +39 040 3193111 Fax: +39 040 3192305
www.fincantieri.com

Share capital Euro 862,980,725.70
Trieste Company Registry and Tax No. 00397130584
VAT No. 00629440322

graphic design & photocomposition
Sintesi/HUB Trieste
printed by
Grafiche Manzanesi - Manzano (UD)

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