half-year financial report

at 30 June 2017

FINCANTIERI

The sea ahead

parent company directors and officers

Board of directors

(2016-2018)

Giampiero Massolo (Chairman)
Giuseppe Bono (Chief Executive Officer)
Gianfranco Agostinetto
Simone Anichini
Massimiliano Cesare
Nicoletta Giadrossi
Paola Muratorio
Fabrizio Palermo
Donatella Treu
Umberto Baldi (Secretary)

Board of statutory auditors

(2017-2019)

Gianluca Ferrero (Chairman)
Roberto Spada (Standing member)
Fioranna Vittoria Negri (Standing member)
Alberto De Nigro (Alternate member)
Flavia Daunia Minutillo (Alternate member)
Massimiliano Nova (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)

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 Compensation Committee, the Nomination Committee and the Sustainability Committee) is provided in the 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

MAIN SUBSIDIARIES/ASSOCIATES/JOINT VENTURES

SHIPBUILDING

Cruise Ships

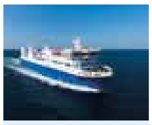
Contemporay

Premium

Upper Premium

Luxury

Exploration/Niche



Ferries

Cruise ferries

Ro-Pax

Dual fuel ferries

Naval Vessels

Aircraft Carriers

Destroyers

Frigates

Corvettes

Patrol vessels

Amphibious ships

Logistic support ships

Multirole and research vessels

Special vessels

Submarines

Mega Yacht

Mega yacht > 70 m

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

Bacini Palermo S.p.A.

Gestione Bacini La Spezia S.p.A.

Fincantieri Holding BV

Cetena S.p.A.

Fincantieri Marine Group Holdings Inc.

FMG LLC
- Sturgeon Bay

Marinette Marine Corporation LLC
- Marinette

ACE Marine LLC
- Green Bay

Fincantieri India Pte Ltd.

Fincantieri do Brasil Partecipacões S.A.

Fincantieri USA Inc.

Fincantieri Australia PTY LTD.

Fincantieri (Shanghai) Trading Co. Ltd.

Camper & Nicholsons International SA

Etihad Ship Building LLC.

Orizzonte Sistemi Navali S.p.A.

CSSC - Fincantieri Cruise Industry Development Ltd.

OFFSHORE

Offshore

Drilling units

Offshore support vessels: AHTS-PSV-OSCV

Special vessels

Fisheries/Aquaculture

Wind offshore

Expedition cruise vessels

FINCANTIERI S.p.A.

Fincantieri Oil&Gas S.p.A.

Vard Group AS
- Aukra
- Langsten
- Brattvaag
- Brevik
- Søviknes

Vard Tulcea SA
- Tulcea

Vard Promar SA
- Suape

Vard Braila SA
- Braila

Vard Vung Tau Ltd.
- Vung Tau

Vard Electro AS

Vard Design AS

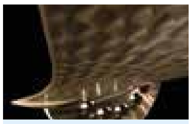
Vard Piping AS

Vard Accomodation AS

Vard Marine Inc.

Seaonics AS

EQUIPMENT, SYSTEMS AND SERVICES



Systems and Components

Cabins

Public areas

Electrical, electronic and electromechanical integrated systems

Automation systems

Entertainment systems

Stabilization, propulsion, positioning and power generation systems

Steam turbines

Steel structure for large scale projects

FINCANTIERI S.p.A.
- Riva Trigoso

Seastema

S.p.A.

Seaf S.p.A.

Isotta Fraschini Motori S.p.A.
- Bari

Fincantieri SI

S.P.A.

Marine Interiors S.p.A.

Fincantieri Infrastructure S.P.A.

Fincantieri Sweden

AB

Unifer Navale

S.r.l.

Services

Ship repairs

Refitting

Refurbishment

Conversions

Product lifecycle management
- Integrated logistic support
- In-service support
- Refitting
- Conversions

Training and assistance

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

Delfi S.r.l.

Issel Nord srl

FMSNA Inc

OTHER

FINCANTIERI S.p.A.

Fincantieri is one of the world's largest shipbuilding groups and number one for diversification and innovation. It is leader in cruise ship design and construction and a reference player in all high-tech shipbuilding industry sectors, from naval to offshore vessels, from high-complexity special vessels and ferries to mega yachts, as well as in ship repairs and conversions, systems and equipment production and after-sales services.
Headquartered in Trieste (Italy), the Group has built more than 7,000 vessels in its over 230 years of history. With over 19,400 employees, of whom more than 8,200 in Italy, 20 shipyards in 4 continents, today Fincantieri is the leading Western shipbuilder. It has among its clients the major cruise operators, the Italian and the U.S. Navy, in addition to several foreign navies, and it is partner of some of the main European defense companies within supranational programmes.
Fincantieri's business is widely diversified by end markets, geographical exposure and by client base, with revenue mainly split between cruise ship, naval and offshore vessel construction. Compared with less diversified players, such diversification allows it to mitigate the effects of any fluctuations in demand on the end markets served. In particular, the Group operates through the following three segments:

- Shipbuilding: encompassing the businesses of cruise ships, naval vessels and other products and services (ferries and Mega yachts);
- Offshore: encompassing the design and construction of high-end offshore support vessels, expedition cruise vessels, specialized ships, and vessels for offshore wind farms and open ocean aquaculture, as well as 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, integrated systems and ship accommodation, and the provision of repair and conversion services, logistical support and after-sales services.

After an operational reorganization in November 2016, the businesses of repairs and conversions, ship accommodation and integrated systems, previously included in the Shipbuilding operating segment, are now part of the Equipment, Systems and Services operating segment.
This reorganization also reflects the Group's strategy of developing the after-sales business in the areas of accommodation and integrated systems.

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

SUAPE

More than
19,000
employees

20
shipyards

4
continents

MAIN SUBSIDIARIES/ASSOCIATES/ JOINT VENTURES

_ europe

ITALY

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

NORWAY

Vard Group (Headquarter)
Vard Design
Vard Piping
Vard Electro
Vard Accommodation
Seaonics

PRINCIPALITY OF MONACO

Camper&Nicholsons International

SWEDEN

Fincantieri Sweden

POLAND

Seaonics Polska

_ asia

CHINA

Fincantieri (Shanghai) Trading
CSSC - Fincantieri Cruise Industry Development

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 Holdings
Fincantieri Marine Systems North America
Fincantieri USA
Vard Marine US

CANADA

Vard Marine

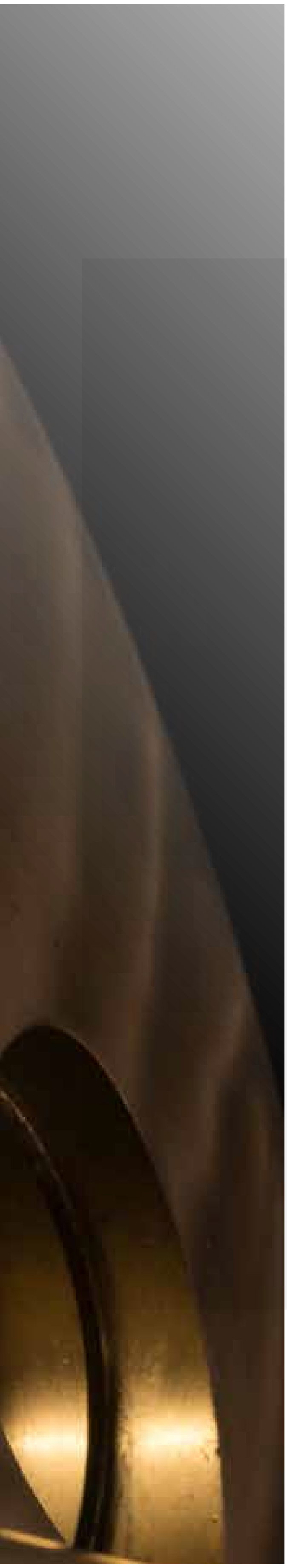
BRAZIL

Fincantieri do Brasil Participações

_ oceania

AUSTRALIA

Fincantieri Australia



interim report on operations at 30 june 2017

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Introduction

The results for the first half of 2017 confirm the Group's positive growth trend in commercial, production and economic terms. They are also in line with the Business Plan 2016-2020 and consolidate Fincantieri's leadership position in all the main sectors in which it operates.
In the first half of 2017, after the excellent results obtained in 2016, Fincantieri has continued to see major commercial achievements in the Shipbuilding operating segment, with signed orders and agreements for a total of 12 cruise ships (including options), to be made in the Group's Italian shipyard:

- signed two memorandum of agreement, one for the construction of two cruise ships for the Princess Cruises and Holland America Line brands in the Carnival group (the second of these converted to an order in the second quarter of 2017), and the other for building two further cruise ships, with an option for two more vessels, for Viking Ocean Cruises;
- secured an order for the construction of four new-generation cruise ships for the Norwegian Cruise Line brand, with an option for two more vessels for the same Group;

Fincantieri also signed a memorandum of agreement with China State Shipbuilding Corporation (CSSC) and Carnival Corporation for the construction of two cruise ships, with an option for four more, which will be the first vessels of this kind ever built in China for the Chinese market. This agreement will see Fincantieri play a major role in overseeing the high potential strategic Chinese market, with a leading role in developing shipbuilding capabilities in the Chinese cruise industry.
At 30 June 2017, the Group was able to count on a total backlog of around euro 25.5 billion, of which some euro 20.4 billion in backlog (the residual value of firm orders not yet completed) and euro 5.1 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 it believes it can shortly convert into firm orders.
In terms of production, Fincantieri has confirmed that it is able to complete highly complex projects within contractual deadlines in a significant context of growing volumes. In the first half of this year, the company delivered three cruise ships by three different shipyards for three different brands, as well as two naval vessels, the sixth vessel in the "FREMM" program and the "Romeo Romei" submarine.
In May 2017, Fincantieri signed the share purchase agreement for the acquisition of 66.6% of STX France's capital. Closure of the transaction, which requires payment of euro 79.5 million, financed through available resources, is subject to the conditions generally established for this sort of transaction and to the failure of the French State to exercise its pre emption right on the shares to be sold by STX Europe AS. Negotiations are currently ongoing between Fincantieri and the French State to finalize the governance agreements amongst future STX France shareholders. An essential condition for Fincantieri to close said transaction is that the combination of the two companies may add further value.
With regard to the Offshore segment, in previous years VARD began actions to diversify the business, and these continue. In the first six months of 2017, the Norwegian subsidiary secured orders for the construction of three fishing vessels, two passenger and vehicle transport ferries and one Research expedition vessel. The latter of these, specialized in ocean research, will be built in collaboration with WWF Norway and confirms the subsidiary's ability to respond to client demands.
Over the course of the first half of 2017, VARD has also continued its cost reduction programs for operations in Norway and Brazil to adapt the current production structure to the reduced workload due to the crisis in demand for offshore vessels. It has continued to invest in the Group's Romanian sites to adjust its production capacity to the growing volume of activities deriving from both the aforementioned business diversification actions and the consolidation of production and business synergies with the Italian cruise segment.

The first half of 2017 confirms the revenue growth trend with an increase of 1.3% compared to the first half of 2016, thanks to the positive performance of the Shipbuilding segment. As expected, Offshore segment value of production declined, primarily due to the Oil&Gas market crisis, pending the full development of efforts to diversify, and to the reduction in activities in Brazil after shutting down the Vard Niterói yard.

Compared with the first half of 2016, the Group's profit margins have benefitted from increased earnings from cruise orders, mainly due to the production of cruise ships derived from the prototype units ordered after the crisis and the effects of actions aimed at improving the production and design processes, which began in the previous year, as well as at strengthening competitiveness and increasing productivity to meet the development of the vast workload.

Profit/(loss) before extraordinary and non-recurring income and expenses reports a profit of euro 28 million (profit of euro 19 million at 30 June 2016).

The profit/(loss) for the period, a profit of euro 11 million, is up euro 6 million from the first semester of 2016 (euro 5 million at 30 June 2016), notwithstanding the recognition of lower unrealized exchange gains for euro 18 million on translating a loan held by Vard Promar from US Dollars in Brazilian Reals, and also notwithstanding a greater impact from claims under asbestos-related lawsuits of approximately euro 7 million. The Group share of this result is a net profit of euro 13 million (euro 7 million at 30 June 2016).

Headcount has increased from 19,181 at 31 December 2016 (of whom 7,939 in Italy) to 19,428 at 30 June 2017 (of whom 8,269 in Italy). This effect is mainly attributable to the increase in resources employed at the Group's Italian shipyards, confirming Fincantieri's endeavours to meet the growth targets in the Business Plan.

Highlights

- **Results in line with the Business Plan 2016-2020 targets**: revenues up 1.3% compared to the same period of 2016, EBITDA margin at 6.3% marking an improvement of more than 20% from 5.0% of the first half of 2016. **Business Plan targets confirmed.**
- **Total backlog[1] of euro 25.5 billion, covering approximately 5.8 years of work if compared to 2016 revenues**: backlog as at 30 June 2017 was euro 20.4 billion (euro 19.3 billion as at 30 June 2016) with 102 ships in the order book; the soft backlog at the same date was approximately euro 5.1 billion (approximately euro 2.5 billion as at 30 June 2016).
- **Major commercial achievements continue, with orders and agreements signed for a total of 12 cruise ships** (including options).
- **Consistently sound operating performance** with the delivery of five vessels in the first six months, of which three cruise ships ("Viking Sky", "Majestic Princess" and "Silver Muse") and two naval vessels (the sixth units of FREMM program and the submarine "Romeo Romei"). **Ongoing implementation of actions aimed at improving profitability** also through further development of important production and commercial synergies with VARD.
- **Signed a share purchase agreement for the acquisition of 66.66% of the share capital of STX France from its current shareholder STX Europe AS**: the agreement entails a purchase price of

1. Sum of backlog and soft backlog

euro 79.5 million, to be paid through available financial resources. The closing will be subject to customary conditions for this kind of transactions as well as the French state's choice not to exercise the preemption right on share subject to sales by STX Europe AS. Fincantieri continues to negotiate with the French State for the finalization of the shareholders' agreement for STX France. The creation of value remains an essential condition for the conclusion of the operation.

- **Order intake**: euro 4,369 million (euro 5,851 million at 30 June 2016).
- **Revenue and income**: euro 2,295 million (euro 2,266 million at 30 June 2016).
- **EBITDA**: euro 146 million (euro 113 million at 30 June 2016) with a consolidated EBITDA margin of 6.3% (5.0% at 30 June 2016), improving by more than 20%.
- **Profit/(loss) before extraordinary and non-recurring income and expenses** of euro 28 million (euro 19 million at 30 June 2016).
- **Result for the period** of euro 11 million was up euro 6 million from the first semester of 2016 (euro 5 million at 30 June 2016), notwithstanding the recognition of lower unrealized exchange gains for euro 18 million on translating a loan held by Vard Promar from US Dollars into Brazilian Reals, and also notwithstanding a greater impact from claims under asbestos-related lawsuits of approximately euro 7 million. The Group share of this result was a net profit of euro 13 million (euro 7 million at 30 June 2016).
- **Net financial position**[2]: euro 631 million of net debt (euro 615 million of net debt at 31 December 2016) with most of the Group's debt used to finance current assets associated with cruise ship construction. This figure includes certain short term debts which, though related to the financing of construction, are not, due to their technical specifications, construction loans.
- **Construction loans**, i.e. credit instruments used for the exclusive financing of orders to which they are referred, at euro 970 million at 30 June 2017 (euro 678 million at 31 December 2016), of which euro 584 million related to the subsidiary VARD (euro 578 million at 31 December 2016), while the remaining euro 386 million related to the Parent company (euro 100 million at 31 December 2016).
- **Net cash flows from operating activities**: positive at euro 122 million in the first six months of 2017 (positive at euro 131 million at 30 June 2016); this includes construction loans, which generated euro 319 million of positive flows dedicated to financing the growth in cruise construction (while at 30 June 2016 they had adsorbed cash for euro 227 million).

2. Consistent with the annual report 2016, this figure does not include construction loans.

Key financials

31.12.2016	**Economic data**		**30.06.2017**	**30.06.2016**
4,429	Revenue and income	Euro/million	2,295	2,266
267	EBITDA	Euro/million	146	113
6.0%	*EBITDA margin* (*)	*Percentage*	*6.3%*	*5.0%*
157	EBIT	Euro/million	88	61
3.5%	*EBIT margin* (**)	*Percentage*	*3.8%*	*2.7%*
60	Profit/(loss) before extraordinary and non-recurring income and expenses	Euro/million	28	19
(59)	Extraordinary and non-recurring income and (expenses)	Euro/million	(22)	(18)
14	Profit/(loss) for the period	Euro/million	11	5
25	Group share of profit/(loss) for the period	Euro/million	13	7

31.12.2016	**Financial data**		**30.06.2017**	**30.06.2016**
1,856	Net invested capital	Euro/million	1,877	1,663
1,241	Equity	Euro/million	1,246	1,255
(615)	Net financial position	Euro/million	(631)	(408)

31.12.2016	**Other indicators**		**30.06.2017**	**30.06.2016**
6,505	Order intake (***)	Euro/million	4,369	5,851
24,003	Order book (***)	Euro/million	26,086	25,038
24,031	Total backlog (***)(****)	Euro/million	25,524	21,790
18,231	*- of which backlog* (***)	Euro/million	20,424	19,290
224	Capital expenditure	Euro/million	76	94
(164)	Free cash flow	Euro/million	41	37
96	Research and Development costs	Euro/million	53	49
19,181	Employees at the end of the period	Number	19,428	18,825
26	Vessels delivered (*****)	Number	8	15
39	Vessels ordered (*****)	Number	11	32
99	Vessels in order book (*****)	Number	102	103

31.12.2016	***Ratios***		**30.06.2017**	**30.06.2016**
8.8%	ROI	Percentage	10.4%	(8.7)%
1.1%	ROE	Percentage	1.6%	(18.8)%
0.8	Total debt/Total equity	Number	0.8	0.6
2.3	Net financial position/EBITDA	Number	2.1	n.s.
0.5	Net financial position /Total equity	Number	0.5	0.3

(*) Ratio between EBITDA and Revenue and income
(**) Ratio between EBIT and Revenue and income
(***) Net of eliminations and consolidation adjustments
(****) Sum of backlog and soft backlog
(*****) Number of vessels over 40 meters in length
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

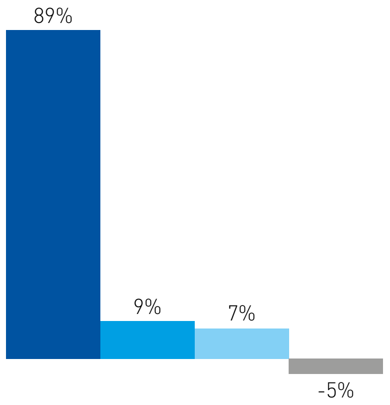
During the first six months of 2017, the Group recorded euro 4,369 million in new orders, compared with euro 5,851 million in the corresponding period of 2016, with a book-to-bill ratio (order intake/revenue) of 1.9 (2.6 at 30 June 2016).

Before intersegment consolidation adjustments, the Shipbuilding segment accounted for 89% of the period's total order intake (87% in the first half of 2016), the Offshore segment for 9% (12% in the first half of 2016) and the Equipment, Systems and Services segment for 7% (5% in the first half of 2016).

With reference to the cruise ship business, in the first six months of 2017, Fincantieri secured an order for the construction of four new-generation cruise ships for the Norwegian Cruise Line brand, with an option for two more vessels for the same Group. This exceptional result enables Fincantieri to add a new prestigious brand to its client base, confirming the Group's ability and flexibility in developing advanced solutions to serve every segment and need of the modern cruise industry. Fincantieri also signed two memorandum of agreement, one for the construction of two cruise ships for the Princess Cruises and Holland America Line brands in the Carnival group (the second of these converted to an order in the second quarter of 2017), and the other for building two further cruise ships, with an option for two more vessels, for Viking Ocean Cruises.

In the Offshore segment, as a result of business diversification strategies, the Group secured orders for the construction of three fishing vessels, two passenger and vehicle transport ferries and one Research expedition vessel. The latter of these, specialized in ocean research, will be built in collaboration with WWF Norway.

% order intake by operating segment in 1st half 2017



31.12.2016		Order intake analysis *(Euro/million)*	30.06.2017		30.06.2016(*)	
Amounts	%		Amounts	%	Amounts	%
5,003	77	FINCANTIERI S.p.A.	3,836	88	4,847	83
1,502	23	Rest of Group	533	12	1,004	17
6,505	**100**	**Total**	**4,369**	**100**	**5,851**	**100**
5,191	80	Shipbuilding	3,872	89	5,073	87
1,138	17	Offshore	379	9	729	12
664	10	Equipment, Systems and Services	323	7	318	5
(488)	(7)	Consolidation adjustments	(205)	(5)	(269)	(4)
6,505	**100**	**Total**	**4,369**	**100**	**5,851**	**100**

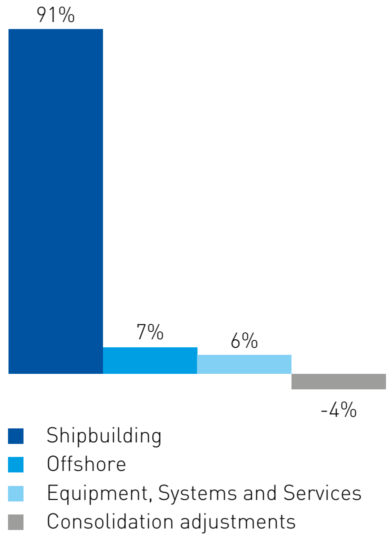
(*) The 30.06.2016 comparative figures have been restated following redefinition of the operating segments

Backlog and Soft backlog

The Group's total backlog amounts to euro 25.5 billion at 30 June 2017, of which euro 20.4 billion in backlog (euro 19.3 billion at 30 June 2016) and euro 5.1 billion in soft backlog (euro 2.5 billion at 30 June 2016), with the order delivery profile extending until 2026. The backlog and total backlog guarantee about 4.6 years and 5.8 years of work respectively in relation to the 2016 level of revenue. Before intersegment consolidation adjustments, the Shipbuilding segment accounts for 91% of the Group's backlog (in line with the first half of 2016), the Offshore segment for 7% (in line with the first half of 2016) and the Equipment, Systems and Services segment for 6% (5% in the first half of 2016).

The growth in backlog on the same period in the previous year confirms the Group's ability to transform soft backlog into firm orders.

% order backlog by segment in 1st half 2017



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

31.12.2016		Backlog analysis *(Euro/million)*	30.06.2017		30.06.2016(*)	
Amounts	%		Amounts	%	Amounts	%
15,961	88	FINCANTIERI S.p.A.	18,266	89	17,004	88
2,270	12	Rest of Group	2,158	11	2,286	12
18,231	**100**	**Total**	**20,424**	**100**	**19,290**	**100**
16,372	90	Shipbuilding	18,512	91	17,565	91
1,361	8	Offshore	1,403	7	1,266	7
1,155	6	Equipment, Systems and Services	1,288	6	1,024	5
(657)	(4)	Consolidation adjustments	(779)	(4)	(565)	(3)
18,231	**100**	**Total**	**20,424**	**100**	**19,290**	**100**

(*) The 30.06.2016 comparative figures have been restated following redefinition of the operating segments

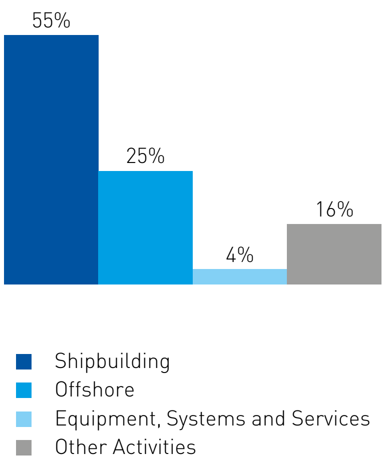
The soft backlog, representing the value of existing contract options and letters of intent as well as of contracts at an advanced stage of negotiation, none of which yet reflected in the order backlog, amounted to approximately euro 5.1 billion at 30 June 2017, compared with euro 2.5 billion at 30 June 2016.

The following table shows the deliveries scheduled each year for vessels currently in the order book, analyzed by the main business units. With reference to the current year, the table presents deliveries completed as at 30 June 2017 in addition to the total number of deliveries scheduled for the full year 2017.

Deliveries

(number)	30.06.17 completed	2017	2018	2019	2020	2021	Beyond 2021
Cruise ships	3	5	5	4	4	2	5
Naval >40 m	2	10	5	4	3	4	12
Offshore	3	19	23	5			

% capital expenditure by operating segment in 1st half 2017



Compared to the situation presented at 31 December 2016, the VARD Group delayed delivery of an "LPG carrier" (previously scheduled for 2017 and destined for the client Transpetro) at the Vard Promar shipyard (Brazil) until 2018.

Capital expenditure

Capital expenditure amounts to euro 76 million in the first six months of 2017, of which euro 26 million for intangible assets (including euro 15 million for development projects) and euro 50 million for property, plant and equipment. Capital expenditure represents 3.3% of the Group's revenue in the first six months of 2017 compared with 4.1% in the first six months of 2016.
Capital expenditure on property, plant and equipment in the first six months of 2017 mainly relates to initiatives to support growth in production volumes and to boost safety standards and compliance with environmental regulations within production sites. In more detail, this expenditure involved the introduction of new sandblasting and painting systems at the Monfalcone yard, the reorganization of operational areas within production sites and the technological upgrade of infrastructure and equipment. There was also continued investment in developing new technologies.

31.12.2016		**Capital expenditure analysis** *(Euro/million)*	**30.06.2017**		**30.06.2016(*)**	
Amounts	%		Amounts	%	Amounts	%
174	78	FINCANTIERI S.p.A.	52	68	78	83
50	22	Rest of Group	24	32	16	17
224	**100**	**Total**	**76**	**100**	**94**	**100**
165	74	Shipbuilding	42	55	74	79
31	14	Offshore	19	25	11	12
8	3	Equipment, Systems and Services	3	4	2	2
20	9	Other assets	12	16	7	7
224	**100**	**Total**	**76**	**100**	**94**	**100**
80	64	Intangible assets	26	34	31	33
144	36	Property, plant and equipment	50	66	63	67
224	**100**	**Total**	**76**	**100**	**94**	**100**

(*) The 30.06.2016 comparative figures have been restated following redefinition of the operating segments

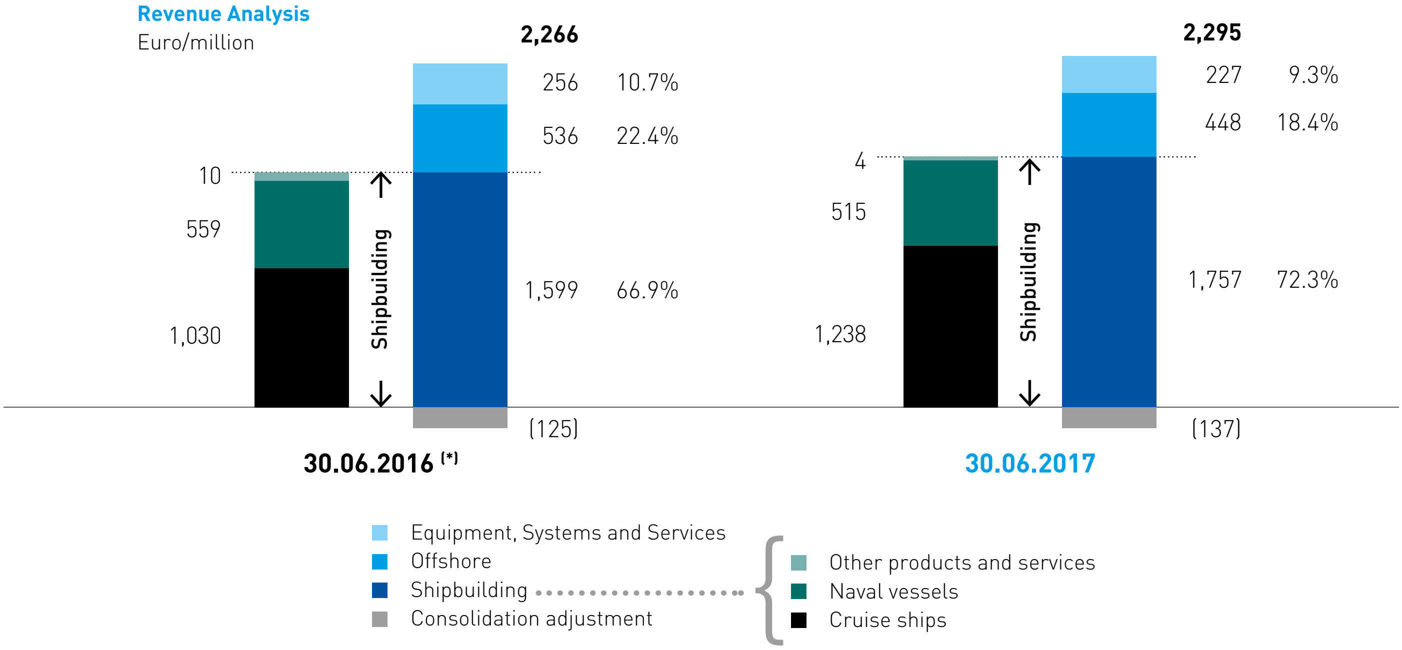
Group financial results

Presented below are the reclassified consolidated versions of the income statement, statement of financial position and statement of cash flows, the breakdown of consolidated net financial position and the principal economic and financial indicators used by management to monitor business performance.
A reconciliation of these reclassified statements to the IFRS statements can be found later on in this report.

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

31.12.2016	(Euro/million)	30.06.2017	30.06.2016
4,429	**Revenue and income**	**2,295**	**2,266**
(3,291)	Materials, services and other costs	(1,671)	(1,712)
(846)	Personnel costs	(462)	(431)
(25)	Provisions	(16)	(10)
267	**EBITDA**	**146**	**113**
6.0%	**EBITDA margin**	***6.3%***	***5.0%***
(110)	Depreciation, amortization and impairment	(58)	(52)
157	**EBIT**	**88**	**61**
3.5%	**EBIT margin**	***3.8%***	***2.7%***
(66)	Finance income/(costs)	(39)	(32)
(10)	Income/(expense) from investments	(1)	(4)
(21)	Income taxes	(20)	(6)
60	**Profit/(loss) before extraordinary and non-recurring income and expenses**	**28**	**19**
66	*of which attributable to Group*	*30*	*19*
(59)	Extraordinary and non-recurring income and (expenses)	(22)	(18)
13	Tax effect of extraordinary and non-recurring income and expenses	5	4
14	**Profit/(loss) for the period**	**11**	**5**
25	Group share of profit/(loss) for the period	13	7

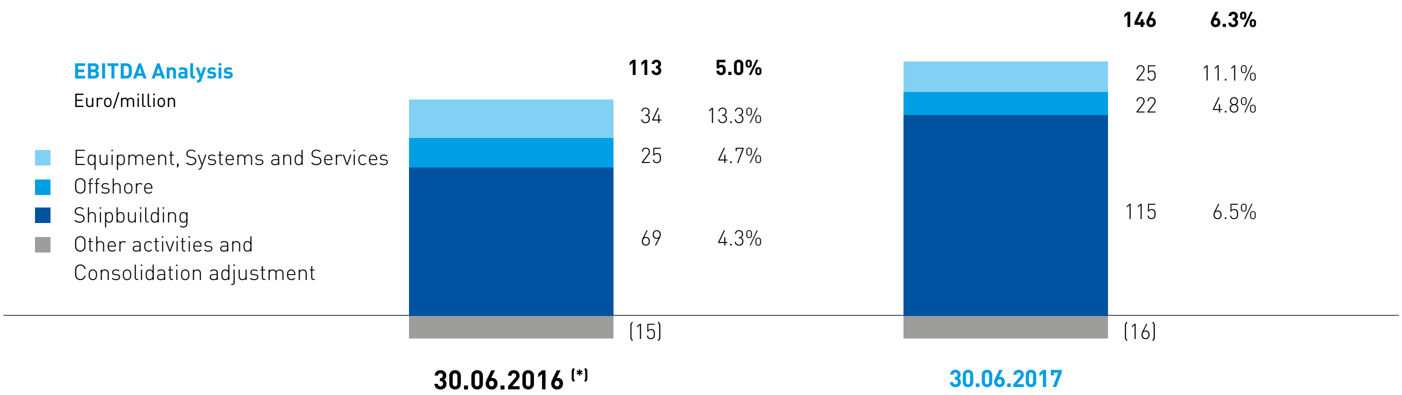
Revenue and income amount to euro 2,295 million in the first six months of 2017, reporting an increase of euro 29 million (1.3%) on the same period of 2016, mainly due to the continuous growth in production volumes for the cruise ship business, which accounted for 51% of the Group's total revenue for the period (43% in the first six months of 2016). As expected, Offshore segment value of production declined, primarily due to the Oil&Gas market crisis, pending the full development of efforts to diversify, and to the reduction in activities in Brazil after shutting down the Vard Niterói yard.



(*) The 30. 06. 2016 comparative figures have been restated following redefinition of the operating segments

Revenue generated by foreign clients accounts for 86% of the total in the period ended 30 June 2017, a slight increase if compared with the 85% on the corresponding period of 2016.

EBITDA amounts to euro 146 million at 30 June 2017 (euro 113 million in the first half of 2016) with an EBITDA margin of 6.3%, improving by more than 20% if compared with the 5.0% margin at 30 June 2016. This increase is mainly attributable to the increased earnings from cruise orders derived from the prototype units ordered after the crisis at higher prices and the effects of actions aimed at improving the production and design processes, which began in the previous year, aimed at strengthening competitiveness and increasing productivity to meet the development of the vast workload.



(*) The 30. 06. 2016 comparative figures have been restated following redefinition of the operating segments

EBIT amounts to euro 88 million in the first six months of 2017, compared with euro 61 million for the same period in the previous year. The **EBIT margin** (EBIT expressed as percentage of revenue and income) is 3.8% at 30 June 2017 (2.7% in the first half of 2016).

Finance income/(costs) report a net expense of euro 39 million (net expense of euro 32 million at 30 June 2016). The variation compared with the first half of 2016 is due to the reduction in net income on unrealized exchange rates (euro 15 million), mostly associated with a loan taken out by Vard Promar, partially offset by the decrease in finance costs on construction loans (euro 7 million) for the subsidiary VARD.

Income taxes present a net charge of euro 20 million in the first six months of 2017, compared with a net charge of euro 6 million in the same period of 2016.

Profit/(loss) before extraordinary and non-recurring income and expenses reports a profit of euro 28 million at 30 June 2017, up compared to the euro 19 million at 30 June 2016.

Extraordinary and non-recurring income and expenses report euro 22 million in net expenses (euro 18 million at 30 June 2016) and mainly include costs for lawsuits of euro 21 million (of which euro 19 million relating to claims under asbestos-related lawsuits) and charges for business reorganization plans, mainly within the subsidiary VARD, of euro 1 million.

Tax effect relating to extraordinary and non-recurring income and expenses have had a net positive impact of euro 5 million at 30 June 2017.

Profit/(loss) for the period, reflecting the factors described above, is a net profit of euro 11 million (euro 5 million at 30 June 2016). The Group share of this result is a net profit of euro 13 million, compared with a net profit of euro 7 million in the same period of the previous year.

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30.06.2016	(Euro/million)	30.06.2017	31.12.2016
546	Intangible assets	583	595
1,014	Property, plant and equipment	1,049	1,064
57	Investments	55	58
(28)	Other non-current assets and liabilities	42	(69)
(61)	Employee benefits	(58)	(58)
1,528	**Net fixed capital**	**1,671**	**1,590**
530	Inventories and advances	575	590
1,442	Construction contracts and client advances	1,594	604
(937)	Construction loans	(970)	(678)
419	Trade receivables	449	1,123
(1,170)	Trade payables	(1,426)	(1,307)
(105)	Provisions for risks and charges	(130)	(126)
(44)	Other current assets and liabilities	114	59
135	**Net working capital**	**206**	**265**
-	**Net assets classified as held for sale**	**-**	**1**
1,663	**Net invested capital**	**1,877**	**1,856**
863	Share capital	863	863
286	Reserves and retained earnings attributable to the Group	302	223
106	Non-controlling interests in equity	81	155
1,255	**Equity**	**1,246**	**1,241**
408	**Net financial position**	**631**	**615**
1,663	**Sources of funding**	**1,877**	**1,856**

The Reclassified consolidated statement of financial position reports an increase in net invested capital at 30 June 2017 of euro 21 million since the end of the previous year, mainly due to the following factors:

- **Net fixed capital:** presents an overall increase of euro 81 million. Intangible assets and property, plant and equipment decreased by a total of euro 27 million due to capital expenditure and depreciation and amortization for the period and due to the negative effect of exchange rate differences with foreign subsidiaries (euro 51 million). The change of euro 111 million in Other non-current assets and liabilities is mainly due to the positive effect of the fair value measurement of currency derivatives.
- **Net working capital** reports a positive balance of euro 206 million (euro 265 million at 31 December 2016). The main changes relate to: an increase in construction contracts and client advances (euro 990 million) and trade payables (euro 119 million), mainly due to the increase in production volumes in the cruise segment; a reduction in trade receivables of euro 674 million, in particular due to the collection of the final instalment of the cruise vessels delivered during the period. Other current assets and liabilities, which at 30 June 2017 amount to euro 114 million (euro 59 million at 31 December 2016), record a positive change mainly due to the reduction in the negative fair value of currency derivatives and the increase in other current receivables, partially offset by the reduction in receivables for deferred taxes.

- **Construction loans** amount to euro 970 million at 30 June 2017 (euro 678 million at 31 December 2016), of which euro 584 million relating to VARD (euro 578 million at 31 December 2016) and the remaining euro 386 million to the Parent Company (euro 100 million at 31 December 2016).

Equity, at euro 1,246 million, records an increase of euro 5 million mainly due to the net income generated in the period (euro 11 million), the increase in reserves linked to hedging instruments for cash flows (euro 70 million) and the registering of the reserve related to the equity incentive plan for management (euro 2 million). These effects were partially offset by the reduction of the currency translation reserve (euro 36 million) and a net negative change in consolidated equity of euro 42 million (as a result of the decrease in non-controlling interests in equity of euro 68 million and the increase of Group equity of euro 26 million) deriving from the acquisition of further interests from VARD minority shareholders. The shareholding in the VARD Group went from 55.63% to 78.13%, while the average carrying value of the shares went from SGD 1.22 to SGD 0.94 at 30 June 2017.

CONSOLIDATED NET FINANCIAL POSITION

30.06.2016	(Euro/million)	30.06.2017	31.12.2016
186	**Cash and cash equivalents**	**144**	**220**
85	**Current financial receivables**	**34**	**33**
(140)	Current bank debt	(329)	(306)
(131)	Current portion of bank loans and credit facilities	(63)	(128)
-	Other current financial liabilities	(26)	(19)
(271)	**Current debt**	**(418)**	**(453)**
-	**Net current cash/(debt)**	**(240)**	**(200)**
115	**Non-current financial receivables**	**128**	**115**
(223)	Non-current bank debt	(218)	(229)
(298)	Bonds	(299)	(298)
(2)	Other non-current financial liabilities	(2)	(3)
(523)	**Non-current debt**	**(519)**	**(530)**
(408)	**Net financial position**	**(631)**	**(615)**

The **Consolidated net financial position**, which excludes construction loans, reports a net debt balance of euro 631 million (euro 615 million in net debt at 31 December 2016). The item is influenced by the typical financial dynamics of the cruise segment, which were characterized during the period by a significant increase in volumes and, on the other hand, by the collection of final instalments for the vessels delivered during the period. Most of the Group's debt is used to finance current assets associated with cruise ship construction and thus directly connected with the financing of net working capital. By contrast, fixed capital is financed by equity and by other sources of long-term funding.

RECLASSIFIED CONSOLIDATED STATEMENT OF CASH FLOWS

31.12.2016	(Euro/million)	30.06.2017	30.06.2016
73	Net cash flows from operating activities	122	131
(237)	Net cash flows from investing activities	(81)	(94)
115	Net cash flows from financing activities	(110)	(117)
(49)	**Net cash flows for the period**	**(69)**	**(80)**
260	**Cash and cash equivalents at beginning of period**	**220**	**260**
9	Effects of currency translation difference on opening cash and cash equivalents	(7)	6
220	**Cash and cash equivalents at end of period**	**144**	**186**

31.12.2016	(Euro/million)	30.06.2017	30.06.2016
(164)	**Free cash flow**	**41**	**37**

The **Reclassified consolidated statement of cash flows** reports positive **Free cash flow** (the sum of cash flow from operating activities and cash flow from investing activities) of euro 41 million and negative net cash flows from financing activities of euro 110 million. **Net cash flows for the period** report a negative euro 69 million, slightly improving from the negative euro 80 million posted in the same period of 2016.
Net cash flows from operating activities also include the change in construction loans, which used euro 319 million in cash flow in the first half of 2017 (construction loans used euro 227 million in cash flow in the first half of 2016).

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 periods ended 30 June 2017 and 2016.
The ratios presented in the table have been calculated on the basis of economic parameters referring to a 12-month period, namely from 1 July 2016 to 30 June 2017 and from 1 July 2015 to 30 June 2016.

31.12.2016		30.06.2017	30.06.2016
8.8%	ROI	10.4%	(8.7)%
1.1%	ROE	1.6%	(18.8)%
0.8	Total debt/Total equity	0.8	0.6
2.3	Net financial position/EBITDA	2.1	n.s.
0.5	Net financial position /Total equity	0.5	0.3

n.s. not significant

ROI and ROE at 30 June 2017 saw improvements compared with 31 December 2016, thanks to the growth in economic results both in the second half of 2016 and in the first half of 2017, and compared with 30 June 2016, when the percentage values reflected the negative results in the second half of 2015.

The indicators of strength and efficiency of the capital structure at 30 June 2017, compared to 31 December 2016, show an improvement in the Net Financial Position and EBITDA ratio due to the growth in the result for the period; they are in line with the ratios between financial indebtedness and equity, and net financial position and equity. Compared to the first half of 2016, there is an increase in net debt due to the absorption of financial resources needed to cope with the growth in Shipbuilding production volumes.

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. Production is carried out at the Group's shipyards in Italy, Europe and the United States.

31.12.2016	(Euro/million)	**30.06.2017**	**30.06.2016** (****)
3,246	Revenue and income (*)	1,757	1,599
185	EBITDA (*)	115	69
5.7%	EBITDA margin (*) (**)	*6.5%*	*4.3%*
5,191	Order intake (*)	3,872	5,073
20,825	Order book (*)	22,761	21,804
16,372	Order backlog (*)	18,512	17,565
165	Capital expenditure	42	74
13	Vessels delivered (number) (***)	5	7

(*) Before eliminations between operating segments
(**) Ratio between segment EBITDA and Revenue and income
(***) Vessels over 40 meters in length
(****) The 30. 06. 2016 comparative figures have been restated following redefinition of the operating segments

Revenue and income

Revenue from the Shipbuilding segment amounts to euro 1,757 million at 30 June 2017, up 9.9% from euro 1,599 million in the first half of 2016, and comprises euro 1,238 million from the cruise ships business (euro 1,030 million at 30 June 2016) and euro 515 million from the naval vessels business (euro 559 million at 30 June 2016). Compared with the first six months of 2016, cruise ship production volumes have continued to increase, with three ships delivered and 11 under construction at the Group's Italian yards at 30 June 2017, compared with the four delivered and nine under construction at 30 June 2016. Other activities report euro 4 million in revenue, down from euro 10 million at 30 June 2016.

EBITDA

Segment EBITDA amounts to euro 115 million at 30 June 2017 (euro 69 million at 30 June 2016), with an EBITDA margin of 6.5% (4.3% at 30 June 2016). The Group's profit margins have benefitted from increased earnings from cruise orders derived from the prototype units ordered after the crisis at higher prices and the effects of actions aimed at improving the production and design processes, which began in the previous year, aimed at strengthening competitiveness and increasing productivity to meet the development of the vast workload.

Order intake

In the first six months of 2017 orders of euro 3,872 million were secured, which can be traced to the order received from Norwegian Cruise Line Holdings for the construction of four new-generation cruise ships for the Norwegian Cruise Line brand and the order from Carnival for the construction of one cruise ship for the Holland America Line brand.

Capital expenditure

Capital expenditure on Property, plant and equipment in the first half of 2017 has mostly involved the continuation of activities to introduce new technology that will reduce the environmental impact of operations (particularly at the Monfalcone yard), the optimization of logistics in working areas at some production sites, and work to upgrade and improve the safety standards of machinery, equipment and buildings. Capital expenditure on yards in the United States was mainly related to infrastructure maintenance operations and modernization of production plants. With regard to intangible assets, it is worth noting in particular the capital expenditure on the development of a set of innovative and specialist technical and plant engineering solutions for ships capable of operating in Arctic areas, in addition to those for the development of innovative solutions and systems designed to improve the efficiency of cruise ship systems and operations.

Production

The number of ships delivered in the first six months of 2017 is analyzed as follows:

(number)	**Deliveries**
Cruise ships	3
Cruise ferries	
Naval vessels > 40 m	2
Mega-yachts	
Naval vessels <40 m	

The vessels delivered were:

- "Viking Sky", the third of a series of six cruise ships for Viking Ocean Cruises, was delivered at the Ancona shipyard;
- “Majestic Princess", a new ship in Princess Cruise Line fleet, a Carnival Group brand, was delivered at the Monfalcone shipyard;
- “Silver Muse”, an ultra-luxury cruise ship for the company Silversea Cruises, was delivered at the Sestri Ponente shipyard;
- Multi-purpose frigate “Rizzo", the sixth vessel in the FREMM program for the Italian Navy, was delivered at the Muggiano shipyard in La Spezia;
- “Romeo Romei", last in a series of four identical U212A "Todaro" class submarines for the Italian Navy, was delivered at the Muggiano shipyard in La Spezia.

OFFSHORE

The Offshore operating segment is engaged in the design and construction of high-end offshore support vessels, expedition cruise vessels, specialized ships, and vessels for offshore wind farms and open ocean aquaculture, and also offers innovative products in the field of drillships and semi-submersible drilling rigs. Fincantieri operates in this market through the VARD Group, FINCANTIERI S.p.A. and Fincantieri Oil&Gas S.p.A..
The VARD Group also provides its clients with turnkey electrical systems, inclusive of engineering, manufacturing, installation, integration testing and commissioning.

31.12.2016	(Euro/million)	30.06.2017	30.06.2016
960	Revenue and income (*)	448	536
51	EBITDA (*)	22	25
5.3%	EBITDA margin (*) (**)	*4.8%*	*4.7%*
1,138	Order intake (*)	379	729
2,366	Order book (*)	2,478	2,447
1,361	Order backlog (*)	1,403	1,266
31	Capital expenditure	19	11
13	Vessels delivered (number)	3	8

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

Revenue and income

Revenue from the Offshore segment amounts to euro 448 million at 30 June 2017, down 16.4% compared with the first six months of 2016 (euro 536 million). The decrease in revenue compared with the first half of 2016, in small part offset by the positive effect of the change in the Norwegian Krone/Euro exchange rate (euro 11 million), is due to the reduction of VARD's activity in its European shipyards, pending the full implementation of the business diversification actions initiated in previous years in order to respond to the crisis in the core Oil&Gas industry, and due to the reduction of production activities in Brazil after the closure of the Vard Niterói site.

EBITDA

Offshore segment EBITDA of euro 22 million at 30 June 2017 compares with euro 25 million in the first six months of 2016 and reports profit margins of 4.8% versus 4.7% in the first six months of 2016. Profitability, still affected by the decline in demand for offshore assets due to the crisis in the Oil&Gas industry, is still not fully seeing the benefits of business diversification.

Order intake

In the first half of 2017, order intake by the VARD Group amounted to euro 379 million. In detail, order intake relates to:

- three fishing vessels to be constructed in Norway, of which one pelagic trawler, one live fish transportation vessel and one krill fishing vessel for operations in the Antarctic, for the Research Fishing Company, Fjordlaks Aqua and Aker BioMarine respectively;
- two car and passenger ferries for the company Torghatten Nord, to be constructed in Norway;
- one Research expedition vessel for the Norwegian shipping company Rosellinis Four-10, a ship specialized in ocean research, which will be built in collaboration with WWF Norway in Romania and Vietnam.

Capital expenditure

Capital expenditure in the first half of 2017 mainly related to expansion of production capacity at the Vard Tulcea shipyard to support the construction of cruise ship hulls for Norway and the multi-year program to build pre-fitted cruise ship blocks and sections for the Fincantieri production network.

Production

The following vessels were delivered during the period:

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

In detail:

- "Skandi Buzios" was delivered to Techdof Brasil at the Vard Søviknes shipyard (Norway);
- "Far Superior" was delivered to Farstad Shipping at the Vard Vung Tau shipyard (Vietnam);
- "Skandi Vinland" was delivered to DOF at the Vard Langstand shipyard (Norway).

EQUIPMENT, SYSTEMS AND SERVICES

The Equipment, Systems and Services operating segment is engaged in the design and production of systems, equipment and accommodation, in repair and conversion services and after-sales support for the vessels produced. 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., Marine Interiors S.p.A., Fincantieri SI S.p.A. and FMSNA Inc.

31.12.2016	(Euro/million)	30.06.2017	30.06.2016 (***)
495	Revenue and income (*)	227	256
62	EBITDA (*)	25	34
12.5%	EBITDA margin (*) (**)	*11.1%*	*13.3%*
664	Order intake (*)	323	318
1,742	Order book (*)	1,987	1,596
1,155	Order backlog (*)	1,288	1,024
8	Capital expenditure	3	2
45	Engines produced in workshops (number)	13	15

(*) Before eliminations between operating segments

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

(***) The 30. 06. 2016 comparative figures have been restated following redefinition of the operating segments

Revenue and income

Revenue from the Equipment, Systems and Services segment amounts to euro 227 million at 30 June 2017, with a reduction of 11.3% compared with the corresponding period in the previous year (euro 256 million). The reduction in revenue was mainly due to the reduced contribution of ship transformation activities, which, in the first half of 2016, benefitted from the positive effects of the "Renaissance" program for the client MSC Cruises, which came to an end in 2016.

EBITDA

Segment EBITDA is euro 25 million at 30 June 2017 (euro 34 million at 30 June 2016), with the margin decreasing to 11.1% from the 13.3% recorded in the first six months of 2016, mainly due to the change in the mix of products and services sold in the six-month period compared with the corresponding period in the previous year.

Order intake

New order intake for Equipment, Systems and Services amounts to euro 323 million in the first half of 2017 and mainly refers to:

- two steam turbines (one 36C and one 50CE) for foreign clients;
- one retractable stabilization system for Italian clients;
- supply of new automation equipment and upgrades and modifications to existing systems for naval projects and cruise ships and other clients such as Holland America Line and Azimut Benetti;
- supply of entertainment systems and assistance to the cruise ships MSC, Silversea and Viking;
- supply of diesel generators (DDGG) for cruise and Navy orders;
- supply of In Service Support (ISS) to the Italian Navy and supply of Integrated Logistic Support (ILS) for the Indian Navy;
- after-sales services and supply of spare parts for programs of the Italian Navy and US Coast Guard, 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 not allocated to other operating segments.

31.12.2016	(Euro/million)	30.06.2017	30.06.2016
-	Revenue and income	-	-
(31)	EBITDA	(16)	(15)
n.a.	EBITDA margin	*n.a.*	*n.a.*
20	Capital expenditure	12	7

n.a. not applicable

Capital expenditure

The most relevant items of capital expenditure relate to development of information systems in support of the Group's business; in particular, work has continued to implement an integrated system for ship design (CAD) and project lifecycle management (PLM), aimed at improving the efficiency and effectiveness of the engineering process. In addition, following on from previous years, work has continued to upgrade the Group’s network infrastructure and hardware.

Other information

MARKET CAPITALIZATION

The market capitalization of Fincantieri, at the closing price on 30 June 2017, was approximately euro 1,652 million. In terms of stock liquidity, around 747 million shares were traded from the start of the year to 30 June 2017, with a daily average trading volume in the period of around 5.9 million shares, up on the 221 million shares traded (daily average 1.7 million) in the first half of 2016.

31.12.2016			30.06.2017	30.06.2016
0.38	Average share price in the period	Euro	0.73	0.35
0.47	Share price at period end	Euro	0.98	0.32
1,692	Number of shares outstanding at period end	Million	1,692	1,692
800	Market capitalization (*)	Euro/million	1,652	549

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

OTHER SIGNIFICANT EVENTS IN THE PERIOD

On 20 February 2017, Fincantieri and Ferretti Group announced they had signed a wide-ranging cooperation agreement with the goal of developing commercial and industrial synergies between the two Italian companies, world leaders in their respective markets. The agreement relates to the security and defense sector and to the recreational yachting industry. On 22 February 2017, Fincantieri, China State Shipbuilding Corporation (CSSC) and Carnival Corporation & plc signed a binding Memorandum of Agreement (MoA) for the construction of two cruise ships, with an option for four more, which will be the first vessels of this kind ever built in China for the Chinese market. The parties signed the MoA on behalf of the joint venture between Fincantieri and CSSC Cruise Technology Development Co., Ltd (CCTD), of the joint venture between Carnival Corporation and CSSC, and of the shipyard Shanghai Waigaoqiao Shipbuilding Co., Ltd (SWS).

On 27 February 2017, Marco Minniti, Italy's Minister of the Interior, and Giampiero Massolo, Fincantieri Chairman, in the company of Chief Executive Officer Giuseppe Bono, signed a National Legality Framework Agreement at the Ministry's headquarters in Rome. Also in attendance was Fincantieri CEO Giuseppe Bono. The agreement, aimed at preventing attempts at infiltration by organized crime, is based on the experience of several such agreements signed by the Group at a local level, and is a major milestone that will standardize anti-mafia checking procedures nationally for contractors and subcontractors at all Fincantieri Group locations.

On 24 March 2017, Fincantieri announced that the voluntary general offer for shares in VARD (the "Offer") had closed with acceptances for a total of 215,946,242 shares. Following the Offer and the purchase of VARD shares on the Singapore Stock Exchange during the Offer period, as at 24 March 2017, the total number of VARD shares owned directly or indirectly, controlled or agreed to be acquired by Fincantieri O&G, amounted to an aggregate number of 878,523,910 shares, representing approximately 74.45% of VARD's share capital. The consideration for the Offer Shares tendered in acceptance of the Offer was SGD 51,827,098.08 (approx. euro 34,281,715.89 at the exchange rate on 24 March 2017) while the amount paid for the VARD shares acquired on the Singapore Stock Exchange (excluding brokerage fees, clearing fees and applicable tax) was SGD 1,465,536.00 (approx. euro 969,398.07 at the exchange rate on 24 March 2017). After the Offer closing date, Fincantieri O&G further increased its shares in VARD to 78.13% of the share capital at 30 June 2017, thanks to a series of acquisitions made during the second quarter. The increased number of shares in VARD, which went from 55.63% to 78.13% of the share capital, has not altered the Fincantieri Group's scope of consolidation since VARD was already fully consolidated.

On 19 May 2017, Fincantieri signed the share purchase agreement for acquisition of 66.66% of STX France's capital from its shareholder STX Europe AS. The agreement lists a purchase price of euro 79.5 million, which the Company will pay through available financial resources. Closure of the transaction is subject to the conditions generally established for this sort of transaction and to the failure of the French State to exercise its pre-emption right on the shares to be sold by STX Europe AS. On the basis of the Heads of Terms on 12 April 2017, negotiations are ongoing between Fincantieri and the French State to finalize the governance agreements amongst future STX France shareholders.

On 19 May 2017, following approval of the financial statements of Fincantieri S.p.A. at 31 December 2016, the ordinary shareholders' meeting appointed the new Board of Statutory Auditors which will remain in office until the date of the shareholders' meeting called to approve the 2019 financial statements.

On 29 May 2017, Fincantieri and Eni signed a Memorandum of Understanding to collaborate in Research & Development of energy systems and, in particular, of the natural gas value chain. The understandings, which are highly innovative in their content and very important for the industry, are aimed at studying sustainable development projects and supporting the use of natural gas for transport.

On 31 May 2017, Fincantieri signed a letter of intent with China State Shipbuilding Corporation and the district of Baoshan in the city of Shanghai, aimed at creating an industrial park mainly dedicated to cruise, shipyard and maritime activities, as part of the development of these areas launched by China.

On 13 June 2017 Fincantieri, through its subsidiary Delfi, signed a purchase agreement for 83.5% of the share capital of Isselnord S.r.l., an Italian company operating in Defense and in the main civil industries, specializing in logistics support engineering and the IT technologies applied in this area. This transaction, which involves the Group fully controlling the subsidiary within a specified period, is part of the development of the "Naval services" operating segment.

KEY EVENTS AFTER THE REPORTING PERIOD ENDED 30.06.2017

On 4 July 2017, Fincantieri and GE Power reached a major milestone for the joint development of an innovative emission control system aimed at reducing pollution in the maritime industry. The new solution bears the name "Shipboard Pollutant Removal System" (Shipboard PRS) and, operational by 2020, it will be effective in reducing emissions in accordance with the most stringent MARPOL (MARitime POLlution) directives.
On 20 July 2017, Fincantieri and Mapei - leader in the chemical sector for the construction industry and with a specialized branch of products for shipbuilding - signed a strategic collaboration agreement regarding research and innovation. With this partnership Fincantieri intends to optimize laying times, reduce the weight of some the materials used, improve noise abatement using specific products, and develop and broaden the use of adhesive products in some shipbuilding applications. On Mapei's part, it intends to pursue projects that can lead to solutions for use in its own business.

BUSINESS OUTLOOK

The Group expects results for the year 2017 in line with the financial and economic projections presented in the Business Plan. In particular, in the second half of 2017, there will be a growth in revenue compared with the first six months of the year.
As for the Shipbuilding segment, Fincantieri expects two more cruise ships (of which one will be a prototype) to be delivered in the second half of the year, on top of the three ships already delivered in the first six months. In the naval segment, full operation of the Italian Navy's fleet renewal program is anticipated, whilst design and planning activities for the Qatari Ministry of Defense contract will be in full swing. The actions to increase earnings will also continue, including the production synergies established with VARD.
The Offshore segment remains characterized by the severe Oil&Gas crisis. As such, VARD continues to implement business diversification activities.
In the second half of 2017, the Equipment, Systems and Services segment is expected to confirm its positive results for the first six months, thanks in part to the development of the backlog relating to renewal of the Italian Navy's fleet. The project to regain control of the value chain by insourcing high value-added activities and outsourcing lower margin activities also continues; ad hoc controls have been created that are capable of strengthening the focus on the core product and further developing the after-sales business.

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 in the first half of 2017, 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 28 of the Notes to the Condensed Consolidated Interim Financial Statements at 30 June 2017.

PURCHASE OF OWN SHARES

No purchases of the Parent Company's own shares were made on the market during the first half of 2017.

INFORMATION REGARDING 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 29 March 2017, and published in the "Corporate Governance" section of the Company's website at www.fincantieri.it.
The Report contains a general and complete overview of the corporate governance system adopted by FINCANTIERI S.p.A. It presents the Company's profile and the principles underlying the way it conducts its business; it provides information about the ownership structure and adoption of the Corporate Governance Code, including the main governance practices applied and the main characteristics of the system of internal control and risk management; it contains a description of the operation and composition of the governing and supervisory bodies and their committees, roles, duties and responsibilities.
The criteria for determining the compensation of the directors are set out in the "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.

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. Based on operating performance in the first six months of the year and the macroeconomic context, the risk factors foreseeable for the next six months of 2017 are described below according to their nature.

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 were 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 vessel demand in the various business areas. This flexible approach allows the Group to overcome capacity constraints at individual shipyards and to work on more than one contract at the same time while ensuring that delivery dates are met. The Group is implementing actions aimed at improving the production and design processes in order to strengthen competitiveness and increase productivity.

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 brand but also through other prestigious brands 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 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, which in the past operated primarily in the offshore vessels market, has longstanding relationships with shipowners and companies operating in this sector.

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 the main influences on the cruise industry are trends 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 could lead, as has already happened, to a reduction in the level of orders for the subsidiary VARD, as well as exposing it to the risk of cancellation or postponement of existing 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 results of operations and financial condition.

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, along with 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 this context, of particular importance is the order worth some euro 3.8 billion for the Qatari Ministry of Defense.

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 downturn in the offshore market, the subsidiary VARD has pursued a strategy of diversifying into new market segments, such as expedition cruise, offshore wind, fishing and aquaculture, with the intent of reducing its exposure to the cyclical nature of the offshore Oil&Gas

industry. As part of the program to improve efficiency and cut costs to rightsize production capacity for the new market opportunities, VARD has shut down one of its Brazilian yards, it has downsized the workforce at its facilities in Norway and Romania and it has repositioned one of the Norwegian yards to serve the aquaculture industry.

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 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. In parallel with the commercial initiatives to penetrate new market segments, the subsidiary VARD has developed a series of new ship projects, exploiting not only its own engineering and design expertise acquired in the offshore sector but also the know-how of the Fincantieri Group.

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, with the loss of clients, profits and competitive advantage and, in the case of lawsuits and sanctions, on its reputation.

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 envisaged 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). Contracts with suppliers include the possibility of applying penalties for delays or hold-ups attributable to such suppliers.

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. The Offshore industry is in the midst of a profound global market deterioration affecting all its players with a significant number of shipowners undertaking restructuring, in turn giving rise to increased counterparty risk. With particular reference to VARD, deterioration in the financial situation of many clients in the Offshore sector may lead to the cancellation or the postponement of the orders in the order book. This has already occurred for some orders.

Impact

Bankruptcy, whether by a client or supplier, 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. In particular, client cancellation of orders during vessel construction exposes the Group to the risk of having to sell the vessel in adverse market conditions and at prices that do not allow its construction costs to be recovered; likewise the postponement of deliveries can significantly increase working capital financing needs, with a consequent growth in debt and higher borrowing costs.

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 leading credit rating agencies. 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.
To address the difficult situation in the offshore market, the subsidiary VARD is now working with clients and financial institutions to ensure delivery of not only vessels in the current order book but also those whose orders have been canceled. The subsidiary is also considering, where possible, all technical and commercial opportunities to reposition on the new markets served those vessels already built but whose orders have been cancelled.

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 were 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.
As for VARD, the cancellation and postponement of orders by clients in difficulty could have a significant impact on the Group's financial structure, with the risk that banks limit access to credit, thereby depriving it of the necessary funding for its working capital, such as construction loans.

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 Group's clients often make use of financing 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. and GIEK in the case of Norway.

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. The subsidiary VARD is also actively working with GIEK, the Norwegian export credit agency, particularly in a new sector for the Norwegian market like that of expedition cruise vessels.

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. In such a case, it is entitled to keep the payments received and the ship under construction. 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 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 on the market.

Mitigation

The Group has specific personnel in charge of coordinating the assembly of on-board 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 suitable legality and/or transparency protocols with the local authorities, which in turn inspired the National Legality Framework Agreement signed in 2017. The subsidiary VARD has paid special attention to the process of evaluating and managing contracts with suppliers especially in light of the increase in the number of suppliers operating in new sectors entered as a result of its diversification strategy.

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 talent management with a view to continuous improvement, 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. The subsidiary VARD has carried out an internal reorganization to assist the process of diversifying into new markets, with particular attention to the development of new concepts and alteration of production processes.

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, including those to safeguard the environment and health and safety at work. 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 comply with such regulations, the costs and liability for which could have a negative impact on the Group's business and results.

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 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 applied 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 practices 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. Authority to access and operate on the computer system is managed and maintained to ensure proper segregation of duties, as 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 transactions of a commercial and financial nature 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 increase the volatility of the Group's economic results. In particular, if currencies in which shipbuilding contracts are denominated were to depreciate, this could have an adverse impact on company profit margins.

Mitigation

Fincantieri has a policy for managing economic and transaction financial risks that defines instruments, responsibilities and reporting procedures, with which it mitigates currency market risks. 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 FINANCIAL 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 immediate 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. 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. As for the Offshore industry, the worsening financial situation resulting in restructuring by many industry players is causing banks to reduce their credit exposure to such players, with the risk of consequent repercussions for VARD's ability to access construction loans, needed not only for offshore projects but also for those in new markets.

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. In particular, to mitigate liquidity risk and maintain a sufficient level of financial flexibility, the Group diversifies its sources of funding in terms of duration, counterparty and technical form.

Alternative 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 Consob Communication no. 0092543 of 3 December 2015 which implements the ESMA Guidelines on Alternative Performance Measures (document no. ESMA/2015/1415), the components of each of these measures are described below:

- EBITDA: this is equal to earnings before taxes, before finance income and costs, before income and expenses from investments and before depreciation, amortization and impairment, as reported in the financial statements, adjusted to exclude the following items:
  - company costs for the 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 recurring depreciation, amortization and 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 period 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, Shipbuilding 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 (Return on investment) is calculated as the ratio between EBIT (calculated on a 12-month basis for 1 July - 30 June) and the arithmetic mean of Net invested capital at the beginning and end of the reporting period.
- ROE (Return on equity) is calculated as the ratio between Profit/(loss) for the period (calculated on a 12-month basis for 1 July - 30 June) and the arithmetic mean of Total Equity at the beginning and end of the reporting period.
- Total debt/Total equity: this is calculated as the ratio between Total debt and Total equity.
- Net financial position/EBITDA: this is calculated as the ratio between the Net financial position, as monitored by the Group, and EBITDA.
- 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.

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

CONSOLIDATED INCOME STATEMENT

	30.06.2017		30.06.2016	
(Euro/million)	Amounts in IFRS statement	Amounts in reclassified statement	Amounts in IFRS statement	Amounts in reclassified statement
A - Revenue		**2,295**		**2,266**
Operating revenue	2,252		2,232	
Other revenue and income	43		34	
B - Materials, services and other costs		**(1,671)**		**(1,712)**
Materials, services and other costs	(1,673)		(1,715)	
Recl. to I - Extraordinary and non-recurring income and expenses	2		3	
C - Personnel costs		**(462)**		**(431)**
Personnel costs	(463)		(436)	
Recl. to I - Extraordinary and non-recurring income and expenses	1		5	
D - Provisions		**(16)**		**(10)**
Provisions	(35)		(20)	
Recl. to I - Extraordinary and non-recurring income and expenses	19		10	
E - Depreciation, amortization and impairment		**(58)**		**(52)**
Depreciation, amortization and impairment	(58)		(52)	
F - Finance income/(costs)		**(39)**		**(32)**
Finance income/(costs)	(39)		(32)	
G - Income/(expense) from investments		**(1)**		**(4)**
Income/(expense) from investments	(1)		(4)	
H - Income taxes		**(20)**		**(6)**
Income taxes	(15)		(2)	
Recl. to L - Tax effect of extraordinary and non-recurring income and expenses	(5)		(4)	
I - Extraordinary and non-recurring income and expenses		**(22)**		**(18)**
Recl. from B - Materials, services and other costs	(2)		(3)	
Recl. from C - Personnel costs	(1)		(5)	
Recl. from D - Provisions	(19)		(10)	
L - Tax effect of extraordinary and non-recurring income and expenses		**5**		**4**
Recl. from H - Income taxes	5		4	
Profit/(loss) for the period		**11**		**5**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	(Euro/million)	30.06.2017 Amounts in IFRS statement	30.06.2017 Amounts in reclassified statement	31.12.2016 Amounts in IFRS statement	31.12.2016 Amounts in reclassified statement
A)	**Intangible assets**		**583**		**595**
	Intangible assets	583		595	
B)	**Property, plant and equipment**		**1,049**		**1,064**
	Property, plant and equipment	1,049		1,064	
C)	**Investments**		**55**		**58**
	Investments	55		58	
D)	**Other non-current assets and liabilities**		**42**		**(69)**
	Derivative assets	67		4	
	Other non-current assets	27		16	
	Other liabilities	(39)		(48)	
	Derivative liabilities	(13)		(41)	
E)	**Employee benefits**		**(58)**		**(58)**
	Employee benefits	(58)		(58)	
F)	**Inventories and advances**		**575**		**590**
	Inventories and advances	575		590	
G)	**Construction contracts and client advances**		**1,594**		**604**
	Construction contracts - assets	2,207		1,374	
	Construction contracts - liabilities and client advances	(613)		(770)	
H)	**Construction loans**		**(970)**		**(678)**
	Construction loans	(970)		(678)	
I)	**Trade receivables**		**449**		**1,123**
	Trade receivables and other current assets	795		1,383	
	Recl. to N) Other assets	(346)		(260)	
L)	**Trade payables**		**(1,426)**		**(1,307)**
	Trade payables and other current liabilities	(1,641)		(1,496)	
	Recl. to N) Other liabilities	215		189	
M)	**Provisions for risks and charges**		**(130)**		**(126)**
	Provisions for risks and charges	(130)		(126)	
N)	**Other current assets and liabilities**		**114**		**59**
	Deferred tax assets	99		154	
	Income tax assets	21		23	
	Derivative assets	9		8	
	Recl. from I) Other current assets	346		260	
	Deferred tax liabilities	(77)		(85)	
	Income tax liabilities	(12)		(11)	
	Derivative liabilities and option fair value	(57)		(101)	
	Recl. from L) Other current liabilities	(215)		(189)	
O)	**Net assets/(liabilities) held for sale**		**-**	-	**1**
NET INVESTED CAPITAL			**1,877**		**1,856**
P)	**Equity**		**1,246**		**1,241**
Q)	**Net financial position**		**631**		**615**
SOURCES OF FUNDING			**1,877**		**1,856**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condensed consolidated interim financial statements as at and for the six months ended 30 june 2017

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Consolidated statement of financial position

(Euro/000)	Nota	30.06.2017	*of which related parties Note 28*	31.12.2016	*of which related parties Note 28*
ASSETS					
NON-CURRENT ASSETS					
Intangible assets	5	582,548		594,622	
Property, plant and equipment	6	1,048,579		1,063,946	
Investments accounted for using the equity method	7	52,509		54,973	
Other investments	7	2,767		3,179	
Financial assets	8	211,136	*6,651*	138,270	*6,718*
Other assets	9	27,025	*681*	16,155	*731*
Deferred tax assets	10	99,036		154,373	
Total non-current assets		**2,023,600**		**2,025,518**	
CURRENT ASSETS					
Inventories and advances	11	574,589	*3,005*	590,310	*2,390*
Construction contracts - assets	12	2,207,579		1,379,814	
Trade receivables and other current assets	13	794,380	*162,252*	1,383,064	*140,913*
Income tax assets	14	20,574		23,068	
Financial assets	15	51,150	*411*	49,047	*550*
Cash and cash equivalents	16	143,751		219,512	
Total current assets		**3,792,023**		**3,644,815**	
Assets classified as held for sale		**-**		**6,314**	
TOTAL ASSETS		**5,815,623**		**5,676,647**	
EQUITY AND LIABILITIES					
EQUITY	17				
Attributable to owners of the parent					
Share capital		862,981		862,981	
Reserves and retained earnings		301,528		223,134	
Total Equity attributable to owners of the parent		**1,164,509**		**1,086,115**	
Attributable to non-controlling interests		81,771		155,241	
Total Equity		**1,246,280**		**1,241,356**	
NON-CURRENT LIABILITIES					
Provisions for risks and charges	18	117,943		109,805	
Employee benefits	19	58,319		57,777	
Financial liabilities	20	548,466	*52,397*	590,604	*49,769*
Other liabilities	21	38,615		48,233	
Deferred tax liabilities	10	76,823		85,072	
Total non-current liabilities		**840,166**		**891,491**	
CURRENT LIABILITIES					
Provisions for risks and charges	18	12,159		16,169	
Construction contracts - liabilities	12	613,828		776,114	
Trade payables and other current liabilities	22	1,641,266	*12,590*	1,496,076	*20,055*
Income tax liabilities		12,171		10,586	
Financial liabilities	23	1,449,753	*94,283*	1,240,044	*57,599*
Total current liabilities		**3,729,177**		**3,538,989**	
Liabilities directly associated with assets classified as held for sale		**-**		**4,811**	
TOTAL EQUITY AND LIABILITIES		**5,815,623**		**5,676,647**	

Consolidated statement of comprehensive income

(Euro/000)	Nota	30.06.2017	of which related parties Note 28	30.06.2016	of which related parties Note 28
Operating revenue	24	2,251,940	*85,159*	2,232,051	*163,727*
Other revenue and income	24	43,097	*320*	33,502	*983*
Materials, services and other costs *of which non-recurring*	25 *28*	(1,673,181)	*(4,779)*	(1,714,408) *(389)*	*(2,657)*
Personnel costs *of which non-recurring*	25 *28*	(463,854) *(1,049)*		(436,007) *(5,484)*	
Depreciation, amortization and impairment	25	(57,775)		(52,623)	
Provisions	25	(34,582)		(19,852)	
Finance income	26	18,589	*182*	37,702	*155*
Finance costs	26	(57,989)	*(921)*	(69,980)	*(565)*
Income/(expense) from investments		(59)		(3,054)	
Share of profit/(loss) of investments accounted for using the equity method		(1,280)		(897)	
Taxes	27	(14,104)		(1,692)	
PROFIT/(LOSS) FOR THE PERIOD (A)		**10,802**		**4,742**	
Attributable to owners of the parent		*12,573*		*6,946*	
Attributable to non-controlling interests		*(1,771)*		*(2,204)*	
Basic earnings/(loss) per share (Euro)	28	0,00743		0,00410	
Diluted earnings/(loss) per share (Euro)	28	0,00742		0,00410	

Other comprehensive income/(losses), net of tax (OCI)					
Gains/(losses) from remeasurement of employee defined benefit plans	17 19	702		(3,380)	
Total gains/(losses) that will not be reclassified to profit or loss, net of tax ***attributable to non-controlling interests***	17	**702**		**(3,380)**	
Effective portion of gains/(losses) on cash flow hedging instruments	17	69,918		3,349	
Gains/(losses) arising from changes in OCI of investments accounted for using the equity method	17	(219)		(2,379)	
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	17	(36,082)		(16,144)	
Total gains/(losses) that may be subsequently reclassified to profit or loss, net of tax ***attributable to non-controlling interests***	17	**33,617** ***(3,927)***		**(15,174)** ***(22,514)***	
Total other comprehensive income/(losses), net of tax (B) ***attributable to non-controlling interests***	17	**34,319** ***(3,927)***		**(18,554)** ***(22,514)***	
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD (A) + (B)		**45,121**		**(13,812)**	
Attributable to owners of the parent		*50,819*		*10,906*	
Attributable to non-controlling interests		*(5,698)*		*(24,718)*	

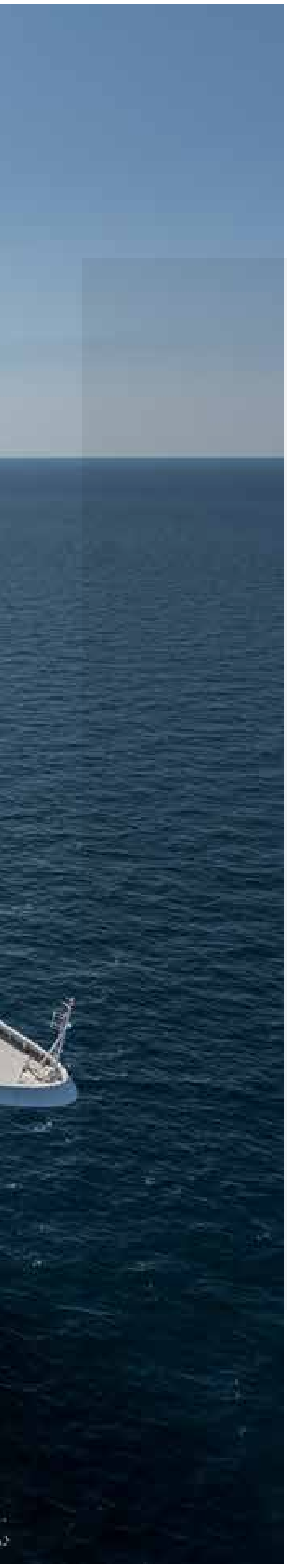
Consolidated statement of changes in equity

(Euro/000)	Note	Share capital	Reserves and retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	**Total**
01.01.2016	-	**862,981**	**275,038**	**1,138,019**	**128,079**	**1,266,098**
Business combinations						
Share capital increase					2,286	2,286
Acquisition of non-controlling interests						
Dividend distribution						
Other changes/roundings			2	2	2	4
Total transactions with owners			***2***	***2***	***2,288***	***2,290***
Profit/(loss) for the period			6,946	6,946	(2,204)	4,742
Other components						
OCI for the period			3,960	3,960	(22,514)	(18,554)
Total comprehensive income for the period			***10,906***	***10,906***	***(24,718)***	***(13,812)***
30.06.2016	-	**862,981**	**285,946**	**1,148,927**	**105,649**	**1,254,576**
01.01.2017	17	**862,981**	**223,134**	**1,086,115**	**155,241**	**1,241,356**
Business combinations						
Share capital increase						
Acquisition of non-controlling interests			25,790	25,790	(67,772)	(41,982)
Dividend distribution						
Reserve for long-term incentive plan			1,785	1,785		1,785
Other changes/roundings						
Total transactions with owners			***27,575***	***27,575***	***(67,772)***	***(40,197)***
Net profit/(loss) for the period			12,573	12,573	(1,771)	10,802
Other components						
OCI for the period			38,246	38,246	(3,927)	34,319
Total comprehensive income for the period			***50,819***	***50,819***	***(5,698)***	***45,121***
30.06.2017	17	**862,981**	**301,528**	**1,164,509**	**81,771**	**1,246,280**

Consolidated statement of cash flows

(Euro/000)	Note	30.06.2017	30.06.2016
NET CASH FLOWS FROM OPERATING ACTIVITIES	29	**(197,643)**	**357,071**
- of which related parties		*(29,368)*	*9,931*
Investments in:			
- intangible assets		(26,045)	(31,488)
- property, plant and equipment		(49,669)	(62,565)
- equity investments			(207)
- receivables and other financial assets			
- business combinations, net of cash acquired		(5,515)	
Disposals:			
- intangible assets			114
- property, plant and equipment		536	77
- equity investments		41	
- receivables and other non-current financial assets			
CASH FLOWS FROM INVESTING ACTIVITIES		**(80,652)**	**(94,069)**
Change in non-current loans:			
- disbursements		23,395	16,773
- repayments		(96,476)	(32,354)
Change in non-current financial receivables:			
- disbursements		(17,512)	
- repayments			106
Change in current bank loans and credit facilities			
- disbursements		1,688,243	356,903
- repayments		(1,345,912)	(639,478)
Change in current parent company loans and credit facilities			
Change in other current financial liabilities/receivables		6,955	(43,810)
Change in receivables for held-for-trading financial instruments		(2,384)	796
Change in payables for held-for-trading financial instruments		(5,542)	(4,426)
Net capital contributions by non-controlling interests			2,286
Increase in share capital			
Purchase of shares from minority shareholders		(41,986)	
CASH FLOWS FROM FINANCING ACTIVITIES		**208,781**	**(343,204)**
- of which related parties		*39,518*	*(5,635)*
NET CASH FLOWS FOR THE PERIOD		**(69,514)**	**(80,202)**

CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**219,512**	**259,507**
Effect of exchange rate changes on cash and cash equivalents		(6,247)	6,140
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**143,751**	**185,445**



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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 30 June 2017, 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.

IFRS CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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, at the reporting date of the consolidated financial statements, have 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.
The condensed consolidated interim financial statements as at and for the six months ended 30 June 2017 (the "Condensed Consolidated Interim Financial Statements"), were approved by the Company's Board of Directors on 25 July 2017.
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, has performed a limited review of the Condensed Consolidated Interim Financial Statements.

BASIS OF PREPARATION

The Half-Year Financial Report of the Fincantieri Group as at 30 June 2017 has been prepared in accordance with the provisions of art. 154-ter par. 2 of Italian Legislative Decree no. 58/98 (known as the "Consolidated Law on Finance") and subsequent amendments and additions.
The Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34 - Interim Financial Reporting. IAS 34 allows the preparation of financial statements in a "condensed" format, in which the minimum level of disclosure is less than that required by the IFRSs, as long as the reporting entity has previously published a complete set of financial statements prepared in accordance with IFRS. Since the contents of the Condensed Consolidated Interim Financial Statements are presented in a condensed format, they must be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2016, prepared in accordance with IFRS (the "2016 Consolidated Financial Statements").
With regard to the main financial risks to which the Group is exposed - credit risk, liquidity risk and market risk (in particular currency, interest rate and commodity price risk) - the management of these

financial risks is the responsibility of the Parent Company which decides, in close collaboration with its operating units, whether and how to hedge these risks. There have been no significant changes in the major financial risks faced compared with those described in the 2016 Consolidated Financial Statements which should be consulted for more details. The following table shows the financial assets and liabilities that are measured at fair value at 30 June 2017 and 31 December 2016 according to their level in the fair value hierarchy:

(Euro/000)	30.06.2017			31.12.2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Available-for-sale financial assets						
Equity instruments	1,031		593	1,414		625
Debt instruments						
Hedging derivatives		73,760			12,073	
Held-for-trading derivatives		2,384				
Total assets	**1,031**	**76,144**	**593**	**1,414**	**12,073**	**625**
Liabilities						
Financial liabilities at fair value through profit or loss			16,649			18,025
Hedging derivatives		50,107			118,477	
Held-for-trading derivatives		847			6,389	
Total liabilities		**50,954**	**16,649**		**124,866**	**18,025**

Financial assets and liabilities measured at fair value are classified in the three hierarchical levels presented above, 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.

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.

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.

Note 2 - Scope and basis of consolidation

As previously stated, the scope and basis of consolidation adopted for the preparation of the Condensed Consolidated Interim Financial Statements are in line with those used to prepare the Consolidated Financial Statements, except as reported in Note 3.

The following transactions were performed during the first half of 2017:

- On 10 April 2017, Vard Group AS sold all of it shares in Multifag AS;
- On 28 April 2017, the parent company incorporated Fincantieri Infrastructure S.p.A., with headquarters in Trieste (Italy), which will perform carpentry;
- On 26 May 2017, the subsidiary Vard Group AS acquired the remaining 30% of the share capital of Vard Engineering Brevik AS, bringing its shareholding to 100%;
- On 26 May 2017 the subsidiary Vard Group AS, exercising a call option, acquired the remaining 4.85% of the share capital of Vard Promar SA, bringing its shareholding to 100%;
- On 13 June 2017, the subsidiary Delfi S.r.l. acquired 83.5% of the share capital of Issel Nord S.r.l., specialized in engineering activities and in the IT solutions applied in the Defense sector. The agreement establishes a call option for purchase of the remaining 16.5% of shares, which can be exercised by Fincantieri in the two years following acquisition at a fixed price. The net carrying amount of Issel Nord S.r.l. assets on the date of acquisition is around euro 7 million. The process of allocating the purchase price, not yet completed at the date of this half-year financial statement, resulted in a goodwill of euro 2 million. This value is provisional and may be subject to change until the price allocation is completed. The purchase price of euro 9 million was paid in part on the acquisition date (euro 7.5 million) and in part offset by the aforementioned call option, to be exercised pursuant to the contractual terms and conditions (euro 1.5 million);
- In the first half of 2017 Fincantieri Oil&Gas S.p.A. increased its shareholding in Vard Holdings Limited to 78.13%; the purchase of further shares was made through public offering started in November 2016 and concluded on 24 March 2017, when a share capital of 74.45% was reached, and through subsequent purchase of shares on the market, bringing the total shareholding at 30 June 2017 to 78.13%.

No significant transactions or unusual events have taken place during the first half of 2017 or during 2016, except as reported in the Condensed Consolidated Interim Financial Statements as at and for the six months ended 30 June 2017. It is also noted that the Group's business is not subject to seasonal trends.

Translation of the financial statements of foreign operations

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

	30.06.2017		**31.12.2016**		**30.06.2016**	
	Average rate	Closing rate	Average rate	Closing rate	Average rate	Closing rate
US Dollar (USD)	1.0830	1.1412	1.1069	1.0541	1.1159	1.1102
UAE Dirham (AED)	3.9758	4.1894	4.0634	3.8696	4.0966	4.0755
Brazilian Real (BRL)	3.4431	3.7600	3.8561	3.4305	4.1295	3.5898
Norwegian Krone (NOK)	9.1785	9.5713	9.2906	9.0863	9.4197	9.3008
Indian Rupee (INR)	71.1760	73.7445	74.3717	71.5935	75.0019	74.9603
Romanian Leu (RON)	4.5370	4.5523	4.4904	4.539	4.4956	4.5234
Chinese Yuan (CNY)	7.4448	7.7385	7.3522	7.3202	7.2965	7.3755
Swedish Krona (SEK)	9.5968	9.6398	9.4689	9.5525	9.3019	9.4242

Note 3 - Accounting standards

The Group has not adopted early any accounting standards and interpretations whose application is not mandatory from 1 January 2017.

With reference to the new accounting standard, IFRS 15 - *Revenue from contracts with customers*, which replaces IAS 18 - *Revenue* and IAS 11 - *Joint Arrangements*, recently approved by the European Commission and effective for annual periods beginning on or after 1 January 2018, the Group conducted a preliminary analysis of the main sales contracts, not identifying a significant impact on Revenue recognition in its consolidated financial statements.

With regard to the new standard, IFRS 9 - *Financial instruments*, which substitutes IAS 39, also recently approved by the European Commission and effective for annual 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. Following a preliminary review, with particular reference to classification and hedge accounting, no material impacts are expected on the Group's financial statements.

The Shareholders' Meeting on 19 May 2017 approved a mid/long-term incentive plan for Group management, the accounting criteria for which are governed by IFRS 2.

According to the provisions of IFRS 2, the plan in question represents a component of the beneficiaries' remuneration. For plans that include remuneration in equity instruments, the cost is represented by the fair value of such instruments determined at the grant date and is recognized in "Personnel costs" (in the case of Company employees) and in "Service costs" over the period between the grant date and the maturity date, offset by an equity reserve known as "Equity incentive plan reserve". Changes in the fair value following the grant date have no effect on the initial evaluation. At the end of each quarter the estimate of the number of entitlements that will mature is updated. The change in estimate is recorded under "Equity incentive plan reserve" with the "Personnel costs" offset.

Note 4 - Critical accounting estimates and assumptions

A full description of the use of accounting estimates can be found in the Consolidated Financial Statements at 31 December 2016.

Certain valuation processes, particularly the more complex ones, such as the determination of any impairment of non-current assets, are generally carried out in full only at the time of preparing the annual financial statements when all the necessary information is available, unless there are indicators of impairment that require the immediate assessment of any impairment losses.

Note 5 - Intangible assets

Movements in this line item are as follows:

(Euro/000)	Goodwill	Client relationships and order backlog	Development costs	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other intangibles	Intangibles in progress and advances	**Total**
- cost	278,229	199,128	119,507	98,693	22,859	14,086	53,149	785,651
- accumulated amortization and impairment losses		(67,009)	(25,713)	(87,887)	(2,344)	(8,076)		(191,029)
Net carrying amount at 01.01.2017	**278,229**	**132,119**	**93,794**	**10,806**	**20,515**	**6,010**	**53,149**	**594,622**
Movements - business combinations	2,095			21				2,116
- capital expenditure			1,356	42	437	75	24,135	26,045
- net disposals								0
- reclassifications/other			(1)	481	11	126	(559)	58
- amortization		(4,201)	(8,195)	(1,104)	(1,014)	(687)		(15,201)
- impairment losses								0
- exchange rate differences	(15,976)	(6,871)	(262)	(239)	(1,448)	(206)	(90)	(25,092)
Closing net carrying amount	**264,348**	**121,047**	**86,692**	**10,007**	**18,501**	**5,318**	**76,635**	**582,548**
- cost	264,348	191,323	120,578	99,034	21,975	13,681	76,635	787,574
- accumulated amortization and impairment losses		(70,276)	(33,886)	(89,027)	(3,474)	(8,363)		(205,026)
Net carrying amount at 30.06.2017	**264,348**	**121,047**	**86,692**	**10,007**	**18,501**	**5,318**	**76,635**	**582,548**

"Goodwill" amounts to euro 264,348 thousand at 30 June 2017, of which euro 69,684 thousand allocated to the FMG Group cash-generating unit (CGU), within the Shipbuilding operating segment, and euro 192,656 thousand to the VARD Group CGU, within the Offshore operating segment. The reduction of the balance by euro 13,881 thousand compared to 31 December 2016 is mainly due to converting figures expressed in US Dollars and Norwegian Krone into euro. It is also worth noting the Group's acquisition of the shareholding in Issel Nord S.r.l. involved goodwill of euro 2,008 thousand. This value is provisional and may be subject to change until the price allocation is completed. More details about the transaction can be found in Note 2.
"Concession, licenses, trademarks and similar rights" include euro 16,359 thousand for trademarks with indefinite useful lives, reflecting the expectation for their use.
In accordance with the provisions of IAS 36, the Group is of the opinion that the conditions exist as at 30 June 2017 to confirm the value of goodwill, of trademarks with indefinite useful lives and of the other intangible assets recognized as a result of business combinations, since no evidence of impairment has emerged indicating a reduction in their value.
Capital expenditure during the first half of 2017, of euro 26,045 thousand (euro 31,488 thousand at 30 June 2016), mainly included euro 15,674 thousand (euro 21,533 thousand at 30 June 2016) for the development innovative solutions and systems designed to improve the efficiency of cruise ship systems and operations, in addition to those for the development of a set of innovative and specialist technical and system engineering solutions for ships capable of operating in Arctic areas.

Note 6 - 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	Leasehold improvements	Other assets	Assets under construction and supplier advances	**Total**
- cost	619,215	3,936	1,200,557	185,356	28,706	176,477	159,379	2,373,626
- accumulated depreciation and impairment losses	(214,390)	(2,981)	(832,514)	(126,540)	(22,100)	(111,155)		(1,309,680)
Net carrying amount at 01.01.2017	**404,825**	**955**	**368,043**	**58,816**	**6,606**	**65,322**	**159,379**	**1,063,946**
Movements								
- business combinations	3,215		3			160		3,378
- additions	2,604		2,654	135	6	108	44,162	49,669
- net disposals	(398)		209					(189)
- reclassifications/other	2,374	1	1,439	270	(4)	693	(4,151)	622
- depreciation	(8,441)	(215)	(28,176)	(1,962)	(499)	(3,262)		(42,555)
- impairment losses	(19)							(19)
- finance costs								
- exchange rate differences	(15,453)	(62)	(9,015)		(1)	(685)	(1,057)	(26,273)
Closing net carrying amount	**388,707**	**679**	**335,157**	**57,259**	**6,108**	**62,336**	**198,333**	**1,048,579**
- cost	608,263	3,635	1,185,999	185,761	28,684	177,387	198,333	2,388,062
- accumulated depreciation and impairment losses	(219,556)	(2,956)	(850,842)	(128,502)	(22,576)	(115,051)		(1,339,483)
Net carrying amount at 30.06.2017	**388,707**	**679**	**335,157**	**57,259**	**6,108**	**62,336**	**198,333**	**1,048,579**

Capital expenditure in the first half of 2017 has resulted in additions of euro 49,669 thousand, mainly related to:

- work to optimize production unit logistical and infrastructure facilities, mainly within the Monfalcone, Marghera, Sestri and Ancona shipyards;
- continuation of activities to introduce new technology for reducing the environmental sandblasting impact of operations at the Monfalcone shipyard, with reference to sanding and painting processes;
- expansion of production capacity at the Vard Tulcea shipyard to support the construction of cruise ship hulls for Norway and the multi-year program to build pre-fitted cruise ship blocks and sections for the Fincantieri production network;
- technological upgrading of equipment and safety systems at all the Group's main shipyards.

Note 7 - Investments accounted for using the equity method and other 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 ompanies carried at fair value	**Total other investments**	**Total**
01.01.2017	24,512	30,461	**54,973**	1,140	2,039	**3,179**	**58,152**
Business combinations				3		**3**	**3**
Additions							
Revaluations/(Impairment losses) through profit or loss	(1,851)	571	**(1,280)**		(325)	**(325)**	**(1,605)**
Revaluations/(Impairment losses) through equity	(219)	(73)	**(292)**				**(292)**
Disposals	(44)		**(44)**				**(44)**
Dividends from investments accounted for using the equity method							
Reclassifications/Other	337		**337**				**337**
Exchange rate differences	(1,185)		**(1,185)**		(90)	**(90)**	**(1,275)**
30.06.2017	21,550	30,959	**52,509**	1,143	1,624	**2,767**	**55,276**

"Revaluations/(impairment losses) through profit or loss" of investments accounted for using the equity method (associates and joint ventures) include euro 1,280 thousand for the recognition of the Group's share of the loss for the period of associates and joint ventures; "revaluations/(impairment losses) through equity" report a negative balance of euro 292 thousand.

"Other investments" include euro 1,624 thousand in investments carried at fair value, calculated either 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 325 thousand during the period.

Note 8 - Non-current financial assets

These are analyzed as follows:

(Euro/000)	**30.06.2017**	**31.12.2016**
Grants financed by BIIS	16,282	19,981
Derivative assets	66,926	3,817
Other non-current financial receivables	121,277	107,754
Non-current financial receivables from investee companies	6,651	6,718
NON-CURRENT FINANCIAL ASSETS	**211,136**	**138,270**

"Derivative assets" represent the reporting-date fair value of derivatives with a maturity of more than 12 months (Level 2).

Note 9 - Other non-current assets

Other non-current assets are analyzed as follows:

(Euro/000)	30.06.2017	31.12.2016
Other receivables from investee companies	681	731
Government grants receivable	4,619	5,718
Firm commitments	11,922	1,819
Other receivables	9,803	7,887
OTHER NON-CURRENT ASSETS	**27,025**	**16,155**

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

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
Total at 01.01.2017	**16,104**
Utilizations	
Increases	
Releases	(1,800)
Total at 30.06.2017	**14,304**

Note 10 - Deferred tax assets and liabilities

Movements in deferred tax assets are analyzed as follows:

(Euro/000)	Total
01.01.2017	**154,373**
Business combinations	5
Through profit or loss	(24,012)
Impairment losses	
Through other comprehensive income	(28,256)
Other movements	
Exchange rate differences	(3,074)
30.06.2017	**99,036**

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. The above deferred tax assets include euro 24 million which can be offset against the deferred tax liabilities shown below.

No deferred tax assets have been recognized on euro 92 million (euro 95 million at 31 December 2016) in carryforward losses of subsidiaries which are thought unlikely to be recovered against future taxable income.

Movements in deferred tax liabilities are analyzed as follows:

(Euro/000)	Total
01.01.2017	**85,072**
Business combinations	
Through profit or loss	(3,066)
Impairment losses	
Through other comprehensive income	
Other movements	
Exchange rate differences	(5,183)
30.06.2017	**76,823**

Note 11 - Inventories and advances

These are analyzed as follows:

(Euro/000)	30.06.2017	31.12.2016
Raw materials and consumables	220,144	223,091
Work in progress and semi-finished goods	148,823	164,337
Finished products	31,516	33,549
Merchandise		
Total inventories	**400,483**	**420,977**
Advances to suppliers	174,106	169,333
TOTAL INVENTORIES AND ADVANCES	**574,589**	**590,310**

Inventories and advances are stated net of relevant provisions for impairment. 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
01.01.2017	**14,266**	**2,485**
Increases	539	
Utilizations	(670)	
Releases		
Exchange rate differences	(46)	(75)
30.06.2017	**14,089**	**2,410**

Note 12 - Construction contracts - net assets and liabilities

"Construction contracts - net assets" are analyzed as follows:

	30.06.2017			31.12.2016		
(Euro/000)	Construction contracts - gross	Invoices issued and provision for future losses	Construction contracts - net assets	Construction contracts - gross	Invoices issued and provision for future losses	Construction contracts - net assets
Shipbuilding contracts	6,557,499	4,385,155	2,172,344	4,774,660	3,418,220	1,356,440
Other contracts for third parties	44,226	8,991	35,235	34,696	11,322	23,374
Total	**6,601,725**	**4,394,146**	**2,207,579**	**4,809,356**	**3,429,542**	**1,379,814**

"Construction contracts – net liabilities" are analyzed as follows:

	30.06.2017			31.12.2016		
(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	2,934,229	3,537,402	603,173	3,880,919	4,645,533	764,614
Other contracts for third parties	161,090	171,251	10,161	137,008	148,423	11,415
Client advances		494	494		85	85
Total	**3,095,319**	**3,709,147**	**613,828**	**4,017,927**	**4,794,041**	**776,114**

Note 13 - Trade receivables and other current assets

These are analyzed as follows:

(Euro/000)	30.06.2017	31.12.2016
Trade receivables	448,893	1,122,972
Receivables from controlling companies (tax consolidation)	47,828	34,034
Government grants receivable	8,094	7,292
Other receivables	216,102	132,231
Indirect tax receivables	37,621	37,343
Firm commitments	1,942	13,470
Accrued income	33,367	33,540
Prepayments	533	2,182
TOTAL TRADE RECEIVABLES AND OTHER CURRENT ASSETS	**794,380**	**1,383,064**

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. A provision for interest charged on past due trade receivables has been recognized in a "Provision for past due interest".

The amount of and movements in the overall provisions for impairment of receivables are as follows:

(Euro/000)	Provision for impairment of receivables
01.01.2017	**33,621**
Business combinations	
Utilizations	(2,597)
Increases	167
Releases	(6)
Exchange rate differences	(40)
30.06.2017	**31,145**

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

The increase of euro 674,079 thousand in trade receivables is mainly due to receipt of final payments for three cruise ships due to be delivered during the first months of 2017 and invoiced at 31 December 2016.

The increase of euro 83,871 thousand in Other receivables mainly refers to receivables for shipowner allowances, receivables for contributions to research and construction, and other receivables from Social Security authorities associated with the Parent Company.

Note 14 - Income tax assets

These are analyzed as follows:

(Euro/000)	**30.06.2017**	**31.12.2016**
Italian corporate income taxation (IRES)	17,028	18,337
Italian regional tax on productive activities (IRAP)	548	1,170
Foreign tax	2,998	3,561
TOTAL INCOME TAX ASSETS	**20,574**	**23,068**

The amount and movements in the provision for impairment of income tax assets are as follows:

(Euro/000)	Provision for impairment of income tax assets
Balance at 1.1.2017	**2,042**
Increases	
Releases	
Other changes	
Total at 30.06.2017	**2,042**

Note 15 - Current financial assets

These are analyzed as follows:

(Euro/000)	30.06.2017	31.12.2016
Derivative assets	9,218	8,256
Other receivables	33,497	32,403
Government grants financed by BIIS	7,331	7,196
Accrued interest income	868	960
Prepaid interest and other financial expense	236	232
TOTAL CURRENT FINANCIAL ASSETS	**51,150**	**49,047**

"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).
"Other receivables" mainly include deposits made by the VARD Group as security against contractual obligations to its lenders.
"Government grants financed by BIIS" (Banca Infrastrutture Innovazione e Sviluppo) report the current portion of government grants receivable by shipyards and by shipowners, assigned to Fincantieri as part of contract price.

Note 16 - Cash and cash equivalents

These are analyzed as follows:

(Euro/000)	30.06.2017	31.12.2016
Bank and postal accounts	143,636	219,370
Checks		17
Cash on hand	115	125
TOTAL CASH AND CASH EQUIVALENTS	**143,751**	**219,512**

Cash and cash equivalents at period end include euro 20,461 thousand in bank deposits and escrow accounts; the remainder refers to the balances on current accounts held with a number of banks.

Note 17 - Equity

EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT

The composition of equity is analyzed in the following table:

(Euro/000)	30.06.2017	31.12.2016
Attributable to owners of the parent		
Share capital	862,981	862,981
Share premium reserve	110,499	110,499
Legal reserve	34,326	33,392
Cash flow hedge reserve	43,174	(25,291)
Available-for-sale fair value reserve	(316)	(226)
Currency translation reserve	(113,735)	(65,167)
Other reserves and retained earnings	215,007	145,825
Profit/(Loss) for the period	12,573	24,102
	1,164,509	**1,086,115**
Attributable to non-controlling interests		
Capital and reserves	95,548	194,418
Available-for-sale fair value reserve	(89)	(180)
Currency translation reserve	(11,917)	(28,646)
Profit/(Loss) for the period	(1,771)	(10,351)
	81,771	**155,241**
TOTAL EQUITY	**1,246,280**	**1,241,356**

SHARE CAPITAL

The share capital of FINCANTIERI S.p.A. 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 with respect to 31 December 2016.

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.

CURRENCY TRANSLATION RESERVE

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

OTHER RESERVES AND RETAINED EARNINGS

These mainly comprise: i) surplus earnings after making allocations to the legal reserve and distributions in the form of shareholder dividends; ii) actuarial gains and losses on employee benefit plans; iii) the reserve for management's equity incentive plan.
The Fincantieri Group's purchase of shares from minority shareholders in the subsidiary VARD, completed in tranches during the first half of 2017 has led to a change of euro 25,790 thousand in other reserves and retained earnings. Specifically, the purchase of shares from minority shareholders in the Norwegian Group by Fincantieri Oil&Gas, which held 55.63% of shareholding in Vard Holdings Limited at 31 December 2016, was made through public offering (concluded on 24 March 2017), when a share capital of 74.45% was reached, and through subsequent purchase of shares on the market, which brought the total shareholding at the end of June 2017 to 78.13%. This transaction has not altered the Fincantieri Group's scope of consolidation since VARD was already fully consolidated; the aforementioned change in shareholding must be treated as a "transaction with owners" in which the difference between the value of the acquisition and the carrying amount of the non-controlling interest acquired is not recognized in profit or loss but in consolidated equity.

The reserve for the equity incentive plan for management has changed due to personnel costs, matured in the first half of 2017 (euro 1,785 thousand). More details about the incentive plan can be found in Note 28.

NON-CONTROLLING INTERESTS

The change of euro 67,772 thousand since 31 December 2016 is due to purchase of the additional shares in VARD, as described above.

OTHER COMPREHENSIVE INCOME/LOSSES

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

	30.06.2017			30.06.2016		
(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	99,275	(29,357)	69,918	4,868	(1,519)	3,349
Gains/(losses) from remeasurement of employee defined benefit plans	924	(222)	702	(4,447)	1,067	(3,380)
Gains/(losses) arising from changes in OCI of investments accounted for using the equity method	(219)		(219)	(2,379)		(2,379)
Gains/(losses) arising on translation of financial statements of foreign operations	(37,405)	(1,323)	(36,082)	(16,144)		(16,144)
Total other comprehensive income/(losses)	**62,575**	**(28,256)**	**34,319**	**(18,102)**	**(452)**	**(18,554)**

(Euro/000)	30.06.2017	31.12.2016
Effective portion of profits/(losses) arising in period on cash flow hedging instruments	62,384	2,125
Effective portion of profits/(losses) on cash flow hedging instruments reclassified to profit or loss	36,891	2,743
Effective portion of profits/(losses) on cash flow hedging instruments	**99,275**	**4,868**
Tax effect of other components of comprehensive income	**(29,357)**	**(1,519)**
TOTAL OTHER COMPREHENSIVE INCOME/(LOSSES), NET OF TAX	**69,918**	**3,349**

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	
01.01.2016	**(2,743)**	**857**	**(1,886)**	
Change in fair value	(36,891)	9,835	(27,056)	
Utilization	2,743	(857)	1,886	(1,886)
Other income/(expenses) for risk hedging				7,688
Finance income/(costs) relating to held-for-trading derivatives and time-value component of hedging derivatives				11,392
31.12.2016	**(36,891)**	**9,835**	**(27,056)**	**17,194**

	Equity			Profit or loss
(Euro/000)	Gross	Taxes	Net	
Change in fair value	62,384	(19,522)	42,862	
Utilization	36,891	(9,835)	27,056	(27,056)
Other income/(expenses) for risk hedging				36,774
Finance income/(costs) relating to held-for-trading derivatives and time-value component of hedging derivatives				(1,705)
30.06.2017	**62,384**	**(19,522)**	**42,862**	**8,013**

Note 18 - 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**
Non-current portion	*54,746*	*35,733*	*76*		*19,250*	*109,805*
Current portion	*1,816*	*7,696*		*2,524*	*4,133*	*16,169*
01.01.2017	**56,562**	**43,429**	**76**	**2,524**	**23,383**	**125,974**
Business combinations						
Other movements		1			(516)	(515)
Increases	23,278	15,551			432	39,261
Utilizations	(18,077)	(9,483)		(815)	(1,448)	(29,823)
Releases		(2,340)			(964)	(3,304)
Exchange rate differences	(133)	(718)		(133)	(507)	(1,491)
30.06.2017	**61,630**	**46,440**	**76**	**1,576**	**20,380**	**130,102**
Non-current portion	*59,982*	*40,134*	*76*		*17,751*	*117,943*
Current portion	*1,648*	*6,306*		*1,576*	*2,629*	*12,159*

Increases in the litigation provision mainly refer to: i) precautionary provisions for claims brought by employees, authorities or third parties for damages arising from asbestos exposure; ii) the provision against the risk associated with the "Serene" litigation, recognized after the ruling handed down in January 2017 by the Trieste Court of Appeal, which rejected Fincantieri's opposition thereby making the arbitration awards issued in July 2014 executive; iii) other provisions for litigation with employees and suppliers and for 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 provision for "Other risks and charges" includes euro 7,804 thousand for environmental cleanup 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 19 - Employee benefits

Movements in this line item are as follows:

(Euro/000)	30.06.2017	31.12.2016
Opening balance	**57,848**	**56,638**
Change in consolidation perimeter	1,867	
Business combinations		
Interest cost	477	1,198
Costs of services		
Actuarial (gains)/losses	(924)	2,082
Utilizations for benefits and advances paid	(1,077)	(2,060)
Staff transfers and other movements	147	(10)
Exchange rate differences		
Closing balance	**58,338**	**57,848**
Plan assets	(19)	(71)
Closing balance	**58,319**	**57,777**

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 in line with those used for the financial statements at 31 December 2016 except for the discount rate, changed to 1.5% at the end of June 2017.

Note 20 - Non-current financial liabilities

These are analyzed as follows:

(Euro/000)	30.06.2017	31.12.2016
Bond	298,819	298,405
Bank loans and credit facilities - non-current portion	218,099	229,286
Loans from BIIS - non-current portion	16,282	19,981
Liabilities to other lenders	2,067	1,655
Finance lease obligations	348	519
Derivative liabilities	12,851	40,758
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**548,466**	**590,604**

"Derivative liabilities" represent the reporting-date fair value of derivatives with a maturity of more than 12 months (Level 2).
With reference to "Bank loans and credit facilities - non-current portion", during the first half of 2017, the Parent Company obtained a new medium-term bullet loan for euro 15 million, with maturity in January 2020, from a leading international bank. In addition, at 30 June 2017, a non-current portion of euro 26 million of bank loans maturing in the next 12 months was reclassified to the current portion.

Note 21 - Other non-current liabilities

These are analyzed as follows:

(Euro/000)	30.06.2017	31.12.2016
Capital grants	28,871	31,514
Other liabilities	9,737	13,739
Firm commitments	*7*	*2,980*
TOTAL NON-CURRENT LIABILITIES	**38,615**	**48,233**

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

Note 22 - Trade payables and other current liabilities

These are analyzed as follows:

(Euro/000)	30.06.2017	31.12.2016
Payables to suppliers	1,229,902	1,204,623
Payables to suppliers for reverse factoring	196,360	102,037
Social security payables	45,160	32,937
Other payables to employees	92,082	65,385
Other payables	57,348	69,854
Indirect tax payables	11,995	12,611
Firm commitments	1,557	1,088
Accrued expenses	4,434	5,234
Deferred income	2,428	2,307
TOTAL TRADE PAYABLES AND OTHER CURRENT LIABILITIES	**1,641,266**	**1,496,076**

"Payables to suppliers for reverse factoring" report the liabilities to suppliers who have sold their credit with Fincantieri to a factoring company.

"Social security payables" include amounts due to INPS (the Italian social security authorities) for employer and employee contributions on June's wages and salaries and contributions on end-of-period wage adjustments. This balance also includes the 2017 premium due to INAIL, Italy's provider of national insurance against occupational injury and illness, which is being paid in instalments.

"Other payables to employees" report at 30 June 2017 include the effects of allocations made for unused holidays and deferred pay.

"Other payables" include employee income tax withholdings payable to tax authorities, sundry payables for insurance premiums, advances received against research grants, amounts payable to employee supplementary pension funds, security deposits received and various liabilities for disputes in the process of being settled financially.

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

Note 23 - Current financial liabilities

These are analyzed as follows:

(Euro/000)	30.06.2017	31.12.2016
Bank loans and credit facilities - current portion	54,683	123,950
Loans from BIIS - current portion	7,331	7,196
Bank loans and credit facilities - Construction loans	969,580	677,578
Other short-term bank debt	201,148	290,602
Liabilities to other lenders - current portion	20,237	16,830
Bank credit facilities repayable on demand	126,618	16,336
Financial liabilities for the acquisition of equity investments	1,485	1,496
Payables to joint ventures	5,410	660
Finance lease obligations - current portion	301	411
Fair value of options on equity investments	16,649	18,025
Derivative liabilities	38,103	84,108
Accrued interest expense	8,208	2,852
TOTAL CURRENT FINANCIAL LIABILITIES	**1,449,753**	**1,240,044**

It is noted that on 25 May 2017 the Parent Company has regularly repaid a bullet loan of euro 65 million recorded at 31 December 2016 under Bank loans and credit facilities - current portion. At 30 June 2017, Bank loans and credit facilities - Construction loans includes the use of euro 386 million in construction loans by the Parent Company (of which euro 84 million disbursed by Cassa Depositi e Prestiti) and euro 584 million by the VARD Group.
Finally, it is noted that the reduction of other short-term bank debt is offset by the increase in outstanding debts; this change is due to a lower use of committed credit lines by the Parent Company in favor of greater use of uncommitted lines.
The fair value of derivative financial instruments has been calculated considering market parameters and using widely accepted measurement techniques (Level 2).

Note 24 - Revenue and income

These are analyzed as follows:

(Euro/000)	**30.06.2017**	**30.06.2016**
Sales and service revenue	982,301	725,683
Change in construction contracts	1,269,639	1,506,368
Operating revenue	**2,251,940**	**2,232,051**
Gains on disposal	377	49
Sundry revenue and income	29,075	29,732
Government grants	13,645	3,721
Total other revenue and income	**43,097**	**33,502**
TOTAL REVENUE AND INCOME	**2,295,037**	**2,265,553**

Note 25 - Operating costs

MATERIALS, SERVICES AND OTHER COSTS

Materials, services and other costs are analyzed as follows:

(Euro/000)	**30.06.2017**	**30.06.2016**
Raw materials and consumables	(1,108,984)	(1,150,618)
Services	(503,588)	(544,587)
Leases and rentals	(19,258)	(21,424)
Change in inventories of raw materials and consumables	(18,205)	5,989
Change in work in progress	(14,704)	2,345
Sundry operating costs	(17,883)	(19,481)
Cost of materials and services capitalized in fixed assets	9,441	13,368
Total materials, services and other costs	**(1,673,181)**	**(1,714,408)**

PERSONNEL COSTS

(Euro/000)	30.06.2017	30.06.2016
Personnel costs:		
- wages and salaries	(338,010)	(316,040)
- social security	(103,331)	(94,834)
- costs for defined contribution plans	(16,737)	(15,614)
- other personnel costs	(10,339)	(15,535)
Personnel costs capitalized in fixed assets	4,563	6,016
Total personnel costs	**(463,854)**	**(436,007)**

"Personnel costs" represent the total cost incurred for employees, including wages and salaries, employer social security contributions, gifts and travel allowances.
Lastly, "Wages and salaries" include the cost arising from the Performance Share Plan 2016-2018 (euro 1,785 thousand), approved by the Shareholders' Meeting on 19 May 2017, in favor of management identified by the Board of Directors of the Parent Company on 15 December 2016. More details about the transaction can be found in Note 28.

Headcount

The Fincantieri Group's headcount at 30 June 2017 can be broken down as follows:

(number)	30.06.2017	30.06.2016
Employees at period end:		
Total at period end	19,428	18,825
- of whom in Italy	8,269	7,838
- of whom in Parent Company	7,524	7,372
- of whom in VARD	9,025	8,739
Average number of employees	19,111	19,300
- of whom in Italy	7,943	7,769
- of whom in Parent Company	7,429	7,321
- of whom in VARD	8,932	9,277

DEPRECIATION, AMORTIZATION AND IMPAIRMENT AND PROVISIONS

(Euro/000)	30.06.2017	30.06.2016
Depreciation and amortization:		
- amortization of intangible assets	(15,201)	(11,850)
- depreciation of property, plant and equipment	(42,555)	(40,746)
Impairment:		
- impairment of intangible assets		
- impairment of property, plant and equipment	(19)	(27)
Total depreciation, amortization and impairment	**(57,775)**	**(52,623)**
Provisions:		
- impairment of receivables	(167)	
- increases in provisions for risks and charges	(39,262)	(23,188)
- release of provisions and impairment reversals	4,847	3,336
Total provisions	**(34,582)**	**(19,852)**

A breakdown of depreciation, amortization and impairment is provided in Notes 5 and 6.
Details of "Provisions" can be found in Notes 9, 13 and 18.

Note 26 - Finance income and costs

These are analyzed as follows:

(Euro/000)	30.06.2017	30.06.2016
FINANCE INCOME		
Interest and other income from financial assets	1,274	1,532
Income from derivative financial instruments	16	1,353
Bank interest and fees and other income	2,346	3,374
Foreign exchange gains	14,953	31,443
Total finance income	**18,589**	**37,702**
FINANCE COSTS		
Interest and fees charged by joint ventures	(139)	(167)
Interest and fees charged by controlling companies	(782)	(83)
Expenses from derivative financial instruments	(2,249)	(6,896)
Interest on employee benefit plans	(351)	(533)
Interest and fees on bonds	(5,992)	(5,989)
Interest and fees on construction loans	(11,674)	(18,930)
Bank interest and fees and other expense	(16,323)	(18,573)
Foreign exchange losses	(20,479)	(18,809)
Total finance costs	**(57,989)**	**(69,980)**
TOTAL FINANCE INCOME AND COSTS	**(39,400)**	**(32,278)**

"Finance income" includes euro 445 thousand (euro 575 thousand in the first half of 2016) 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 a finance cost), under the structure in place to disburse government grants.

Note 27 - Income taxes

Income taxes have been calculated on the basis of the result for the period. Deferred income taxes are analyzed in Note 10.

Note 28 - Other information

NET FINANCIAL POSITION

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

(Euro/000)	30.06.2017	31.12.2016
A. Cash	115	142
B. Other cash equivalents	143,636	219,370
C. Held-for-trading securities		
D. Cash and cash equivalents (A)+(B)+(C)	**143,751**	**219,512**
E. Current financial receivables	**34,601**	**33,595**
- of which related parties	*410*	*550*
F. Current bank debt	(327,766)	(306,938)
- of which related parties	*-*	*(20,000)*
G. Current portion of non-current debt	(62,891)	(126,802)
- of which related parties	*(4,367)*	*(3,606)*
H. Other current financial liabilities	(27,606)	(19,397)
- of which related parties	*(5,583)*	*(660)*
I. Current debt (F)+(G)+(H)	**(418,263)**	**(453,137)**
J. Net current debt (D)+(E)+(I)	**(239,911)**	**(200,030)**
K. Non-current financial receivables	**127,928**	**114,472**
- of which related parties	***6,651***	***6,718***
L. Non-current bank debt	(218,099)	(229,286)
- of which related parties	*(52,397)*	*(49,769)*
M. Bond	(298,819)	(298,405)
N. Other non-current financial liabilities	(2,415)	(2,174)
- of which related parties	-	-
O. Non-current debt (L)+(M)+(N)	**(519,333)**	**(529,865)**
P. Net non-current debt (K)+(O)	**(391,405)**	**(415,393)**
Q. Net financial position (J)+(P)	**(631,316)**	**(615,423)**

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)	30.06.2017	31.12.2016
Net financial position	**(631,316)**	**(615,423)**
Non-current financial receivables	(127,928)	(114,472)
Construction loans	(969,580)	(677,578)
- of which related parties	*(84,333)*	*(33,333)*
Net financial position as per ESMA recommendation	**(1,728,824)**	**(1,407,473)**

SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

In accordance with Consob Communication no. 0092543 of 3 December 2015 with reference to the provisions of Consob Resolution no. 15519 of 27 July 2006, only items considered to be non-recurring have been presented in the financial statements, and not extraordinary ones outside of ordinary operations. The items reported refer to costs of restructuring plans and other non-recurring personnel costs presented gross of euro 91 thousand in tax effects (euro 325 thousand at 30 June 2016).

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 the first half of 2017.

COMMITMENTS

In May 2017, Fincantieri signed the sales agreement for acquisition of 66.6% of STX France's capital. Closure of the transaction, which requires payment of euro 79.5 million, financed through available resources, is subject to the conditions generally established for this sort of transaction and to the failure of the French State to exercise its pre-emption right on the shares to be sold by STX Europe AS. Negotiations are currently ongoing between Fincantieri and the French State to finalize the governance agreements amongst future STX France shareholders.

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 balance are reported in the following tables:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	**30.06.2017**							
(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.								
CASSA DEPOSITI E PRESTITI S.p.A.				47,828		(52,397)	(88,700)	(69)
TOTAL CONTROLLING COMPANIES				**47,828**		**(52,397)**	**(88,700)**	**(69)**
ORIZZONTE SISTEMI NAVALI S.p.A.				84,450			(5,410)	(828)
UNIFER NAVALE SRL							(173)	
CAMPER & NICHOLSONS INT. SA		343						
ETIHAD SHIP BUILDING LLC			2,100	14,203				(4,028)
TOTAL JOINT VENTURES		**343**	**2,100**	**98,653**			**(5,583)**	**(4,856)**
ISLAND OFFSHORE LNG AS	180							
OLYMPIC GREEN ENERGY KS	418	47						
DOF ICEMAN AS								
BREVIK TECHNOLOGY AS								
MOKSTER SUPPLY AS	6,053							
CANADIAN SUBSEA SHIPPING		21						
CSS DESIGN					681			
OLYMPIC CHALLENGER KS								
TOTAL ASSOCIATES	**6,651**	**68**			**681**			
CDP IMMOBILIARE S.r.l.				3,250				
TIRRENIA DI NAVIGAZIONE S.p.A.				10,752				
SACE FCT				12				(1)
PENSION FUND FOR SENIOR MANAGERS OF FINCANTIERI S.p.A.								(566)
COMETA NATIONAL PENSION FUND								(2,095)
TERNA RETE ITALIA S.p.A.								(140)
IDS INGEGNERIA DEI SISTEMI S.p.A.								(12)
VALVITALIA S.p.A.			733	16				(1,738)
SOLIDARIETÀ VENETO - PENSION FUND								(47)
OTHER								
TOTAL CDP GROUP			**733**	**14,030**				**(4,599)**
QUANTA S.p.A.								(262)
EXPERIS S.r.l.								(73)
HORIZON SAS								(1)
BANCA DEL MEZZOGIORNO - MEDIOCREDITO CENT. S.p.A.								
LEONARDO GROUP Finmeccanica			172	1,274				(2,719)
ENI GROUP				467				(4)
ENEL GROUP								(7)
COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE								
TOTAL OTHER RELATED PARTIES			**172**	**1,741**				**(3,066)**
TOTAL RELATED PARTIES	**6,651**	**411**	**3,005**	**162,252**	**681**	**(52,397)**	**(94,283)**	**(12,590)**
TOTAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION	211,136	51,150	174,106	794,380	27,025	(548,466)	(1,449,753)	(1,641,267)
% on consolidated statement of financial position	*3%*	*1%*	*2%*	*20%*	*3%*	*10%*	*7%*	*1%*

(*) "Advances" are classified in "Inventories and advances", as detailed in Note 11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	31.12.2016							
(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.								
CASSA DEPOSITI E PRESTITI S.p.A.				34,034		(49,769)	(36,939)	(62)
TOTAL CONTROLLING COMPANIES				**34,034**		**(49,769)**	**(36,939)**	**(62)**
ORIZZONTE SISTEMI NAVALI S.p.A.				77,308			(660)	(1,902)
UNIFER NAVALE SRL								(75)
CAMPER & NICHOLSON INT. SA		499						
ETIHAD SHIP BUILDING LLC			2,100	15,060				(3,928)
TOTAL JOINT VENTURES		**499**	**2,100**	**92,368**			**(660)**	**(5,905)**
ISLAND OFFSHORE LNG AS								
OLYMPIC GREEN ENERGY KS								
DOF ICEMAN AS	6,532							
BREVIK TECHNOLOGY AS	186							
MOKSTER SUPPLY AS								
CANADIAN SUBSEA SHIPPING								
CSS DESIGN					731			
OLYMPIC CHALLENGER KS		51						
TOTAL ASSOCIATES	**6,718**	**51**			**731**			
CDP IMMOBILIARE S.r.l.				3,250				
TIRRENIA DI NAVIGAZIONE S.p.A.				10,760				
SACE FCT				6				
PENSION FUND FOR SENIOR MANAGERS OF FINCANTIERI S.p.A.								(1,144)
COMETA NATIONAL PENSION FUND								(3,461)
TERNA RETE ITALIA S.p.A.								
IDS INGEGNERIA DEI SISTEMI S.p.A.								
VALVITALIA S.p.A.								
SOLIDARIETÀ VENETO - PENSION FUND								
OTHER								(153)
TOTAL CDP GROUP				**14,016**				**(4,758)**
HORIZON SAS								(1)
QUANTA SPA								(438)
EXPERIS SRL								
BANCA DEL MEZZOGIORNO - MEDIOCREDITO CENT. S.p.A.							(20,000)	
LEONARDO GROUP Finmeccanica			287	42				(8,787)
ENI GROUP			3	278				(53)
ENEL GROUP								
COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE				175				(51)
TOTAL OTHER RELATED PARTIES			**290**	**495**			**(20,000)**	**(9,330)**
TOTAL RELATED PARTIES	**6,718**	**550**	**2,390**	**140,913**	**731**	**(49,769)**	**(57,599)**	**(20,055)**
TOTAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION	138,270	49,047	590,310	1,383,064	16,155	(590,604)	(1,240,044)	(1,496,076)
% on consolidated statement of financial position	*5%*	*1%*	*0%*	*10%*	*5%*	*8%*	*5%*	*1%*

(*) "Advances" are classified in "Inventories and advances", as detailed in Note 11

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	30.06.2017				
(Euro/000)	Operating revenue	Other revenue and income	Materials, services and other costs	Finance income	Finance costs
FINTECNA S.p.A.					
CASSA DEPOSITI E PRESTITI S.p.A.			(43)		(782)
TOTAL CONTROLLING COMPANIES			**(43)**		**(782)**
ORIZZONTE SISTEMI NAVALI S.p.A.	84,998	138	(568)		(139)
UNIFER NAVALE SRL			(386)		
CAMPER & NICHOLSONS INTERNATIONAL SA				20	
ETIHAD SHIP BUILDING LLC		103	(126)		
TOTAL JOINT VENTURES	**84,998**	**241**	**(1,080)**	**20**	**(139)**
BREVIK TECHNOLOGY AS				2	
REM SUPPLY AS				30	
OLYMPIC GREEN ENERGY KS				130	
DOF ICEMAN AS					
TOTAL ASSOCIATES				**162**	
SIMEST S.p.A.					
SACE BT S.p.A.					
SACE FCT		10			
IDS INGEGNERIA DEI SISTEMI S.p.A.			(402)		
ACAM CLIENTI S.P.A.			(1)		
VALVITALIA		32	(343)		
OTHER					
TOTAL CDP GROUP		**42**	**(746)**		
QUANTA S.p.A.			(1,005)		
EXPERIS S.r.l.			(148)		
HORIZON SAS					
LEONARDO GROUP Finmeccanica		18	(1,319)		
ENI GROUP	161	19	(416)		
ENEL GROUP			(22)		
COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE					
TOTAL OTHER RELATED PARTIES	**161**	**37**	**(2,910)**		
TOTAL RELATED PARTIES	***85,159***	***320***	***(4,779)***	***182***	***(921)***
TOTAL CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	2,251,940	43,097	(1,673,181)	18,589	(57,989)
% on consolidated statement of comprehensive income	*4%*	*1%*	*0%*	*1%*	*2%*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	30.06.2016				
(Euro/000)	Operating revenue	Other revenue and income	Materials, services and other costs	Finance income	Finance costs
FINTECNA S.p.A.			(10)		
CASSA DEPOSITI E PRESTITI S.p.A.			(32)		(284)
TOTAL CONTROLLING COMPANIES			**(43)**		**(284)**
ORIZZONTE SISTEMI NAVALI S.p.A.	162,658	369	(359)		(167)
UNIFER NAVALE SRL					
CAMPER & NICHOLSONS INTERNATIONAL SA					
ETIHAD SHIP BUILDING LLC	753	533	(174)		
TOTAL JOINT VENTURES	**163,410**	**901**	**(533)**		**(167)**
BREVIK TECHNOLOGY AS				9	
REM SUPPLY AS				12	
OLYMPIC GREEN ENERGY KS				28	
DOF ICEMAN AS				106	
TOTAL ASSOCIATES				**155**	
SIMEST S.p.A.			(347)		
SACE BT S.p.A.					(114)
SACE FCT					
IDS INGEGNERIA DEI SISTEMI S.p.A.					
ACAM CLIENTI S.P.A.					
VALVITALIA					
OTHER		9	(168)		
TOTAL CDP GROUP		**9**	**(514)**		**(114)**
QUANTA S.p.A.			(381)		
EXPERIS S.r.l.			(147)		
HORIZON SAS		11			
LEONARDO GROUP Finmeccanica	2	44	(763)		
ENI GROUP		18	(258)		
ENEL GROUP	315				
COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE			(18)		
TOTAL OTHER RELATED PARTIES	**317**	**73**	**(1,567)**		
TOTAL RELATED PARTIES	**163,727**	**983**	**(2,657)**	**155**	**(565)**
TOTAL CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	**2,232,051**	**33,502**	**(1,714,408)**	**37,702**	**(69,980)**
% on consolidated statement of comprehensive income	*7%*	*3%*	*0%*	*0%*	*1%*

Costs for contributions incurred in the first half of 2017 and included in personnel costs amounted to euro 477 thousand (euro 471 thousand in the first half of 2016) for the Pension Fund for Senior Managers of FINCANTIERI S.p.A. and euro 593 thousand (euro 506 thousand in the first half of 2016) for the Cometa National Pension Fund.

The increase in financial liabilities with Cassa Depositi e Prestiti S.p.A. is due to disbursement in the first half of 2017 of around euro 5 million in total, as the second tranche of disbursements of the soft loans relating to the “Environmental Logistics” and “Payload” technological innovation projects under Law 46/1982, repayable in June 2024. In the first half of the year, the use of construction loans disbursed by the parent company also increased by euro 51 million.

During the first half of 2017, Directors, Statutory Auditors, General Managers and other Key Management Personnel were paid a total of euro 3,709 thousand in remuneration by the Parent company, of which euro 1,809 thousand classified in personnel costs and euro 1,900 thousand in the cost of services.

A detailed description of the mid/long-term equity incentive plan for management, called the Performance Share Plan 2016-2018, approved in the first half of 2017, can be found below.

BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE

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

Basic/Diluted Earnings/(Loss) Per Share		**30.06.2017**	**30.06.2016**
Profit/(loss) attributable to owners of the Parent	Euro/000	12,573	6,946
Weighted average number of shares outstanding for the purpose of calculating basic earnings/(loss) per share	Number	1,692,119,070	1,692,119,070
Weighted average number of shares outstanding for the purpose of calculating diluted earnings/(loss) per share	Number	1,694,100,487	1,692,119,070
Basic earnings/(loss) per share	**Euro**	**0.00743**	**0.00410**
Diluted earnings/(loss) per share	**Euro**	**0.00742**	**0.00410**

In calculating the diluted earnings per share, the 11,832,008 shares granted to beneficiaries of the mid/long-term incentive plan are taken into account, as described below.

MID/LONG-TERM INCENTIVE PLAN

On 19 May 2017 the FINCANTIERI S.p.A. Shareholders' Meeting approved the first cycle of the mid/long-term equity incentive plan for management, known as the Performance Share Plan 2016-2018, and the associated Regulations. The project was approved by the Board of Directors on 10 November 2016.

The Plan, structured in 3 three-year cycles, provides for the free grant, to beneficiaries identified by the Board of Directors, of entitlements to receive a maximum of 50,000,000 FINCANTIERI S.p.A. ordinary shares without nominal value, based on the achievement of specific performance targets for the three-year periods 2016-2018 (first cycle), 2017-2019 (second cycle) and 2018-2020 (third cycle). The performance targets for the Plan's first cycle have been identified as Total Shareholder Return ("TSR") and EBITDA, deemed to represent objective criteria for the measurement of long-term value creation for the Company. The performance targets for the second and third cycles will be identified at the time the Board of Directors grants the related entitlements.

The Plan provides for a three-year vesting period for all beneficiaries between the date of granting the entitlements and the date of allocating the shares to the beneficiaries. Therefore, if the performance targets are achieved and the other conditions of the Plan's Terms & Conditions satisfied, the shares vesting for the first cycle will be allotted and delivered to beneficiaries by 31 July 2019, while those vesting for the second and third cycles will be allotted and delivered by 31 July 2020 and 31 July 2021 respectively.

The Plan also provides for a lock-up period for part of the shares given to members of the Board of Directors or key management personnel.

The allocation of shares will either happen by: i) purchase of own shares in accordance with art. 2357 and 2357-ter of the Italian Civil Code, which will be submitted to the Ordinary Shareholders' Meeting; ii) the issuing, in accordance with art. 2349 of the Civil Code, of a maximum of 50,000,000 ordinary shares without nominal value, having the same characteristics as ordinary shares outstanding, without increasing the share capital, which will be submitted for approval by the Extraordinary Shareholders' Meeting.

With reference to the first cycle, 11,832,008 shares in FINCANTIERI S.p.A. were allocated to the beneficiaries identified by the Board of Directors on 15 December 2016. The performance targets are comprised of two components:

a) a market-based component (with a weighting of 30% of the total entitlements granted) linked to measuring Fincantieri's performance in terms of TSR relating to the FTSE ITALY ALL SHARE Index and to the peer group identified by the Company;

b) a non-market-based component (with a weighting of 70% of the total entitlements granted) linked to the achievement of fixed Group EBITDA targets.

The total fair value of the first cycle in the plan, of euro 8,925,086, was determined on the grant date (which coincides with date the shareholders' meeting approved the plan) for the market-based component. The Monte Carlo calculation method was used, which, based on appropriate hypotheses, allowed a large number of alternative scenarios to be defined over the time period in question. Unlike the market-based performance target, the non-market-based component (EBITDA) is not relevant in estimating the fair value, but is updated every quarter to take into account the expectations of the number of entitlements that may mature on the basis of EBITDA performance compared to the target. To estimate the number of entitlements at 30 June 2017, it was assumed that the target would be reached.

LITIGATION

The following is an update on the status of litigation described in the Notes to the 2016 Consolidated Financial Statements:

Foreign litigation

With reference to the "Iraq" litigation, the proceedings pending before the Court of Appeal of Paris (against the arbitration award in favor of Fincantieri), the preliminary phase having been concluded, will have its final hearing on 21 November 2017. These legal proceedings did not interrupt negotiations; in fact, in recent months there have been meetings (some in Baghdad) between representatives of Fincantieri and of the Iraqi Navy in order to define a maintenance program for the four Saettia class ships built from 2008-2010. During these meetings, Fincantieri learned that the two corvettes covered by the 2015 Settlement Agreement have been included in a US-Iraq bilateral support project supported by FMS (Foreign Military Support). This could lead to new opportunities in the new-building area on which to build a possible new settlement scenario. We intend to continue the existing dialogue with the Iraqi government, including through diplomatic channels, while hoping for a favorable outcome from the French courts. In any case, a prudent approach has been adopted (total write-down of the receivables recognized by the Court of Genoa in 2006, currently under discussion before the Court of Appeal of Paris).

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. A ruling was handed down in late January 2017, with the unexpected rejection of the Fincantieri appeal. Following the ruling by the Trieste Court of Appeal, which made the arbitration awards enforceable, in March 2017 the counterparty initiated the associated enforcement actions. In April 2017 Fincantieri appealed against those judgments in the Court of Cassation in order to bring to

light the various defects in them, at the same time filing for suspension of the enforceability with the Trieste Court of Appeal until appeal hearings are concluded. On 3 July 2017 the competent Court of Appeal granted the suspension.
The Company has recognized a specific provision for risks (see Note 18).
In the same period, the measure proposed by the Company against the action brought by the counterparty in order to obtain enforceability of those awards in the Netherlands had an unfavorable outcome. The Company intends to file an appeal against this decision.
Finally, as regards the investigative action launched at the beginning of February 2015 to ensure that the shipowner is not in possession of any intellectual property right, a hearing was held on 6 December 2017 to clarify the conclusions and rule on the preliminary proceedings. The Company's lawyers have confirmed a reasonably optimistic opinion, although the outcome of the litigation (in connection with the exequatur of the English awards) remains unknown.
With reference to the Papanikolaou litigation, the first hearing in the proceedings before the Court of Cassation is to be held on 15 November 2017 and the hearing for the action brought by Papanikolaou against Fincantieri for alleged loss of income, initially planned for 8 December 2015, will be held on 17 April 2018.

TAX POSITION

Controlled foreign companies (CFC)
The 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 has been declared inadmissible pursuant to recent case law, which denies judicial protection against a measure which does not directly affect the legal sphere of the taxpayer and refers it to the next phase of the investigation.

Marine Interiors
The tax audit begun in 2017 has ended; some irregularities were found, which the Subsidiary considers to be largely insubstantial and defensive actions are underway.

Note 29 - Cash flows from operating activities

These are analyzed as follows:

(Euro/000)	30.06.2017	30.06.2016
Profit/(Loss) for the period	10,802	4,742
Depreciation and amortization	57,756	52,596
(Gains)/losses from disposal of property, plant and equipment	(341)	250
(Revaluation)/impairment of property, plant and equipment, intangible assets and equity investments	1,624	4,016
Increases/(releases) of provisions for risks and charges	35,957	19,563
Interest on employee benefits	624	589
Interest income	(3,620)	(4,906)
Interest expense	34,910	43,742
Income taxes	14,104	1,692
Long-term equity incentive plan	1,785	
Unrealized foreign exchange (gains)/losses	1,773	(22,183)
Gross cash flows from operating activities	**155,374**	**100,101**
CHANGES IN WORKING CAPITAL		
- inventories	1,117	(120,199)
- construction contracts and client advances	(1,017,176)	386,596
- trade receivables	671,975	141,240
- other current assets and liabilities	(83,416)	(106,229)
- other non-current assets and liabilities	(4,017)	(3,840)
- trade payables	128,330	(14,021)
Cash flows from working capital	**(147,813)**	**383,648**
Dividends paid		
Interest income received	2,664	4,973
Interest expense paid	(17,333)	(16,115)
Income taxes (paid)/collected	(3,796)	10,691
Utilization of provisions for risks and charges and for employee benefits	(31,365)	(26,126)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**(197,643)**	**357,071**
- of which related parties	*(29,368)*	*9,927*

Note 30 - Segment information

Management has identified the following operating segments which reflect the model used to manage and control the business sectors in which the Group operates: Shipbuilding, Offshore, 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. 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 high-end support vessels, expedition cruise vessels, specialized ships and vessels for offshore wind farms and open ocean aquaculture, and in the offer of innovative products in the field of drillships and semi-submersible natural gas drilling rigs. Fincantieri operates in this market primarily through the VARD Group.

The Equipment, Systems and Services operating segment is engaged in the design and manufacture of high-tech equipment and systems, such as stabilization, propulsion, positioning and power generation systems, ship automation systems, steam turbines, integrated systems and ship accommodation, and in the provision of repair and conversion services, logistical support and after-sales services.

Other activities primarily refer to the cost of activities by corporate headquarters, which have not been 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 "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.

After an operational reorganization in November 2016, the businesses of repairs and conversions, ship accommodation and integrated systems, previously included in the Shipbuilding operating segment, are now part of the Equipment, Systems and Services operating segment.

This reorganization reflects the Group's strategy of developing the after-sales business in the area of accommodation and integrated systems.

The results of the operating segments at 30 June 2017 and 30 June 2016 are reported in the following pages:

	30.06.2017				
(Euro/000)	Shipbuilding	Offshore	Equipment, Systems and Services	Other Activities	Group
Segment revenue	**1,757,219**	**447,835**	**226,595**	**667**	**2,432,316**
Intersegment elimination	(7,385)	(31,872)	(97,491)	(529)	(137,278)
Revenue (*)					**2,295,038**
EBITDA	**114,955**	**21,514**	**25,196**	**(16,143)**	**145,522**
EBITDA margin	***6.5%***	***4.8%***	***11.1%***		***6.3%***
Depreciation, amortization and impairment					(57,775)
Finance income					18,589
Finance costs					(57,989)
Income/(expense) from investments					(59)
Share of profit of investments accounted for using the equity method					(1,280)
Income taxes					(14,104)
Extraordinary and non-recurring income and expenses					(22,102)
Profit/(loss) for the period					**10,802**

(*) 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 5,038 thousand) are presented in the following table.

(Euro/000)	30.06.2017
Costs associated with the " Wage Guarantee Fund" [1]	(78)
Costs relating to reorganization plans and other non-recurring personnel costs [2]	(1,049)
Provisions for costs and legal expenses associated with asbestos-related lawsuits [3]	(18,736)
Other extraordinary income and expenses	(2,239)
Extraordinary and non-recurring income and expenses	**(22,102)**

(1) Amount included in "Personnel costs".
(2) Amount included in "Personnel costs".
(3) Of which euro 1.6 million included in "Materials, services and other costs" and euro 17.1 million in "Provisions".

	30.06.2016				
(Euro/000)	Shipbuilding	Offshore	Equipment, Systems and Services	Other Activities	Group
Segment revenue	**1,599,192**	**536,118**	**255,900**	**582**	**2,391,792**
Intersegment elimination	(3,506)	(17,757)	(104,517)	(459)	(126,239)
Revenue (*)	**1,595,686**	**518,361**	**151,383**	**123**	**2,265,553**
EBITDA	**68,571**	**24,952**	**34,396**	**(14,628)**	**113,291**
EBITDA margin	***4.3%***	***4.7%***	***13.4%***		***5.0%***
Depreciation, amortization and impairment					(52,623)
Finance income					37,702
Finance costs					(69,980)
Income/(expense) from investments					(3,054)
Share of profit of investments accounted for using the equity method					(897)
Income taxes					(1,692)
Extraordinary and non-recurring income and expenses					(18,005)
Profit/(loss) for the period					**4,742**

(*) 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 3,934 thousand) are presented in the following table.

(Euro/000)	30.06.2016
Costs associated with the "Extraordinary Wage Guarantee Fund" [1]	(518)
Costs relating to reorganization plans and other non-recurring personnel costs [2]	(5,873)
Provisions for costs and legal expenses associated with asbestos-related lawsuits [3]	(11,614)
Other extraordinary income and expenses	-
Extraordinary and non-recurring income and expenses	**(18,005)**

(1) Amount included in "Personnel costs".
(2) Of which euro 3 million included in "Materials, services and other costs" and euro 0.8 million in "Personnel costs".
(3) Of which euro 1 million included in "Materials, services and other costs" and euro 9 million in "Provisions".

The following table shows a breakdown of Property, plant and equipment in Italy and other countries:

(Euro/million)	30.06.2017	31.12.2016
Italy	658	653
Other countries	391	411
Total Property, plant and equipment	**1,049**	**1,064**

Capital expenditure in the first half of 2017 on Intangible assets and Property, plant and equipment amounted to euro 76 million, of which euro 54 million in Italy and the remainder in 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)	30.06.2017		30.06.2016	
	Revenue and income	%	Revenue and income	%
Italy	326	14%	340	15%
Other countries	1,969	86%	1,926	85%
Total Revenue and income	**2,295**		**2,266**	

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)	30.06.2017		30.06.2016	
	Revenue and income	%	Revenue and income	%
Client 1	563	25%	524	23%
Client 2	334	15%	223	10%
Total Revenue and income	**2,295**		**2,266**	

Note 31 – Events after 30 june 2017

On 4 July 2017, Fincantieri and GE Power reached a major milestone for the joint development of an innovative emission control system aimed at reducing pollution in the maritime industry. The new solution bears the name "Shipboard Pollutant Removal System" (Shipboard PRS) and, operational by 2020, it will be effective in reducing emissions in accordance with the most stringent MARPOL (MARitime POLlution) directives.

On 20 July 2017, Fincantieri and Mapei - leader in the chemical sector for the construction industry and with a specialized branch of products for shipbuilding - signed a strategic collaboration agreement regarding research and innovation. With this partnership Fincantieri intends to optimize laying times, reduce the weight of some the materials used, improve noise abatement using specific products, and develop and broaden the use of adhesive products in some shipbuilding applications. On Mapei's part, it intends to pursue projects that can lead to solutions for use in its own business.

Companies included in the scope of consolidation

COMPANY NAME 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-sales 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-sales 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	6,562,000.00	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
ISSEL NORD S.r.l. Logistics engineering	Follo (La Spezia) (Italy)	EUR	102,961.00	83.50	DELFI S.r.l.	100.00
ISSEL SERVICE S.r.l. Translation of manuals	Follo (La Spezia) (Italy)	EUR	20,000.00	100.00	ISSEL NORD S.r.l.	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 AUSTRALIA Pty Ltd. Shipbuilding support activities	Australia	AUD	2,200,100.00	100.00	Fincantieri S.p.A.	100.00
FINCANTIERI USA Inc. Holding company	USA	USD	1,029.75	100.00	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 aluminium ships	USA	USD	1,000.00	100.00	Fincantieri Marine Group LLC	87.44
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

COMPANY NAME Principal activity	Registered office	Share capital		(%) interest held		% consolidated by Group
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	Trieste (Italy)	EUR	500,000.00	100.00	Seaf S.p.A.	100.00
FINCANTIERI INFRASTRUCTURE S.p.A. Carpentry	Trieste (Italy)	EUR	500,000.00	100.00	Fincantieri 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 development	China	CNY	3,500,000.00	100.00	Fincantieri S.p.A.	100.00
VARD HOLDINGS Ltd. Holding company	Singapore	SGD	932,200,000.00	78.13	Fincantieri Oil&Gas S.p.A.	78.13
VARD GROUP AS Shipbuilding	Norway	NOK	10,000,000.00	100.00	Vard Holdings Ltd.	78.13
VARD SHIPHOLDING SINGAPORE Pte. Ltd. Charter of boats, ships and barges	Singapore	USD	1.00	100.00	Vard Holdings Ltd.	78.13
VARD ELECTRO AS Electrical/automation installation	Norway	NOK	1,000,000.00	100.00	Vard Group AS	78.13
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	78.13
VARD RO HOLDING S.r.l. Holding company	Romania	RON	82,573,830.00	100.00	Vard Group AS	78.13
VARD NITERÓI SA Shipbuilding	Brazil	BRL	354,883,790.00	100.00	Vard Group AS Vard El. Brasil Ltda	78.13
VARD PROMAR SA Shipbuilding	Brazil	BRL	589,363,813.00	100.00	Vard Group AS	78.13
ESTALEIRO QUISSAMÃ Ltda. Project development	Brazil	BRL	400,000.00	50.50	Vard Group AS	39.46
VARD SINGAPORE Pte. Ltd. Sales and holding company	Singapore	USD	6,000,000.00	100.00	Vard Group AS	78.13
VARD DESIGN AS Design and engineering	Norway	NOK	4,000,000.00	100.00	Vard Group AS	78.13
VARD ACCOMMODATION AS Accommodation installation	Norway	NOK	500,000.00	100.00	Vard Group AS	78.13
VARD PIPING AS Pipe installation	Norway	NOK	100,000.00	100.00	Vard Group AS	78.13
SEAONICS AS Offshore handling systems	Norway	NOK	46,639,721.00	56.40	Vard Group AS	44.07

COMPANY NAME 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	78.13
SEAONICS POLSKA SP. Z O.O. Engineering services	Poland	PLN	300,000.00	62.50 37.50	ICD Software AS Seaonics AS	44.07
VARD DESIGN LIBURNA Ltd. Design and engineering	Croatia	HRK	20,000.00	51.00	Vard Design AS	39.85
VARD ELECTRO TULCLEA S.r.l. Electrical installation	Romania	RON	4,149,525.00	99.96	Vard Electro AS	78.10
VARD ELECTRO BRAZIL (INSTALAÇÕES ELETRICAS) LTDA. Electrical installation	Brazil	BRL	3,000,000.00	99.00 1.00	Vard Electro AS Vard Group AS	78.13
VARD ELECTRO BRAILA S.r.l. Electrical installation	Romania	RON	45,000.00	100.00	Vard Electro AS	78.13
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.	78.13
VARD TULCEA SA Shipbuilding	Romania	RON	151,606,459.00	99.996 0.004	Vard RO Holding S.r.l. Vard Group As	78.13
VARD BRAILA SA Shipbuilding	Romania	RON	165,862,177.50	94.12 5.88	Vard RO Holding S.r.l. Vard Group AS	78.13
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.	78.13
VARD VUNG TAU Ltd. Shipbuilding	Vietnam	USD	8,000,000.00	100.00	Vard Singapore Pte. Ltd.	78.13
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.	78.13
VARD ENGINEERING BREVIK AS Design and engineering	Norway	NOK	105,000.00	100.00	Vard Group AS	78.13
VARD OFFSHORE BREVIK AS Services and installation	Norway	NOK	100,000.00	100.00	Vard Group AS	78.13
VARD SHIP REPAIR BRAILA SA Ship repair	Romania	RON	-	100.00	Vard Braila SA	78.13
VARD MARINE INC. Ship design and marine engineering	Canada	CAD	9,783,700.00	100.00	Vard Group AS	78.13
VARD MARINE US INC. Ship design and marine engineering	USA	USD	10,000.00	100.00	Vard Marine Inc.	78.13
VARD ENGINEERING GDANSK Sp. Z.o.o. Offshore design and engineering activities	Poland	PLN	50,000.00	100.00	Vard Engineering Brevik AS	78.13
VARD CONTRACTING AS Various shipbuilding services	Norway	NOK	500,000.00	100.00	Vard Group AS	78.13
ICD SOFTWARE AS Automation and control system software	Norway	NOK	536,796.00	100.00	Seaonics AS	44.07
CDP TECHNOLOGIES AS Research and development of technology	Norway	NOK	302,204.00	100.00	Seaonics AS	44.07
CDP TECHNOLOGIES ESTONIA OÜ Automation and control system	Estonia	EUR	5,200.00	100.00	CDP Tecnologies AS	44.07
SIA ICD INDUSTRIES LATVIA Automation and control system software	Latvia	EUR	33,164.00	100.00	ICD Software AS	44.07
INDUSTRIAL CONTROL DESIGN AS Automation and control system	Norway	NOK	30,000.00	100.00	ICD Software AS	44.07
VARD ELECTRO CANADA Inc. Installation and integration of electrical systems	Canada	CAD	100,000.00	100.00	Vard Electro As	78.13

COMPANY NAME Principal activity	Registered office	Share capital		(%) interest held		% consolidated by Group
STORVIK AQUA AS Supplier of aquaculture equipment	Norway	NOK	1,100,000.00	94.64	Vard Group AS	73.94
STORVIK SA Supplier of aquaculture equipment	Chile	CLP	137,989,917.00	95.00	Storvik Aqua AS	70.25
STORVIK AQUA Ltd Supplier of aquaculture equipment	UK	GBP	10,000.00	100.00	Storvik Aqua AS	73.94
Joint ventures consolidated using the equity method						
ORIZZONTE SISTEMI NAVALI S.p.A. Management of large naval vessel contracts	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	49.96	Fincantieri S.p.A.	49.96
CSSC - FINCANTIERI CRUISE INDUSTRY DEVELOPMENT LTD Design and marketing of cruise ships	Hong Kong	EUR	2.00	40.00	Fincantieri S.p.A.	40.00
UNIFER NAVALE S.r.l. Piping	Modena (Italy)	EUR	150,000.00	20.00	Seaf S.p.A.	20.00
Associates consolidated using the equity method						
CASTOR DRILLING SOLUTION AS Offshore drilling technology	Norway	NOK	229,710.00	34.13	Seaonics AS	15.04
OLYMPIC CHALLENGER KS Shipowner	Norway	NOK	84,000,000.00	35.00	Vard Group AS	27.35
BRIDGE EIENDOM AS Real estate	Norway	NOK	3,100,000.00	50.00	Vard Group AS	39.07
BREVIK TECHNOLOGY AS Holding of technology licenses and patents	Norway	NOK	600,000.00	34.00	Vard Group AS	26.56
MOKSTER SUPPLY AS Shipowner	Norway	NOK	13,296,000.00	40.00	Vard Group AS	31.25
MOKSTER SUPPLY KS Shipowner	Norway	NOK	131,950,000.00	36.00	Vard Group AS	28.13
REM SUPPLY AS Shipowner	Norway	NOK	345,003,000.00	26.66	Vard Group AS	20.83
OLYMPIC GREEN ENERGY KS Shipowner	Norway	NOK	4,841,028.00	29.50	Vard Group AS	23.05
DOF ICEMAN AS Shipowner	Norway	NOK	23,600,000.00	50.00	Vard Group AS	39.07
TAKLIFT AS Floating cranes	Norway	NOK	2,450,000.00	25.47	Vard Group AS	19.90
AS DAMECO Maintenance services	Norway	NOK	606,000.00	34.00	Vard Offshore Brevik AS	26.56
CSS DESIGN LIMITED Design and engineering	British Virgin Islands	GBP	100.00	31.00	Vard Marine Inc.	24.22

management representation on the condensed consolidated half-year financial statements pursuant to art. 81-ter of consob regulation 11971 dated 14 may 1999 and subsequent amendments and additions

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:
   - the suitability in relation to the business's organization and,
   - the effective application

   of the administrative and accounting processes for the preparation of the condensed consolidated half-year financial statements at 30 June 2017, during the first half of 2017.
2. The adequacy of the administrative and accounting processes for preparing the condensed consolidated half-year financial statements at 30 June 2017 has been evaluated on the basis of a procedure established by Fincantieri in compliance with the Internal Control - Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission, which is the generally accepted standard model internationally.
3. The undersigned also represent that:

3.1 the condensed consolidated half-year financial statements at 30 June 2017:

   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 the important events taking place in the first six months of the year and their impact on the condensed consolidated half-year financial statements, together with a description of the principal risks and uncertainties to which the Group is exposed.

25 July 2017

chief executive officer	manager responsible for preparing financial reports
Giuseppe Bono	Carlo Gainelli

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REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the Shareholders of
Fincantieri SpA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of Fincantieri SpA and its subsidiaries (the Fincantieri Group) as of 30 June 2017, comprising the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes. The directors of Fincantieri SpA are responsible for the preparation of the consolidated condensed interim financial statements in accordance with the International Accounting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution n°10867 of 31 July 1997. A review of consolidated condensed interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated condensed interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements of the Fincantieri Group as of 30 June 2017 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Trieste, 26 July 2017

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

PricewaterhouseCoopers SpA

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