HALF-YEAR FINANCIAL REPORT

AT 30 JUNE 2018

FINCANTIERI
The sea ahead

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at 30 June 2018

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The sea ahead

SUMMARY

PARENT COMPANY DIRECTORS AND OFFICERS

PARENT COMPANY DIRECTORS AND OFFICERS

Board of Directors
(2016-2018)

Chairman
Giampiero Massolo

Chief Executive Officer
Giuseppe Bono

Councilors
Gianfranco Agostinetto
Simone Anichini
Massimiliano Cesare
Nicoletta Giadrossi
Paola Muratorio
Fabrizio Palermo
Donatella Treu

Secretary
Umberto Baldi

Board of statutory auditors
(2017-2019)

Chairman
Gianluca Ferrero

Standing members
Roberto Spada
Fioranna Vittoria Negri

Alternate members
Alberto De Nigro
Flavia Daunia Minutillo
Massimiliano Nova

Manager responsible for preparing financial reports

Felice Bonavolontà*

Oversight board
Leg. Decree 231/01
(2018-2020)

Chairman
Guido Zanardi

Members
Stefano Dentilli
Giorgio Pani

Independent auditors
(2013-2021)

PricewaterhouseCoopers S.p.A.

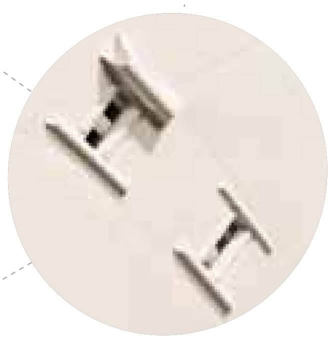
*Appointed on 22 June 2018

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.com.

Disclaimer

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

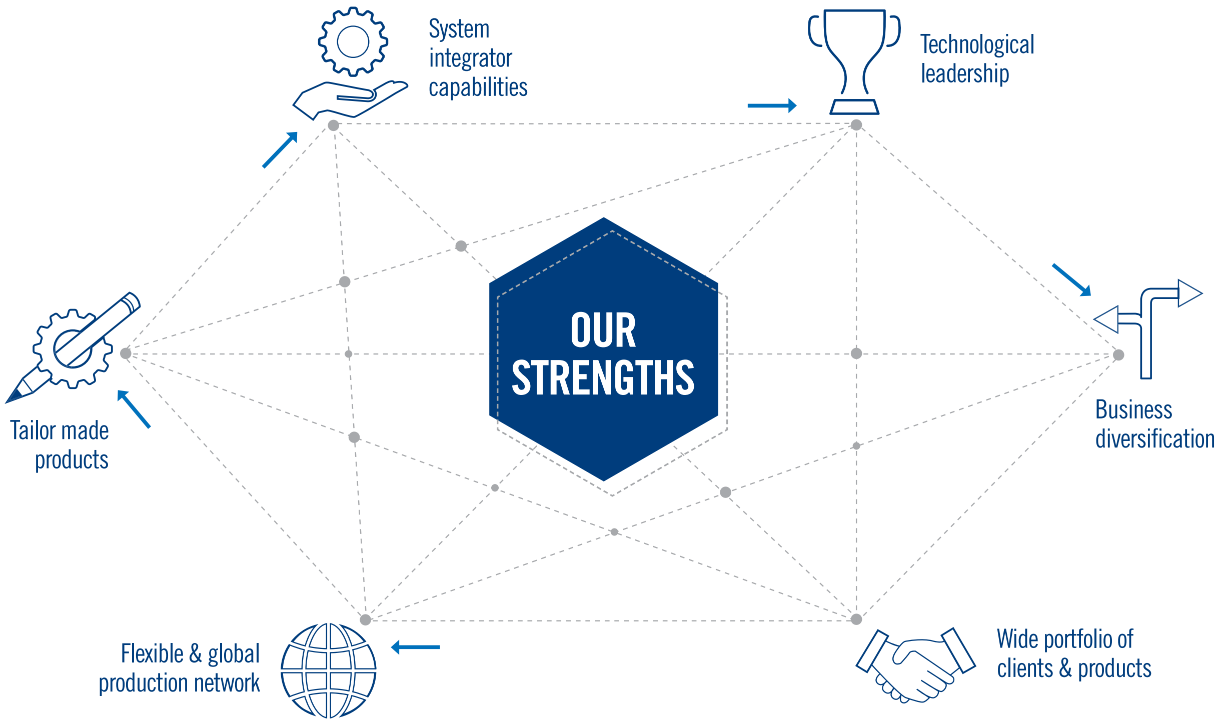
THE FINCANTIERI GROUP



OUR VISION

We aspire to become world leaders in all sectors that require highly advanced solutions, setting ourselves still further apart by our diversification and innovation work.

The Sea Ahead: all those who work at Fincantieri steer for this course: talented men and women working responsibly to help develop our idea of a future increasingly characterized by innovation, performance and sustainability.



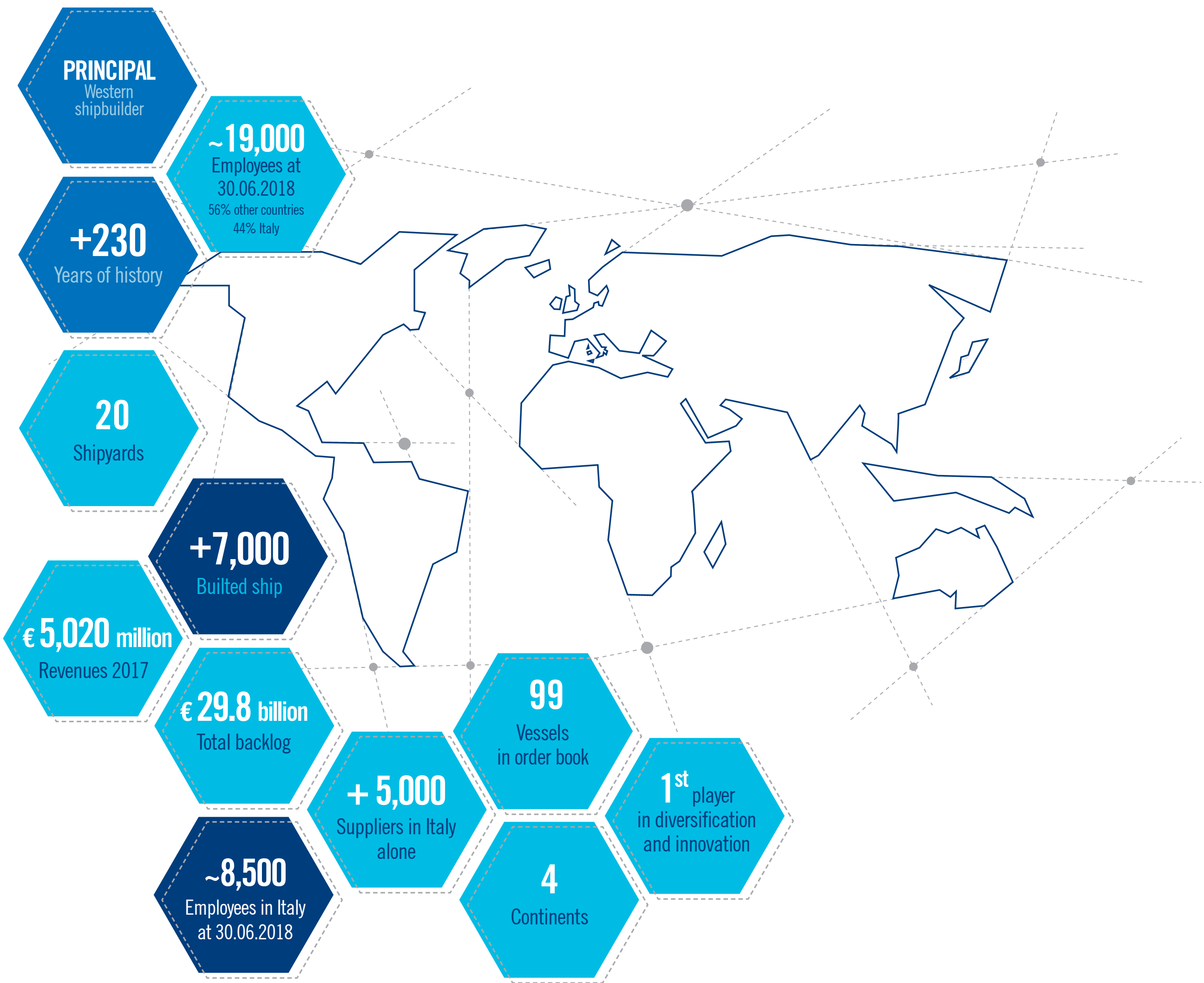
OUR MISSION

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

WHO WE ARE

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, production of systems and mechanical and electrical component equipment and after-sales services.
With over 230 years of history and more than 7,000 vessels built, Fincantieri has always kept its management offices, as well as all the engineering and production skills, in Italy. With almost 8,500 employees and a supplier network that employs nearly 50,000 people, Fincantieri has enhanced

FACTS AND FIGURES



Data refer to 30 June 2018.

a fragmented production capacity over several shipyards into a strength, acquiring the widest portfolio of clients and products in the cruise segment. To hold its own in relation to competition and assert itself at global level, Fincantieri has broadened its product portfolio becoming world leader in the sectors in which it operates.
With globalization, the Group has around 20 shipyards in 4 continents, over 19,000 employees and is the leading Western shipbuilder. It has among its clients the world's major cruise operators, the Italian and the US Navy, in addition to several foreign navies, and it is partner of some of the main European defense companies within supranational programs.
Fincantieri's business is widely diversified by end markets, geographical exposure and by client base, with revenue mainly generated from 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.

OVERVIEW

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, represented by the subsidiary VARD, encompasses 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

SEGMENTS

SHIPBUILDING

BUSINESS AREAS




PRODUCT PORTFOLIO

Cruise Ships

Contemporay
Premium
Upper Premium
Luxury
Exploration/Niche

Ferries

Cruise ferry
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

MAIN SUBSIDIARIES / ASSOCIATES / JOINT VENTURES

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.
Etihad Ship Building LLC.
Orizzonte Sistemi Navali S.p.A.
CSSC - Fincantieri Cruise Industry Development Ltd.

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.

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

OFFSHORE | EQUIPMENT, SYSTEMS AND SERVICES | OTHER

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 Braila SA
• Braila
Vard Promar SA
• Suape
Vard Vung Tau Ltd.
• Vung Tau
Vard Electro AS
Vard Design AS
Vard Piping AS
Vard Accommodations AS
Vard Marine Inc.
Seaonics AS

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 structures 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.
M.I. Galley S.r.l.
Fincantieri Infrastructure S.P.A.
Fincantieri Sweden AB
Unifer Navale S.r.l.

Service

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 S.r.l.
FMSNA Inc.
Fincantieri Services Middle East LLC
Fincantieri Services USA LLC

FINCANTIERI S.p.A.

THE FINCANTIERI PLANET

SHIPYARDS AND DOCKS

EUROPE

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

NORWAY
Aukra
Brattvaag
Brevik
Langsten
Søviknes

ROMANIA
Braila
Tulcea

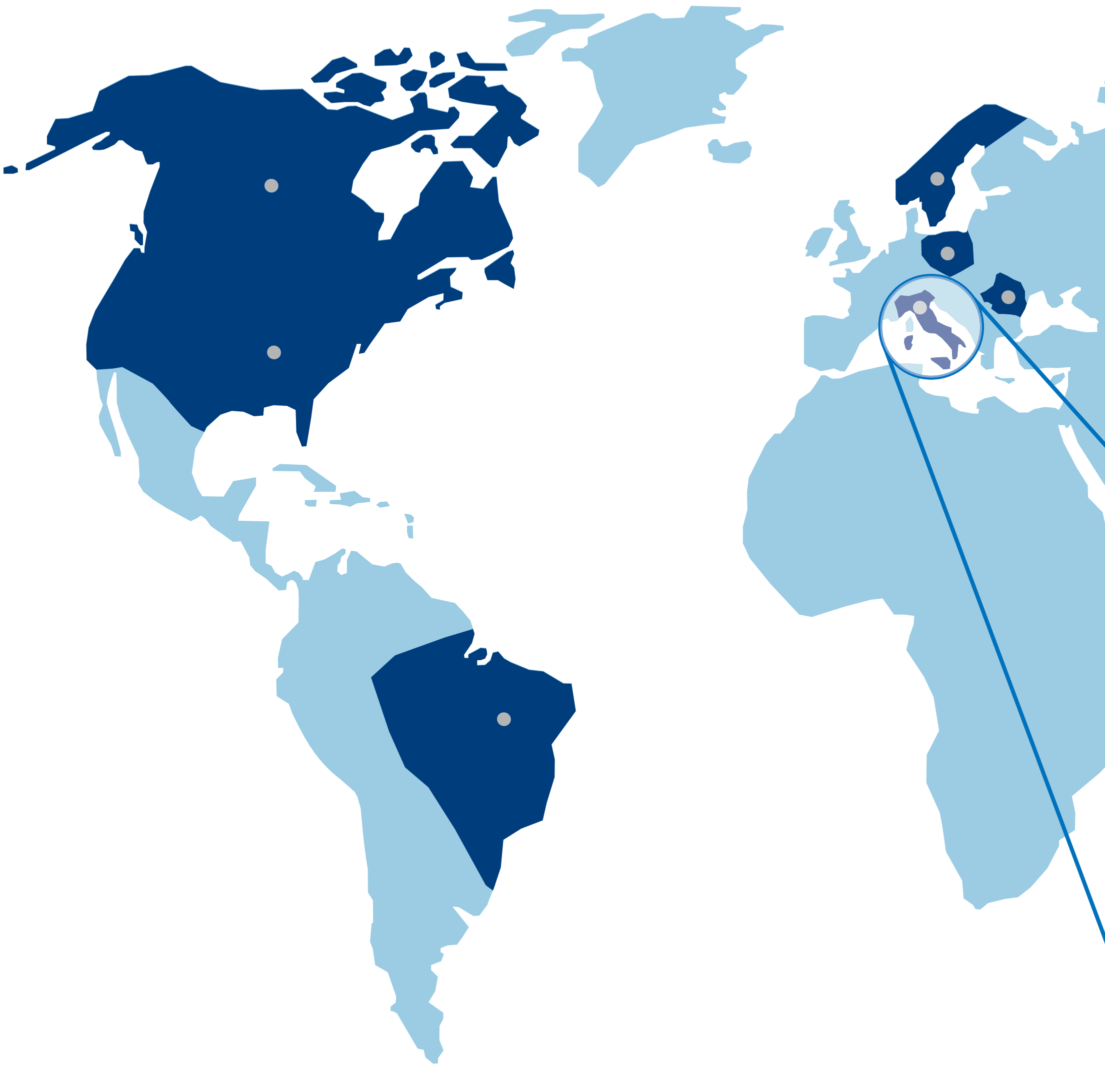
ASIA

VIETNAM
Vung Tau

AMERICAS

USA
Marinette
Sturgeon Bay
Green Bay

BRAZIL
Suape



almost 19,000 EMPLOYEES

20 SHIPYARDS

4 CONTINENTS

MAIN SUBSIDIARIES

EUROPE

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

NORWAY
VARD Group (Headquarter)
Vard Design
Vard Piping
Vard Electro
Vard Accomodation
Seaonics

SWEDEN
Fincantieri Sweden

POLAND
Seaonics Polska

ASIA

CINA
Fincantieri (Shanghai) Trading
CSSC - Fincantieri
Cruise Industry Development

INDIA
Fincantieri India
Vard Electrical Installation
and Engineering (India)

BAHRAIN
FMSNA

UNITED ARAB EMIRATES
Etihad Ship Building

QATAR
Fincantieri
Services Middle East

SINGAPORE
Fincantieri Singapore R.O.
Vard Holdings
Vard Shipholdings Singapore

JAPAN
FMSNA YK

AMERICAS

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

CANADA
Vard Marine

BRAZIL
Fincantieri do Brasil
Partecipacoes

OCEANIA

AUSTRALIA
Fincantieri Australia


F.E.1
10
7807
TEST 7
HERA
FINC MARGHER
OSTR.6251

INTERIM REPORT ON OPERATIONS AT 30 JUNE 2018

HIGHLIGHTS

- **RESULTS IN LINE WITH THE BUSINESS PLAN 2018-2022 GOALS**
- **SIGNED A SHARE PURCHASE AGREEMENT FOR 50% AND THE LOAN OF 1% OF THE CAPITAL OF STX FRANCE** WITH THE FRENCH GOVERNMENT
- VARD'S SHAREHOLDERS' MEETING APPROVED THE SUBSIDIARY'S **DELISTING**
- **ORDER INTAKE** OF EURO **2.4** BILLION
  - TWO **VIKING** VESSELS
  - ONE **SILVERSEA** VESSEL
  - TWO **PONANT** VESSELS
  - THREE VESSELS FOR THE **ROYAL NORWEGIAN COAST GUARD**
- **TOTAL BACKLOG**[1] REACHES **RECORD LEVELS** OF EURO **30** BILLION
- **ACQUISITION OF NEW CLIENT TUI CRUISES** FOR THE CONSTRUCTION OF TWO NEW-GENERATION LNG-POWERED SHIPS

- **REVENUE AND INCOME:** EURO **2,527** MILLION (+10%)
- **EBITDA** OF EURO **183** MILLION (+25%) WITH A CONSOLIDATED **EBITDA MARGIN** OF 7.3% (VS. 6.3% IN THE FIRST HALF OF 2017)
- **ADJUSTED PROFIT FOR THE YEAR**[2] OF EURO **39** MILLION (+39%)
- **PROFIT FOR THE YEAR** OF EURO **15** MILLION (+36%)
- **NET FINANCIAL POSITION**[3] NET DEBT OF EURO **264** MILLION (EURO 314 MILLION OF NET DEBT AT 31 DECEMBER 2017)

(1) Sum of backlog of euro 22 billion and soft backlog of around euro 8 billion (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).
(2) Profit/(loss) before extraordinary and non-recurring income and expenses.
(3) This figure does not include construction loans.

INTRODUCTION

Fincantieri's results for the first half of 2018 confirm the lines of development identified in the new Business Plan 2018-2022 which was presented at the end of March. The Group's leadership in the high-tech shipbuilding industry sectors is confirmed by its increasing production volumes and margins, continuing to highlight its significant capacity to create value even though it operates in an extremely complex sector.

The first half of 2018 ends with revenues of over euro 2.5 billion (+10%), EBITDA of euro 183 million (+25%) with a margin of 7.3% increasing by 16% (6.3% at 30 June 2017), an Adjusted profit for the period of euro 39 million (+39%), Net profit for the period of euro 15 million (+36%) and Net debt of euro 264 million, an improvement on 31 December 2017.

The Total backlog reached record levels of euro 29.8 billion, with a backlog of euro 22 billion and 99 vessels in the order book (to be delivered until 2026) and a soft backlog of around euro 8 billion, over half of which were transformed into order intake in July, confirming the Group's historical ability to turn soft backlog into firm orders.

The Total backlog enables Fincantieri to have visibility in the coming years in terms of guaranteed work for the Italian shipyards and to consolidate its leadership globally.

In commercial terms, within the cruise ship business, the Group has formalized an order with Viking for the construction of 2 sister ships (part of a series of 8 commissioned previously) and an option for the construction of 6 ships that are more technologically advanced than the previous ones (if exercised, this would bring the total number of vessels built in partnership by the two companies to 16). The Group has also signed a contract with Silversea for the construction of an ultra-luxury vessel, the third in the "Muse" series. July 2018 saw the exercise of the option for the construction of the fifth and sixth "Leonardo" class vessels for the Norwegian Cruise Line, in addition to the four ordered previously and confirmation of the order for a new generation ship for the historic luxury brand Cunard. In the same month, the Group signed a Memorandum of Agreement to construct 2 cruise ships for Princess Cruises, which will be the largest ever built in Italy, and has secured an order for the construction of 2 new generation cruise ships for a new brand, Tui Cruises (a joint venture between Tui Ag and Royal Caribbean Cruises). These last four vessels, the first cruise ships fueled by LNG, will be cutting edge in terms of technology and sustainability built by the Group. These agreements demonstrate Fincantieri's recognized ability to stand out among the field of international shipbuilders thanks to its reliability and capacity to innovate and its ability to attract and retain new clients.

As regards navy vessels, production continues for the program to renew the Italian Navy's fleet and design and planning activities continue for the massive Qatari Ministry of Defense contract. Furthermore, the Group won the contract from the US Navy to develop a customized version of the FREMM project for new generation multi-role frigates under the FFG(X) program. In July, the subsidiary Marinette Marine Corporation (in a consortium led by Lockheed Martin) secured an order from the US government for the launch of detailed design and planning for the construction of four Multi-Mission Surface Combatants (MMSC) for Saudi Arabia.

The subsidiary VARD, as a result of the diversification strategy, achieved significant commercial outcomes in the first half of

2018 with contracts for the construction of 10 vessels, including in particular the 2 expedition cruise vessels for Ponant, rewarding the expansion strategy implemented by the subsidiary in the luxury expedition cruise market, 3 ships for the Norwegian Royal Coast Guard, which will be the first such vessels constructed by VARD, and one cable-laying vessel for the Prysmian group. Moreover, there is the order placed by Viking for the construction of two new expedition cruise ships for Viking, following the letter of intent signed previously with the shipowner, which also includes two further vessels under option. In early July, the Norwegian Group also secured the contract for the construction of the third expedition cruise ship for Hapag Lloyd.

Lastly, in the Equipment, Systems and Services segment, Fincantieri and the Grimaldi Group signed an agreement for the program to lengthen and transform the cruise ferries "Cruise Roma" and "Cruise Barcelona". The Group has secured the contract to upgrade the Cavour aircraft carrier.

The first half of 2018 saw the delivery of 4 cruise ships, including the MSC Seaview which, together with its sister ship (MSC Seaside), is the largest ship ever built in Italy to date, 2 naval vessels and 14 vessels delivered by the VARD Group.

As regards the economic results achieved in the first half of 2018, the Shipbuilding segment has continued to grow in terms of revenues and margins thanks to the positive contribution of the cruise ship and naval vessel businesses.

In the Offshore segment, where the crisis is still ongoing, the diversification strategy has led to an increase of volumes enabling a positive margin to be maintained even though the production structure in the shipyards involved in the current diversification process are not yet at full employment.

Revenues in the Equipment, Systems and Services segment have increased due to the volumes generated by the production of cabins and public areas which have been driven by the growth in the cruise ship business, and at the same time keeping profit margins high.

These results are accompanied by the Group maintaining a balanced financial structure enabling it to deal with the expected increased volumes, particularly in the cruise ship business.

Headcount in Italy has increased by over 2% compared to the same period of the previous year in order to meet the increased backlog, while, at group level, staff levels have decreased from 19,428 to 19,375, mainly due to the reduction of the workforce at VARD's Brazilian shipyard.

In February 2018, Fincantieri signed the share purchase agreement for 50% of the capital of STX France with the French Government (represented by the Agence des Participations de l'Etat). The shareholders' agreements and the agreement covering the loan of 1% of the share capital of STX France to Fincantieri - the terms of which have already been agreed by the parties - will be signed at the closing of the transaction. The agreement with STX France is part of a broader collaboration on shipbuilding between Italy and France. The French and Italian governments have initiated a joint process that has opened the way to the future creation of a progressive alliance in the naval defense segment, based on a close collaboration and integration between Fincantieri and Naval Group, the latter a minority shareholder in STX France.

In July 2018, the Shareholders' Meeting of the subsidiary VARD approved the company's delisting from the Singapore stock exchange. Meanwhile, the integration process in production is ongoing with the use of capacity in Romania to support Fincantieri's massive order backlog for the production of cruise ships, as are the commercial synergies with the Parent Company aimed at strengthening VARD's presence in the expedition cruise ship market.

The Group forecasts results for the year 2018 which are in line with the economic and financial projections outlined in the Business Plan 2018-2022. The growth in revenues forecasted for the second half of the year enables the Group to confirm the target of a 3-6% increase in revenues on an annual basis with a margin of around 7.5%. The target margin of between 1.8% and 2% for adjusted net profit is also confirmed. By the end of 2018, the Net financial position will be a net debt of euro 400-600 million, an increase compared to the amount in the first half of the year, in line with the constant growth of the size and value of the cruise ships under construction and with the delivery schedule.

In the Shipbuilding segment, Fincantieri expects to deliver 5 ships in the second half of 2018, 1 cruise ship and 4 vessels in the naval business. It also expects to achieve full swing of activities in the fleet renewal program for the Italian Navy and to see the start of production activities for the Qatari Ministry of Defense contract.

In the Offshore segment, construction activities continue on the order backlog, the result of the diversification strategy adopted, and related continued focus on execution aimed at recovering medium-term margins. The deep crisis in the Oil & Gas sector continues and this could impact on the order intake.

In 2018, the Equipment, Systems and Services segment is expected to see its growth in revenues confirmed, thanks to the development of the backlog related to the Italian Navy fleet renewal, the Qatari contract and the higher volumes for the production of cabins and public areas supporting the cruise ship business.

KEY FINANCIALS

(euro/million)

31.12.2017	Economic data		30.06.2018	30.06.2017
5,020	Revenue and income		2,527	2,295
341	EBITDA		183	146
6.8%	EBITDA margin(*)		7.3%	6.3%
221	EBIT		118	88
4.4%	EBIT margin(**)		4.7%	3.8%
91	Adjusted profit/(loss) for the period[1]		39	28
(49)	Extraordinary and non-recurring income and (expenses)		(32)	(22)
53	Profit/(loss) for the period		15	11
57	Group share of profit/(loss) for the period		21	13

31.12.2017	Financial data		30.06.2018	30.06.2017
1,623	Net invested capital		1,523	1,877
1,309	Equity		1,259	1,246
(314)	Net financial position		(264)	(631)

31.12.2017	Other indicators		30.06.2018	30.06.2017
8,554	Order intake(***)		2,388	4,369
28,482	Order book(***)		27,665	26,086
26,153	Total backlog(***)(****)		29,787	25,524
22,053	- of which backlog(***)		21,987	20,424
163	Capital expenditure		44	76
65	Net cash flows for the period		342	41
113	Research and Development costs		61	53
19,545	Employees at the end of the period	number	19,375	19,428
25	Vessels delivered(*****)	number	20	8
32	Vessels ordered(*****)	number	13	11
106	Vessels in order book(*****)	number	99	102

31.12.2017	Ratios		30.06.2018	30.06.2017
12.7%	ROI		11.0%	10.4%
4.1%	ROE		1.4%	1.6%
0.6	Total debt/Total equity	number	0.8	0.8
0.9	Net financial position/EBITDA	number	0.9	2.1
0.2	Net financial position/Total equity	number	0.2	0.5

(*) 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.
(1) Profit/(loss) before extraordinary and non-recurring income and expenses.
The percentages contained in this report have been calculated with reference to amounts expressed in thousands of euros.

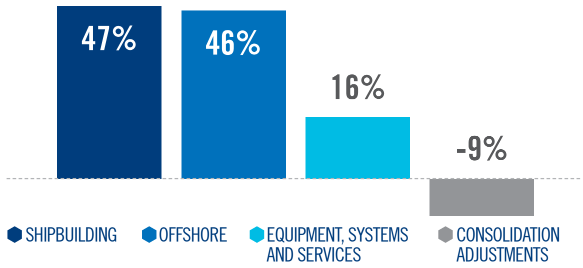
GROUP PERFORMANCE

Group operational performance

Order intake

During the first six months of 2018, the Group recorded euro 2,388 million in new orders, compared with euro 4,369 million in the corresponding period of 2017, with a book-to-bill ratio (order intake/revenue) of 0.9 (1.9 at 30 June 2017). Before intersegment consolidation adjustments, the Shipbuilding segment accounted for 47% of the period's total order intake (89% in the first half of 2017), the Offshore segment for 46% (9% in the first half of 2017) and the Equipment, Systems and Services segment for 16% (7% in the first half of 2017).
This change in order intake, compared to the same period of the previous year, reflects the different timing for concluding the agreements. The first half of 2017 benefited from an important contract for the construction of 4 cruise ships for the Norwegian Cruise Line. In addition to the order intake, 2018 saw the conclusion of significant agreements signed in July, exercising the option for the construction of the fifth and sixth cruise ships for the Norwegian Cruise Line, the signature of a Memorandum of Agreement with Princess Cruises for the construction of 2 new generation cruise ships, the largest ever built in Italy, confirmation of the order for one cruise ship for the historic luxury brand Cunard and two ships for a new client, Tui Cruises (a joint venture between Tui Ag and Royal Caribbean Cruises), new generation LNG-powered vessels, which will be the most cutting-edge ships in terms of technology and sustainability. In early July, VARD also secured the contract for the construction of the third expedition cruise ship for Hapag Lloyd and an order for the construction of two new expedition cruise ships for Viking, following the letter of intent signed previously with the shipowner, which also includes two further vessels under option. In the same month, in the naval vessel

% ORDER INTAKE BY OPERATING SEGMENT IN 1ST HALF 2018



business, Fincantieri secured, through the subsidiary Marinette Marine Corporation (in a consortium led by Lockheed Martin), an order from the US Government for the launch of detailed design and planning for the construction of four Multi-Mission Surface Combatants (MMSC) for Saudi Arabia.
With regard to the order intake at 30 June 2018, the Group has formalized an order with Viking, within the cruise ship business, for the construction of 2 sister ships (part of a series of 8 commissioned previously) and an option for the construction of 6 ships that are more technologically advanced than the previous ones (if exercised, this would bring the total number of vessels built in partnership by the two companies to 16). The Group has also signed a contract with Silversea for the construction of an ultra-luxury vessel, the third in the "Muse" series.
In the Offshore segment, as a consequence of the business diversification strategies, the Group secured orders for the construction of 2 expedition vessels for the French shipowner Ponant, 3 vessels for fishing operations, 1 passenger and vehicle ferry and 1 cable-laying vessel. In addition, there are three vessels for the Royal Norwegian Coast Guard, enriching VARD's order book with a naval project and further contributing to diversifying the business.
Lastly, in the Equipment, Systems and Services segment, Fincantieri and the Grimaldi Group signed an agreement for the program to lengthen and transform the cruise ferries "Cruise Roma" and "Cruise Barcelona" which will be carried out in the Palermo shipyard. Furthermore, the Group has secured the contract to upgrade the Cavour aircraft carrier.

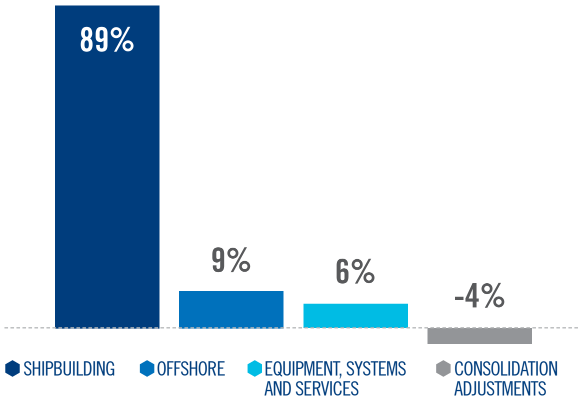
(euro/million)

31.12.2017		Order intake analysis	30.06.2018		30.06.2017	
Amounts	%		Amounts	%	Amounts	%
7,291	85	FINCANTIERI S.p.A.	1,224	51	3,836	88
1,263	15	Rest of Group	1,164	49	533	12
8,554	**100**	**Total**	**2,388**	**100**	**4,369**	**100**
7,526	88	Shipbuilding	1,132	47	3,872	89
888	10	Offshore	1,106	46	379	9
573	7	Equipment, Systems and Services	376	16	323	7
(433)	(5)	Consolidation adjustments	(226)	(9)	(205)	(5)
8,554	**100**	**Total**	**2,388**	**100**	**4,369**	**100**

Backlog e Soft backlog

The Group's total backlog reached a record level of euro 29.8 billion at 30 June 2018, of which euro 22 billion in backlog (euro 20.4 billion at 30 June 2017) and euro 7.8 billion in soft backlog (euro 5.1 billion at 30 June 2017), with the order delivery profile extending until 2026. The backlog and total backlog guarantee about 4.4 years and 6 years of work respectively in relation to the 2017 level of revenue. Before intersegment consolidation adjustments, the Shipbuilding segment accounts for 89% of the Group's backlog (91% in the first half of 2017), the Offshore segment, represented by the subsidiary VARD's activities, for 9% (7% in the first half of 2017) and the Equipment, Systems and Services segment for 6% (6% in the first half of 2017).
The latest order intake enriches the composition of the backlog in terms of the number of clients and variety of projects and is further proof of the effectiveness of the Group's growth and diversification strategy. Moreover, the policy of investing in reliability, quality and innovation on the latest platforms of prototype vessels

% ORDER BACKLOG BY SEGMENT AT 30 JUNE 2018



has enabled the creation of long-lasting relationships with clients and the acquisition of sister ships by these clients which extend the employment horizon of Fincantieri shipyards and improve margins.
The growth in backlog compared to the same period of the previous year confirms the Group's ability to transform soft backlog into firm orders.
The composition of the backlog by operating segment is shown in the following table.

(euro/million)

31.12.2017		Dettaglio backlog	30.06.2018		30.06.2017	
Amounts	%		Amounts	%	Amounts	%
19,882	90	FINCANTIERI S.p.A.	19,391	88	18,266	89
2,171	10	Rest of Group	2,596	12	2,158	11
22,053	**100**	**Total**	**21,987**	**100**	**20,424**	**100**
20,238	92	Shipbuilding	19,496	89	18,512	91
1,418	6	Offshore	1,990	9	1,403	7
1,186	5	Equipment, Systems and Services	1,289	6	1,288	6
(789)	(3)	Consolidation adjustments	(788)	(4)	(779)	(4)
22,053	**100**	**Total**	**21,987**	**100**	**20,424**	**100**

The soft backlog, representing the value of existing contract options and letters of intent as well as of contracts at an advanced stage of negotiation, none of which yet reflected in the order backlog, amounted to approximately euro 7.8 billion at 30 June 2018, compared with euro 5.1 billion at 30 June 2017.

The following table shows the deliveries scheduled each year for the 99 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 2018 in addition to the total number of deliveries scheduled for the full year 2018.

(number)

	Deliveries						
	30.06.18 completed	Total 2018	2019	2020	2021	2022	Beyond 2022
Cruise ships	4	5	4	5	6	4	5
Naval > 40 m.	2	6	5	4	5	5	7
Offshore	14	32	17	5	1	1	2

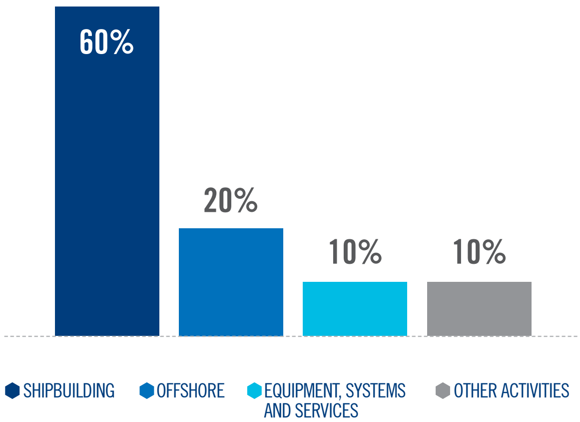
Compared to the situation presented at 31 December 2017, the delivery of one "Freedom" class Littoral Combat Ship (LCS 15) for the US Navy was initially expected in 2018 but has been postponed until 2019.

Capital expenditure

Capital expenditure amounts to euro 44 million in the first six months of 2018, of which euro 6 million for intangible assets (including euro 2 million for development projects) and euro 38 million for property, plant and equipment. Capital expenditure represents 1.7% of the Group's revenue in the first six months of 2018 compared with 3.3% in the first six months of 2017.

Capital expenditure on property, plant and equipment in the first half of 2018 mainly related to the continuation of initiatives to support growth in production volumes and to boost safety standards and compliance with environmental regulations within production sites.

% CAPITAL EXPENDITURE BY OPERATING SEGMENT IN 1ST HALF 2018



(euro/million)

31.12.2017		Capital expenditure analysis	30.06.2018		30.06.2017	
Amounts	%		Amounts	%	Amounts	%
109	67	FINCANTIERI S.p.A.	30	68	52	68
54	33	Rest of Group	14	32	24	32
163	**100**	**Total**	**44**	**100**	**76**	**100**
90	55	Shipbuilding	27	60	42	55
37	23	Offshore	9	20	19	25
9	6	Equipment, Systems and Services	4	10	3	4
27	16	Other assets	4	10	12	16
163	**100**	**Total**	**44**	**100**	**76**	**100**
55	34	Intangible assets	6	13	26	34
108	66	Property, plant and equipment	38	87	50	66
163	**100**	**Total**	**44**	**100**	**76**	**100**

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

(euro/million)

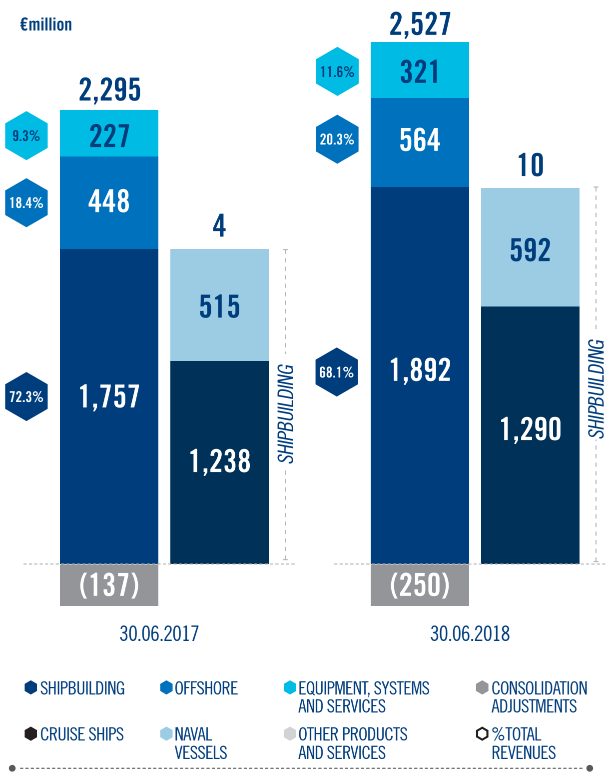
31.12.2017		30.06.2018	30.06.2017
5,020	**Revenue and income**	**2,527**	**2,295**
(3,742)	Materials, services and other costs	(1,855)	(1,671)
(909)	Personnel costs	(482)	(462)
(28)	Provisions	(7)	(16)
341	**EBITDA**	**183**	**146**
6.8%	**EBITDA margin**	**7.3%**	**6.3%**
(120)	Depreciation, amortization and impairment	(65)	(58)
221	**EBIT**	**118**	**88**
4.4%	**EBIT margin**	**4.7%**	**3.8%**
(83)	Finance income/(costs)	(52)	(39)
(5)	Income/(expense) from investments	1	(1)
(42)	Income taxes	(28)	(20)
91	**Adjusted profit/(loss) for the period**[1]	**39**	**28**
95	of which attributable to Group	45	30
(49)	Extraordinary and non-recurring income and (expenses)	(32)	(22)
11	Tax effect of extraordinary and non-recurring income and expenses	8	5
53	**Profit/(loss) for the period**	**15**	**11**
57	Group share of profit/(loss) for the period	21	13

[1] Profit/(loss) before extraordinary and non-recurring income and expenses.

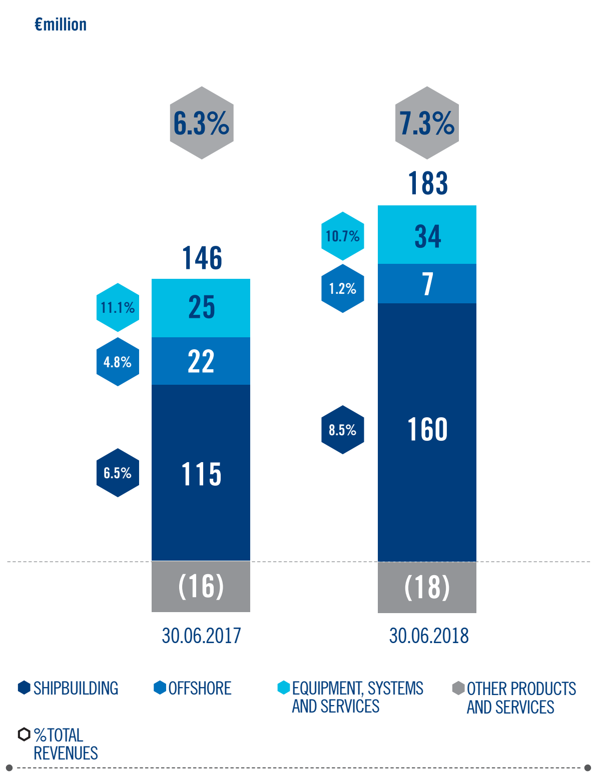
Revenue and income of euro 2,527 million, an increase of euro 232 million on the previous year (+10%), thanks to the positive contribution of all the segments in which the Group operates and despite the negative effects (euro 46 million) of converting revenues generated in NOK and USD by foreign subsidiaries into euro. The Shipbuilding segment recorded an increase of revenues in both the cruise ship business (+4% compared to the first half of 2017) accounting for 46% of the Group's total revenues for the year, and the naval vessel business (+15% compared to the first half of 2017). Performance is also positive in the Offshore segment (+26%) and the Equipment, Systems and Services segment recorded extraordinary growth of 41% accounting for a larger part of the Group's revenues.
Revenue generated by foreign clients accounts for 82% of the total in the period ended 30 June 2018, down from 86% in the corresponding period of 2017.

EBITDA is equal to euro 183 million at 30 June 2018 (euro 146 million in the first half of 2017), with an EBITDA margin of 7.3%, an improvement on the 6.3% at 30 June 2017. This increase was influenced by the Shipbuilding segment which has benefited from the higher profitability of the sister cruise ships delivered in the period and the progress on the naval orders for the Italian Navy and the Qatari Ministry of Defense.

REVENUE ANALYSIS



EBITDA ANALYSIS



EBIT came to euro 118 million in the first half of 2018 (euro 88 million in the same period of the previous year), with an EBIT margin (EBIT expressed as a percentage of Revenue and income) of 4.7% (3.8% in the first half of 2017). This change is the result of the reasons illustrated above for the Group's EBITDA and is partially offset by the greater amortization in the period.

Finance income/(costs) and income/(expense) from investments report a net expense of euro 51 million (net expense of euro 40 million at 30 June 2017). This change compared to the first half of 2017 is mainly due to the increased net unrealized exchange rate losses (euro 9 million), mostly associated with a loan taken out by Vard Promar and the higher costs for sureties and guarantees related to some large projects launched in the second half of 2017 (euro 5 million). Finance costs for construction loans came to euro 12 million at 30 June 2018 (in line with 30 June 2017).

Income taxes present a net charge of euro 28 million in the first six months of 2018, compared with a net charge of euro 20 million in the same period of 2017.

Adjusted profit/(loss) for the period is a net profit of euro 39 million at 30 June 2018 (an increase on euro 28 million at 30 June 2017).

Extraordinary and non-recurring income and expenses report euro 32 million in net expenses (euro 22 million at 30 June 2017) and mainly include costs for legal disputes for euro 33 million (of which euro 32 million mainly related to provisions for asbestos-related litigation), charges for business reorganization plans related to the subsidiary VARD for euro 3 million and an income of euro 4 million from the sale of a shareholding.

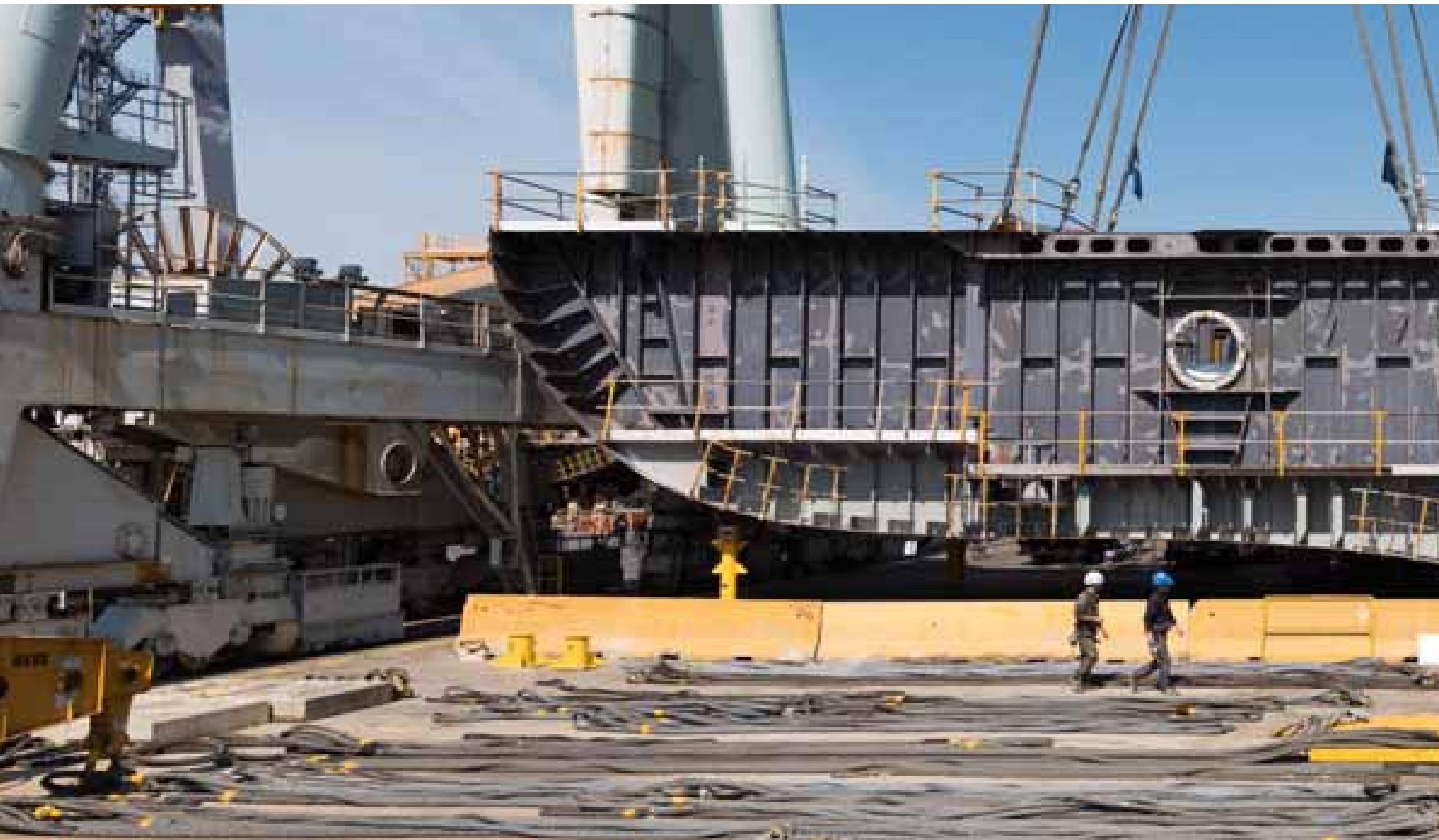
Tax effect of extraordinary and non-recurring income and expenses was a net positive euro 8 million at 30 June 2018.

Profit/(loss) for the period, reflecting the factors described above, is a net profit of euro 15 million (euro 11 million at 30 June 2017). The Group share of this result is a net profit of euro 21 million, compared with a net profit of euro 13 million in the same period of the previous year.

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(euro/million)

30.06.2017		30.06.2018	31.12.2017
583	Intangible assets	625	582
1,049	Property, plant and equipment	1,031	1,045
55	Investments	51	53
42	Other non-current assets and liabilities	72	122
(58)	Employee benefits	(58)	(59)
1,671	**Net fixed capital**	**1,721**	**1,743**
575	Inventories and advances	852	835
1,594	Construction contracts and client advances	584	648
(970)	Construction loans	(488)	(624)
449	Trade receivables	601	909
(1,426)	Trade payables	(1,595)	(1,748)
(130)	Provisions for risks and charges	(155)	(141)
114	Other current assets and liabilities	3	1
206	**Net working capital**	**(198)**	**(120)**
-	**Net assets classified as held for sale**	**-**	**-**
1,877	**Net invested capital**	**1,523**	**1,623**
863	Share capital	863	863
302	Reserves and retained earnings attributable to the Group	338	374
81	Non-controlling interests in equity	58	72
1,246	**Equity**	**1,259**	**1,309**
631	**Net financial position**	**264**	**314**
1,877	**Sources of funding**	**1,523**	**1,623**



The Reclassified consolidated statement of financial position reports a negative change in Net invested capital at 30 June 2018 of euro 100 million compared to the end of the previous year, mainly due to the following factors:

• **Net fixed capital**: presents an overall decrease of euro 22 million. The main effects include the decrease in Other non-current assets and liabilities, the result of the negative fair value of derivatives on exchange rates offset by the increase in the value of Intangible assets, affected by the first application of IFRS 15 (euro 48 million).
• **Net working capital** reports a negative balance of euro 198 million (negative for euro 120 million at 31 December 2017). The main changes relate to i) the decrease in Construction contracts and client advances (euro 64 million), due to the deliveries of some vessels, partially offset by the volumes realized in the first half of the year; and ii) the decrease in Trade receivables (euro 308 million), due to the receipt of the final payments of the vessels delivered, and in Trade payables (euro 153 million). Construction loans amount to euro 488 million at 30 June 2018 (euro 624 million at 31 December 2017) and relate to the subsidiary VARD for the entire amount (euro 574 million at 31 December 2017).
• **Equity** is euro 1,259 million, with the net income generated over the period (euro 15 million) and the increase of the currency translation reserve (euro 16 million) offset by the distribution of dividends (euro 17 million), the reduction of reserves linked to hedging instruments for cash flows (euro 39 million) and the registering of the reserve for the first application of IFRS 15 and IFRS 9 (euro 21 million).

It should also be noted that the shareholding in VARD increased from 79.74% at 31 December 2017 to 83.51% at 30 June 2018.

CONSOLIDATED NET FINANCIAL POSITION

(euro/million)

30.06.2017		30.06.2018	31.12.2017
144	**Cash and cash equivalents**	**618**	**274**
34	**Current financial receivables**	**30**	**35**
(329)	Current bank debt	(150)	(122)
-	Bonds - current portion	(300)	(300)
-	Commercial papers	(225)	-
(63)	Current portion of bank loans and credit facilities	(56)	(52)
(26)	Other current financial liabilities	(2)	(8)
(418)	**Current debt**	**(733)**	**(482)**
(240)	**Net current cash/(debt)**	**(85)**	**(173)**
128	**Non-current financial receivables**	**130**	**123**
(218)	Non-current bank debt	(307)	(262)
(299)	Bonds - non-current portion	-	-
(2)	Other non-current financial liabilities	(2)	(2)
(519)	**Non-current debt**	**(309)**	**(264)**
(631)	**Net financial position**	**(264)**	**(314)**

The **Consolidated net financial position**, which excludes construction loans, reports a net debt balance of euro 264 million (euro 314 million in net debt at 31 December 2017). 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 primarily by equity and for the remainder by other sources of long-term funding. The change in Net financial position is mainly due to the payments received during the six month period, including those related to the four cruise ships delivered, which have more than offset the commitments arising from the continuation of shipbuilding activities.

RECLASSIFIED CONSOLIDATED STATEMENT OF CASH FLOWS

(euro/million)

31.12.2017		30.06.2018	30.06.2017
532	Net cash flows from operating activities	99	122
(168)	Net cash flows from investing activities	(35)	(81)
(299)	Net cash flows from financing activities	278	(110)
65	**Net cash flows for the period**	**342**	**(69)**
220	**Cash and cash equivalents at beginning of period**	**274**	**220**
(11)	Effects of currency translation difference on opening cash and cash equivalents	2	(7)
274	**Cash and cash equivalents at end of period**	**618**	**144**

The **Reclassified consolidated statement of cash flows** reports positive **Net cash flows** for the period of euro 342 million (negative for euro 69 million in the first half of 2017) mainly due to the operating activities and financing activities which generated cash flows of euro 99 million and euro 278 million respectively.

Net cash flows from operating activities suffers from the reimbursement of construction loans for euro 165 million (construction loans generated cash inflows of euro 319 million at 30 June 2017).

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 2018 and 2017.

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 2017 to 30 June 2018 and from 1 July 2016 to 30 June 2017.

31.12.2017		30.06.2018	30.06.2017
12.7%	ROI	11.0%	10.4%
4.1%	ROE	1.4%	1.6%
0.6	Total debt/Total equity	0.8	0.8
0.9	Net financial position/EBITDA	0.9	2.1
0.2	Net financial position/Total equity	0.2	0.5

ROI and ROE in the first six months of 2018 decreased compared to 31 December 2017, the year in which the Group recorded significant growth in economic results which peaked in the second half of 2017. Compared with 30 June 2017, ROI has increased due to the higher profitability, while ROE is broadly in line.
The indicators of the strength and efficiency of the capital structure at 30 June 2018 are largely in line with those at 31 December 2017. When compared with the same period in 2017, these indicators show a clear improvement (except for the "Debt/Equity" ratio which is in line) due to the positive change in the net financial position and growth of operating margins.

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.

(euro/million)

31.12.2017		30.06.2018	30.06.2017
3,883	Revenue and income(*)	1,892	1,757
269	EBITDA(*)	160	115
6.9%	EBITDA margin(*)(**)	8.5%	6.5%
7,526	Order intake(*)	1,132	3,872
25,069	Order book(*)	23,686	22,761
20,238	Order backlog(*)	19,496	18,512
90	Capital expenditure	27	42
12	Vessels delivered(number)(***)	6	5

(*) Before eliminations between operating segments.
(**) Ratio between segment EBITDA and Revenue and income.
(***) Vessels over 40 meters in length.

Revenue and income

Revenue from the Shipbuilding segment amounts to euro 1,892 million at 30 June 2018, up 7.7% compared to the first half of 2017, despite the change in the USD/Euro exchange rate (around euro 24 million), generated from the translation of the financial statements of the US subsidiaries, which negatively affected the naval vessels business, and comprises euro 1,290 million from the cruise ships business (euro 1,238 million at 30 June 2017) and euro 592 million from the naval vessels business (euro 515 million at 30 June 2017).

Growth in revenues, compared to the first half of 2017, can be attributed to the larger size and higher value of the cruise ships being built and the ongoing activities, in the naval vessels business, related to the fleet renewal program of the Italian Navy (with the first delivery scheduled in 2019) and the ongoing design and planning for the orders for the Qatari Ministry of Defense.

EBITDA

Segment EBITDA was euro 160 million at 30 June 2018 (euro 115 million at 30 June 2017), with an EBITDA margin of 8.5% (6.5% at 30 June 2017). The growth trend continues, recording a further increase owing to the production and prompt delivery of sister cruise ships with higher margins and the ongoing activities in the fleet renewal program of the Italian Navy.

Order intake

New order intake of euro 1,132 million in the first six months of 2018 refer to the construction of:

- two further cruise ships for Viking (ninth and tenth ships), part of the first series of ten ships, of which five have already been successfully delivered to the client;
- the second ultra-luxury cruise ship "Silver Dawn" for Silversea Cruises.

Capital expenditure

Capital expenditure on Property, plant and equipment during the first half of 2018 mostly involved:

- updating of the working areas at some shipyards, in particular Monfalcone, Marghera, Sestri and Ancona, to the new production scenarios and upgrading and improvement of the safety standards of machinery, equipment and buildings;
- continuation of activities to introduce new technologies in particular at the Monfalcone shipyard with regard to the Integrated Environmental Authorization.

Capital expenditure in the US shipyards mainly concerned maintenance of infrastructure and upgrading of production systems.

Production

The number of ships delivered in the first six months of 2018 is analyzed as follows:

(number)	Deliveries
Cruise ships	4
Cruise ferries	
Naval vessels > 40 m	2
Mega yachts	
Naval vessels < 40 m	

The vessels delivered were:

- "Carnival Horizon", the cruise ship for Carnival, was delivered at the Monfalcone shipyard;
- "Seabourn Ovation", the second ultra-luxury cruise ship for Seabourn Cruise Line, a Carnival Group brand, was delivered at the Genoa Sestri Ponente shipyard;
- "MSC Seaview", the second next-generation cruise ship for MSC Cruises, was delivered at the Monfalcone shipyard;
- "Viking Orion", the fifth cruise ship for Viking, was delivered at the Ancona shipyard;
- "Federico Martinengo", the seventh of a series of ten multi-role frigates (FREMM) for the Italian Navy, was delivered at the Muggiano shipyard in La Spezia;
- "Kronprins Haakon", the ice breaker vessel built in the Group's Italian shipyards for the Norwegian Government's Institute of Marine Research and Fishing, was delivered at the Norwegian Vard Langsten shipyard.

Offshore

The Offshore operating segment, represented by the subsidiary VARD, 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, as well as the offer of innovative products in the field of drillships and semi-submersible drilling rigs.
The VARD Group also provides its clients with turnkey electrical systems, inclusive of engineering, manufacturing, installation, integration testing and commissioning.

(euro/million)

31.12.2017			30.06.2018	30.06.2017
943	Revenue and income(*)		564	448
42	EBITDA(*)		7	22
4.4%	EBITDA margin(*)(**)		1.2%	4.8%
888	Order intake(*)		1,106	379
2,646	Order book(*)		3,018	2,478
1,418	Order backlog(*)		1,990	1,403
37	Capital expenditure		9	19
13	Vessels delivered	number	14	3

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

Revenue and income

Revenue from the Offshore segment amounts to euro 564 million at 30 June 2018, up 25.9% from euro 448 million in the first six months of 2017, in spite of the negative impact of changes in the Euro/Norwegian Krone exchange rate (euro 25 million) due to the translation of VARD's financial statements. This result is attributable, in particular, to the continuation of the business diversification

strategy implemented by VARD which has generated an increased of production volumes, particularly in the Group's Romanian shipyards.

EBITDA

The segment's EBITDA of euro 7 million at 30 June 2018 (euro 22 million at 30 June 2017), with an EBITDA margin of 1.2% (4.8% at 30 June 2017), in the context of a gradual recovery in the growth of revenues, suffers from lower margins of the Offshore productions in the order books or delivered during the period together with a level of employment in the VARD shipyards involved in the current diversification process that is still inadequate.

Order intake

New order intake by the VARD Group in the first half of 2018 amounts to euro 1,106 million. More specifically, the order intake concerns:

- two small sized luxury expedition cruise vessels for the French shipowner Ponant;
- three coast guard vessels for the Norwegian Defence Material Agency (NDMA), the Ministry of Defence agency tasked with developing and modernizing the Norwegian Armed Forces; the vessels will be built by the production network of the VARD Group;
- three fishing vessels for Remøybuen, Nergard Havfiske and Havfisk;
- one passenger and vehicle ferry for Boreal;
- one cable-laying vessel for the Prysmian Group.

Capital expenditure

Capital expenditure in the first half of 2018 mainly relates to the continuation of activities to expand and improve 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. Capital expenditure is in particular related to increasing the availability of the erection area and other minor work in the Group's shipyards in order to maintain efficiency.

Production

The following vessels were delivered during the period:

(number)	Deliveries
AHTS	
PSV (including MRV)	1
OSCV	1
MCV	10
Other	2

In detail:

- one PSV (Platform Supply Vessel) was delivered to Island Offshore Shipping AS at the Brevik shipyard (Norway);
- one OSCV (Offshore Subsea Construction Vessel) was delivered to Dofcon Navegação Ltda at the Promar shipyard (Brazil);
- ten MCVs (Module Carrier Vessels), one of which was delivered to NMSC Kazmortransflot LLP at the Braila shipyard (Romania) and nine were delivered to Topaz Energy and Marine at the Braila and Vung Tau (Vietnam) shipyards;
- one expedition cruise vessel was delivered to the French shipowner Ponant at the Søviknes shipyard (Norway);
- one fishing vessel was delivered to Nordland Havfiske AS at the Søviknes 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..

(euro/million)

31.12.2017			30.06.2018	30.06.2017
558	Revenue and income(*)		321	227
64	EBITDA(*)		34	25
11.5%	EBITDA margin(*)(**)		10.7%	11.1%
573	Order intake(*)		376	323
1,973	Order book(*)		2,140	1,987
1,186	Order backlog(*)		1,289	1,288
9	Capital expenditure		4	3
31	Engines produced in workshops	number	8	13

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

Revenue and income

Revenue from the Equipment, Systems and Services segment amounts to euro 321 million (+41.4% compared to the first half of 2017). This increase confirms the growth trend which started in the first half of 2017, due to the development of significant order backlog for the services provided under the orders for the Italian Navy and for the Qatari Ministry of Defense and the increased volumes of cabins and public areas to support the cruise ship business.

EBITDA

Segment EBITDA is euro 34 million at 30 June 2018 (euro 25 million at 30 June 2017), with the EBITDA margin of 10.7%, down from 11.1% in the first six months of 2017, reflecting the greater impact of volumes associated with the cruise ship business.

Order intake

New order intake for Equipment, Systems and Services amounted to euro 376 million in the first half of 2018, mostly comprising:

- 4 stabilization systems and 1 thruster positioning system for cruise clients;
- supply of propeller systems/shaft lines and stabilization systems for the two Qatari OPV;
- 1 sliding door for a naval client;
- supply of In Service Support (ISS) to the Italian Navy on the Submarine and FREMM program;
- 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;
- supply of the automation, internal communication and navigation package for the Qatari Corvette program;
- supply of the automation package for the 3rd and 4th vessels in the Korean Navy's FFX-II program;
- supply of cabins, sanitation, public rooms and "complete accommodation" packages for the ship platform;
- lengthening and transformation of the cruise ferries "Cruise Roma" and "Cruise Barcelona" for Grimaldi;
- preparation of all the upgrade works on the Cavour aircraft carrier.

Other activities

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

(euro/million)

31.12.2017		30.06.2018	30.06.2017
-	Revenue and income	-	-
(34)	EBITDA	(18)	(16)
n.a.	EBITDA margin	n.a.	n.a.
27	Capital expenditure	4	12

n.a. not applicable

Capital expenditure

The most relevant items of expenditure focus on:

- ongoing work to implement an integrated system for ship design (CAD) and project lifecycle management (PLM), aimed at improving the efficiency and effectiveness of the engineering process;
- the introduction of mobile devices to increase efficiency of onboard supervision activities;
- the development of information systems to support the Group's increasing activities and optimize process management.

As in previous years, work continued on upgrading the Group's network infrastructure and hardware.

OTHER INFORMATION

Market capitalization

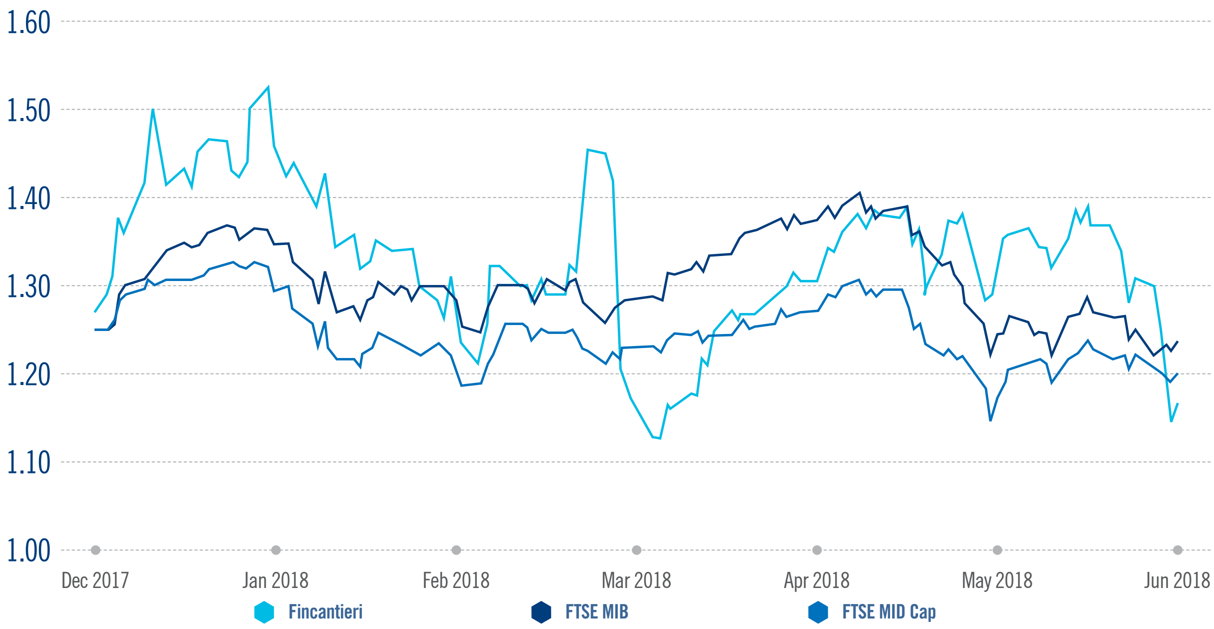
The market capitalization of Fincantieri, at the closing price on 30 June 2018, was approximately euro 1,976 million. In terms of stock liquidity, around 968 million shares were traded from the start of the year to 30 June 2018, with a daily average trading volume in the period of around 7.7 million shares, an increase on the 747 million shares traded in the first half of 2017 (with a daily average trading volume of 5.9 million).

(euro)

31.12.2017			30.06.2018	30.06.2017
0.89	Average share price in the period		1.33	0.73
1.25	Share price at period end		1.17	0.98
1,692	Number of shares issued	number	1,692	1,692
1,687	Number of shares outstanding at period end	number	1,687	1,692
2,118	Market capitalization(*)	euro/million	1,976	1,652

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

Price (euro/share)



Other significant events in the period

17 JANUARY

On **17 January 2018**, Fincantieri signed a collaboration agreement with the autonomous region of Friuli Venezia Giulia and with the trade union organizations Cgil, Cisl and Uil aimed at implementing a series of initiatives to promote work placement process and boost local employment, particularly for young people, thus contributing to the social and economic development of the region.

02 FEBRUARY

On **2 February 2018**, Fincantieri, through its subsidiary Fincantieri Europe S.p.A., signed the share purchase agreement for 50% of the capital of STX France with the French Government, represented by the Agence des Participations de l'Etat (APE). This signature is the result of the Share Purchase Agreement signed by Fincantieri and STX Europe AS on 19 May, following the French Government's exercise on 28 July 2017 of its preemptive rights on all the capital of STX France, as well as the signature of the Share Purchase Agreement between the French Government and STX Europe. This purchase by Fincantieri will be subject to the closing of the transaction between the French Government and STX Europe, and to the usual conditions provided for this type of operation. For Fincantieri, the agreement gives a purchase price for the shareholding of euro 59.7 million, payable using the financial resources it has available. The shareholders' agreements and the agreement covering the loan of 1% of the share capital of STX France to Fincantieri will be signed at the closing of the transaction.

19 FEBRUARY

On **19 February 2018**, the US Navy awarded Fincantieri's American subsidiary, Marinette Marine, a contract worth USD 15 million to develop the study of a customized version of its FREMM project for the new future generation multirole frigates of the FFG(X) program.

22 MAY

On **22 May 2018**, the Campania Region and Fincantieri signed a cooperation agreement to launch actions aimed at maintaining employment levels and increasing order backlog in the Castellammare di Stabia shipyard and developing the economic, productive, social and employment aspects of the area, while keeping to environmentally sustainable conditions.

Key events after the reporting period ended 30.06.2018

On 3 July 2018, the subsidiary VARD secured a new order for the construction of an Expedition Cruise ship (part of the series of 2 vessels commissioned previously) for Hapag-Lloyd Cruises.
On 12 July 2018, Fincantieri received confirmation from Norwegian Cruise Line Holdings Ltd. of the option for the construction of the fifth and sixth vessels in the "Leonardo" class new-generation cruise ships for the Norwegian Cruise Line (NCL), which will be delivered in 2026 and 2027. The option was contained in the February 2017 agreement for the construction of the first 4 vessels.
On 13 July 2018, Fincantieri received an order from TUI Cruises, the joint venture between TUI AG and Royal Caribbean Cruises, for the construction of 2 new-generation cruise ships powered by LNG (Liquid Natural Gas). These vessels will be built at the Monfalcone shipyard and delivered in 2024 and 2026.
On 20 July 2018, the US Government awarded the consortium led by Lockheed Martin, in which Fincantieri's subsidiary, Marinette Marine Corporation, is a partner, an order under an "Undefinitized Contract Action" as an advance on the Foreign Military Sales contract for the construction of four Multi-Mission Surface Combatants (MMSC) for Saudi Arabia. The ships will be built in the Marinette shipyard (Wisconsin) and will be characterized by their high maneurverability, the flexibility deriving from the Freedom class Littoral Combat Ship's single hull, constructed by the same consortium for the US Navy, with autonomy increased to 5,000 nautical miles and a speed above 30 knots, making it capable of coastal and open sea patrol operations.
On 23 July 2018, Fincantieri signed a Memorandum of Agreement with Princess Cruises, the brand belonging to Carnival Corporation & plc, for the construction of 2 cruise ships, the first in the fleet to be primarily fueled by liquefied natural gas (LNG). Each ship will have a gross tonnage of 175,000 and will be largest ever built in Italy.
On 24 July 2018, the subsidiary VARD signed a contract for the design and construction of two expedition cruise ships for Viking. The vessels will be delivered in Norway in 2021 and 2022 respectively and they will be the first vessels built for this shipowner by VARD.
On 24 July 2018, the Shareholders' Meeting of VARD approved the company's delisting from the Singapore stock exchange.

Business outlook

The Group forecasts results for the year 2018 which are in line with the economic and financial projections outlined in the Business Plan 2018-2022. The growth in revenues forecast for the second half of the year enables the Group to confirm the target of a 3-6% increase in revenues on an annual basis with a margin of around 7.5%. The target margin of between 1.8% and 2% for adjusted net profit is also confirmed. By the end of 2018, the Net financial position will be a net debt of euro 400-600 million, an increase compared to the amount in the first half of the year, in line with the constant growth of the size and value of the cruise ships under construction and with the delivery schedule.
In the Shipbuilding segment, Fincantieri expects to deliver 5 ships in the second half of 2018, 1 cruise ship and 4 vessels in the naval business. It also expects to achieve full swing of activities in the fleet renewal program for the Italian Navy and to see the start of production activities for the Qatari Ministry of Defense contract.
In the Offshore segment, construction activities continue on the order backlog, the result of the diversification strategy

adopted, and related continued focus on execution aimed at recovering medium-term margins. The deep crisis in the Oil & Gas sector continues and this could impact on the order intake.
In 2018, the Equipment, Systems and Services segment is expected to see its growth in revenues confirmed, thanks to the development of the backlog related to the Italian Navy fleet renewal, the Qatari contract and the higher volumes for the production of cabins and public areas driven by the growth of the cruise ship sector.

Transactions with the controlling company and other group companies

In compliance with the provisions of the Regulations concerning related party transactions adopted under Consob Resolution no. 17221 of 12 March 2010 and subsequent amendments and additions, FINCANTIERI S.p.A. has adopted a "Procedure for Related Party Transactions" with effect from 3 July 2014.
As far as related party transactions carried out in the six-month period are concerned, these do not qualify as either atypical or unusual, since they fall within the normal course of business by the Group's companies. Such transactions are conducted under market terms and conditions, taking into account the characteristics of the goods and services involved.
Information 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 Half-Year Financial Report.

Purchase of own shares

The Shareholders' Meeting held on 19 May 2017 authorized the Board of Directors to purchase its own ordinary shares on the market in order to implement the first cycle of the medium/long-term share-based incentive plan for management, called the Performance Share Plan 2016-2018. Therefore, over the second half of 2017, 4,706,890 Fincantieri own shares were purchased (0.28% of the share capital) for euro 5,277 thousand and held by FINCANTIERI S.p.A. No further purchases of the Parent Company's own shares were made during the first half of 2018.

Information regarding corporate governance

The "Report on Corporate Governance and Ownership Structure" (the "Report") required by art. 123-bis of the Consolidated Law on Finance is a stand-alone document approved by the Board of Directors on 27 March 2018, and published in the "Governance - Corporate Governance System" section of the Company's website at www.fincantieri.it.
The Report contains a general and complete over view 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 the Consolidated Law on Finance and art. 84-quater of the Consob Issuer Regulations, and published in the "Governance - Remuneration" 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 2018 are described below according to their nature.

1 Risks related to operational complexity

DESCRIPTION OF RISK	IMPACT	MITIGATION
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; • overestimating the synergies arising from acquisition operations or suffering the effects of slow and/or weak integration; • 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 its own or its suppliers' insufficient production capacity.	If the Group was unable to implement adequate project management activities, with sufficient or effective procedures and actions to control the proper completion and efficiency of its shipbuilding processes, or if it was unable to adequately manage the Group synergies and 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.	To manage processes of such complexity, the Group implements procedures and work plans designed to manage and monitor the implementation of each project throughout its duration. Constant dialogue channels are established between the Group entities in order to safeguard the integration processes, occasionally Parent Company resources are included. In addition, the Group has adopted a flexible production structure in order to respond efficiently to fluctuations in vessel demand in the various business areas. This flexible approach allows the Group to overcome capacity constraints at individual shipyards and to work on more than one contract at the same time while ensuring that delivery dates are met. The Group is implementing actions aimed at improving the production and design processes in order to strengthen competitiveness and increase productivity.

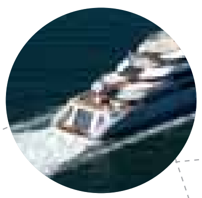
2 Risks related to nature of the market

DESCRIPTION OF RISK	IMPACT	MITIGATION
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. In the naval business, the demand for new ships is heavily dependent on governments' defense spending policies.	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.	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 equipment, 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, wind offshore, 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 scaled down its production capacity in Brazil by shutting down one of its yards, it has temporarily downsized the workforce at its facilities in Norway using work flexibility tools and it has repositioned one of the Norwegian yards to serve the aquaculture industry.

3 Risks related to maintenance of competitiveness in core markets

DESCRIPTION OF RISK	IMPACT	MITIGATION
The production of standard merchant 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.	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.	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	IMPACT	MITIGATION
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.	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.	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.



4 Risks related to contract management

DESCRIPTION OF RISK	IMPACT	MITIGATION
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.	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.	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	IMPACT	MITIGATION
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.	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.	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	IMPACT	MITIGATION
The operational management of contracts carries a risk that one or more counterparties with whom the Group has contracts are unable to meet its commitments, more specifically involving one or more clients do not meet the contractual obligations, or one or more suppliers fail 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 clients in the Offshore sector has led to the cancellation or redefinition of the delivery dates of some orders in the order book.	Bankruptcy by one or more counterparties, whether clients or suppliers, 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 or, potentially, at prices that do not allow its construction costs to be recovered. Moreover, the postponement of delivery dates can significantly increase working capital financing needs, with a consequent growth in debt and higher borrowing costs.	When acquiring orders, and where deemed necessary, the Group can perform checks on the financial strength of its counterparties, including by obtaining information from leading credit rating agencies. Suppliers are subject to a qualification process, including evaluation of the potential risks associated with the counterparty concerned. As regards the financial aspect, the Group offers its 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 reconvert and reposition on the new markets served those vessels already built but whose orders have been cancelled.

DESCRIPTION OF RISK	IMPACT	MITIGATION
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.	If the Group were unable to offer its clients sufficient financial guarantees against the advances received or to meet 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. Moreover, the cancellation and postponement of orders by clients in difficulty could have a significant impact on the Group's financial structure and margins, with the risk that banks limit access to credit, thereby depriving it of the necessary funding for its working capital, such as construction loans, or that banks will only be willing to grant credit at more costly conditions.	The Group adopts a financing strategy aimed at diversifying as much as possible the technical forms of financing and the financing counterparties with the ultimate objective of maintaining a more than sufficient credit capacity to guarantee coverage of the working capital needs generated by its operations.

DESCRIPTION OF RISK	IMPACT	MITIGATION
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.	The lack of available finance for the Group's clients or the low competitiveness of their conditions 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.	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 also actively works 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 paying any costs prepaid by the Group.

5 Risks related to production outsourcing and relations with suppliers and local communities

DESCRIPTION OF RISK	IMPACT	MITIGATION
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.	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.	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, at the time supplemented by the conclusion of suitable legality and/or transparency protocols with the local authorities, which in turn enabled the definition of the National Legality Framework Agreement signed in 2017. The subsidiary VARD has paid special attention to the process of evaluating and managing contracts with new suppliers operating in new sectors entered as a result of its diversification strategy.

6 Risks related to knowledge management

DESCRIPTION OF RISK	IMPACT	MITIGATION
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 and resource management with a view to continuous improvement, achieved by investing in staff training and performance evaluation.	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.	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 organized 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.

7 Risks related to legal and regulatory environment

DESCRIPTION OF RISK	IMPACT	MITIGATION
The Fincantieri Group must abide by the regulations to safeguard the environment and health and safety at work as well as the regulations and laws in force in the countries where it operates. Any breaches of such rules and regulations could result in civil, tax, 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.	Any breaches of tax, 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 tax, the environment or safety at work.	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 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 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 implemented an Environmental Management System at their sites with a view to obtaining certification under UNI EN ISO 14001:2004 and has started updating to the 2015 standard. As regards the mitigation of tax risks, the Group constantly monitors changes to the law force.

DESCRIPTION OF RISK	IMPACT	MITIGATION
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.	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.	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.

8 Risks related to information access and operation of the computer system

DESCRIPTION OF RISK	IMPACT	MITIGATION
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.	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.	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.

9 Risks related to exchange rates

DESCRIPTION OF RISK	IMPACT	MITIGATION
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 Group's financial statements, through translation of the income statements and balance sheets of consolidated subsidiaries that operate in a currency other than the Euro (mainly NOK, USD and BRL).	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.	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. With regard to currency translation risk, the Group constantly monitors its main exposures which are normally not subject to coverage. In the same way, the subsidiary VARD prepared a management policy that is based on the fundamental principles defined by the Parent Company, though with some differences due to the company's particular needs.

10 Risks related to Financial Debt

DESCRIPTION OF RISK	IMPACT	MITIGATION
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 them, 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.	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.	To ensure access to adequate types of finance in terms of amount and conditions, the Group constantly monitors the results of its operations and financial condition and its current and future capital and financial structure as well as any circumstances that could adversely affect them. 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. Moreover, the Company can negotiate derivative contracts, usually in the form of interest rate swaps, in order to contain the impact of fluctuations of interests rates on the Group's medium/long-term profitability.

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 without 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).
• Adjusted profit/(loss) 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, Construction contracts and client advances, Construction loans, Trade receivables, Trade payables, Provisions for risks and charges, and Other current assets and liabilities (including Income tax assets, Income tax liabilities, Deferred tax assets and Deferred tax liabilities, as well as the fair value of derivatives classified in current Financial assets and current Financial liabilities).
• Net invested capital: this is equal to the total of Net fixed capital and Net working capital.
• 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

(euro/million)	30.06.2018		30.06.2017	
	Amounts in IFRS statement	Amounts in reclassified statement	Amounts in IFRS statement	Amounts in reclassified statement
A – Revenue		**2,527**		**2,295**
Operating revenue	2,473		2,252	
Other revenue and income	54		43	
B - Materials, services and other costs		**(1,855)**		**(1,671)**
Materials, services and other costs	(1,857)		(1,673)	
Recl. to I - Extraordinary and non-recurring income and expenses	2		2	
C - Personnel costs		**(482)**		**(462)**
Personnel costs	(485)		(463)	
Recl. to I - Extraordinary and non-recurring income and expenses	3		1	
D - Provisions		**(7)**		**(16)**
Provisions	(38)		(35)	
Recl. to I - Extraordinary and non-recurring income and expenses	31		19	
E – Depreciation, amortization and impairment		**(65)**		**(58)**
Depreciation, amortization and impairment	(65)		(58)	
F – Finance income/(costs)		**(52)**		**(39)**
Finance income/(costs)	(52)		(39)	
G - Income/(expense) from investments		**1**		**(1)**
Income/(expense) from investments	5		(1)	
Recl. to I - Extraordinary and non-recurring income and expenses	(4)			
H - Income taxes		**(28)**		**(20)**
Income taxes	(20)		(15)	
Recl. to L - Tax effect of extraordinary and non-recurring income and expenses	(8)		(5)	
I - Extraordinary and non-recurring income and expenses		**(32)**		**(22)**
Recl. from B - Materials, services and other costs	(2)		(2)	
Recl. from C - Personnel costs	(3)		(1)	
Recl. from D - Provisions	(31)		(19)	
Recl. from G - Income/(expense) from investments	4			
L - Tax effect of extraordinary and non-recurring income and expenses		**8**		**5**
Recl. from H – Income taxes	8		5	
Profit/(loss) for the period		**15**		**11**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(euro/million)

	30.06.2018		31.12.2017	
	Amounts in IFRS statement	Amounts in reclassified statement	Amounts in IFRS statement	Amounts in reclassified statement
A - Intangible assets		625		582
Intangible assets	625		582	
B - Property, plant and equipment		1,031		1,045
Property, plant and equipment	1,031		1,045	
C - Investments		51		53
Investments	51		53	
D - Other non-current assets and liabilities		72		122
Derivative assets	96		144	
Other non-current assets	14		26	
Other liabilities	(32)		(31)	
Derivative liabilities	(6)		(17)	
E - Employee benefits		(58)		(59)
Employee benefits	(58)		(59)	
F - Inventories and advances		852		835
Inventories and advances	852		835	
G - Construction contracts and client advances		584		648
Construction contracts - assets	1,973		1,995	
Construction contracts - liabilities and client advances	(1,389)		(1,347)	
H - Construction loans		(488)		(624)
Construction loans	(488)		(624)	
I - Trade receivables		601		909
Trade receivables and other current assets	855		1,156	
Recl. to N) Other assets	(254)		(247)	
L - Trade payables		(1,595)		(1,748)
Trade payables and other current liabilities	(1,838)		(1,973)	
Recl. to N) Other liabilities	243		225	
M - Provisions for risks and charges		(155)		(141)
Provisions for risks and charges	(155)		(141)	
N - Other current assets and liabilities		3		1
Deferred tax assets	87		72	
Income tax assets	25		19	
Derivative assets	9		16	
Recl. from I) Other current assets	254		247	
Deferred tax liabilities	(62)		(62)	
Income tax liabilities	(10)		(12)	
Derivative liabilities and option fair value	(57)		(54)	
Recl. from L) Other current liabilities	(243)		(225)	
NET INVESTED CAPITAL		1,523		1,623
O - Equity		1,259		1,309
P - Net financial position		264		314
SOURCES OF FUNDING		1,523		1,623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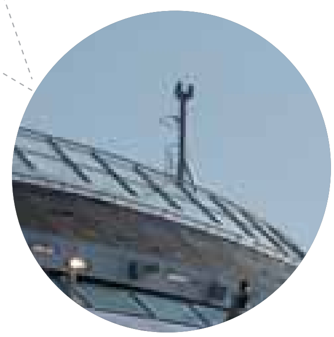
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS ENDED 30 JUNE 2018



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(euro/000)

	Note	30.06.2018	of which related parties - Note 28	31.12.2017	of which related parties - Note 28
ASSETS					
NON-CURRENT ASSETS					
Intangible assets	5	625,201		581,501	
Property, plant and equipment	6	1,030,940		1,044,671	
Investments accounted for using the equity method	7	46,156		50,581	
Other investments	7	5,132		2,348	
Financial assets	8	234,822	9,655	279,763	
Other assets	9	13,544	653	26,403	5,337
Deferred tax assets	10	86,755		72,104	
Total non-current assets		**2,042,550**		**2,057,371**	
CURRENT ASSETS					
Inventories and advances	11	852,177	208,136	835,199	206,509
Construction contracts - assets	12	1,972,622		1,995,342	
Trade receivables and other current assets	13	855,204	182,557	1,156,018	178,726
Income tax assets	14	25,618		18,918	
Financial assets	15	46,705		57,907	576
Cash and cash equivalents	16	617,581		274,411	
Total current assets		**4,369,907**		**4,337,795**	
TOTAL ASSETS		**6,412,457**		**6,395,166**	
EQUITY AND LIABILITIES					
EQUITY	17				
Attributable to owners of the parent					
Share capital		862,981		862,981	
Reserves and retained earnings		338,240		373,857	
Total Equity attributable to owners of the parent		**1,201,221**		**1,236,838**	
Attributable to non-controlling interests		58,044		72,322	
Total Equity		**1,259,265**		**1,309,160**	
NON-CURRENT LIABILITIES					
Provisions for risks and charges	18	143,587		130,754	
Employee benefits	19	57,771		58,912	
Financial liabilities	20	323,717	43,836	293,699	48,935
Other liabilities	21	32,301		30,916	
Deferred tax liabilities	10	62,461		61,752	
Total non-current liabilities		**619,837**		**576,033**	
CURRENT LIABILITIES					
Provisions for risks and charges	18	10,944		10,089	
Construction contracts - liabilities	12	1,389,039		1,347,252	
Trade payables and other current liabilities	22	1,837,875	14,121	1,973,482	18,756
Income tax liabilities		9,726		12,235	
Financial liabilities	23	1,285,771	11,124	1,166,915	19,175
Total current liabilities		**4,533,355**		**4,509,973**	
TOTAL EQUITY AND LIABILITIES		**6,412,457**		**6,395,166**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(euro/000)

	Note	30.06.2018	of which related parties - Note 28	30.06.2017	of which related parties - Note 28
Operating revenue	24	2,472,610	108,295	2,251,940	85,159
Other revenue and income	24	54,331	614	43,097	320
Materials, services and other costs	25	(1,857,000)	(29,466)	(1,673,181)	(4,779)
- of which non-recurring	28				
Personnel costs	25	(484,356)		(463,854)	
- of which non-recurring	28			(1,049)	
Depreciation, amortization and impairment	25	(65,719)		(57,775)	
Provisions	25	(37,880)		(34,582)	
Finance income	26	26,901	445	18,589	182
Finance costs	26	(78,826)	(2,113)	(57,989)	(921)
Income/(expense) from investments		6,452		(59)	
Share of profit/(loss) of investments accounted for using the equity method		(1,503)		(1,280)	
Taxes	27	(20,016)		(14,104)	
PROFIT / (LOSS) FOR THE PERIOD (A)		**14,994**		**10,802**	
attributable to owners of the parent		20,978		12,573	
attributable to non-controlling interests		(5,984)		(1,771)	
Basic earnings/(loss) per share (euro)		**0.01243**		**0.00743**	
Diluted earnings/(loss) per share (euro)		**0.01237**		**0.00742**	
Other comprehensive income/(losses), net of tax (OCI)					
Gains/(losses) from remeasurement of employee defined benefit plans	17 19	535		702	
Total gains/(losses) that will not be reclassified to profit or loss, net of tax	17	**535**		**702**	
- attributable to non-controlling interests					
Effective portion of gains/(losses) on cash flow hedging instruments	17	(38,984)		69,918	
Gains/(losses) arising from changes in OCI of investments accounted for using the equity method	17			(219)	
Gains/(losses) arising from fair value measurement of securities and bonds at fair value through comprehensive income					
Exchange gains/(losses) arising on translation of foreign subsidiaries' financial statements	17	15,987		(36,082)	
Total gains/(losses) that may be subsequently reclassified to profit or loss, net of tax	17	**(22,997)**		**33,617**	
- attributable to non-controlling interests		**887**		**(3,927)**	
Total other comprehensive income/(losses), net of tax (B)	17	**(22,462)**		**34,319**	
- attributable to non-controlling interests		**887**		**(3,927)**	
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD (A) + (B)		**(7,468)**		**45,121**	
attributable to owners of the parent		(2,371)		50,819	
attributable to non-controlling interests		(5,097)		(5,698)	

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
01.01.2017	-	**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)**
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	-	**862,981**	**301,528**	**1,164,509**	**81,771**	**1,246,280**
31.12.2017 published	17	**862,981**	**373,857**	**1,236,838**	**72,322**	**1,309,160**
First adoption IFRS			(20,427)	(20,427)	(234)	(20,661)
01.01.2018	3	**862,981**	**353,430**	**1,216,411**	**72,088**	**1,288,499**
Business combinations						
Share capital increase						
Acquisition of non-controlling interests			2,047	2,047	(8,955)	(6,908)
Dividend distribution			(16,874)	(16,874)		(16,874)
Reserve for long-term incentive plan			2,068	2,068		2,068
Other changes/roundings			(60)	(60)	8	(52)
Total transactions with owners			**(12,819)**	**(12,819)**	**(8,947)**	**(21,766)**
Net profit/(loss) for the period			20,978	20,978	(5,984)	14,994
Other components						
OCI for the period			(23,349)	(23,349)	887	(22,462)
Total comprehensive income for the period			**(2,371)**	**(2,371)**	**(5,097)**	**(7,468)**
30.06.2018	17	**862,981**	**338,240**	**1,201,221**	**58,044**	**1,259,265**

CONSOLIDATED STATEMENT OF CASH FLOWS

(euro/000)

	Note	30.06.2018	30.06.2017
NET CASH FLOWS FROM OPERATING ACTIVITIES	29	262,450	(197,643)
- of which related parties		(5,409)	(29,368)
Investments in:			
- intangible assets		(5,934)	(26,045)
- property, plant and equipment		(38,370)	(49,669)
- equity investments		(7,169)	
- receivables and other financial assets			
- cash out for business combinations, net of cash acquired		(85)	(5,515)
Disposals of:			
- intangible assets			
- property, plant and equipment		334	536
- equity investments		16,600	41
- receivables and other non-current financial assets			
CASH FLOWS FROM INVESTING ACTIVITIES		(35,624)	(80,652)
Change in non-current loans:			
- disbursements		65,888	23,395
- repayments		(25,382)	(96,476)
Change in non-current financial receivables:			
- disbursements		(5,057)	(17,512)
- repayments		205	
Change in current bank loans and credit facilities			
- disbursements		512,561	1,688,243
- repayments		(651,127)	(1,345,912)
Change in current bonds/commercial papers		225,000	
Change in other current financial liabilities/receivables		(2,517)	6,955
Change in receivables for held-for-trading financial instruments		949	(2,384)
Change in payables for held-for-trading financial instruments			(5,542)
Net capital contributions by non-controlling interests			
Increase in share capital			
Acquisition of non-controlling interests in subsidiaries		(6,908)	(41,986)
CASH FLOWS FROM FINANCING ACTIVITIES		113,612	208,781
- of which related parties		(22,229)	39,518
NET CASH FLOWS FOR THE PERIOD		341,438	(69,514)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		274,411	219,512
Effect of exchange rate changes on cash and cash equivalents		1,732	(6,247)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		617,581	143,751

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 1 - FORM, CONTENTS AND OTHER GENERAL INFORMATION

The Parent Company

FINCANTIERI S.p.A. (hereinafter "Fincantieri" or the "Company" or the "Parent Company" and, together with its subsidiaries, the "Group" or the "Fincantieri Group") is a public limited company with its registered office in Via Genova no. 1, Trieste (Italy), and is listed on the Mercato Telematico Azionario (Italy's electronic stock market) organized and managed by Borsa Italiana S.p.A.
As at 30 June 2018, 71.64% 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 3% or above) and own shares (of around 0.28% of shares representing the Parent Company's share capital). 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"), 82.8% 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, as 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 at 30 June 2018 (the "Condensed Consolidated Interim Financial Statements") were approved by the Company's Board of Directors on 26 July 2018.
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 2018 has been prepared in accordance with the provisions of art. 154-ter par. 2 of 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 2017, prepared in accordance with IFRS (the "2017 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 Consolidated Financial Statements at 31 December 2017, 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 2018 and 31 December 2017 according to their level in the fair value hierarchy:

(euro/000)

	30.06.2018			31.12.2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Financial assets at fair value through profit or loss						
Equity instruments	725		4,137	631		1,446
Debt instruments						
Financial assets at fair value through comprehensive income						
Equity instruments			272			272
Debt instruments						
Hedging derivatives		103,471			157,516	
Held-for-trading derivatives		2,076			3,025	
Total assets	**725**	**105,547**	**4,409**	**631**	**160,541**	**1,718**
Liabilities						
Financial liabilities at fair value through profit or loss			18,185			17,677
Hedging derivatives		44,996			53,698	
Held-for-trading derivatives						
Total liabilities		**44,996**	**18,185**		**53,698**	**17,677**

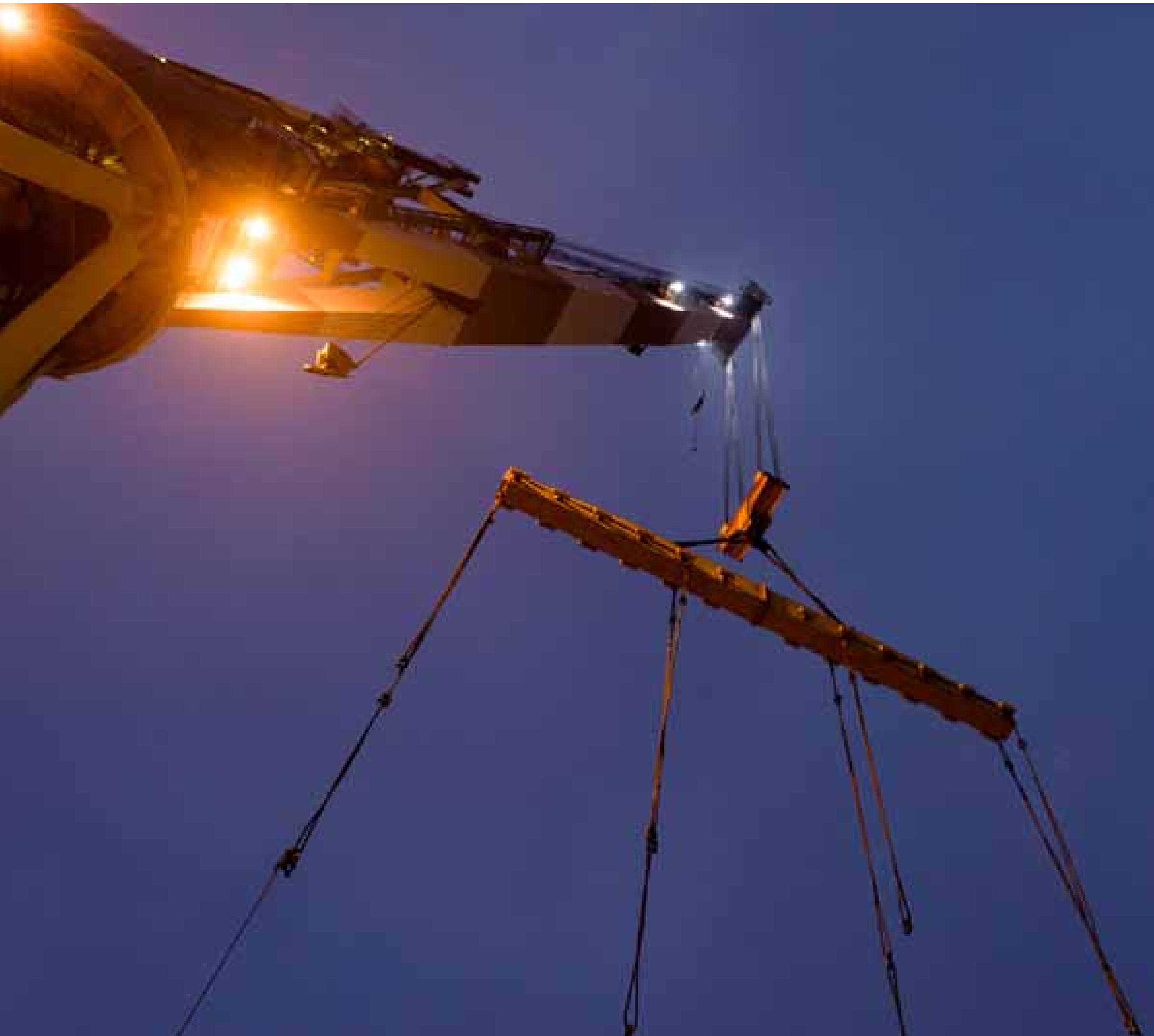
Financial assets and liabilities measured at fair value are classified in the three hierarchical levels given above, in order of the priority attributed to the inputs used to determine fair value. In particular:

- 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.

Financial assets at fair value through comprehensive income classified as Level 3 relate to equity investments carried at fair value. Level 3 also includes the financial liabilities relating to the fair value 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 fair value change through profit or loss which occurred during the period (euro 2,671 thousand) and the remainder to exchange rate differences.

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 2018:

- On 1 January 2018, the joint venture CSSC - Fincantieri Cruise Industry Development Limited incorporated CSSC Fincantieri (Shanghai) Cruise Design Limited, with headquarters in Hong Kong, which will mainly focus on cruise ship design;
- On 8 March 2018, the subsidiary Marine Interiors S.p.A. incorporated the company M.I. Galley S.r.l. in which it holds 85% of the share capital. The new company, with headquarters in Pordenone, will focus on the design and construction of catering areas;
- On 16 April 2018, the Parent Company was involved in the incorporation of Centro Servizi Navali S.p.A., with headquarters in San Giorgio di Nogaro (UD), in which it holds 10.94% of the share capital, which will focus on the logistics management of flat and long products made of steel and other metals;
- On 18 April 2018, exercising a call option, the subsidiary Delfi S.r.l. acquired the remaining 16.5% of the share capital of Issel Nord S.r.l., bringing its shareholding to 100%;
- On 4 June 2018, Vard Group AS acquired 39.38% of the share capital of Island Diligence AS;
- On 28 June 2018, the Parent Company sold its shares in Camper & Nicholsons International SA for euro 16.6 million;
- On 29 June 2018, Vard Group AS sold its shares in Bridge Eiendom AS;
- In the first half of 2018, Fincantieri increased its shareholding in the Vard Group, through the subsidiary Fincantieri Oil & Gas, from 79.74% at 31 December 2017 to 83.51% at 30 June 2018 for approximately euro 7 million.

No significant transactions or unusual events have taken place during the first half of 2018 or during 2017, except as reported in the Condensed Consolidated Interim Financial Statements as at and for the six months ended 30 June 2018. 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:

	30.06.2018		31.12.2017		30.06.2017	
	Average rate	Closing rate	Average rate	Closing rate	Average rate	Closing rate
US Dollar (USD)	1.2104	1.1658	1.1297	1.1993	1.0830	1.1412
Australian Dollar (AUD)	1.5688	1.5787	1.4732	1.5346	1.4851	1.4364
UAE Dirham (AED)	4.4450	4.2814	4.1475	4.4044	3.9758	4.1894
Brazilian Real (BRL)	4.1415	4.4876	3.6054	3.9729	3.4431	3.7600
Norwegian Krone (NOK)	9.5929	9.5115	9.3270	9.8403	9.1785	9.5713
Indian Rupee (INR)	79.4903	79.8130	73.5324	76.6055	71.1760	73.7445
Romanian Leu (RON)	4.6543	4.6631	4.5688	4.6585	4.5370	4.5523
Chinese Yuan (CNY)	7.7086	7.7170	7.6290	7.8044	7.4448	7.7385
Swedish Krona (SEK)	10.1508	10.4530	9.6351	9.8438	9.5968	9.6398

NOTE 3 - ACCOUNTING STANDARDS

It should be noted that the recording and measurement criteria adopted in preparing the Half-Year Financial Report at 30 June 2018 are the same as those adopted in preparing the Consolidated Financial Statements at 31 December 2017, to which reference is made, except for those listed under the accounting standards, amendments and interpretations applicable with effect from 1 January 2018, since they have become compulsory following completion of the relevant endorsement procedures by the competent authorities. The list excludes those accounting standards, amendments and interpretations concerning matters not applicable to the Group.

Accounting Standards, amendments and interpretations applicable with effect from 1 January 2018

First adoption of IFRS 15 and IFRS 9
Regulation No. 2016/1905 issued by the European Commission on 22 September 2016 endorses IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15"). In particular, IFRS 15 stipulates that revenues are recorded based on the following five steps:

1. identification of the contract with the customer;
2. identification of the performance obligations (i.e. the contractual obligations to transfer the goods and/or services to the customer);
3. determination of the transaction price;
4. allocation of the transaction price to the performance obligations identified based on the stand alone sale price of each good or service; and
5. recognition of revenue when the related performance obligation has been satisfied.

IFRS 15 also requires additional financial statement disclosures to be provided regarding the nature, amount, timing and uncertainty of revenues and related cash flows.
Regulation No. 2017/1987 issued by the European Commission on 31 October 2017 endorses the clarifications to IFRS 15. These clarifications concern:

1. identification of the contractual obligations;
2. attribution of the role of principal or agent;
3. determination of the moment revenues from granting a licence are recognized.

The IFRS 15 provisions and related clarifications replace IAS 18, concerning contracts for the sale of goods and services, and IAS 11, concerning construction contracts. It should be noted that, for the purposes of reporting the impacts from the first adoption of IFRS 15 in the financial statements, the Group has decided to use the "Modified retrospective method", which records the cumulative effects from application of the new accounting standard as an adjustment of the initial equity reserves at 1 January 2018 (date of first adoption), while comparative figures are not restated according to IFRS 15.

In particular, the adoption of IFRS 15 has entailed a lower consolidated equity of euro 20,160 thousand, net of the related tax effect, which is analyzed as follows:

(euro/000)	
Combination of a series of goods and services into a single contractual obligation	(23,308)
Change in the timing for recording revenues	(1,254)
Capitalization of incremental costs to obtain contracts	(3,444)
Increase of deferred tax assets	7,846
Total	**(20,160)**

Regulation No. 2016/2067 issued by the European Commission on 22 November 2016 endorses IFRS 9 “Financial Instruments”, which replaces IAS 39 and IAS 32 (“IFRS 9”). In particular, the new standard reduces the number of categories of financial assets envisaged under IAS 39 and defines: (i) the methods for classifying and measuring financial assets based on the characteristics of the financial flows and on the business model used to hold them; (ii) a single model for the impairment of financial assets based on expected losses; (iii) methods for applying hedge accounting and (iv) recognition of changes to credit standing in the fair value measurement of liabilities.
It should be noted that, for the purposes of reporting the impacts from the first adoption of IFRS 9 in the financial statements, the Company has decided to use the “Modified retrospective method”, which records the cumulative effects from application of the new accounting standard as an adjustment of the initial equity reserves at 1 January 2018 (date of first adoption), while comparative figures are not restated according to IFRS 9.
In particular, the adoption of IFRS 9 has entailed a lower consolidated equity of euro 501 thousand, net of the related tax effect, due to the application of the new impairment model for financial assets.
Other new changes introduced by IFRS 9 are:

- the new method for classifying and measurement of financial assets representing capital instruments has not resulted in any change;
- the method for recognizing the financial risk hedging operations currently adopted by the Group is consistent with the new hedge accounting provisions introduced by IFRS 9.

A summary of the effects arising from the application of IFRS 15 and IFRS 9 on the opening balances as at 1 January 2018 is given below. There are no effects on the net financial position.

(euro/000)

	Published	First adoption effects		Restated
	31 December 2017	IFRS 15	IFRS 9	1 January 2018
Non-current assets	**2,057,371**	**55,771**	**(501)**	**2,112,641**
of which: Intangible assets	581,501	47,926		629,427
of which: Financial assets	279,763		(651)	279,112
of which: Deferred tax assets	72,104	7,845	150	80,099
Current assets	**4,337,795**	**(106,628)**		**4,231,167**
of which: Construction contracts - assets	1,995,342	(106,628)		1,888,714
Total Assets	**6,395,166**	**(50,857)**	**(501)**	**6,343,808**
Equity	**1,309,160**	**(20,160)**	**(501)**	**1,288,499**
of which: Group equity	1,236,838	(20,028)	(399)	1,216,411
of which: Non-controlling interests in equity	72,322	(132)	(102)	72,088
Non-current liabilities	**576,033**			**576,033**
Current liabilities	**4,509,973**	**(30,697)**		**4,479,276**
of which: Construction contracts - liabilities	1,347,252	(30,697)		1,316,555
Total Equity and Liabilities	**6,395,166**	**(50,857)**	**(501)**	**6,343,808**

Other accounting standards, amendments and interpretations applicable with effect from 1 January 2018

On 20 June 2016, the IASB issued amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions. These amendments address a number of issues concerning the accounting treatment for share-based payments. In particular, significant improvements have been made to (i) accounting for cash-settled share-based payments, (ii) their classification and (iii) accounting for a modification of the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Application of these changes has not impacted on the Half-Year Financial Report at 30 June 2018.
On 8 December 2016, the IASB issued IFRIC 22 - Foreign Currency Transactions and Advance Consideration, which defines what exchange rate to use when accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. Application of these interpretations has not impacted on the Half-Year Financial Report at 30 June 2018.
On the same date, the IASB issued the "Annual Improvements to IFRSs: 2014-2016 Cycle" as part of the program of annual improvements to the standards; most of the changes are clarifications or corrections of existing IFRSs or amendments as a consequence of previous changes to IFRSs. Application of these changes has not impacted on the Half-Year Financial Report at 30 June 2018.

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

Regulation No. 2017/1986 issued by the European Commission on 31 October 2017 endorses IFRS 16 "Leases" with significant impacts on the financial statements of lessors. The distinction between an operating lease and a financial lease has been removed and a single model for all leases has been introduced which entails recognition of an asset for the right to use and of a liability for leasing. The new standard is effective for annual accounting periods beginning on or after 1 January 2019. Early adoption is permitted (concurrently with the date IFRS 15 is first applied) but Fincantieri has not taken up this option. The implementation method and the evaluation of the effects of the new standard on the Group's consolidated financial statements are ongoing.

NOTA 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 2017.
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	253,798	188,850	140,681	108,702	24,185	13,526	73,252	802,994
- accumulated amortization and impairment losses		(72,213)	(42,710)	(92,458)	(5,138)	(8,974)		(221,493)
Net carrying amount at 31.12.2017 published	**253,798**	**116,637**	**97,971**	**16,244**	**19,047**	**4,552**	**73,252**	**581,501**
First adoption IFRS 15						47,926		47,926
Net carrying amount at 01.01.2018	**253,798**	**116,637**	**97,971**	**16,244**	**19,047**	**52,478**	**73,252**	**629,427**
Movements								
- business combinations		85						85
- capital expenditure			148	40	175	83	5,488	5,934
- net disposals								
- reclassifications/other			28,443	10,161	54	1	(38,659)	
- amortization		(4,231)	(13,328)	(2,737)	(1,159)	(1,780)		(23,235)
- impairment losses								
- exchange rate differences	8,288	3,813	159	151	521	58		12,990
Closing net carrying amount	**262,086**	**116,304**	**113,393**	**23,859**	**18,638**	**50,840**	**40,081**	**625,201**
- cost	262,086	195,198	169,491	119,053	25,075	61,746	40,081	872,731
- accumulated amortization and impairment losses		(78,894)	(56,098)	(95,194)	(6,437)	(10,906)		(247,530)
Net carrying amount at 30.06.2018	**262,086**	**116,304**	**113,393**	**23,859**	**18,638**	**50,840**	**40,081**	**625,201**

"Goodwill" amounts to euro 262,086 thousand at 30 June 2018, of which euro 68,235 thousand allocated to the FMG Group cash-generating unit (CGU), within the Shipbuilding operating segment, and euro 193,851 thousand to the VARD Group CGU, within the Offshore operating segment. The increase in the balance of euro 8,288 thousand compared to 31 December 2017 is due to converting figures expressed in US Dollars and Norwegian Krone into Euro.
"Concessions, licenses, trademarks and similar rights" include euro 15,869 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 2018 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 2018, of euro 5,934 thousand (euro 26,045 thousand at 30 June 2017), mainly included the ongoing work to implement an integrated system for ship design (CAD) and project lifecycle management (PLM), aimed at improving the efficiency and effectiveness of the engineering process, and the development of IT systems to support the Group's increased work and optimize management of the processes.
The effects arising from the capitalization of incremental costs to obtain contracts have been reclassified in "First adoption IFRS" after the first application of IFRS 15 from 1 January 2018. The capitalized costs are amortized according to the contractual duration of the orders for which they were incurred. More details can be found in Note 3.

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	613,581	3,460	1,242,879	189,048	29,030	188,654	147,378	2,414,030
- accumulated depreciation and impairment losses	(225,109)	(2,985)	(870,492)	(130,805)	(23,045)	(116,923)		(1,369,359)
Net carrying amount at 01.01.2018	**388,472**	**475**	**372,387**	**58,243**	**5,985**	**71,731**	**147,378**	**1,044,671**
Movements								
- business combinations								
- additions	444		7,102	59	3	5	30,757	38,370
- net disposals			(146)			25		(121)
- reclassifications/other	14,674		20,744	166	2	223	(37,934)	(2,125)
- depreciation	(8,321)	(131)	(27,747)	(2,164)	(467)	(3,629)		(42,459)
- impairment losses	(24)							(24)
- finance costs								
- exchange rate differences	(2,930)	8	(4,762)			207	105	(7,372)
Closing net carrying amount	**392,315**	**352**	**367,578**	**56,304**	**5,523**	**68,562**	**140,306**	**1,030,940**
- cost	626,431	3,559	1,263,120	189,273	29,042	189,009	140,306	2,440,740
- accumulated depreciation and impairment losses	(234,116)	(3,207)	(895,542)	(132,969)	(23,519)	(120,447)		(1,409,800)
Net carrying amount at 30.06.2018	**392,315**	**352**	**367,578**	**56,304**	**5,523**	**68,562**	**140,306**	**1,030,940**

Capital expenditure in the first half of 2018 has resulted in additions of euro 38,370 thousand, mainly related to:

- updating of the working areas at some shipyards, in particular Monfalcone, Marghera, Sestri and Ancona, to the new production scenarios and upgrading and improvement of the safety standards of machinery, equipment and buildings;
- continuation of activities to introduce new technologies in particular at the Monfalcone shipyard with regard to the Integrated Environmental Authorization;
- maintenance of infrastructure and upgrading of production systems in the US shipyards;
- continuation of activities to expand 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.

"Other changes" includes euro 1,866 thousand for the disposal of an asset which occurred after the in-kind contribution in the associate Centro Servizi Navali S.p.A. with the subscription of euro 1,392 thousand as a paid increase in the share capital of the same decided in May 2018 (see Note 7).

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 fair value through comprehensive income	Other companies carried at fair value through profit or loss	Total other investments	**Total**
01.01.2018	**19,561**	**31,020**	**50,581**	**1,140**	**1,208**	**2,348**	**52,929**
Business combinations							
Additions	6,989	180	7,169				7,169
Revaluations/(Impairment losses) through profit or loss	(1,748)	244	(1,504)		2,743	2,743	1,239
Revaluations/(Impairment losses) through equity							
Disposals		(12,905)	(12,905)				(12,905)
Dividends from investments accounted for using the equity method							
Reclassifications/Other	2,127		2,127	(869)	870		2,128
Exchange rate differences	688		688		40	40	728
30.06.2018	**27,617**	**18,539**	**46,156**	**272**	**4,860**	**5,132**	**51,288**

Capital expenditure in the first half of 2018 has resulted in additions of euro 7,169 thousand, euro 6,984 thousand of which was related to the incorporation by the VARD Group of the associate Island Diligence AS.
"Revaluations/(Impairment losses) through profit or loss" and through equity relating to companies accounted for using the equity method include the Group's share of the net result and of the associates' and joint ventures' equity changes during the period.
"Disposals" refer to the elimination of the carrying value of the shareholding in Camper & Nicholson International sold at the end of June 2018 for euro 16.6 million, realizing a gain of euro 3,695 thousand.
"Other investments" include euro 4,860 thousand in investments carried at fair value, calculated on the basis of the related prices if quoted in active markets (Level 1), or using valuation techniques whose inputs are not observable on the market (Level 3). The change in the fair value of such investments has resulted in the recognition of net revaluations through profit or loss of euro 2,743 thousand, following the positive change of the related fair value during the period.
Other changes includes the subscription of euro 1,392 thousand for the in-kind contribution in the associate Centro Servizi Navali S.p.A. as a paid increase in the share capital of the same decided in May 2018 (see Note 6).

NOTE 8 - NON-CURRENT FINANCIAL ASSETS

These are analyzed as follows:

(euro/000)	30.06.2018	31.12.2017
Grants financed by BIIS	8,674	12,513
Derivative assets	96,617	144,456
Other non-current financial receivables	119,876	118,099
Non-current financial receivables from investee companies	9,655	4,695
NON-CURRENT FINANCIAL ASSETS	**234,822**	**279,763**

"Derivative assets" represent the reporting-date fair value of derivatives with a maturity of more than 12 months (Level 2).
It should be noted that, following the first application of IFRS 9, the opening balance at 1 January 2018 of "Other non-current financial receivables" decreased by euro 651 thousand, reflecting the effects of the adoption of the new impairment model introduced by IFRS 9. More details can be found in Note 3.

NOTE 9 - OTHER NON-CURRENT ASSETS

Other non-current assets are analyzed as follows:

(euro/000)	30.06.2018	31.12.2017
Other receivables from investee companies	653	642
Government grants receivable	2,811	3,758
Firm commitments	2,023	14,016
Other receivables	8,057	7,987
OTHER NON-CURRENT ASSETS	**13,544**	**26,403**

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 01.01.2018	**8,188**
Utilizations	
Increases/(Releases)	
First adoption IFRS	
Total at 30.06.2018	**8,188**

NOTE 10 - DEFERRED TAX ASSETS AND LIABILITIES

Movements in deferred tax assets are analyzed as follows:

(euro/000)	Total
31.12.2017 published	**72,104**
First adoption IFRS	7,995
01.01.2018	**80,099**
Business combinations	
Through profit or loss	(9,894)
Impairment losses	
Through other comprehensive income	15,374
Other movements	
Exchange rate differences	1,176
30.06.2018	**86,755**

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 23.5 million which can be offset against the deferred tax liabilities shown below.
No deferred tax assets have been recognized on euro 108 million (euro 97 million at 31 December 2017) in carryforward losses of subsidiaries which are thought unlikely to be recovered against future taxable income.
It should be noted that the opening balance at 1 January 2018 has been adjusted by euro 7,995 thousand in order to reflect the tax effects arising from the first application of the new IFRS 15 and IFRS 9. More details can be found in Note 3.
Movements in deferred tax liabilities are analyzed as follows:

(euro/000)	Total
01.01.2018	**61,752**
Business combinations	
Through profit or loss	1,354
Impairment losses	
Through other comprehensive income	(2,630)
Other movements	
Exchange rate differences	1,985
30.06.2018	**62,461**

NOTE 11 - INVENTORIES AND ADVANCES

These are analyzed as follows:

(euro/000)

	30.06.2018	31.12.2017
Raw materials and consumables	263,797	249,789
Work in progress and semi-finished goods	126,527	137,317
Finished products	31,780	31,416
Merchandise		
Total inventories	**422,104**	**418,522**
Advances to suppliers	430,073	416,677
TOTAL INVENTORIES AND ADVANCES	**852,177**	**835,199**

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 - work in progress and semi-finished goods	Provision for impairment- finished products
01.01.2018	**14,629**	**5,494**	**2,007**
Increases	853	12,678	
Utilizations	(1,013)		
Releases	(238)		
Exchange rate differences	5	298	25
30.06.2018	**14,236**	**18,470**	**2,032**

NOTE 12 - CONSTRUCTION CONTRACTS - NET ASSETS AND LIABILITIES

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

(euro/000)

	30.06.2018			31.12.2017		
	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	7,695,993	(5,732,362)	1,963,631	7,993,621	6,009,467	1,984,154
Other contracts for third parties	30,901	(21,910)	8,991	32,867	21,679	11,188
Total	**7,726,894**	**(5,754,272)**	**1,972,622**	**8,026,488**	**6,031,146**	**1,995,342**

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

(euro/000)

	30.06.2018			31.12.2017		
	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	2,852,319	4,228,387	1,376,068	1,532,501	2,874,082	1,341,581
Other contracts for third parties	113,525	119,927	6,402	100,142	104,489	4,347
Client advances		6,569	6,569		1,324	1,324
Total	**2,965,844**	**4,354,883**	**1,389,039**	**1,632,643**	**2,979,895**	**1,347,252**

It should be noted that the opening balances of "Construction contracts - net assets" and "Construction contracts - net liabilities" at 1 January 2018 have been restated by euro 106,628 thousand and euro 30,697 thousand respectively in order to reflect the tax effects arising from the first application of the new IFRS 15. More details can be found in Note 3.

NOTE 13 - TRADE RECEIVABLES AND OTHER CURRENT ASSETS

These are analyzed as follows:

(euro/000)

	30.06.2018	31.12.2017
Trade receivables	600,611	908,960
Receivables from controlling companies (tax consolidation)	24,009	20,327
Government grants receivable	5,314	4,475
Other receivables	157,397	142,332
Indirect tax receivables	25,805	32,181
Firm commitments	5,878	2,992
Accrued income	34,727	44,700
Prepayments	1,463	51
TOTAL TRADE RECEIVABLES AND OTHER CURRENT ASSETS	855,204	1,156,018

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
01.01.2018	31,944
Business combinations	
Utilizations	(47)
Increases	275
Releases	(8)
Exchange rate differences	56
30.06.2018	32,220

The decrease of euro 308,348 thousand in "Trade receivables" is mainly due to receipt of final payments for four cruise ships delivered in the first half of 2018 and invoiced at 31 December 2017.
The increase of euro 15,065 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.
"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 14 - INCOME TAX ASSETS

These are analyzed as follows:

(euro/000)

	30.06.2018	31.12.2017
Italian corporate income taxation (IRES)	14,320	13,641
Italian regional tax on productive activities (IRAP)	4,946	192
Foreign tax	6,352	5,085
TOTAL INCOME TAX ASSETS	**25,618**	**18,918**

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 01.01.2018	**2,042**
Increases	
Releases	
Other changes	
Total at 30.06.2018	**2,042**

NOTE 15 - CURRENT FINANCIAL ASSETS

These are analyzed as follows:

(euro/000)	30.06.2018	31.12.2017
Derivative assets	8,930	16,085
Other receivables	29,272	33,542
Government grants financed by BIIS	7,608	7,468
Accrued interest income	812	800
Prepaid interest and other financial expense	83	12
TOTAL CURRENT FINANCIAL ASSETS	**46,705**	**57,907**

"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; over the period, the amount of deposits has fallen by euro 4 million.
"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)	30.06.2018	31.12.2017
Bank and postal deposits	617,375	274,299
Checks		
Cash on hand	206	112
TOTAL CASH AND CASH EQUIVALENTS	**617,581**	**274,411**

Cash and cash equivalents at period end include euro 1,444 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)

	30.06.2018	31.12.2017
Attributable to owners of the parent		
Share capital	862,981	862,981
Reserve of own shares	(5,277)	(5,277)
Share premium reserve	110,499	110,499
Legal reserve	40,289	34,326
Cash flow hedge reserve	53,492	92,527
Financial asset fair value reserve	(338)	(323)
Currency translation reserve	(123,595)	(134,128)
Other reserves and retained earnings	242,192	219,093
Profit/(loss) for the period	20,978	57,140
	1,201,221	1,236,838
Attributable to non-controlling interests		
Capital and reserves	71,924	89,689
Financial asset fair value reserve	(67)	(84)
Currency translation reserve	(7,829)	(13,283)
Profit/(loss) for the period	(5,984)	(4,000)
	58,044	72,322
TOTAL EQUITY	1,259,265	1,309,160

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 issued is unchanged with respect to 31 December 2017.

Reserve of own shares

The reserve is negative for euro 5,277 thousand and comprises the value of the own shares for the Company's incentive plan called "Performance Share Plan 2016 - 2018" (described in more detail in Note 28) to be carried out in accordance with art. 5 of EU Regulation No. 596/2014 and as resolved by the Company's Shareholders' Meeting held on 19 May 2017. In 2017, the Parent Company purchased 4,706,890 ordinary own shares (0.28% of the share capital) for euro 5,277 thousand. The number of shares issued is reconciled to the number of outstanding shares in the Parent Company at 30 June 2018.

	N° shares
Ordinary shares issued	**1,692,119,070**
less: own shares purchased in 2017	**(4,706,890)**
Ordinary shares outstanding	**1,687,412,180**

Share premium reserve

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

Cash flow hedge reserve

The cash flow hedge reserve reports the change in the effective portion of derivative hedging instruments measured at fair value.

Currency translation reserve

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

Other reserves and retained earnings

These mainly comprise: i) surplus earnings after making allocations to the legal reserve and distributions in the form of shareholder dividends; ii) actuarial gains and losses on employee benefit plans; iii) the reserve for the share-based incentive plan for management.
The Ordinary Shareholders' Meeting held on 11 May 2018 resolved to allocate the net profit for the year 2017 as follows: euro 16,874 thousand for distribution to the shareholders of 1 euro cent per share in circulation at the coupon-detachment date (21 May 2018), excluding own shares in the portfolio on that date. This dividend was paid by June 2018.
The Fincantieri Group's purchase of shares from minority shareholders in the subsidiary VARD over the first six months of 2018 has led to a change of euro 2,047 thousand in other reserves and retained earnings. At 31 December 2017, the subsidiary Fincantieri Oil & Gas directly owned 79.74% of the share capital of Vard Holdings Limited and its acquisition of shares from minority shareholders of the Norwegian Group took place through subsequent purchases of shares on the market until the stake reached 83.51% by the end of June 2018. This transaction has not altered the Fincantieri Group's scope of consolidation since VARD was already fully consolidated; the above change in the interest 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 change in the Reserve for management's share-based incentive plan refers to the share of personnel costs, beneficiaries of the plan, matured over the first half of 2018 (euro 2,068 thousand). More details about the incentive plan can be found in Note 28.

First adoption of IFRS 15 and IFRS 9

The application of IFRS 15 and IFRS 9 has led to a change in the opening balances of "Other reserves and retained earnings" at 1 January 2018, which decreased by euro 20,661 thousand, of which the group's portion is euro 20,427 thousand and euro 234 thousand is the portion of non-controlling interests. More details on the effects of the transition can be found in Note 3.

Non-controlling interests

The change of euro 8,955 thousand since 31 December 2017 is due to the purchase of 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:

(euro/000)

	30.06.2018			30.06.2017		
	Gross amount	Tax (expense)/ benefit	Net amount	Gross amount	Tax (expense)/ benefit	Net amount
Effective portion of profits/(losses) on cash flow hedging instruments	(54,398)	15,414	(38,984)	99,275	(29,357)	69,918
Gains/(losses) from remeasurement of employee defined benefit plans	704	(169)	535	924	(222)	702
Gains/(losses) arising from changes in OCI of investments accounted for using the equity method				(219)		(219)
Gains/(losses) arising on translation of financial statements of foreign operations	13,228	2,759	15,987	(37,405)	1,323	(36,082)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSSES)	**(40,466)**	**18,004**	**(22,462)**	**62,575**	**(28,256)**	**34,319**

(euro/000)

	30.06.2018	30.06.2017
Effective portion of profits/(losses) arising in period on cash flow hedging instruments	7,986	62,384
Effective portion of profits/(losses) on cash flow hedging instruments reclassified to profit or loss	(62,384)	36,891
Effective portion of profits/(losses) on cash flow hedging instruments	**(54,398)**	**99,275**
Tax effect of other components of comprehensive income	**15,414**	**(29,357)**
TOTAL OTHER COMPREHENSIVE INCOME/(LOSSES), NET OF TAX	**(38,984)**	**69,918**

Movements in the cash flow hedge reserve

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

(euro/000)

	Equity			Profit or loss
	Gross	Taxes	Net	
01.01.2017	**(36,891)**	**9,835**	**(27,056)**	
Change in fair value	131,697	(39,061)	92,636	
Utilization	36,891	(9,835)	27,056	(27,056)
Other income/(expenses) for risk hedging				40,873
Finance income/(costs) relating to held-for-trading derivatives and time-value component of hedging derivatives				(3,772)
31.12.2017	**131,697**	**(39,061)**	**92,636**	**10,045**
Change in fair value	77,299	(23,647)	53,652	
Utilization	(131,697)	39,061	(92,636)	92,636
Other income/(expenses) for risk hedging				(87,507)
Finance income/(costs) relating to held-for-trading derivatives and time-value component of hedging derivatives				(5,640)
30.06.2018	**77,299**	**(23,647)**	**53,652**	**(511)**

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	69,561	41,714	61		19,418	130,754
Current portion	562	6,535		905	2,087	10,089
01.01.2018	**70,123**	**48,249**	**61**	**905**	**21,505**	**140,843**
Business combinations						
Other movements						
Increases	31,317	9,202				40,519
Utilizations	(14,504)	(9,658)			(443)	(24,605)
Releases		(520)			(2,385)	(2,905)
Exchange rate differences	(163)	463		30	348	678
30.06.2018	**86,773**	**47,737**	**61**	**935**	**19,025**	**154,531**
Non-current portion	86,317	39,353	61		17,856	143,587
Current portion	456	8,384		935	1,169	10,944

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 7,779 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)	30.06.2018	31.12.2017
Opening balance	**58,929**	**57,848**
Change in consolidation perimeter		
Business combinations		2,270
Interest cost	388	882
Cost of services		
Actuarial (gains)/losses	(705)	(74)
Utilizations for benefits and advances paid	(955)	(2,172)
Staff transfers and other movements	135	175
Exchange rate differences		
Closing balance	**57,792**	**58,929**
Plan assets	(21)	(17)
Closing balance	**57,771**	**58,912**

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 2017 except for the discount rate, changed to 1.46% at the end of June 2018.

NOTE 20 - NON-CURRENT FINANCIAL LIABILITIES

These are analyzed as follows:

(euro/000)	30.06.2018	31.12.2017
Bank loans and credit facilities - non-current portion	**306,550**	**261,027**
Loans from BIIS - non-current portion	**8,674**	**12,513**
Liabilities to other lenders	**2,305**	**2,474**
Finance lease obligations	**95**	**200**
Derivative liabilities	**6,093**	**17,485**
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**323,717**	**293,699**

With reference to "Bank loans and credit facilities - non-current portion", during the first half of 2018, the Parent Company took out two new medium-long term unsecured loans: the first euro 25 million, repayable in a single instalment in January 2020; the second for euro 30 million, repayable in 6 semi-annual instalments starting in July 2019 and ending in January 2022.
In the same period, the subsidiary VARD took out an additional medium-long term loan for euro 10 million, repayable in 9 semi-annual instalments starting in May 2019 and ending in May 2021. At 30 June 2018, a non-current portion of euro 20 million of bank loans maturing in the next 12 months was reclassified to the current portion.
"Derivative liabilities" represent the reporting-date fair value of derivatives with a maturity of more than 12 months (Level 2).

NOTE 21 - OTHER NON-CURRENT LIABILITIES

These are analyzed as follows:

(euro/000)	30.06.2018	31.12.2017
Capital grants	**21,489**	**21,676**
Other liabilities	**10,812**	**9,203**
Firm commitments		**37**
TOTAL OTHER NON-CURRENT LIABILITIES	**32,301**	**30,916**

"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)

	30.06.2018	31.12.2017
Payables to suppliers	1,353,232	1,476,531
Payables to suppliers for reverse factoring	241,845	271,964
Social security payables	52,420	35,577
Other payables to employees	87,173	69,921
Other payables	78,530	91,777
Indirect tax payables	16,043	15,888
Firm commitments	766	3,837
Accrued expenses	6,302	6,677
Deferred income	1,564	1,310
TOTAL TRADE PAYABLES AND OTHER CURRENT LIABILITIES	**1,837,875**	**1,973,482**

"Payables to suppliers for reverse factoring" report the liabilities to suppliers who have relinquished their creditor position 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 2018 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" reported at 30 June 2018 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)

	30.06.2018	31.12.2017
Bond	299,667	299,239
Bank loans and credit facilities - current portion	48,026	48,379
Loans from BIIS - current portion	7,608	7,468
Bank loans and credit facilities - Construction loans	488,339	624,360
Commercial Papers	225,000	
Other short-term bank debt	142,212	121,690
Liabilities to other lenders - current portion	643	5,280
Bank credit facilities repayable on demand	7,949	609
Financial liabilities for the acquisition of equity investments		1,485
Payables to joint ventures	941	1,628
Finance lease obligations - current portion	265	253
Fair value of options on equity investments	18,185	17,677
Derivative liabilities	38,903	36,213
Accrued interest expense	8,033	2,634
TOTAL CURRENT FINANCIAL LIABILITIES	1,285,771	1,166,915

At 30 June 2018, "Bank loans and credit facilities - Construction loans" includes the use of euro 488 million in construction loans by the VARD Group. The change compared to 31 December 2017 is mainly due to the Group's deliveries of cruise and offshore orders over the period.
Moreover, euro 225 million of Commercial Papers issued under the Euro-Commercial Paper Step Label, structured at the end of 2017, for the issue of unsecured short-term debt securities, had been used at 30 June 2018. The maximum amount of debt securities that can be issued under this program is euro 500 million.
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)	30.06.2018	30.06.2017
Sales and service revenue	1,201,124	982,301
Change in construction contracts	1,271,486	1,269,639
Operating revenue	**2,472,610**	**2,251,940**
Gains on disposal	145	377
Sundry revenue and income	43,135	29,075
Government grants	11,051	13,645
Other revenue and income	**54,331**	**43,097**
TOTAL REVENUE AND INCOME	**2,526,941**	**2,295,037**

More details on segment information can be found in Note 30.

NOTE 25 - OPERATING COSTS

Materials, services and other costs

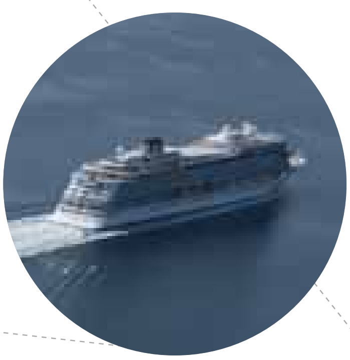
Materials, services and other costs are analyzed as follows:

(euro/000)	30.06.2018	30.06.2017
Raw materials and consumables	(1,257,259)	(1,108,984)
Services	(569,769)	(503,588)
Leases and rentals	(22,180)	(19,258)
Change in inventories of raw materials and consumables	24,231	(18,205)
Change in work in progress	(14,839)	(14,704)
Sundry operating costs	(17,227)	(17,883)
Cost of materials and services capitalized in fixed assets	43	9,441
TOTAL MATERIALS, SERVICES AND OTHER COSTS	**(1,857,000)**	**(1,673,181)**

PERSONNEL COSTS

(euro/000)	30.06.2018	30.06.2017
Personnel costs:		
- wages and salaries	(357,873)	(338,010)
- social security	(96,594)	(103,331)
- costs for defined contribution plans	(17,856)	(16,737)
- other personnel costs	(13,793)	(10,339)
Personnel costs capitalized in fixed assets	1,760	4,563
TOTAL PERSONNEL COSTS	**(484,356)**	**(463,854)**

"Personnel costs" represent the total cost incurred for employees, including wages and salaries, employer social security contributions payable by the Group, gifts and travel allowances.



Headcount

The Fincantieri Group's headcount at 30 June 2018 can be broken down as follows:

(number)	30.06.2018	30.06.2017
Employees at period end:		
Total at period end	19,375	19,428
- of whom in Italy	8,447	8,269
- of whom in Parent Company	7,705	7,524
- of whom in VARD	8,984	9,025
Average number of employees	19,313	19,111
- of whom in Italy	8,186	7,943
- of whom in Parent Company	7,613	7,429
- of whom in VARD	9,007	8,932

DEPRECIATION, AMORTIZATION AND IMPAIRMENT AND PROVISIONS

(euro/000)	30.06.2018	30.06.2017
Depreciation and amortization:		
- amortization of intangible assets	(23,235)	(15,201)
- depreciation of property, plant and equipment	(42,460)	(42,555)
Impairment:		
- impairment of goodwill		
- impairment of intangible assets		
- impairment of property, plant and equipment	(24)	(19)
Total depreciation, amortization and impairment	**(65,719)**	**(57,775)**
Provisions:		
- impairment of receivables	(274)	(167)
- increases in provisions for risks and charges	(40,519)	(39,262)
- release of provisions and impairment reversals	2,913	4,847
Total provisions	**(37,880)**	**(34,582)**

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)	30.06.2018	30.06.2017
FINANCE INCOME		
Interest and other income from financial assets	1,182	1,274
Income from derivative financial instruments	73	16
Bank interest and fees and other income	4,102	2,346
Foreign exchange gains	21,544	14,953
Total finance income	**26,901**	**18,589**
FINANCE COSTS		
Interest and fees charged by joint ventures	(3)	(139)
Interest and fees charged by controlling companies	(364)	(782)
Expenses from derivative financial instruments	(6,277)	(2,249)
Interest on employee benefit plans	(342)	(351)
Interest and fees on bonds	(6,046)	(5,992)
Interest and fees on construction loans	(11,684)	(11,674)
Bank interest and fees and other expense	(21,282)	(16,323)
Foreign exchange losses	(32,828)	(20,479)
Total finance costs	**(78,826)**	**(57,989)**
TOTAL FINANCE INCOME AND COSTS	**(51,925)**	**(39,400)**

"Finance income" includes euro 305 thousand (euro 445 thousand in the first half of 2017) in interest formally paid by the Italian State to the Parent Company, but effectively paid to Banca Infrastrutture Innovazione e Sviluppo (with an equal amount recognized as finance 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)	30.06.2018	31.12.2017
A. Cash	206	112
B. Other cash equivalents	617,375	274,299
C. Held-for-trading securities	-	-
D. Cash and cash equivalents (A)+(B)+(C)	**617,581**	**274,411**
E. Current financial receivables	**30,167**	**34,354**
- of which related parties	-	576
F. Current bank debt	(150,161)	(122,299)
- of which related parties	-	-
G. Bonds - current portion	(524,667)	(299,239)
H. Current portion of non-current debt	(56,059)	(51,013)
- of which related parties	(10,200)	(17,564)
I. Other current financial liabilities	(1,851)	(8,957)
- of which related parties	(924)	(1,611)
J. Current debt (F)+(G)+(H)+(I)	**(732,738)**	**(481,508)**
K. Net current debt (D)+(E)+(J)	**(84,990)**	**(172,743)**
L. Non-current financial receivables	**129,531**	**122,794**
- of which related parties	9,655	-
M. Non-current bank debt	(306,550)	(261,027)
- of which related parties	(43,836)	(48,935)
N. Bonds - non-current portion	-	-
O. Other non-current financial liabilities	(2,400)	(2,674)
- of which related parties	-	-
P. Non-current debt (M)+(N)+(O)	**(308,950)**	**(263,701)**
Q. Net non-current debt (L)+(P)	**(179,419)**	**(140,907)**
R. Net financial position (K)+(Q)	**(264,409)**	**(313,650)**

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)

	30.06.2018	31.12.2017
Net financial position	**(264,409)**	**(313,650)**
Non-current financial receivables	**(129,531)**	**(122,794)**
Construction loans	**(488,339)**	**(624,360)**
- of which related parties		
Net financial position as per ESMA recommendation	**(882,279)**	**(1,060,804)**

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 on the face of the financial statements, and not extraordinary ones outside of ordinary operations. The items reported refer to non-recurring costs of restructuring plans presented gross of euro 73 thousand in tax effects (euro 91 thousand at 30 June 2017).

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 2018.

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.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(euro/000)

	30.06.2018							
	Non-current financial assets	Current financial assets	Advances	Trade receivables and other non-current assets	Trade receivables and other current assets	Non-current financial liabilities	Current financial liabilities	Trade payables and other current liabilities
FINTECNA S.p.A.								
CASSA DEPOSITI E PRESTITI S.p.A.					24,039	(43,836)	(10,200)	(43)
TOTAL CONTROLLING COMPANIES					24,039	(43,836)	(10,200)	(43)
ORIZZONTE SISTEMI NAVALI S.p.A.					88,179		(924)	(500)
UNIFER NAVALE S.r.l.			799					(3)
CAMPER & NICHOLSONS INTERNATIONAL SA								
CSSC - FINCANTIERI CRUISE INDUSTRY DEVELOPMENT Ltd.					55,000			
ETIHAD SHIP BUILDING LLC					6,455			(4,983)
TOTAL JOINT VENTURES			799		149,634		(924)	(5,486)
CENTRO SERVIZI NAVALI S.p.A.					306			
OLYMPIC GREEN ENERGY KS								
DOF ICEMAN AS	3,949							
BREVIK TECHNOLOGY AS	185							
MØKSTER SUPPLY KS	648							
CSS DESIGN				653				
ISLAND DILIGENCE AS	4,689							
OLYMPIC CHALLENGER KS	184							
CASTOR DRILLING SOLUT. AS								
TOTAL ASSOCIATES	9,655			653	306			
CDP IMMOBILIARE S.r.l.								
SACE FCT					15			(40)
PENSION FUND FOR SENIOR MANAGERS OF FINCANTIERI S.p.A.								(2,066)
COMETA NATIONAL PENSION FUND								(4,246)
TERNA RETE ITALIA S.p.A.								6
VALVITALIA S.p.A.			917					(168)
SOLID. VENETO - PENSION FUND								(111)
OTHER					8,208			(21)
TOTAL CDP GROUP			917		8,223			(6,646)
QUANTA S.p.A.								
EXPERIS S.r.l.								(9)
LEONARDO GROUP			206,420		133			(1,912)
ENI GROUP					222			(26)
COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE								1
TOTAL OTHER RELATED PARTIES			206,420		355			(1,946)
TOTAL RELATED PARTIES	9,655		208,136	653	182,557	(43,836)	(11,124)	(14,121)
TOTAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION	234,822	46,705	852,177	13,544	855,204	(323,717)	(1,285,771)	(1,837,875)
% on consolidated statement of financial position	4%	0%	24%	5%	21%	14%	1%	1%

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(euro/000)

	31.12.2017							
	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.				20,357		(48,935)	(17,564)	(87)
TOTAL CONTROLLING COMPANIES				20,357		(48,935)	(17,564)	(87)
ORIZZONTE SISTEMI NAVALI S.p.A.				82,875			(1,611)	(794)
UNIFER NAVALE S.r.l.								(311)
CAMPER & NICHOLSONS INTERNATIONAL SA		351						
CSSC - FINCANTIERI CRUISE INDUSTRY DEVELOPMENT Ltd.				55,000				
ETIHAD SHIP BUILDING LLC			2,100	14,482				(5,820)
TOTAL JOINT VENTURES		351	2,100	152,357			(1,611)	(6,925)
OLYMPIC GREEN ENERGY KS		7						
DOF ICEMAN AS					4,111			
BREVIK TECHNOLOGY AS					178			
MØKSTER SUPPLY KS					406			
CSS DESIGN					642			
OLYMPIC CHALLENGER KS		45						
CASTOR DRILLING SOLUT. AS		173						
TOTAL ASSOCIATES		225			5,337			
CDP IMMOBILIARE S.r.l.				3,250				(2,871)
SACE FCT				13				
PENSION FUND FOR SENIOR MANAGERS OF FINCANTIERI S.p.A.								(1,088)
COMETA NATIONAL PENSION FUND								(3,523)
TERNA RETE ITALIA S.p.A.								
VALVITALIA S.p.A.								
SOLID. VENETO - PENSION FUND								
OTHER			1,339	5				(1,221)
TOTAL CDP GROUP			1,339	3,268				(8,703)
QUANTA S.p.A.								(447)
EXPERIS S.r.l.								(36)
LEONARDO GROUP			203,081	1,921				(2,474)
ENI GROUP			(11)	823				(70)
COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE								(14)
TOTAL OTHER RELATED PARTIES			203,070	2,744				(3,041)
TOTAL RELATED PARTIES		576	206,509	178,726	5,337	(48,935)	(19,175)	(18,756)
TOTAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION	279,763	57,907	416,677	1,156,018	26,403	(293,699)	(1,166,915)	(1,973,482)
% on consolidated statement of financial position	0%	1%	50%	15%	20%	17%	2%	1%

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(euro/000)

	30.06.2018				
	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)		(565)
TOTAL CONTROLLING COMPANIES			(43)		(565)
ORIZZONTE SISTEMI NAVALI S.p.A.	108,001	395	(935)		(3)
UNIFER NAVALE S.r.l.			(3,226)		
CAMPER & NICHOLSONS INTERNATIONAL SA				8	
ETIHAD SHIP BUILDING LLC	92	155	(1,163)		
LUXURY INTERIORS FACTORY S.r.l.		3	(396)		
TOTAL JOINT VENTURES	108,093	553	(5,720)	8	(3)
ARSENAL S.r.l.			(12)		
BREVIK TECHNOLOGY AS				1	
REM SUPPLY AS					
OLYMPIC GREEN ENERGY KS				4	
DOF ICEMAN AS				432	
TOTAL ASSOCIATES			(12)	437	
CDP IMMOBILIARE S.r.l.			(379)		
SACE S.p.A.					(1,545)
SACE FCT		15			
POSTE ITALIANE			(24)		
ACAM CLIENTI S.p.A.					
VALVITALIA		28	(2,962)		
OTHER		18			
TOTAL CDP GROUP		61	(3,365)		(1,545)
QUANTA S.p.A.			(691)		
EXPERIS S.r.l.			(65)		
LEONARDO GROUP	11		(19,225)		
ENI GROUP	191		(337)		
ENEL GROUP			(8)		
COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE					
TOTAL OTHER RELATED PARTIES	202		(20,326)		
TOTAL RELATED PARTIES	108,295	614	(29,466)	445	(2,113)
TOTAL CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	2,472,610	54,331	(1,857,000)	26,901	(78,826)
% on consolidated statement of comprehensive income	4%	1%	2%	2%	3%

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(euro/000)

	30.06.2017				
	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 S.r.l.			(386)		
CAMPER & NICHOLSONS INTERNATIONAL SA				20	
ETIHAD SHIP BUILDING LLC		103	(126)		
LUXURY INTERIORS FACTORY S.r.l.					
TOTAL JOINT VENTURES	84,998	241	(1,080)	20	(139)
ARSENAL S.r.l.					
BREVIK TECHNOLOGY AS				2	
REM SUPPLY AS				30	
OLYMPIC GREEN ENERGY KS				130	
DOF ICEMAN AS					
TOTAL ASSOCIATES				162	
CDP IMMOBILIARE S.r.l.					
SACE S.p.A.					
SACE FCT		10			
POSTE ITALIANE					
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)		
LEONARDO GROUP		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%

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

- the grant of a two-year revolving line of credit to FINCANTIERI S.p.A. in March 2018 by CDP S.p.A., in syndicate with a leading Italian credit institution, to meet financing requirements associated with ordinary operations as well as the realization of research, development and innovation programs in the period 2018-2019 for a maximum amount of euro 200 million (of which euro 100 million granted by CDP S.p.A.). As at 30 June 2018, this loan had not been drawn down.

It is also reported that FINCANTIERI S.p.A. entered into two Exporter Indemnity Agreements with SIMEST S.p.A., qualifying as standard less material related party transactions.

Costs for contributions incurred in the first half of 2018 and included in personnel costs amounted to euro 984 thousand (euro 477 thousand in the first half of 2017) for the Pension Fund for Senior Managers of FINCANTIERI S.p.A. and euro 974 thousand (euro 593 thousand in the first half of 2017) for the Cometa National Pension Fund.
Furthermore, during the period, Directors, Statutory Auditors, General Managers and other Key Management Personnel were paid a total of euro 4,024 thousand in remuneration by the Parent company, of which euro 1,788 thousand classified in personnel costs and euro 2,236 thousand in the cost of services.

A detailed description of the medium/long-term share-based incentive plan for management, called the Performance Share Plan is given below.

Medium/long-term incentive plan

Performance Share Plan 2016-2018

On 19 May 2017, the Shareholders' Meeting of FINCANTIERI S.p.A. approved the medium/long-term share-based incentive plan for management, called the Performance Share Plan 2016-2018 (the "Plan") for management and related Terms and Conditions. It should be noted that the project had been previously approved by the Board of Directors on 10 November 2016.
The Plan, structured in 3 three-year cycles, provides for the free grant, to the beneficiaries identified by the Board of Directors, of entitlements to receive a maximum of 50,000,000 ordinary shares in FINCANTIERI S.p.A. without nominal value, based on the achievement of specific performance targets for the three-year periods 2016-2018 (first cycle), 2017-2019 (second cycle) and 2018-2020 (third cycle). The performance targets for all three cycles have been identified as Total Shareholder Return ("TSR") and EBITDA, deemed to represent objective criteria for measuring long-term value creation for the Company.
The Plan provides for a three-year vesting period for all beneficiaries from the date the entitlements are awarded to the date the shares are allotted to the beneficiaries. Therefore, if the performance targets are achieved and the other conditions of the Plan's Terms & Conditions satisfied, the shares vesting for the first cycle 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 of the Company.
With reference to the Plan's first cycle, 9,101,544 ordinary shares in FINCANTIERI

S.p.A. were awarded to the beneficiaries identified by the Board of Directors on 15 December 2016; while, for the second cycle, 4,170,706 shares in FINCANTIERI S.p.A. were awarded to the beneficiaries identified by the Board of Directors on 25 July 2017; and lastly, for the third and last cycle, 3,604,691 shares in the Parent Company were awarded to the beneficiaries identified by the Board of Directors on 22 June 2018.
The economic and financial performance targets are comprised of two elements:

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

With reference to the market based component, the Monte Carlo calculation method is used, based on appropriate assumptions, which enables a consistent number of alternative scenarios to be defined over the time period in consideration. Unlike the market based performance target, the non-market based component (EBITDA) is not relevant for the fair value estimation, but is updated every quarter in order to take into account the expectations relating to the number of entitlements that could vest, depending on the achievement of the set EBITDA targets. To estimate of the number of entitlements at 31 December 2017, it is assumed that the targets are achieved.
The fair value amount determined on the grant date for each cycle of the Plan is illustrated below.

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

With reference to the Performance Share Plan 2016-2018, the Shareholders' Meeting of FINCANTIERI S.p.A. on 19 May 2017 authorized the Board of Directors to purchase, for a period of 18 months from the date of the meeting, own ordinary shares for this Plan. At 30 June 2018, the Parent Company had purchased 4,706,890 own shares for euro 5,277 thousand.

Performance Share Plan 2019-2021
On 11 May 2018, the Shareholders' Meeting of FINCANTIERI S.p.A. approved the Performance Share Plan 2019-2021 (the "Plan") for management, and the related Terms and Conditions, the structure of which was defined by the Board of Directors at the meeting held on 27 March 2018.
The Plan, structured in 3 three-year cycles, provides for the free grant, to the beneficiaries identified by the Board of Directors, of entitlements to receive a maximum of 25,000,000 ordinary shares in FINCANTIERI S.p.A. without nominal value, based on the achievement of specific performance targets for the three-year periods 2019-2021 (first cycle), 2020-2022 (second cycle) and 2021-2023 (third cycle). The Plan provides for a three-year vesting period for all beneficiaries from the date the entitlements are awarded to the date

the shares are allotted to the beneficiaries. Therefore, if the performance targets are achieved and the other conditions of the Plan's Terms & Conditions satisfied, the shares vesting for the first cycle will be allotted and delivered to beneficiaries by 31 July 2022, while those vesting for the second and third cycles will be allotted and delivered by 31 July 2023 and 31 July 2024 respectively.
The Plan also provides for a lock-up period for part of the shares given to members of the Board of Directors or key management personnel of the Company.
Among the Plan's targets, in addition to the EBITDA and TRS already included in the Performance Share Plan 2016-2018, the Group introduced another parameter, the sustainability index, to measure achievement of the sustainability targets set by the Group in order to align with European best practices and the financial community's increased expectations for sustainable development.
The references used to test achievement of the sustainability target are market parameters such as the "CDP" (Carbon Disclosure Project) and a second rating by another agency which evaluates the entire basket of sustainability aspects.
The free award of a number of rights is left to the Board of Directors, which also has the power to identify the number and names of the beneficiaries.

Litigation

The following is an update on the status of litigation described in the Notes to the 2017 Consolidated Financial Statements:

Foreign litigation

With reference to the "Iraq" litigation, on 20 June 2018 the Iraqi Government served Fincantieri with the appeal before the French Court of Cassation against the ruling of the Appeals Court of Paris dated 18 January 2018, which rejected the counterparty's claims against the arbitration awarded to Fincantieri.
As regards the "Serene" dispute, unless there are any further postponements, a ruling is expected in the third quarter of 2018 on the appeal lodged by Fincantieri on 20 July 2017 against the decision of the Court of Amsterdam handed down on 24 July 2017 recognizing the English awards, though subjecting their enforcement to the presentation of a guarantee by the claimant to protect Fincantieri's compensation should it win. To date this guarantee has not been given. Failure to do this means the claimant cannot proceed to enforce the shares held by Fincantieri in Fincantieri Holding BV, subject to preventive seizure.
With regard to the dispute pending in the Court of Patras (Greece), brought by Mr. Papanikolaou and his wife against the Company, Minoan Lines and others following an accident in 2007 involving the claimant whilst aboard the ship "Europa Palace", built by Fincantieri, the end of the proceeding before the Court of Cassation relating to the alleged loss of income until 2012 and the ruling on the proceeding relating to the alleged loss of income from 2012 to 2052, during which Fincantieri renewed its wish to postpone the decision on the merits until the ruling is handed down by the Court of Cassation on the previous proceeding and asked to the see the settlement between Mr Papanikolaou and Minoan Lines, are both expected in the last quarter of 2018.
With regard to the dispute pending in the District Courts of California and Florida, brought by Mr Yuzwa against Fincantieri, Carnival and others for loss suffered by the claimant following an accident aboard

the ship “Oosterdam” in 2011, built by Fincantieri, the Florida Court of Appeal upheld Fincantieri’s exclusion request, acknowledging the lack of jurisdiction, and then it rejected the appeal brought by the counterparty. The ruling by the Supreme Court in Florida on the extraordinary appeal lodged by the counterparty is pending.

Italian litigation

Employment litigation

This refers to cases brought by employees and former employees of contractors and subcontractors, which involve the Company under the “customer co-liability” principle (art. 1676 of the Italian Civil Code and art. 29 of Legislative Decree 276/2003). Litigation relating to asbestos continues to be settled both in and out of court in 2018.

Other litigation

With reference to disputes with government bodies for environmental expenses, the dispute against the Ministry of the Environment involving the Castellammare di Stabia shipyard ended with a final ruling of insufficiency of interest.

Criminal prosecutions under Legislative Decree 231/2001

The Group is currently involved in six criminal prosecutions brought under Legislative Decree no. 231/2001 in the Court of Gorizia.
In October 2017, the former Managers of the Monfalcone shipyard, the former General Managers of the Company, the Company’s former head of Safety and former Head of Personnel were notified of the conclusion of the preliminary investigations for the offences referred to in art. 256, par. 1(a) and 1(b) of Legislative Decree No. 152/2006 (“Unauthorized waste management activities”). As part of the same proceeding, in April 2018, the Company was also notified of the conclusion of the investigations for the offence referred to in art. 25-undecies of Legislative Decree No. 231/2001 (“Environmental Offences”).
In June 2018, the Company’s Chief Executive Officer and others were notified of the conclusion of the preliminary investigations relating to the Palermo shipyard for the offence referred to in art. 452-quaterdecies of the Criminal Code (“Illegal waste trafficking activities”) and the Company for the offence referred to in art. 25-undecies, par. 2(f) Legislative Decree No. 231/2001 (“Environmental Offences”).

Tax Position

National tax consolidation

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

Audits and assessments

Fincantieri

With reference to the tax audit of fiscal year 2013, evidence appraisal is ongoing.

Marine Interiors

In 2017, the Italian Revenue Service, Trieste office, carried out a tax audit of fiscal year 2015; the audit ended with the notification of a formal notice of assessment containing findings essentially related to the acquisition of a company in 2015.
Assessments on fiscal years 2014 and 2015 were notified in 2018 and a settlement is currently being attempted.

The same findings were used by the Italian Revenue Service, Pordenone office, to adjust the value of the deed for the purposes of the registration fee.

After an unsuccessful attempt at settlement, an appeal has been filed with the Tax Commission (jointly with the seller of the company, jointly and severally liable).

NOTE 29 - CASH FLOWS FROM OPERATING ACTIVITIES

These are analyzed as follows:

(euro/000)

	30.06.2018	30.06.2017
Profit/(loss) for the period	14,994	10,802
Depreciation and amortization	65,694	57,756
(Gains)/losses from disposal of property, plant and equipment	(3,174)	(341)
(Revaluation)/impairment of property, plant and equipment, intangible assets and equity investments	(1,216)	1,624
Increases/(releases) of provisions for risks and charges	37,614	35,957
Interest expenses capitalized		
Interest on employee benefits	388	624
Interest income	(5,284)	(3,620)
Interest expense	39,340	34,910
Income taxes	20,016	14,104
Long-term share-based incentive plan	2,068	1,785
Impact of unrealized exchange rate changes	12,649	1,773
Finance income and costs from derivatives		
Gross cash flows from operating activities	**183,089**	**155,374**
CHANGES IN WORKING CAPITAL		
- inventories	(8,686)	1,117
- construction contracts and client advances	3,397	(1,017,176)
- trade receivables	310,653	671,975
- other current assets and liabilities	16,392	(83,416)
- other non-current assets and liabilities	(3,288)	(4,017)
- trade payables	(160,318)	128,330
Cash flows from working capital	**341,239**	**(147,813)**
Dividends paid	(16,875)	
Interest income received	3,991	2,664
Interest expense paid	(18,763)	(17,333)
Income taxes (paid)/collected	(21,714)	(3,796)
Utilization of provisions for risks and charges and for employee benefits	(25,428)	(31,365)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**262,450**	**(197,643)**
- of which related parties	(5,409)	(29,368)

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, Europe and the United States.
Offshore, represented by the subsidiary VARD, encompasses 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.
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 are not allocated to other operating segments.
The Group evaluates the performance of its operating segments and the allocation of financial resources on the basis of revenue and EBITDA. The latter is defined as Profit/(loss) for the period 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 borne by the Company 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.
The results of the operating segments at 30 June 2018 and 30 June 2017 are reported in the following pages.

(euro/000)

	30.06.2018				
	Shipbuilding	Offshore	Equipment, Systems and Services	Other Activities	Group
Segment revenue	**1,892,286**	**563,932**	**321,450**	**844**	**2,778,512**
Intersegment elimination	**(6,897)**	**(77,710)**	**(166,218)**	**(746)**	**(251,571)**
Revenue(*)	**1,885,389**	**486,222**	**155,232**	**98**	**2,526,941**
EBITDA	**160,481**	**6,565**	**34,334**	**(18,054)**	**183,326**
EBITDA margin	**8,5%**	**1,2%**	**10,7%**		**7,3%**
Depreciation, amortization and impairment					**(65,719)**
Finance income					**26,901**
Finance costs					**(78,826)**
Income/(expense) from investments					**2,757**
Share of profit of investments accounted for using the equity method					**(1,503)**
Income taxes					**(27,985)**
Extraordinary and non-recurring income and expenses					**(23,957)**
Profit/(loss) for the period					**14,994**

(*) 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 (euro 7,969 thousand) are presented in the following table.

(euro/000)

	30.06.2018
Costs associated with the " Wage Guarantee Fund"[1]	**-**
Costs relating to reorganization plans and other non-recurring personnel costs[2]	**(2,582)**
Provisions for costs and legal expenses associated with asbestos-related lawsuits[3]	**(32,134)**
Other non-recurring income and expenses	**2,789**
Extraordinary and non-recurring income and expenses	**31,927**

(1) Amount included in "Personnel costs".
(2) Amount included in "Personnel costs".
(3) Of which euro 1.9 million included in "Materials, services and other costs" and euro 30.2 million in "Provisions".

(euro/000)

	30.06.2017				
	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(*)	**1,749,834**	**415,963**	**129,104**	**138**	**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 (euro 5,038 thousand) are presented in the following table.

(euro/000)

	30.06.2017
Costs associated with the "Extraordinary 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 non-recurring 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".

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

(euro/million)

	30.06.2018	31.12.2017
Italy	**665**	**666**
Other countries	**366**	**379**
Total Property, plant and equipment	**1,031**	**1,045**

Capital expenditure in the first half of 2018 on Intangible assets and Property, plant and equipment amounted to euro 44 million, of which euro 33 million relating to Italy and the remainder to other countries.

The following table shows a breakdown of revenue and income between Italy and other countries, according to client country of residence:

(euro/million)

	30.06.2018		30.06.2017	
	Revenue and income	%	Revenue and income	%
Italy	453	18%	326	14%
Other countries	2,074	82%	1,969	86%
Total Revenue and income	**2,527**		**2,295**	

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)

	30.06.2018		30.06.2017	
	Revenue and income	%	Revenue and income	%
Client 1	699	28%	563	25%
Client 2	349	14%	334	15%
Total Revenue and income	**2,527**		**2,295**	

NOTE 31 - EVENTS AFTER 30 JUNE 2018

On 3 July 2018, the subsidiary VARD secured a new order for the construction of an Expedition Cruise ship (part of the series of 2 vessels commissioned previously) for the shipowner Hapag-Lloyd Cruises.

On 12 July 2018, Fincantieri received confirmation from Norwegian Cruise Line Holdings Ltd. of the orders for the construction of the fifth and sixth vessels in the "Leonardo" class new-generation cruise ships for the Norwegian Cruise Line (NCL), which will be delivered in 2026 and 2027. The option was contained in the February 2017 agreement for the construction of the first 4 vessels.

On 13 July 2018, Fincantieri received an order from TUI Cruises, the joint venture between TUI AG and Royal Caribbean Cruises, for the construction of 2 new-generation cruise ships powered by LNG (Liquid Natural Gas). These vessels will be built at the Monfalcone shipyard and delivered in 2024 and 2026.

On 20 July 2018, the US Government awarded the consortium led by Lockheed Martin, in which Fincantieri's subsidiary, Marinette Marine Corporation, is a partner, an order under an "Undefinitized Contract Action" as an advance on the Foreign Military Sales contract for the construction of four Multi-Mission Surface Combatants (MMSC) for Saudi Arabia. The ships will be built in the Marinette shipyard (Wisconsin) and will be characterized by their high maneurverability, the flexibility deriving from the Freedom class Littoral Combat Ship's single hull, constructed by the same consortium for the US Navy, with autonomy increased to 5,000 nautical miles and a speed above 30 knots, making it capable of coastal and open sea patrol operations.

On 23 July 2018, Fincantieri signed a Memorandum of Agreement with Princess Cruises, the brand belonging to Carnival Corporation & plc, for the construction of 2 cruise ships, the first in the fleet to be primarily fueled by liquefied natural gas (LNG). Each ship will have a gross tonnage of 175,000 and will be largest ever built in Italy.

On 24 July 2018, the subsidiary VARD signed a contract for the design and construction of two expedition cruise ships for Viking. The vessels will be delivered in Norway in 2021 and 2022 respectively and they will be the first vessels built for this shipowner by VARD.

On 24 July 2018, the Shareholders' Meeting of VARD approved the company's delisting from the Singapore stock exchange.

Appendix 1

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	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	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	EUR	**21,000,000.00**	**100.00**	FINCANTIERI S.p.A.	**100.00**
FINCANTIERI HOLDING B.V. Holding company for foreign investments	Netherlands	EUR	**9,529,384.54**	**100.00**	FINCANTIERI S.p.A.	**100.00**
FINCANTIERI MARINE SYSTEMS NORTH AMERICA Inc. Sale and after-sale services relating to mechanical products	USA	USD	**501,000.00**	**100.00**	Fincantieri Holding B.V.	**100.00**
FMSNA YK Servicing and sale of spare parts	Japan	JPY	**3,000,000.00**	**100.00**	Fincantieri Marine Systems North America Inc.	**100.00**
GESTIONE BACINI LA SPEZIA S.p.A. Dry-dock management	Muggiano (La Spezia)	EUR	**260,000.00**	**99.89**	FINCANTIERI S.p.A.	**99.89**
ISOTTA FRASCHINI MOTORI S.p.A. Design. construction. sale and after-sale services relating to fast medium-duty diesel engines	Bari	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	EUR	**6,562,000.00**	**100.00**	FINCANTIERI S.p.A.	**100.00**
DELFI S.r.l. Technical and logistics engineering	Follo (La Spezia)	EUR	**400,000.00**	**100.00**	FINCANTIERI S.p.A.	**100.00**
ISSEL NORD S.r.l. Logistics engineering	Follo (La Spezia)	EUR	**102,961.00**	**100.00**	Delfi S.r.l.	**100.00**
SEASTEMA S.p.A. Design and development of integrated automation systems	Genoa	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 SERVICES MIDDLE EAST LLC Project management services	Qatar	EUR	**200,000.00**	**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 SERVICES USA LLC After-sales services	USA	USD	**300,001.00**	**100.00**	Fincantieri USA Inc.	**100.00**

COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION

COMPANY NAME Principal activity	Registered office		Share capital	(%) interest held		% consolidated by Group
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
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	EUR	5,120,000.00	100.00	Seaf S.p.A.	100.00
M.I. GALLEY S.r.l. Dormant	Pordenone	EUR	50,000.00	85.00	Marine Interiors S.p.A.	85.00
FINCANTIERI SI S.p.A. Electric, electronic and electromechanical industrial solutions	Trieste	EUR	500,000.00	100.00	Seaf S.p.A.	100.00
FINCANTIERI INFRASTRUCTURE S.p.A. Carpentry	Trieste	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
FINCANTIERI EUROPE S.p.A. Holding company	Italy	EUR	50,000.00	100.00	FINCANTIERI S.p.A.	100.00
VARD HOLDINGS Ltd. Holding company	Singapore	SGD	932,200,000.00	83.51	Fincantieri Oil & Gas S.p.A.	83.51
VARD GROUP AS Shipbuilding	Norway	NOK	16,295,600.00	100.00	Vard Holdings Ltd.	83.51
VARD SHIPHOLDING SINGAPORE Pte. Ltd. Charter of boats, ships and barges	Singapore	USD	1.00	100.00	Vard Holdings Ltd.	83.51
VARD ELECTRO AS Electrical/automation installation	Norway	NOK	1,000,000.00	100.00	VARD Group AS	83.51

COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION

COMPANY NAME Principal activity	Registered office		Share capital	(%) interest held		% consolidated by Group
VARD ELECTRO ITALY S.r.l. Installation, production, sale and assistance for electrical equipment and parts	Genoa	EUR	200,000.00	100.00	Vard Electro AS	83.51
VARD RO HOLDING S.r.l. Holding company	Romania	RON	82,573,830.00	100.00	VARD Group AS	83.51
VARD NITERÓI Ltda. Inactive	Brazil	BRL	354,883,790.00	99.99 0.01	VARD Group AS Vard Electro Brazil (Instalaçoes Eletricas) Ltda.	83.51
VARD PROMAR SA Shipbuilding	Brazil	BRL	869,108,180.00	100.00	VARD Group AS	83.51
ESTALEIRO QUISSAMÃ Ltda. Inactive	Brazil	BRL	400,000.00	50.50	VARD Group AS	42.17
VARD SINGAPORE Pte. Ltd. Sales and holding company	Singapore	USD	6,000,000.00	100.00	VARD Group AS	83.51
VARD DESIGN AS Design and engineering	Norway	NOK	4,000,000.00	100.00	VARD Group AS	83.51
VARD ACCOMMODATION AS Accommodation installation	Norway	NOK	500,000.00	100.00	VARD Group AS	83.51
VARD PIPING AS Pipe installation	Norway	NOK	100,000.00	100.00	VARD Group AS	83.51
SEAONICS AS Offshore handling systems	Norway	NOK	46,639,721.00	56.40	VARD Group AS	47.10
VARD SEAONICS HOLDING AS Dormant	Norway	NOK	30,000.00	100.00	VARD Group AS	83.51
SEAONICS POLSKA SP. Z.O.O. Engineering services	Poland	PLN	400,000.00	62.50 37.50	ICD Software AS Seaonics AS	47.10
VARD DESIGN LIBURNA Ltd. Design and engineering	Croatia	HRK	20,000.00	51.00	Vard Design AS	42.59
VARD ELECTRO TULCEA S.r.l. Electrical installation	Romania	RON	4,149,525.00	99.96	Vard Electro AS	83.48
VARD ELECTRO BRAZIL (INSTALAÇÕES ELETRICAS) Ltda. Electrical installation	Brazil	BRL	3,000,000.00	99.00 1.00	Vard Electro AS VARD Group AS	83.51
VARD ELECTRO BRAILA S.r.l. Electrical installation	Romania	RON	45,000.00	100.00	Vard Electro AS	83.51
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.	83.51
VARD TULCEA SA Shipbuilding	Romania	RON	151,606,459.00	99.996 0.004	Vard RO Holding S.r.l. VARD Group As	83.51
VARD BRAILA SA Shipbuilding	Romania	RON	165,862,177.50	94.12 5.88	Vard RO Holding S.r.l. VARD Group AS	83.51

COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION

COMPANY NAME Principal activity	Registered office		Share capital	(%) interest held		% consolidated by Group
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.	83.51
VARD VUNG TAU Ltd. Shipbuilding	Vietnam	USD	8,000,000.00	100.00	Vard Singapore Pte. Ltd.	83.51
VARD ACCOMMODATION TULCEA S.r.l. Accommodation installation	Romania	RON	436,000.00	99.77 0.23	Vard Accomodation AS Vard Electro Tulcea S.r.l.	83.51
VARD ENGINEERING BREVIK AS Design and engineering	Norway	NOK	105,000.00	100.00	VARD Group AS	83.51
VARD OFFSHORE BREVIK AS Services and installation	Norway	NOK	100,000.00	100.00	VARD Group AS	83.51
VARD SHIP REPAIR BRAILA SA Ship repair	Romania	RON	-	100.00	Vard Braila SA	83.51
VARD MARINE Inc. Design and engineering	Canada	CAD	9,783,700.00	100.00	VARD Group AS	83.51
VARD MARINE US Inc. Ship design and marine engineering	USA	USD	10,000.00	100.00	Vard Marine Inc.	83.51
VARD ENGINEERING GDANSK Sp. Z.o.o. Offshore design and engineering activities	Poland	PLN	50,000.00	100.00	Vard Engineering Brevik AS	83.51
VARD CONTRACTING AS Various shipbuilding services	Norway	NOK	500,000.00	100.00	VARD Group AS	83.51
INDUSTRIAL CONTROL DESIGN AS Automation and control system	Norway	NOK	536,796.00	100.00	Seaonics AS	47.10
CDP TECHNOLOGIES ESTONIA OÜ Automation and control system	Estonia	EUR	5,200.00	100.00	CDP Technologies AS	47.10
SIA ICD INDUSTRIES LATVIA Automation and control system software	Latvia	EUR	33,164.00	100.00	Industrial Control Design AS	47.10
VARD ELECTRO CANADA Inc. Installation and integration of electrical systems	Canada	CAD	100,000.00	100.00	Vard Electro AS	83.51
CDP TECHNOLOGIES AS Research and development of technology	Norway	NOK	500,000.00	100.00	Seaonics AS	47.10
VARD AQUA SUNNDAL AS Supplier of aquaculture equipment	Norway	NOK	1,100,000.00	96.42	VARD Group AS	80.52
VARD AQUA CHILE SA Supplier of aquaculture equipment	Chile	CLP	137,989,917.00	95.00	Vard Aqua Sunndal AS	76.49
VARD AQUA SCOTLAND Ltd. Supplier of aquaculture equipment	UK	GBP	10,000.00	100.00	Vard Aqua Sunndal AS	80.52

COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION

COMPANY NAME Principal activity	Registered office		Share capital	(%) interest held		% consolidated by Group
Joint ventures consolidated using the equity method						
ORIZZONTE SISTEMI NAVALI S.p.A. Management of large naval vessel contracts	Genoa	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
CSSC - FINCANTIERI CRUISE INDUSTRY DEVELOPMENT Ltd. Design and marketing of cruise ships	Hong Kong	EUR	140,000,000.00	40.00	FINCANTIERI S.p.A.	40.00
UNIFER NAVALE S.r.l. Piping	Modena	EUR	150,000.00	20.00	Seaf S.p.A.	20.00
LUXURY INTERIORS FACTORY S.r.l. Ship interiors	Italy	EUR	50,000.00	40.00	Marine Interiors S.p.A.	40.00
CSSC - FINCANTIERI (SHANGAI) CRUISE DESIGN LIMITED Engineering, Project Management and Supply Chain Management	Hong Kong	RMB	1,000,000.00	100.00	CSSC - Fincantieri Cruise Industry Development Limited	40.00
ISSEL MIDDLE EAST TECHNOLOGY CONSULTANCY LLC IT consulting and Oil & Gas services	Qatar	AED	150,000.00	49.00	Issel Nord S.r.l.	49.00

COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION

COMPANY NAME Principal activity	Registered office	Share capital		(%) interest held		% consolidated by Group
Associates consolidated using the equity method						
CASTOR DRILLING SOLUTION AS Offshore drilling technology	Norway	NOK	229,710.00	34.13	Seaonics AS	16.08
OLYMPIC CHALLENGER KS Shipowner	Norway	NOK	84,000,000.00	35.00	VARD Group AS	29.23
BREVIK TECHNOLOGY AS Holding of technology licenses and patents	Norway	NOK	600,000.00	34.00	VARD Group AS	28.39
ARSENAL S.r.l. IT consulting	Italy	EUR	16,421.05	24.00	Fincantieri Oil & Gas S.p.A.	24.00
MØKSTER SUPPLY AS Shipowner	Norway	NOK	13,296,000.00	40.00	VARD Group AS	33.40
MØKSTER SUPPLY KS Shipowner	Norway	NOK	131,950,000.00	36.00	VARD Group AS	30.06
REM SUPPLY AS Shipowner	Norway	NOK	345,003,000.00	26.66	VARD Group AS	22.26
OLYMPIC GREEN ENERGY KS Shipowner	Norway	NOK	4,841,028.00	29.50	VARD Group AS	24.64
DOF ICEMAN AS Shipowner	Norway	NOK	23,600,000.00	50.00	VARD Group AS	41.76
TAKLIFT AS Floating cranes	Norway	NOK	2,450,000.00	25.47	VARD Group AS	21.27
AS DAMECO Maintenance services	Norway	NOK	606,000.00	34.00	Vard Offshore Brevik AS	28.39
ISLAND DILIGENCE AS Shipowner	Norway	NOK	17,012,500.00	39.38	VARD Group AS	32.89
CENTRO SERVIZI NAVALI S.p.A. Steel-working	Italy	EUR	12,782,000.00	10.94	FINCANTIERI S.p.A.	10.94
CSS DESIGN LIMITED Design and engineering	British Virgin Islands	GBP	100.00	31.00	Vard Marine Inc.	25.89

MANAGEMENT REPRESENTATION ON THE CONSOLIDATED FINANCIAL STATEMENTS

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 Felice Bonavolontà, as Manager Responsible for Preparing Financial Reports of FINCANTIERI S.p.A. ("Fincantieri"), with reference to the requirements of art. 154-bis, paragraphs 3 and 4, of Legislative Decree 58 dated 24 February 1998, hereby represent:

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

of the administrative and accounting processes for the preparation of the condensed consolidated half-year financial statements at 30 June 2018, during the first half of 2018.

2. The adequacy of the administrative and accounting processes for preparing the condensed consolidated half-year financial statements at 30 June 2018 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 2018:

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 operating performance 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.

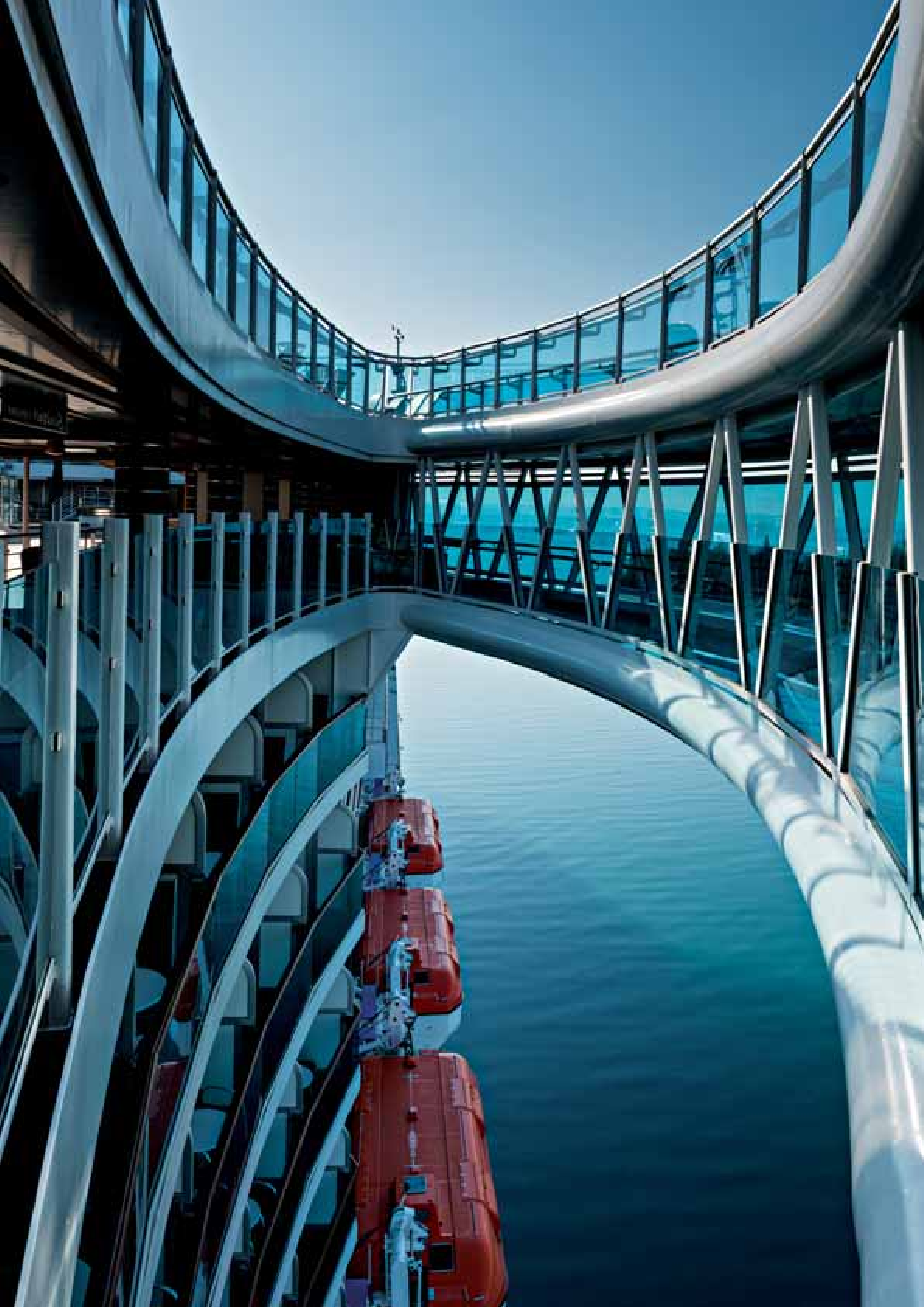
26 July 2018

CHIEF EXECUTIVE OFFICER

Giuseppe Bono

MANAGER RESPONSIBLE FOR PREPARING FINANCIAL REPORTS

Felice Bonavolontà



REPORT BY THE INDEPENDENT AUDITORS

pwc

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 2018, 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 2018 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, 27 July 2018

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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Venezia Giulia Company Registry and Tax No. 00397130584
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FINCANTIERI

The sea ahead