HALF-YEAR FINANCIAL REPORT

AT 30 JUNE 2019

FINCANTIERI

The sea ahead

HALF-YEAR FINANCIAL REPORT

at 30 June 2019

FINCANTIERI
The sea ahead

HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2019

SUMMARY

PARENT COMPANY DIRECTORS AND OFFICERS

PARENT COMPANY DIRECTORS AND OFFICERS

Board of Directors
(2019-2021)

Chairman
Giampiero Massolo

Chief Executive Officer
Giuseppe Bono

Councilors
Federica Seganti
Massimiliano Cesare
Federica Santini
Barbara Alemanni
Luca Errico
Fabrizio Palermo
Elisabetta Oliveri

Secretary
Paola Muratorio

Board of statutory auditors
(2017-2019)

Chairman
Gianluca Ferrero

Standing Auditors
Roberto Spada
Fioranna Vittoria Negri

Alternate Auditors
Alberto De Nigro
Flavia Daunia Minutillo
Massimiliano Nova

Manager responsible for preparing financial reports

Felice Bonavolontà

Supervisory Body
Leg. Decree 231/01
(2018-2020)

Chairman
Guido Zanardi

Members
Stefano Dentilli
Giorgio Pani

Independent auditors
(2013-2021)

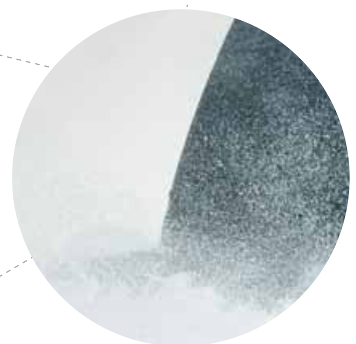
PricewaterhouseCoopers S.p.A.

Information regarding the composition and functions of the Board Committees (the Internal Control and Risk Committee, which is also serving on an interim basis as the committee responsible for related party transactions, the Remuneration Committee, 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

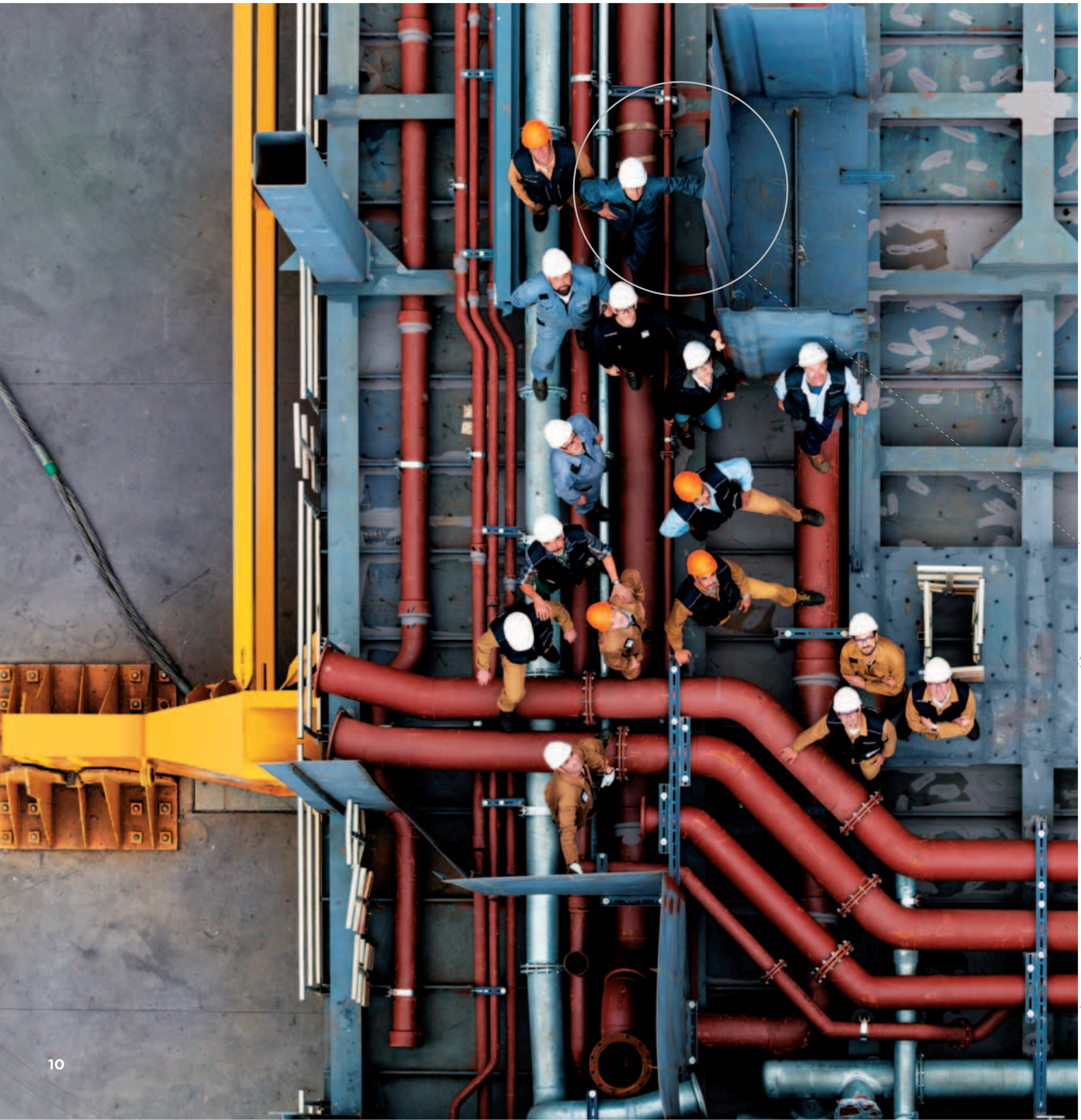


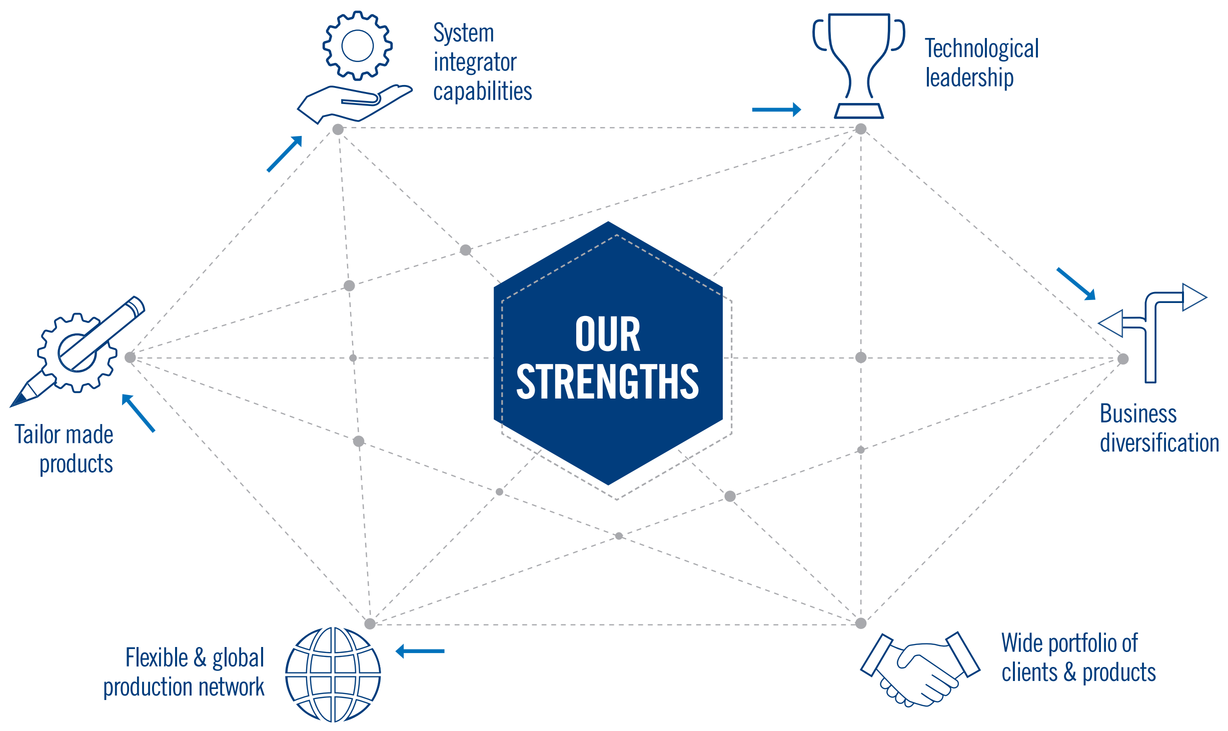
HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2019

OUR VISION

We aspire to become world leaders in all areas of shipbuilding requiring the most advanced solutions, and to stand out even more for our diversification and innovation.

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





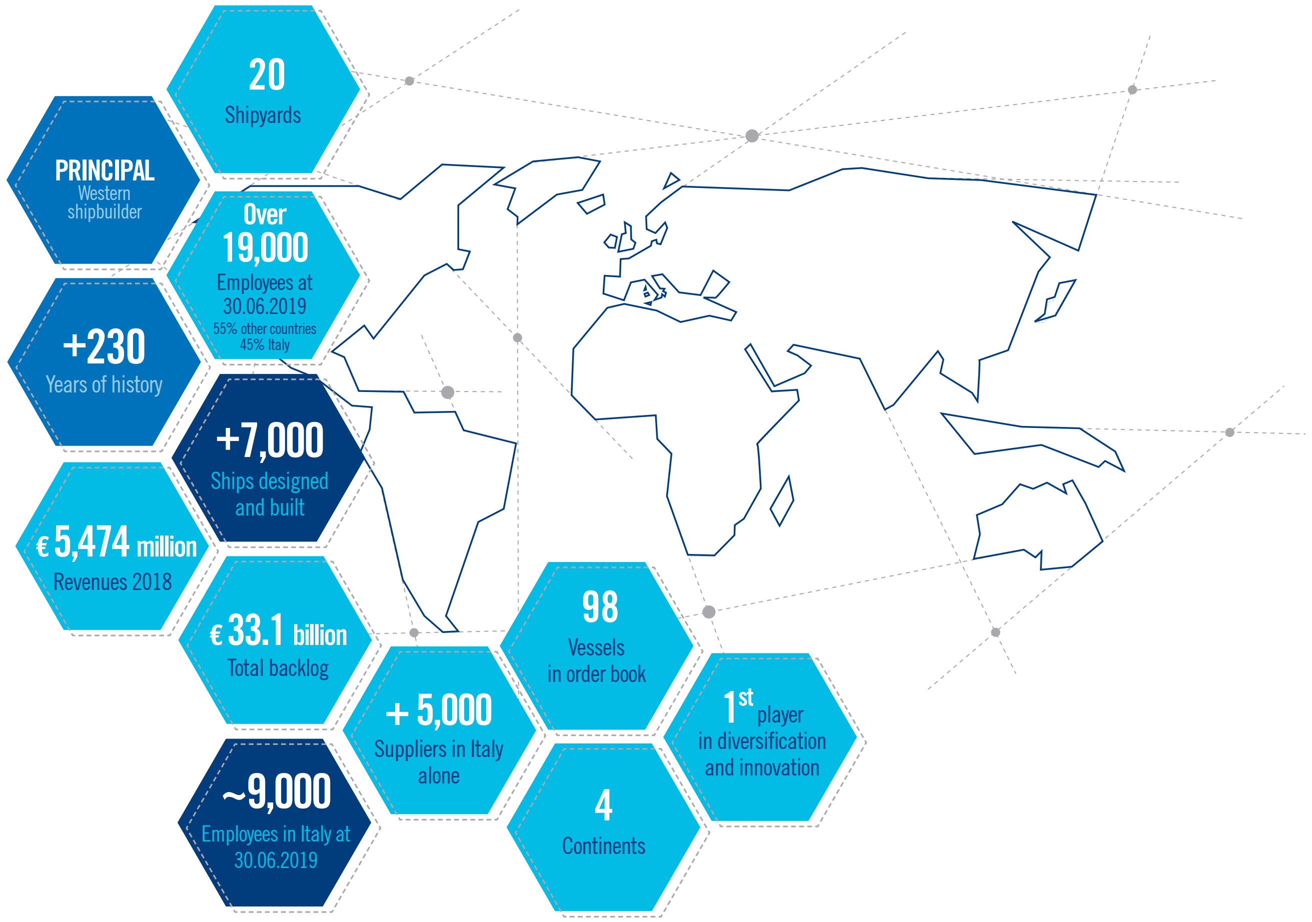
OUR MISSION

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, labour protection and protection of the environment, safeguarding the interests of our shareholders, employees, clients, commercial and financial partners, the general and local communities, 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 and Specialized Vessels, from high-complexity 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 over 8,900 employees and a supplier network that employs nearly 50,000 people in Italy alone, Fincantieri has enhanced a fragmented production capacity over several shipyards into a strength, acquiring the widest portfolio of clients and products in the cruise business. 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.
The Group now has 20 shipyards in four continents, more than 19,000 employees, and is the leading Western shipbuilder; its clients include the world's biggest cruise operators and the Italian and the US Navy as well as numerous foreign navies. Fincantieri is also a partner of some of the main European defence 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 vessel and Offshore and Specialized 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.

FACTS AND FIGURES



Data refer to 30 June 2019

HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2019

GROUP OVERVIEW

The Group operates through the following three segments:

• Shipbuilding: encompassing the business areas cruise ships and expedition cruise vessels, naval vessels and other products and services (ferries and mega yachts);
• Offshore and Specialized Vessels: encompassing the design and construction of high-end offshore support vessels, specialized ships, and vessels for offshore wind farms and open ocean aquaculture, as well as innovative products in the field of drillships and semi-submersible drilling rigs;
• 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.

In December 2018, following the delisting of VARD, a new organizational structure for the VARD Group was defined, with a focus on two business units, the Offshore and Specialized Vessels business unit and the Cruise business unit, and full organizational integration with FINCANTIERI S.p.A..
The VARD Cruise business unit and the parent company Fincantieri have defined a specific coordination policy based on which the head of Fincantieri's Merchant Ships Department directs and controls the activities of the VARD Cruise business unit. In line with the above, the economic results of this business unit have been reallocated to the Shipbuilding operating segment.
Project management for the contruction of offshore vessels, specialized ships and vessels for the Norwegian Coast Guard have been merged into the VARD Offshore and Specialized Vessels business unit, whose economic results continue to be shown in the Offshore and Specialized Vessels.
The structure of the Fincantieri Group and overview of the companies included in its consolidation will now be presented.

HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2019

SEGMENTS

BUSINESS AREAS

PRODUCT PORTFOLIO

MAIN SUBSIDIARIES / ASSOCIATES / JOINT VENTURES

SHIPBUILDING

Cruise Ships

Contemporay
Premium
Upper Premium
Luxury
Exploration/Niche
Expedition cruise vessels

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

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

VARD Group AS
- Langsten
- Søviknes

Vard Tulcea SA
- Tulcea

Vard Braila SA
- Braila

Vard Accommodations AS
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 SA
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.

OFFSHORE AND SPECIALIZED VESSELS

Offshore and Specialized Vessels

Drilling units
Offshore support vessels
(AHTS-PSV-OSCV)
Specialized vessels
Fisheries/Aquaculture
Offshore Wind

FINCANTIERI S.p.A.
Fincantieri Oil&Gas S.p.A.
VARD Group AS
- Aukra
- Brattvaag
- Brevik

Vard Promar SA
- Suape

Vard Vung Tau Ltd.
- Vung Tau

Vard Electro AS
Vard Design AS
Vard Piping AS
Vard Marine Inc.
Seaonics AS

EQUIPMENT, SYSTEMS AND SERVICES

Systems and Components

Cabins
Public areas
Electrical, electronic and electromechanical integrated systems
Automation systems
Entertainment systems
Stabilization, propulsion, positioning and power generation systems
Steam turbines
Steel 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.
Seanergy a Marine Interiors company S.r.l.
Fincantieri Infrastructure S.p.A.
Fincantieri Sweden AB
Unifer Navale S.r.l.
Genova Industrie Navali S.p.A.
Pergenova S.c.p.a.

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

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

OTHER ACTIVITIES

FINCANTIERI S.p.A.

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.

HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2019

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

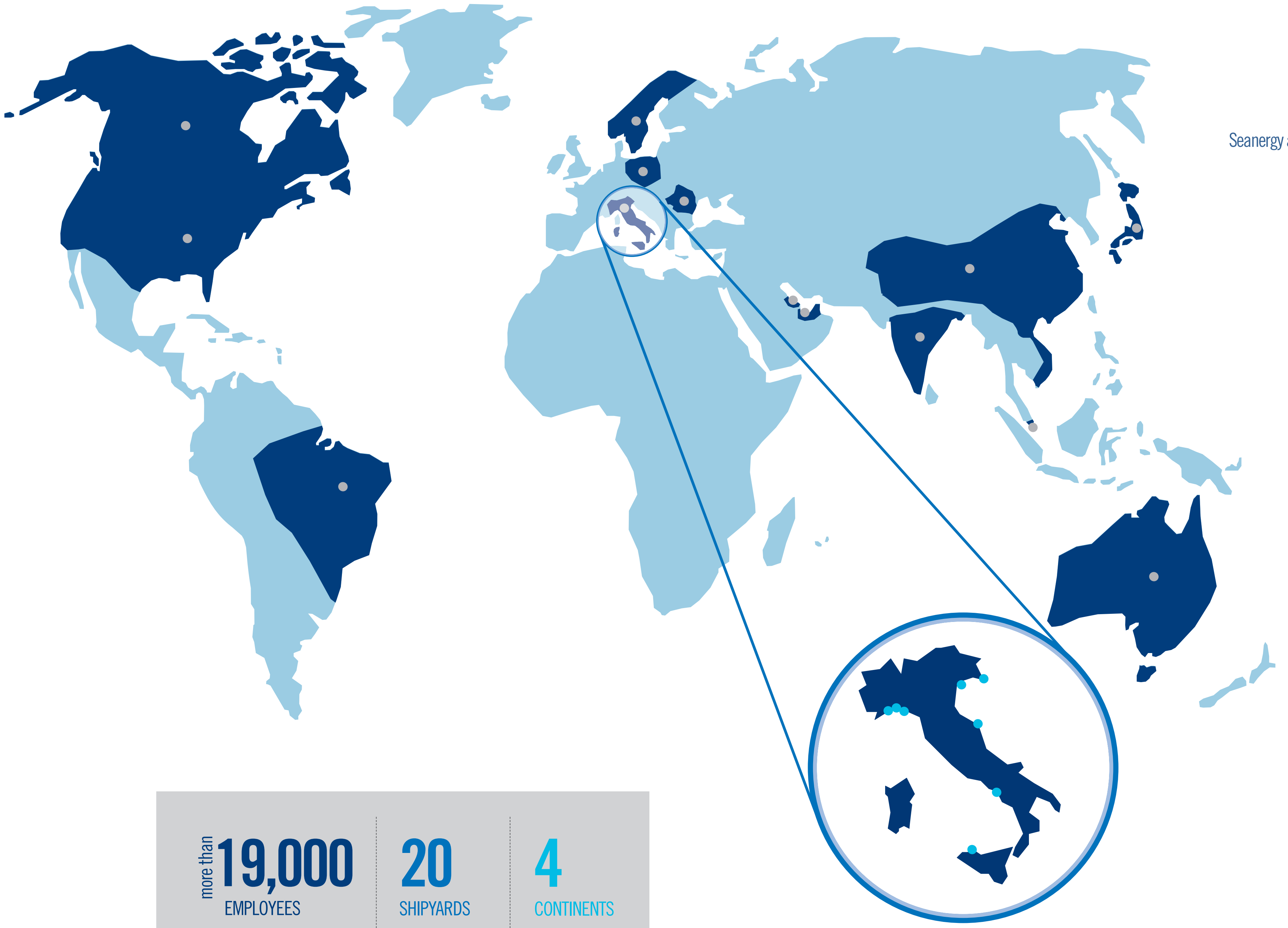
ASIA

VIETNAM
Vung Tau

AMERICAS

USA
Marinette
Sturgeon Bay
Green Bay

BRAZIL
Suape



more than 19,000 EMPLOYEES | 20 SHIPYARDS | 4 CONTINENTS

MAIN SUBSIDIARIES

EUROPE

ITALY
FINCANTIERI S.p.A.
Orizzonte Sistemi Navali
Cetena
Seastema
Isotta Fraschini Motori
Fincantieri Oil & Gas
Seaf
Marine Interiors
Seanergy a Marine Interiors company
Fincantieri SI
Fincantieri Infrastructure
Issel Nord

NORWAY
Vard Group
Vard Design
Vard Piping
Vard Electro
Vard Accomodation
Seaonics

SWEDEN
Fincantieri Sweden

POLOND
Seaonics Polska

ASIA

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

INDIA
Fincantieri India
Vard Electrical Installation
and Engineering (India)

UAE
Etihad Ship Building

QATAR
Fincantieri
Services Middle East

SINGAPORE
Vard Holdings
Vard Shipholdings Singapore

JAPAN
FMSNA YK

AMERICAS

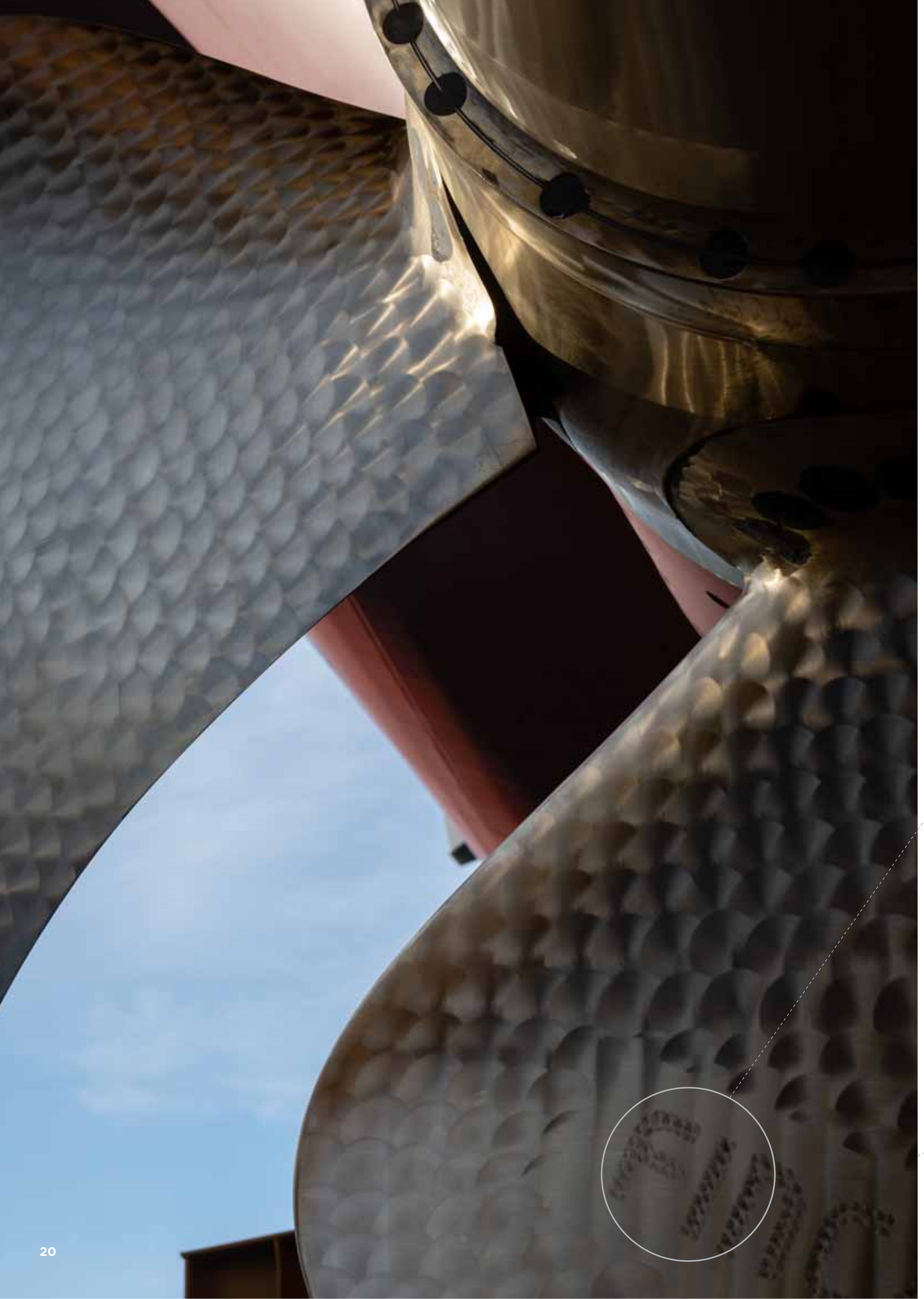
USA
Fincantieri Marine Group
Fincantieri Marine
Systems North America
Fincantieri Services USA
Fincantieri USA
Vard Marine US

CANADA
Vard Marine

BRAZIL
Fincantieri do Brasil
Participações

OCEANIA

AUSTRALIA
Fincantieri Australia



INTERIM REPORT ON OPERATIONS AT 30 JUNE 2019

HIGHLIGHTS

- **GROUP RESULTS IN LINE WITH THE 2019 ECONOMIC AND FINANCIAL FORECAST AND WITH THE 2018-2022 BUSINESS PLAN**
- **REVENUES GROWING** FOR THE SEVENTH SEMESTER IN A ROW
- **RECORD ORDER INTAKE** (EURO 6.6 BILLION) IN A SINGLE SEMESTER
  - **15** VESSELS, OF WHICH **11** CRUISE SHIPS FOR **FIVE** DIFFERENT BRANDS
- **TOTAL BACKLOG**[1] FOR **108 SHIPS** AND EURO **33.1** BILLION EQUIVALENT TO 6 TIMES 2018 REVENUES
  - **BACKLOG** AT EURO **29.5** BILLION (+34%) WITH 98 VESSELS TO DELIVERY UP TO 2027
  - **SOFT BACKLOG** OF AROUND EURO **3.6** BILLION
- **15 SHIPS DELIVERED** FROM **11** DIFFERENT SHIPYARDS, TWO VESSELS LAUNCHED FOR THE ITALIAN NAVY'S FLEET RENEWAL PROGRAM
- ALLIANCE COOPERATION AGREEMENT SIGNED WITH **NAVAL GROUP**, DEFINING THE OPERATING TERMS FOR THE **EQUAL JOINT VENTURE**
- **ONGOING INTERACTIONS WITH THE ANTITRUST AUTHORITIES ON THE ACQUISITION OF CHANTIERS DE L'ATLANTIQUE**
- PRODUCTION STARTED FOR THE **BRIDGE OVER THE POLCEVERA RIVER**
- CONTINUED FOCUS ON **SUSTAINABILITY**
  - IMPORTANT SOCIAL AND ENVIRONMENTAL **AGREEMENTS** SIGNED
  - ACTIVITIES STARTED IN ORDER TO ACHIEVE THE **GOALS** SET OUT IN THE SUSTAINABILITY PLAN

- **REVENUE AND INCOME**: EURO **2,837** MILLION (+12%)
- **EBITDA** OF EURO **215** MILLION (+17%) WITH A CONSOLIDATED **EBITDA MARGIN** OF 7.6% (VS. 7.3% IN THE FIRST HALF OF 2018)
- **ADJUSTED PROFIT FOR THE PERIOD**[2] OF EURO **34** MILLION
- **PROFIT FOR THE PERIOD** OF EURO **12** MILLION, AFTER EXTRAORDINARY COSTS FOR ASBESTOS-RELATED LAWSUITS FOR EURO 18 MILLION AND NET OF TAX EXPENSES OF EURO 40 MILLION
- **NET DEBT**[3] OF EURO **724** MILLION (VS. EURO 494 MILLION AT 31 DECEMBER 2018) INCLUDING THE IMPACT OF IFRS 16 (EURO 88 MILLION) AND A FINANCIAL STRUCTURE CONSISTENT WITH THE INCREASED VOLUME AND VALUE OF CRUISE UNITS IN PRODUCTION AND WITH THE DELIVERY SCHEDULE

(1) Sum of backlog and soft backlog.
(2) Profit/(loss) for the period before extraordinary and non-recurring income and expenses.
(3) This figure does not include construction loans.

HALF-YEAR OVERVIEW

With revenues growing for the seventh semester in a row, Fincantieri's results for the first half of 2019 confirm once again the positive growth trend from a commercial, productive and economic standpoint and are in line with the 2018-2022 Business Plan.
The first half of 2019 closed with revenues of over 2.8 billion (+12%), an EBITDA of euro 215 million (+17%) with a margin of 7.6% (7.3% at 30 June 2018), an Adjusted profit/(loss) for the period of euro 34 million and a positive Net Result of euro 12 million that reflects the costs of the asbestos exposure lawsuits of euro 18 million and tax expenses of euro 40 million.
Net debt is euro 724 million and the Group's financial structure is consistent with the increased volume and value of Cruise units in production and with the delivery shedule.
With a total backlog of euro 33.1 billion, around 6.1 times the revenues for 2018, made up of approximately euro 29.5 billion of backlog (with 98 vessels to be delivered by 2027) and euro 3.6 billion of soft backlog, Fincantieri has further strengthened its leadership position on a global level and can ensure long-term visibility for the Group and supply chain, confirming its ability to transform the soft backlog into firm orders.
Within the Cruise ship business area, the Group has acquired a record volume of new orders in just six months (around euro 6 billion for 11 vessels), strengthening the client relationships and order backlog with projects for new generation vessels, which also require the use of new state-of-the-art technologies.
In the first six months of 2019, the American group Norwegian Cruise Line Holdings Ltd. confirmed its order for two new-concept cruise ships for the Oceania Cruises brand and signed a contract for the construction of a new ultra luxury cruise ship for the Regent Seven Seas Cruises brand (the third vessel of the Explorer class).
MSC Crociere has signed contracts for the construction of four luxury cruise ships, thus entering a new segment that is showing significant growth potential, while the client Viking has confirmed the order for two of the six vessels provided for in the March 2018 agreement, which will bring its fleet to 12 vessels built by Fincantieri - the largest number of vessels in the same class for a single shipowner. Furthermore, Princess Cruises, a brand of the Carnival group, has formalized contracts for the construction of two next-generation dual fuel cruise ships, i.e. also powered by Liquefied Natural Gas.
Over the six months, five cruise ships were delivered: one for Viking, one for Costa Crociere (a Carnival group brand), two for Ponant and one for Hapag Lloyd. With reference to the Costa Crociere brand, "Costa Venezia", the first ship of the Italian company designed specifically for the Chinese market and which is enjoying great commercial success, was delivered in February.
With reference to the naval vessel business unit and, in particular, within the context of the Littoral Combat Ship (LCS) program, the Group, through the Marinette Marine Corporation subsidiary, was awarded the contract for the construction of an additional vessel, the sixteenth of the LCS program "Freedom" class (LCS 31). In just ten years, the Group's US shipyards have successfully delivered eight of the program's ships and are building a further eight vessels. Over the six-month period, two vessels of the Italian Navy fleet renewal programme were launched: the "Trieste" Landing Helicopter Dock and the first PPA (Multipurpose Offshore Patrol Vessel) "Paolo Thaon di Revel".
In the Offshore and Specialized Vessels operating segment, the Group, through the Vard subsidiary, signed a contract with the Australian shipowner Coral Expeditions for the design and construction of a second

small-scale luxury cruise ship (expedition cruise vessel), sister ship of the "Coral Adventurer" which entered the shipowner's fleet in April and a product of the Vard Vung Tau shipyard (Vietnam).
Finally, in the Equipment, Systems and Services operating segment, in the first half of the year the Group started the construction of the bridge over the Polcevera river in Genoa with the related orders for the supply and installation of the metal deck. This contract also provides for cooperation with the Group's companies involved in the integrated bridge monitoring, control and inspection system, confirming the Group's ability to capitalize on its experience in order to seize opportunities in new operating segments. Included in the orders acquired in the operating segment is one for Meyer Turku for the supply of stabilization systems and turbogenerator systems for heat recovery which will be installed on the new class of cruise ships under construction at the Finnish yard.
With regard to the financial results for the first half of 2019, the excellent performance of the Group's Italian shipyards continues, registering a significant increase in revenues for the Shipbuilding operating segment (+13.2%) and a margin of 10.2%, confirming the solidity of the drivers identified in the Business Plan for the operating segment. In fact, the Group's main growth factors as set out in the 2018-2022 Business Plan include the derisking of the Cruise portfolio in combination with commercial competitiveness, the market's positive momentum and the effectiveness of the strategic choices adopted. The optimization actions aimed at increasing Italian production capacity, undertaken to develop the considerable backlog that has resulted in a 10% annual growth in revenues, will allow Fincantieri to achieve higher levels of operational efficiency and therefore profitability.
The Offshore and Specialized Vessels operating segment reflects the development of the current portfolio of new special units, which is particularly challenging due to the diversity of the projects and type of vessels undergoing construction at the same time, which goes alongside a sub-optimal use of some yards. The segment is also affected by a continuing deteriorated market situation, where occasional projects with high potential go side by side with other orders with lower margins. In this context, it should be noted that a restructuring plan is currently being developed which aims to recover margins in the medium term, also drawing on the experience of developing innovative products and cutting-edge technologies in sectors not closely linked to the Oil&Gas operating segment.
Revenues are growing in the Equipment, Systems and Services operating segment, confirming the trend which started in 2017 thanks to the development of a significant order backlog, maintaining a good profitability level. The segment features a higher contribution from conversions and refurbishment projects, characterized by a lower profitability profile than other businesses in the same segment, but strategically important in that they enable the development and maintenance of client relationships and order backlog and contribute to the increase in headcount levels at some of the Group's Italian yards. The Grimaldi Lines project is one such project. It involves the installation of cutting-edge solutions aimed at reducing environmental impact and saving energy, such as energy storage systems that enable vessels not to use diesel engines during stops in ports, in line with the objective promoted by the Grimaldi group of zero emissions in port.
The headcount in Italy has grown by over 3% compared to 31 December 2018, and on an overall level the workforce has increased from 19,274 units at 31 December 2018 to 19,725 units at 30 June 2019 (+2%).

This increase is mainly due to the adjustment of the workforce to the current order backlog relating to the Cruise business. Considering the Group's production structure, an increase in the headcount corresponds to a significant increase in the involvement of the supplier network.
The Group's strategic line in the area of industrial alliances has led to the signing of an agreement, the "Alliance Cooperation Agreement", between Fincantieri and Naval Group, defining the operating terms for the establishment of a 50/50 joint venture. The agreement realizes the content of the "Poseidon" project and paves the way to strengthening naval cooperation between the two groups to create a more efficient and competitive European marine engineering industry. Thanks to this agreement, the two groups will be able to submit bids for binational programs and for export, as well as generating synergies in the areas of procurement and research and development, permitting Fincantieri and Naval Group to bring into play common structures, testing instruments and skills networks.
It should be remembered that also in the context of cooperation between Italy and France, February 2018 saw the signing of the share purchase agreement with the French government for the acquisition of 50% of the capital of STX France (now Chantiers de l'Atlantique). The operation, whose closing is subject to certain conditions, including authorization by the Antitrust Authorities, also provides for the loan to Fincantieri of 1% of the share capital of STX France.
Within the context of the growth strategy and the strengthening of its activities in the operating segments with high technology content, Fincantieri purchased a majority share of the capital of Insis S.p.A, a company operating in the information technology and cybersecurity sectors. This reinforces the work that has been carried out over recent years in the development of new technologies and applications, including defense electronics.
In the first half of 2019, the Group's commitment to combining business growth with the principles of social and environmental sustainability continued. In particular, within the area of research and development, Fincantieri signed two important agreements: the first with Cassa Depositi e Prestiti and Snam for the development of sustainable technologies applied to maritime transportation and the second with Cassa Depositi e Prestiti, Terna and Eni for the development and implementation of wave power generation plants on an industrial scale.
With regards to training, Fincantieri signed an agreement with the University of Calabria establishing new relationships in operating segments relating to the Group's operations (civil, industrial and information engineering), together with the agreements that aim to offer students in technical colleges (ITS) new training opportunities in shipbuilding, thus meeting the employment requirements of the shipbuilding industry.
Fincantieri is also continuing its commitment to the "Towards Zero Accidents" project, in particular with the signing of a memorandum of understanding with INAIL for the development of the safety culture at work through targeted activities and projects. Moreover, in the first half of the financial year, activities were initiated aimed at reaching the targets defined in the Sustainability Plan, in particular with regard to stakeholder engagement, the integration of sustainability topics within in-house training and in the relationships with suppliers, as well as the work-life balance.
Notwithstanding the challenging context with specific reference to the Offshore and Specialized Vessels sector performance, the good results within the Shipbuilding segment allow the forecasts for the 2019 financial year on a Group level to be maintained. Specifically, the targets of revenue growth and the maintenance of

EBITDA margins in line with 2018 are confirmed, consistently with the economic and financial forecasts presented within the 2018-2022 Business Plan. Net debt is expected to rise temporarily due to working capital financing needs.
In the Shipbuilding segment, in the next half of 2019, the Group expects to deliver four ships, including three cruise units and one naval vessel. Also with reference to the naval business area, the program for the Qatari Ministry of Defense coming into full swing, with three vessels under construction and the first delivery scheduled for 2021.
In the Offshore and Specialized Vessels segment, the construction activity related to the backlog acquired as a result of the diversification strategy adopted following the Oil&Gas sector crisis is expected to continue, with ongoing focus on execution aimed at margin recovery. It should be noted that a restructuring plan is currently being developed, including initiatives to recover margins in the medium term, also leveraging on the experience of developing innovative products and cutting-edge technologies in sectors not closely linked to the Oil&Gas sector.
The Equipment, Systems and Services segment is expected to confirm its revenue growth trend, thanks to the development of the backlog relating to military programs, to greater volumes for the production of cabins and public areas for the cruise business activity, and to the development of activities within the infrastructure area which have seen the start of construction work on the bridge over the Polcevera River in the first half of the year.

KEY FINANCIALS

(euro/million)

31.12.2018	Economic data		30.06.2019	30.06.2018
5,474	Revenue and income		2,837	2,527
414	EBITDA		215	183
7.6%	EBITDA margin (*)		7.6%	7.3%
277	EBIT		137	118
5.1%	EBIT margin (**)		4.8%	4.7%
108	Adjusted profit/(loss) for the period[1]		34	39
(51)	Extraordinary and non-recurring income and (expenses)		(27)	(32)
69	Profit/(loss) for the period		12	15
72	Group share of profit/(loss) for the period		16	21
31.12.2018	**Financial data**		**30.06.2019**	**30.06.2018**
1,747	Net invested capital		1,962	1,523
1,253	Equity		1,238	1,259
(494)	Net financial position		(724)	(264)
31.12.2018	**Other indicators**		**30.06.2019**	**30.06.2018**
8,617	Order intake (***)		6,627	2,388
32,743	Order book (***)		36,979	27,665
33,824	Total backlog (***)(****)		33,127	29,787
25,524	- of which backlog (***)		29,527	21,987
161	Capital expenditure		102	44
402	Net cash flows for the period		5	342
122	Research and Development costs		65	61
19,274	Employees at the end of the period	number	19,725	19,375
35	Vessels delivered	number	15	20
27	Vessels ordered	number	15	13
98	Vessels in order book	number	98	99
31.12.2018	**Ratios**		**30.06.2019**	**30.06.2018**
16.5%	ROI		17.0%	14.8%
5.4%	ROE		5.3%	4.6%
1.0	Total debt/Total equity	number	1.2	0.8
1.2	Net financial position/EBITDA	number	1.6	1.1
0.4	Net financial position/Total equity	number	0.6	0.2

(*) 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.
n.s. not significant.
(1) Profit/(loss) for the period 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 2019, the Group reported a record level in new orders of euro 6,627 million compared to euro 2,388 million for the same period in 2018, with a book-to-bill ratio (order intake/revenues) of 2.3 (0.9 at 30 June 2018). Before intersegment consolidation adjustments, the Shipbuilding segment accounted for 96% of the period's total order intake (57% in the first half of 2018), the Offshore and Specialized Vessels segment for 1% (35% in the first half of 2018) and the Equipment, Systems and Services segment for 5% (16% in the first half of 2018).

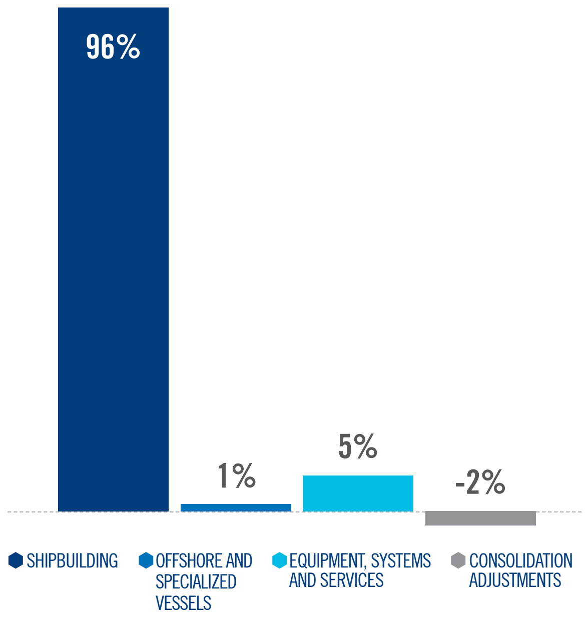
With reference to the Cruise ship business area in the first six months of 2019, Fincantieri registered significant commercial successes: the American group Norwegian Cruise Line Holdings Ltd. confirmed its order for two new-concept cruise ships for the Oceania Cruises brand and signed a contract for the construction of a new ultra luxury cruise ship for the Regent Seven Seas Cruises brand (the third vessel of the Explorer class). MSC Crociere has signed contracts for the construction of four luxury cruise ships, thus entering a new segment that is showing significant growth potential, while the client Viking has confirmed the order for two of the six vessels provided for in the March 2018 agreement, which will bring its fleet to 12 vessels built by Fincantieri - the largest number of vessels in the same class for a single shipowner. Furthermore, Princess Cruises, a brand of the Carnival group, has formalized contracts for the construction of two next-generation dual fuel cruise ships, i.e. also powered by Liquefied Natural Gas.

With reference to the naval vessels business area and, in particular, within the context of the Littoral Combat Ship (LCS) program, the Group, through the Marinette Marine Corporation subsidiary, was awarded the contract for the construction of an additional vessel, the sixteenth of the LCS program "Freedom" class (LCS 31). In just ten years, the Group's US shipyards have successfully delivered eight of the program's ships and are building a further eight vessels.

In the Offshore and Specialized Vessels operating segment, the Group, through the Vard subsidiary, signed a contract with the Australian shipowner Coral Expeditions for the design and construction of a second small-scale luxury cruise ship (expedition cruise vessel), sister ship of the "Coral Adventurer" which entered the shipowner's fleet in April. The vessel will be produced and delivered by the Vard Vung Tau shipyard (Vietnam).

Finally, in the Equipment, Systems and Services operating segment, the Group started the construction of the bridge over the Polcevera river in Genoa in the first half of the year, with the related orders for the supply and installation of the metal deck. Furthermore, the order for Meyer Turku for the supply of stabilization systems and turbogenerator systems for heat recovery which will be installed on the new class of cruise ships under construction at the Finnish yard.

ORDER INTAKE (%) BY OPERATING SEGMENT IN 1ST HALF 2019



(euro/million)

31.12.2018		Order intake analysis	30.06.2019		30.06.2018(*)	
Amounts	%		Amounts	%	Amounts	%
6,288	73	FINCANTIERI S.p.A.	6,060	91	1,224	51
2,329	27	Rest of Group	567	9	1,164	49
8,617	100	Total	6,627	100	2,388	100
7,129	82	Shipbuilding	6,364	96	1,350	57
913	11	Offshore and Specialized Vessels	57	1	824	35
1,006	12	Equipment, Systems and Services	349	5	376	16
(431)	(5)	Consolidation adjustments	(143)	(2)	(162)	(8)
8,617	100	Total	6,627	100	2,388	100

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

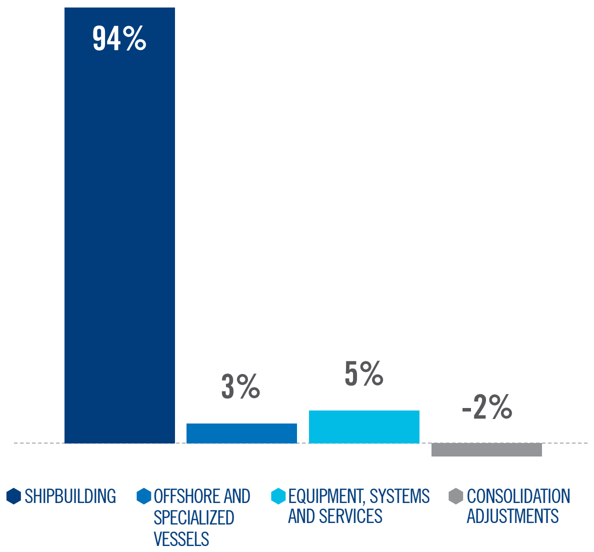
Backlog and Soft backlog

The Group's total backlog reached euro 33.1 billion at 30 June 2019, comprising euro 29.5 billion of backlog (euro 22 billion at 30 June 2018) and euro 3.6 billion of soft backlog (euro 7.8 billion at 30 June 2018) with development of the contracts in the portfolio up to 2027. The Group has once again shown its ability to convert the soft backlog into firm orders in a short period of time, ensuring long-term visibility for the Group and the supplier network. The backlog and total backlog guarantee about 5.4 years and 6.1 years of work respectively in relation to the 2018 level of revenues.

Before intersegment consolidation adjustments, the Shipbuilding operating segment accounts for 94% of the Group order backlog (92% in the first half of 2018), the Offshore and Specialized Vessels operating segment for 3% (5% in the first half of 2018) and the Equipment, Systems and Services operating segment for 5% (6% in the first half of 2018).

The order intake in the six months and the current order backlog also highlight the central role played by Fincantieri as innovation leader in the reference operating segments. In fact, the Fincantieri backlog includes projects for new-concept vessels with a high level of innovation, which will enrich the fleets of the Group's clients.

ORDER BACKLOG (%) BY OPERATING SEGMENT AT JUNE 2019



Specifically, the two vessels for Princess Cruises will not only be the largest ever built in Italian shipyards, but will also be the first in the shipowner's fleet to be powered primarily by Liquefied Natural Gas, an ambitious and cutting edge project which launches Fincantieri into a future where emission standards will guide renewal programs for our clients' fleets.
The composition of the backlog by operating segment is shown in the following table.

(euro/million)

31.12.2018		Backlog analysis	30.06.2019		30.06.2018(*)	
Amounts	%		Amounts	%	Amounts	%
22,462	88	FINCANTIERI S.p.A.	26,530	90	19,391	88
3,062	12	Rest of Group	2,997	10	2,596	12
25,524	100	**Total**	29,527	100	21,987	100
23,714	93	Shipbuilding	27,793	94	20,258	92
987	4	Offshore and Specialized Vessels	885	3	1,132	5
1,638	6	Equipment, Systems and Services	1,604	5	1,289	6
(815)	(3)	Consolidation adjustments	(755)	(2)	(692)	(3)
25,524	100	**Total**	29,527	100	21,987	100

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

The soft backlog, representing the value of existing contract options and letters of intent as well as of contracts at an advanced stage of negotiation, none of which are yet reflected in the order backlog, amounted to approximately euro 3.6 billion at 30 June 2019, compared to 7.8 billion at 30 June 2018, in line with the significant increase in orders registered compared to the same period in 2018.

The following table shows the deliveries scheduled each year for the 98 vessels currently in the order book, analysed by the main business units. With reference to the current year, the table presents deliveries completed as at 30 June 2019 in addition to the total number of deliveries scheduled for the full 2019 financial year.

(number)

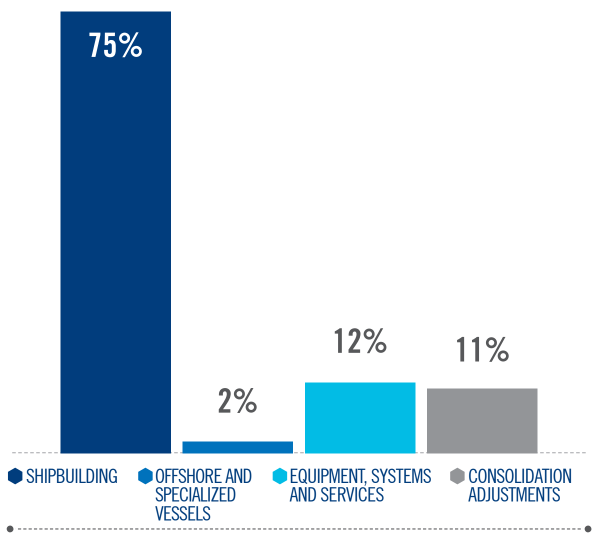
	Deliveries						
	completed as at 30.06.19	Total 2019	2020	2021	2022	2023	Beyond 2023
Cruise ships	5	8	8	9	7	7	13
Naval	2	3	7	6	7	3	5
Offshore and Specialized Vessels	8	20	6	1	1	1	1

It should be noted that, compared to what was reported at 31 December 2018, the deliveries initially planned for 2019 of one vessel dedicated to aquaculture activities for the shipowner Remøybuen and a research expedition vessel for the Norwegian shipowner Rosellinis Four-10 have been delayed by one year.

Capital expenditure
Capital expenditure amounted to euro 102 million in the first six months of 2019, of which euro 22 million for intangible assets (including euro 14 million for development projects) and euro 80 million for property, plant and equipment. Capital expenditure represented 3.5% of the Group's revenues in the first six months of 2019, compared with 1.7% in the first six months of 2018.

Capital expenditure on property, plant and equipment made in the first half of 2019 mainly related to i) continued work to upgrade the operational areas and infrastructure at some Italian shipyards to meet new production scenarios, which involve the construction of increasingly large cruise ships and which have seen an increasing order backlog; ii) an increase in the safety standards of the plant, equipment and buildings; iii) the continuation of work to increase production capacity at the Vard Tulcea and Braila shipyards in preparation for both the construction of hulls and the multi-year program to construct pre-fitted sections of cruise ships in support of Fincantieri's production network.

CAPITAL EXPENDITURE (%) BY OPERATING SEGMENT IN 1ST HALF 2019



(euro/million)

31.12.2018		Capital expenditure analysis	30.06.2019		30.06.2018(*)	
Amounts	%		Amounts	%	Amounts	%
109	68	FINCANTIERI S.p.A.	80	78	30	68
52	32	Rest of Group	22	22	14	32
161	100	**Total**	102	100	44	100
124	77	Shipbuilding	77	75	33	74
6	4	Offshore and Specialized Vessels	2	2	3	6
18	11	Equipment, Systems and Services	12	12	4	10
13	8	Other activities	11	11	4	10
161	100	**Total**	102	100	44	100
37	23	Intangible assets	22	22	6	13
124	77	Property, plant and equipment	80	78	38	87
161	100	**Total**	102	100	44	100

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

Group financial results

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

HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2019

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(euro/million)

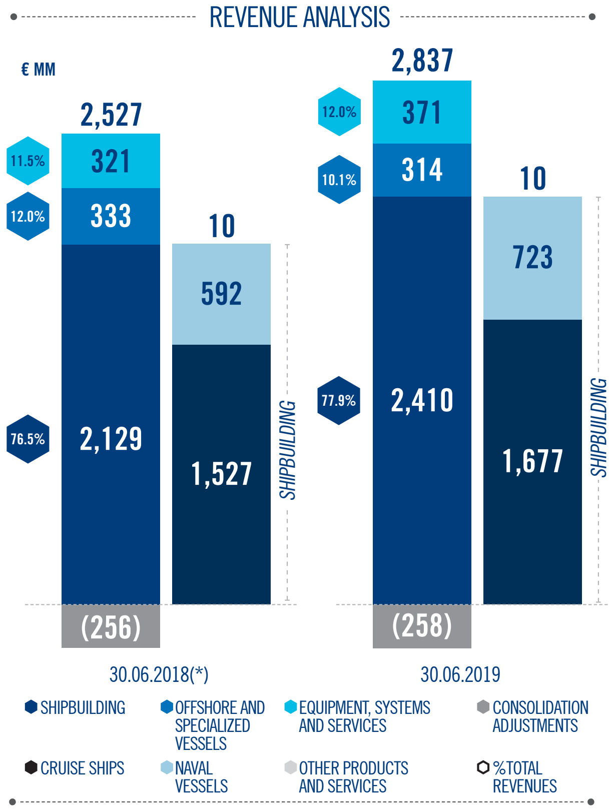
31.12.2018		30.06.2019	30.06.2018
5,474	**Revenue and income**	**2,837**	**2,527**
(4,089)	Materials, services and other costs	(2,100)	(1,855)
(946)	Personnel costs	(508)	(482)
(25)	Provisions	(14)	(7)
414	**EBITDA**	**215**	**183**
7.6%	**EBITDA margin**	**7.6%**	**7.3%**
(137)	Depreciation, amortization and impairment	(78)	(65)
277	**EBIT**	**137**	**118**
5.1%	**EBIT margin**	**4.8%**	**4.7%**
(104)	Finance income/(costs)	(60)	(52)
(1)	Income/(expense) from investments	(3)	1
(64)	Income taxes	(40)	(28)
108	**Adjusted profit/(loss) for the period**[1]	**34**	**39**
111	of which attributable to Group	38	45
(51)	Extraordinary and non-recurring income and (expenses)	(27)	(32)
12	Tax effect of extraordinary and non-recurring income and expenses	5	8
69	**Profit/(loss) for the period**	**12**	**15**
72	Group share of profit/(loss) for the period	16	21

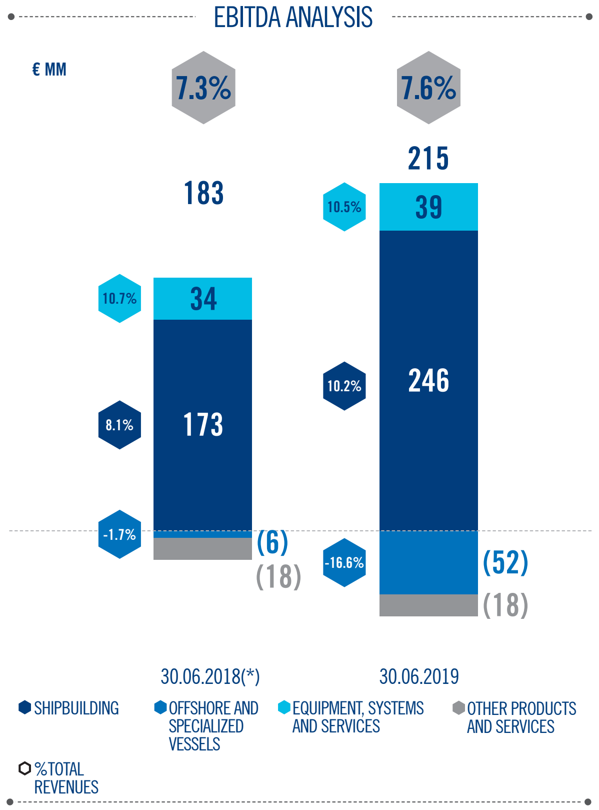
[1] Profit/(loss) for the period before extraordinary and non-recurring income and expenses.

Revenue and income (euro 2,837 million) has increased by euro 310 million compared to the same period in the previous year (+12%), with a positive net effect (euro 8 million) from the conversion into euro of revenues in USD and Norwegian Krone generated by the foreign subsidiaries. The Shipbuilding segment recorded an overall increase in revenues of 13.2%, with the revenues from cruise ships which increased by 9.8% and the revenues from naval vessels which increased by 22.1%. At 30 June 2019, revenues from the cruise ship business area accounted for 54% of the Group's revenues (55% at 30 June 2018), while the naval vessel business area accounted for 23% (21% at 30 June 2018). The Equipment, Systems and Services segment also recorded an increase in volumes of about 16%, while revenue from the Offshore and Specialized Vessels segment slowed down compared to the same period in the previous year.
Revenue generated by foreign clients accounts for 81% of the total in the period ended 30 June 2019, compared to 82% for the corresponding period in 2018.

EBITDA is equal to euro 215 million at 30 June 2019 (euro 183 million in the first half of 2018), with an EBITDA margin of 7.6% (percentage of Revenue and income), an improvement on the 7.3% at 30 June 2018. This margin mainly reflects the positive performance of the Shipbuilding and Equipment, Systems and Services operating segments on the one hand, and the negative margins of the Offshore and Specialized Vessels operating segment on the other.

The **EBIT** achieved in the first half of 2019 is euro 137 million compared to euro 118 million for the same period of the previous year, with an **EBIT margin** (percentage of Revenue and income) of 4.8% (4.7% in the first half of 2018). The increase in EBIT is due to the reasons explained above





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

in reference to the Group's EBITDA and is affected by the higher amortization following the registration of the rights of use for the application of IFRS 16.

Finance income/(costs) and income/(expense) from investments report a net expense of euro 63 million (net expense of euro 51 million at 30 June 2018). The main changes are due to the finance costs on hedging derivatives for orders in foreign currency (increased by euro 22 million compared to the same period in 2018), lower unrealized exchange rate losses associated with the conversion of the loan granted to Vard Promar into US dollars (a change of euro 8 million compared to the same period in 2018) and lower finance costs related to debt (decrease of euro 6 million).

Income taxes have a negative balance of euro 40 million for the first half of 2019 (negative balance of euro 28 million for the same period in 2018).

The adjusted profit/(loss) for the period shows a net profit of euro 34 million at 30 June 2019 (euro 39 million at 30 June 2018).

Extraordinary and non-recurring income and expenses report euro 27 million in net expenses (euro 32 million at 30 June 2018) and mainly include the expenses of euro 18 million relating to asbestos exposure lawsuits and expenses of euro 7 million connected to the reorganization plans for the VARD subsidiary.

The tax effect linked to the extraordinary and non-recurring income and expenses item was a net positive euro 5 million at 30 June 2019.

Profit/(loss) for the period, reflecting the factors described above, is a net profit of euro 12 million (euro 15 million at 30 June 2018). The Group share of this result is a net profit of euro 16 million, compared with a net profit of euro 21 million in the same period of the previous year.

HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2019

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(euro/million)

30.06.2018		30.06.2019	31.12.2018
625	Intangible assets	621	618
-	Rights of use	85	-
1,031	Property, plant and equipment	1,152	1,074
51	Investments	74	60
72	Other non-current assets and liabilities	(14)	8
(58)	Employee benefits	(59)	(57)
1,721	**Net fixed capital**	**1,859**	**1,703**
852	Inventories and advances	807	881
584	Construction contracts and client advances	969	936
(488)	Construction loans	(492)	(632)
601	Trade receivables	647	749
(1,595)	Trade payables	(1,824)	(1,849)
(155)	Provisions for risks and charges	(80)	(135)
3	Other current assets and liabilities	76	94
(198)	**Net working capital**	**103**	**44**
1,523	**Net invested capital**	**1,962**	**1,747**
863	Share capital	863	863
338	Reserves and retained earnings attributable to the Group	353	364
58	Non-controlling interests in equity	22	26
1,259	**Equity**	**1,238**	**1,253**
264	**Net financial position**	**724**	**494**
1,523	**Sources of funding**	**1,962**	**1,747**

The reclassified consolidated statement of financial position shows a positive variation in Net invested capital at 30 June 2019 of euro 214 million compared to the end of the previous financial year, mainly due to the following factors:

• **Net fixed capital**: with an overall increase of euro 156 million. The main effects include, in particular: i) registration of the right to use leased assets following the initial application of IFRS 16 after the related amortization (euro 85 million); ii) the increase in the value of Intangible assets and Property, plant and equipment of euro 81 million due to the capital expenditure for the period (euro 102 million), to the registration of two vessels as fixed assets which were previously registered as Work in Progress following the decision to manage them in-house (euro 37 million), and the positive effect of the foreign currency translation of the financial statements (euro 12 million), all partially offset by the amortization for the period (euro 70 million); and iii) the reduction of Other non-current assets and liabilities (euro 22 million) resulting from the fluctuation of the fair value of derivatives on negotiated exchange rates for contracts in currencies other than the euro.

• **Net working capital**: euro 103 million (euro 44 million at 31 December 2018). The main variation related to: i) the decrease in inventories (euro 74 million), mainly related to the delivery of a vessel classified among the inventories following the cancellation of the order, and which was subsequently resold; ii) the increase in construction contracts and client advances (euro 33 million), due to the volumes realized in the first half of the year net of deliveries during the period and the reclassification described above; iii) the decrease in Trade receivables (euro 102 million) due to the collection of the final instalment of the delivered vessels; iv) the reduction of Trade payables (euro 25 million); and v) the reduction of Provisions for risks and charges (euro 55 million), mainly due to the use of the fund relating to the "Serene" litigation following the settlement agreement on closure of all the outstanding proceedings.
Construction loans at 30 June 2019 amounted to euro 492 million overall, with a reduction of euro 140 million compared to 31 December 2018, with euro 232 million related to the VARD subsidiary and euro 260 million to the Parent Company.

It is recalled that, in view of the operational nature of construction loans and particularly the fact that these types of loan are obtained and can be used exclusively to finance the contracts to which they refer, management treats them in the same way as client advances and so classifies them as part of Net working capital.

• **Equity** is euro 1,238 million, with a net profit generated in the period (euro 12 million) and an increase in the currency translation reserve (euro 10 million), offset by the distribution of dividends (euro 17 million) and by the reduction of the reserve related to cash flow hedging instruments (euro 20 million).

Note that the shareholding in VARD at 30 June 2019 is 97.44% (97.22% at 31 December 2018).

CONSOLIDATED NET FINANCIAL POSITION

(euro/million)

30.06.2018		30.06.2019	31.12.2018
618	**Cash and cash equivalents**	683	677
30	**Current financial receivables**	12	17
(150)	Current bank debt	(322)	(197)
(525)	Bonds issued and commercial papers - current portion	(219)	(231)
(56)	Current portion of bank loans and credit facilities	(109)	(54)
(2)	Other current financial liabilities	(20)	(3)
(733)	**Current debt**	(670)	(485)
(85)	**Net current cash/(debt)**	25	209
130	**Non-current financial receivables**	72	63
(307)	Non-current bank debt	(744)	(760)
-	Bonds - non-current portion	-	-
(2)	Other non-current financial liabilities	(77)	(6)
(309)	Non-current debt	(821)	(766)
(264)	**Net financial position**	(724)	(494)

The **Consolidated net financial position**, which excludes construction loans, reports a net debt balance of euro 724 million (euro 494 million in net debt at 31 December 2018). The change is mainly due to the investments made during the period and the financial dynamics typical of the cruise ship business, with volumes expected to grow in the coming months. The Net financial position at 30 June 2019 also includes the recognition of the financial liabilities deriving from the application of IFRS 16 (euro 88 million).

RECLASSIFIED CONSOLIDATED STATEMENT OF CASH FLOWS

(euro/million)

31.12.2018		30.06.2019	30.06.2018
30	Net cash flows from operating activities	(14)	99
(163)	Net cash flows from investing activities	(118)	(35)
535	Net cash flows from financing activities	137	278
402	**Net cash flows for the period**	5	342
274	**Cash and cash equivalents at beginning of period**	677	274
1	Effects of currency translation difference on opening cash and cash equivalents	2	2
677	**Cash and cash equivalents at end of period**	684	618

The **Reclassified consolidated statement of cash flows** shows a positive **net cash flows for the period** of euro 5 million (positive for euro 342 million in the first half of 2018). The financing activities generated resources to substantially cover the investments for the period and the operating cash flow. It should be noted that at 30 June 2019, the construction loans absorbed operating cash flows of euro 145 million (at 30 June 2018 they absorbed cash flows of euro 165 million).

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 funding between net debt and equity for the periods ended 30 June 2019 and 2018. 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 2018 to 30 June 2019 and from 1 July 2017 to 30 June 2018.

31.12.2018		30.06.2019	30.06.2018
16.5%	ROI	17.0%	14.8%
5.4%	ROE	5.3%	4.6%
1.0	Total debt/Total equity	1.2	0.8
1.2	Net financial position/EBITDA	1.6	1.1
0.4	Net financial position/Total equity	0.6	0.2

ROI and ROE in the first half of 2019 were substantially in line with 31 December 2018, and slightly better than at 30 June 2018, mainly due to the improved economic performance.
The indicators of strength and efficiency of the capital structure at 30 June 2019 reflect the increase in the Group's debt despite the improvement in the economic performance. It should be noted that the net financial position at 30 June 2019 also includes the recognition of the financial liabilities deriving from the application of IFRS 16 (euro 88 million).

HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2019

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.

It should be noted that, following the operational reorganization of the VARD Group initiated at the end of 2018, the Cruise business unit, mainly comprising the construction of expedition cruise vessels, previously included in the Offshore operating segment of the Group, was reclassified in the Shipbuilding operating segment. For consistency, the comparison data at 30 June 2018 reported below refer to the restated values.

(euro/million)

31.12.2018		30.06.2019	30.06.2018 restated (***)	30.06.2018 published
4,678	Revenue and income (*)	2,410	2,129	1,892
395	EBITDA (*)	246	173	160
8.5%	EBITDA margin (*) (**)	10.2%	8.1%	8.5%
7,129	Order intake (*)	6,364	1,350	1,132
29,620	Order book (*)	34,305	24,709	23,686
23,714	Order backlog (*)	27,793	20,258	19,496
124	Capital expenditure	77	33	27
13	Vessels delivered (number)	7	8	6

(*) Before adjustments between operating segments.
(**) Ratio between operating segment EBITDA and Revenue and income.
(***)The comparative figures have been restated following redefinition of the operating segments.

The results achieved by the Shipbuilding segment in the first half of 2019 confirm the solidity of the drivers identified in the Business Plan. In fact, the Group's main growth factors as set out in the 2018-2022 Business Plan include the derisking of the Cruise portfolio in combination with commercial competitiveness, the market's positive momentum and the effectiveness of the strategic choices adopted. The optimization actions aimed at increasing Italian production capacity, undertaken to develop the considerable backlog that has resulted in a 10% annual growth in revenues, will allow Fincantieri to achieve higher levels of operational efficiency and therefore profitability.

Revenue and income
The revenues of the Shipbuilding operating segment at 30 June 2019 are euro 2,410 million, up by 13.2% compared to the first half of 2018. Euro 1,677 million of these revenues refer to the cruise ship business (euro 1,527 million at 30 June 2018) with an increase of 9.9%, despite the negative effect of the variation in the Euro/Norwegian Krone exchange rate (around euro 5 million) generated by the conversion of the financial statements of the Norwegian subsidiaries. Euro 723 million refer to the naval vessel business area (euro 592 million at 30 June 2018) with an increase of 22.0% which benefited from the positive variation of the Euro/USD exchange rate (around euro 15 million) resulting from the conversion of the financial statements of the US subsidiaries. The growth in revenues compared to the first half of 2018 can be attributed mainly to the greater volumes generated by cruise ships due to the increase in size and value of the vessels under construction, and to the progress, in the naval field, of both the construction activities relating to contracts for the Qatari Ministry of Defense and activities relating to the Italian Navy fleet renewal program. In this context, in the second quarter, two vessels were launched: the "Trieste" Landing Helicopter Dock and the first in the PPA (Multipurpose Offshore Patrol Vessel) class, "Paolo Thaon di Revel", with the first vessel of the program to be delivered in 2020.

EBITDA
The EBITDA of the operating segment at 30 June 2019 is euro 246 million (euro 173 million at 30 June 2018), with an EBITDA margin of 10.2% (8.1% at 30 June 2018). The growth trend continues, with a further increase driven by production and the prompt delivery of repeated cruise ships with elevated margins as well as the progress of activities relating to military programs. The improvement in EBITDA, with particular reference to Cruise activities performed by Italian shipyards, is evidence of the effectiveness of the drivers identified in the 2018-2022 Business Plan. Within the context of the growth in margins in the Cruise business, the derisking of the order book and the upward trend of prices of the vessels in production are of particular relevance. The segment is therefore evolving along the path identified in the Business Plan, despite the low profitability of certain projects in the VARD Cruise business unit

Order intake
The new order intake of euro 6,364 million in the first six months of 2019 refer to the construction of:

- two new-concept cruise ships for Norwegian Cruise Line Holdings Ltd. intended for the Oceania Cruises brand, which will launch the new "Allura class";
- an ultra luxury cruise ship (the third vessel of the Explorer class) for Norwegian Cruise Line Holdings Ltd. destined for the Regent Seven Seas Cruises brand;
- four luxury cruise ships for MSC Crociere;
- two vessels for the client Viking as part of the agreement of March 2018 for six vessels;
- two next-generation cruise ships for Princess Cruises, a brand of the Carnival group;
- a further vessel as part of the Littoral Combat Ship (LCS 31);
- an interlake bulk carrier vessel for the client Interlake Steamship co.;
- a ferry for Washington Island Ferry Line.

Capital expenditure
Capital expenditure in Property, plant and equipment by the Parent Company during the first half of 2019 mostly involved:

- the continuation of work to update the working areas and infrastructure at some shipyards, in particular Monfalcone and Marghera, to meet the new production scenarios, which involve the construction of increasingly large vessels, and the upgrading and improvement of the safety standards of plant, equipment and buildings;
- the continuation of activities to introduce new technologies, in particular at the Monfalcone shipyard, as part of the requirements of the Integrated Environmental Authorization (IEA).

Capital expenditure by the subsidiary VARD in the first half of 2019 mainly related to the continuation of activities to increase production capacity and the efficiency of production processes at the Tulcea shipyard, in order to guarantee adequate

support both for the construction of the hulls and the long-term program to construct pre-fitted sections of cruise ships for the Group's Italian shipyards.
Capital expenditure in the US shipyards mainly concerned maintenance of infrastructure and upgrading of production systems.

Production
The number of vessels delivered in the first six months of 2019 is analysed as follows:

(number)

	Deliveries
Cruise ships	5
Cruise ferries	
Naval vessels	2
Mega yachts	

The vessels delivered were:

- "Costa Venezia", the first vessel of the Italian Costa Crociere designed specifically for the Chinese market at the Monfalcone shipyard;
- "Viking Jupiter", the sixth cruise ship for Viking, delivered at the Ancona shipyard;
- LCS 15 "Billings", for the US Navy, as part of the LCS program at the US Marinette shipyard (Wisconsin);
- "Antonio Marceglia", the eighth of a series of ten multi-role frigates (FREMM) for the Italian Navy, delivered at the Muggiano shipyard in La Spezia;
- two vessels for the French shipowner Compagnie du Ponant ("Le Bougainville" and "Le Dumont-d'Urville") at the Norwegian Søviknes shipyard;
- "Hanseatic Nature", the first vessel for the client Hapag-Lloyd, at the Norwegian Langsten shipyard.

Offshore and Specialized Vessels

The Offshore and Specialized Vessels segment includes the design and construction of high-end offshore support vessels, specialized vessels and vessels for offshore wind farms and open ocean aquaculture, as well as innovative products in the field of drillships and semi-submersible drilling rigs. Fincantieri operates in this market through the VARD Group, FINCANTIERI S.p.A. and Fincantieri Oil & Gas S.p.A..
The VARD Group also provides its clients with turnkey electrical systems, inclusive of engineering, manufacturing, installation, integration testing and commissioning.
It should be noted that, following the operational reorganization of the VARD Group initiated at the end of 2018, its Cruise business unit, which mainly includes the construction of expedition cruise vessels, previously included in the Group's Offshore segment, has been reclassified in the Shipbuilding operating segment. For consistency, the comparison data at 30 June 2018 reported below refer to the restated values.

(euro/million)

31.12.2018		30.06.2019	30.06.2018 restated (***)	30.06.2018 published
681	Revenue and income (*)	314	333	564
(20)	EBITDA (*)	(52)	(6)	7
-2.9%	EBITDA margin (*) (**)	-16.6%	-1.7%	1.2%
913	Order intake (*)	57	824	1,106
1,860	Order book (*)	1,346	1,854	3,018
987	Order backlog (*)	885	1,132	1,990
6	Capital expenditure	2	3	9
22	Vessels delivered (number)	8	12	14

(*) Before adjustments between operating segments.
(**) Ratio between operating segment EBITDA and Revenue and income.
(***)The comparative figures have been restated following redefinition of the operating segments.

Revenue and income
Revenues for the Offshore and Specialized Vessels operating segment at 30 June 2019 amount to euro 314 million, a decrease of 5.7% compared to the first half of 2018 (euro 333 million), and reflecting the negative impact deriving from the change in the Euro/Norwegian Krone exchange rate (euro 5 million) due to the conversion of the VARD financial statements. The slowdown in production volumes is related to a reduced use of production capacity.

EBITDA
The EBITDA of the operating segment at 30 June 2019 has a negative value of euro 52 million (negative value of euro 6 million at 30 June 2018), with an EBITDA margin of -16.6% (-1.7% at 30 June 2018). The gradual decrease in the use of production capacity, brought on by the persistence of a total absence of orders related to the Oil & Gas operating segment, led to the acquisition of orders for new specialized ships belonging to different operating segments (e.g. fishery & aquaculture, ferries), where occasional projects with high potential go side by side with other orders with lower margins. These elements have also led to a high level of complexity within the production process, linked to the development of a particularly challenging product portfolio in terms of the diversity of the projects and types of vessels under construction at the same time, as well as highly innovative content. These are prototype projects that require a greater use of resources in the implementation phase, however they do allow development of the know-how necessary for future development. Following the delisting of VARD in the last quarter of 2018, an initial phase of reorganization was initiated with the aim of achieving full organizational integration with the Parent Company for both projects for the construction of expedition cruise vessels and projects for offshore and specialized vessels. In continuity with the integration project, a restructuring plan is currently being developed, which involves initiatives to recover margins in the medium term, also drawing on the experience of developing innovative products and cutting-edge technologies in sectors not closely linked to the Oil&Gas operating segment.

Order intake
In the first half of 2019, the order intake by the VARD Group amounted to euro 57 million and related mainly to a small-scale luxury expedition cruise vessel for the Australian shipowner Coral Expeditions, which will be made at the Vietnamese yard Vung Tau. For reasons related to organizational responsibilities, this yard is part of the Offshore and Specialized Vessels operating segment. The vessel will be called "Coral Geographer" and will be the twin ship of "Coral Adventurer".

HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2019

Capital expenditure
Capital expenditure in the first half of 2019 mainly relates to measures to maintain production efficiency in European and non-European shipyards.

Production
The following vessels were delivered during the period:

(number)

	Deliveries
Ferries	2
Coral Expedition	1
OSCV	3
Fishery&Aqua	2

In detail:

- three OSCVs (Offshore Subsea Construction Vessel), two of which were delivered to Topaz Energy and Marine Limited at the Brattvåg shipyard (Norway), and one to Dofcon Navegação Ltda at the Promar shipyard (Brazil);
- one expedition cruise vessel delivered to the Australian shipowner Coral Expedition at the Vung Tau shipyard (Vietnam);
- one Fishery vessel delivered to Aker BioMarine Antarctis AS at the Brattvåg shipyard (Norway);
- one Aqua vessel delivered to Solstrand by the Aukra shipyard (Norway);
- two Ferries delivered to Torghatten Nord AS.

Equipment, systems and services

The Equipment, Systems and Services operating segment is engaged in the design and production of systems, equipment and accommodation, repair and conversion services and after-sales support for the vessels produced. These activities are carried out by FINCANTIERI S.p.A. and by some of its subsidiaries, including Isotta Fraschini Motori S.p.A., Issel Nord S.r.l., Seastema S.p.A., Marine Interiors S.p.A., Fincantieri SI S.p.A., Fincantieri Infrastructure S.p.A. and FMSNA Inc.

(euro/million)

31.12.2018		30.06.2019	30.06.2018
651	Revenue and income (*)	371	321
73	EBITDA (*)	39	34
11.2%	EBITDA margin (*) (**)	10.5%	10.7%
1,006	Order intake (*)	349	376
2,519	Order book (*)	2,530	2,140
1,638	Order backlog (*)	1,604	1,289
18	Capital expenditure	11	4
18	Engines produced in workshops (number)	6	8

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

Revenue and income
Revenue from the Equipment, Systems and Services segment amounts to euro 371 million (+15.3% compared to the first half of 2018). This increase confirms the growth trend started in the first half of 2017, due to the development of the significant order backlog for services provided in the context of contracts for the Italian Navy and the Qatari Ministry of Defense, to an increase in the volumes of repair and conversion activities, and to the contribution resulting from the start of Fincantieri Infrastructure activities.

EBITDA
The EBITDA of the operating segment at 30 June 2019 is euro 39 million (euro 34 million at 30 June 2018), with an EBITDA margin of 10.5%, essentially in line with the first half of 2018. The segment features a higher contribution from conversions and refurbishment projects, characterized by a lower profitability profile than other businesses in the same segment, but strategically important in that they enable the development and maintenance of client relationships and order backlog and contribute to the increase in headcount levels at some of the Group's Italian yards. The Grimaldi Lines project is one such project. It involves the installation of cutting-edge solutions aimed at reducing environmental impact and saving energy, such as energy storage systems that enable vessels not to use diesel engines during stops in ports, in line with the objective promoted by the Grimaldi group of zero emissions in port.

Order intake
New order intake for Equipment, Systems and Services operating segment amounted to euro 349 million in the first half of 2019, mostly comprising:

- the supply and installation of the metal deck for the bridge in Genoa;
- seven stabilization plants for various clients;
- two THR steam turbines for the client Meyer Turku and one THR steam turbine for the client SWS China;
- one model 36 steam turbine, Waste to Energy segment, for a Moroccan client;
- supply of the automation package for four vessels of the Korean Navy's FFX-II program for the Korean Navy's ASR (Auxiliary Submarine Rescue) vessel, and for the OPV vessel of the Qatari Navy;
- upgrading of the automation system of the Fiorillo vessel of the Italian Coast Guard;
- continuation of the Cavour upgrading program;
- installation of the valve remote control system for the Italian Navy LHD contract;
- supply of the navigation system and console for a 45 m yacht;
- four emergency generator units for four cruise contracts and four 1708 HPCR generator units intended for an LCS vessel of the US Navy;
- four EPF engines for the US Navy;
- 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;
- after-sales services and supply of cabins, wet units, public areas, kitchens and "complete accommodation" packages for ship platforms.

Capital expenditure
Capital expenditure in the first half of 2019 relates mainly to the upgrading of the operating areas and infrastructure of the new Fincantieri Infrastructure plant in Valeggio sul Mincio following the award of major contracts for steel structures.

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)

31.12.2018		30.06.2019	30.06.2018
-	Revenue and income	1	-
(34)	EBITDA	(18)	(18)
n.a.	EBITDA margin	n.a.	n.a.
13	Capital expenditure	12	4

n.a. not applicable.

Capital expenditure
The main initiatives relate to capital expenditure 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 development of information systems to support the Group's growing activities and optimise process management, with particular reference to the upgrading of management systems and the exporting of these systems to the main subsidiaries of the Group.

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

OTHER INFORMATION

Market capitalization

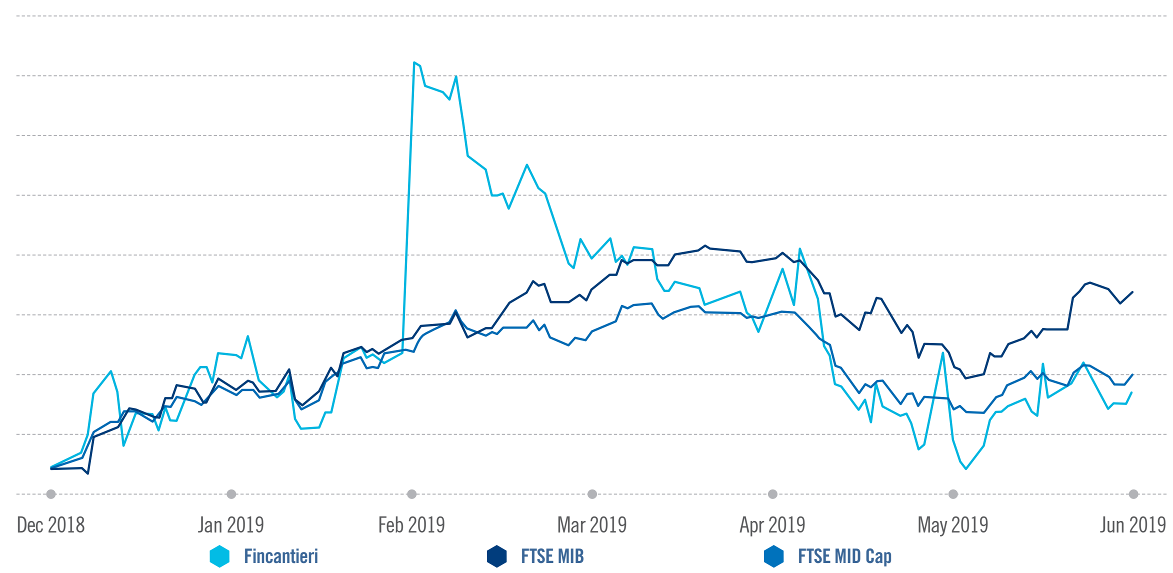
The market capitalization of Fincantieri, at the closing price on 30 June 2019, was approximately euro 1,667 million. In terms of stock liquidity, around 754 million shares were traded from the start of the year to 30 June 2019, with a daily average trading volume in the period of around 6.0 million shares, a decrease from the 968 million shares traded in the first half of 2018 (with a daily average trading volume of 7.7 million).

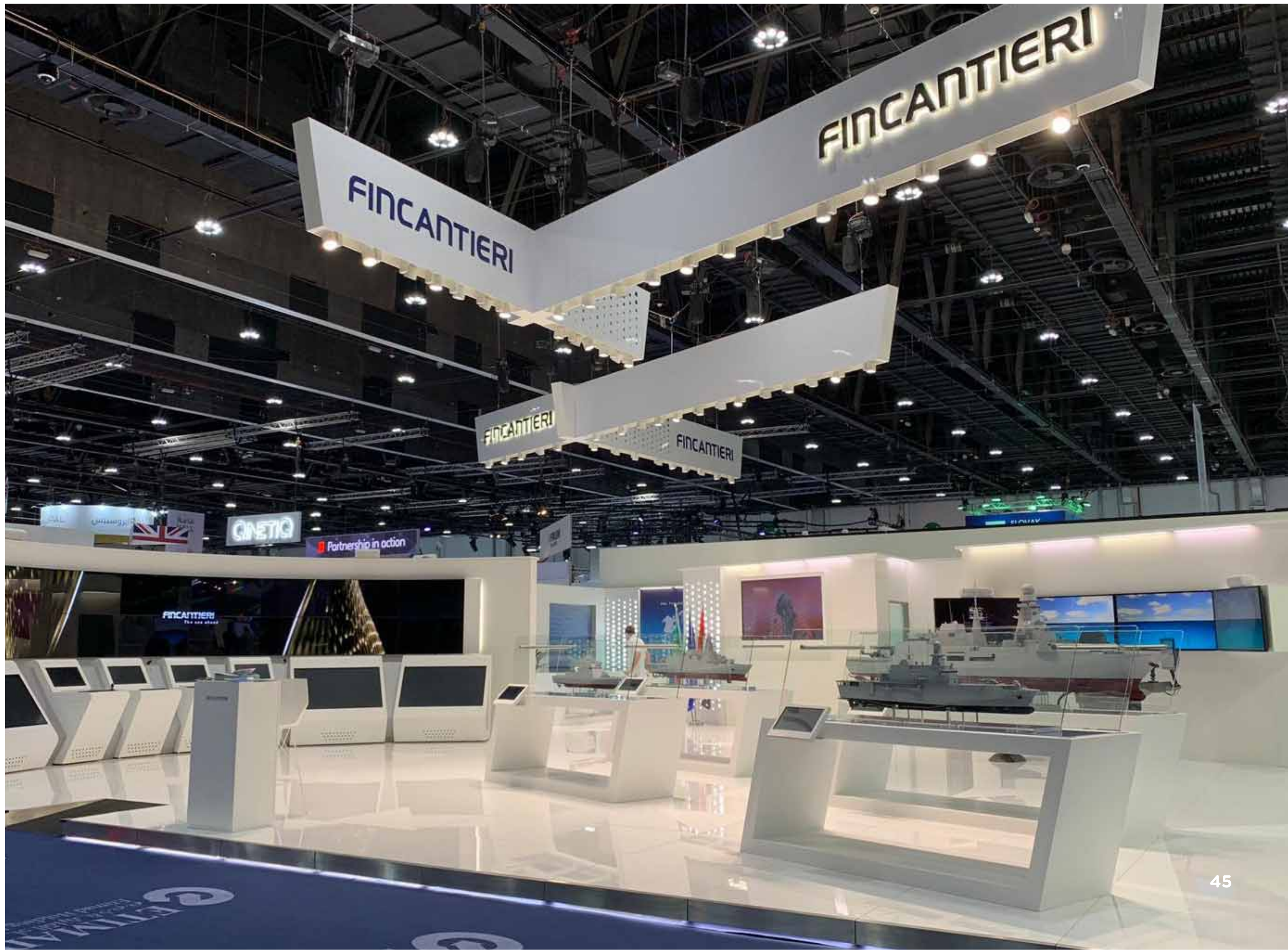
(euro)

31.12.2018			30.06.2019	30.06.2018
1.28	Average share price in the period		1.03	1.33
0.92	Share price at period end		0.99	1.17
1,692	Number of shares issued	million	1,692	1,692
1,687	Number of shares outstanding at period end	million	1,687	1,687
1,560	Market capitalization (*)	euro/million	1,667	1,976

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

Price (euro/share)





Other significant events in the period

14 JANUARY

On **14 January 2019**, Cassa Depositi e Prestiti (CDP), Fincantieri and Snam signed a preliminary cooperation agreement aimed at identifying, defining and implementing strategic medium-term projects in some key segments for innovation and the development of the Italian ports, as well as for the development of sustainable technologies for sea transport, in line with the Proposals of the National Integrated Plan for Energy and the Climate (PNIEC).

04 FEBRUARY

On **4 February 2019** the Autorità di sistema portuale del Mare di Sicilia Occidentale (AdSP - Western Sicilian Sea Port Authority) and Fincantieri signed a memorandum of understanding for the launch of a shipbuilding hub in the port of Palermo, with the shared goal of enabling the Sicilian site to assert itself as one of the most important shipyards in the Mediterranean.

21 FEBRUARY

On **21 February 2019** during the International Defence Exhibition & Conference (IDEX) 2019 in Abu Dhabi, Fincantieri and Abu Dhabi Shipbuilding (ADSB), leading group in the United Arab Emirates specializing in the construction, repair and refitting of merchant and navy ships, announced the reaching of an outline agreement to explore forms of industrial and commercial cooperation in the future in the marine engineering segment in the UAE.

06 MARCH

On **6 March 2019**, Fincantieri signed a joint working agreement for charitable purposes with Banco Alimentare della Liguria, a not-for-profit association involved in the recovery of surplus food, and I.F.M., a company that provides catering services at the Muggiano (La Spezia) yard canteen.

07 MARCH

On **7 March 2019**, Genova Industrie Navali (GIN) – holding, established in 2008 by the merger of two historic Genoa shipyards, T. Mariotti and San Giorgio del Porto – and Fincantieri reached a joint working agreement covering various areas, from new constructions, to repairs and conversions, to ship fittings. This agreement involves the acquisition by Fincantieri of a minority shareholding in the group holding and the option for a minority share in T. Mariotti.

11 MARCH

The inauguration ceremony for the Fincantieri Infrastructure site was held on **11 March 2019** in Valeggio sul Mincio (Verona). During the event, the cutting of the first metal sheet for the construction of the new Polcevera viaduct was celebrated.

19 APRIL

On **19 April 2019**, the Chief Executive Officer of Cassa Depositi e Prestiti, Fabrizio Palermo, the Chief Executive Officer of Fincantieri, Giuseppe Bono, the Chief Executive Officer of Terna, Luigi Ferraris, and the Chief Executive Officer of Eni, Claudio Descalzi, signed a non-binding agreement for the development and implementation of wave power generation plants on an industrial scale.

23 APRIL

On **23 April 2019**, within the context of the strengthening of its activities in the operating segments with high technology content, Fincantieri purchased a majority share of the capital of Insis S.p.A., a company based in Follo (La Spezia), operating in the IT and electronic sectors.

HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2019

30 APRIL

On **30 April 2019**, the Chairman of INAIL – the Italian National Institute for Insurance against Accidents at Work - Massimo De Felice, and the Chief Executive Officer of Fincantieri, Giuseppe Bono, signed a memorandum of understanding aimed at developing a safety culture in the workplace and the implementation of activities and projects for the systematic reduction of occupational accidents and diseases.

20 MAY

On **20 May 2019** the Chief Executive Officer of Fincantieri, Giuseppe Bono, and the Rector of the University of Calabria, Prof Gino Mirocle Crisci, signed, at the university campus, an agreement aimed at establishing new collaborative relationships in the civil, industrial and IT engineering sectors.

07 JUNE

On **7 June 2019**, Fincantieri signed a joint working agreement for charitable purposes with Banco Alimentare Marche, a not-for-profit association involved in the recovery of surplus food, and Gemeaz Elior, a company that provides catering services at the Ancona yard canteen.

11 JUNE

On **11 June 2019**, at its Bari site, the subsidiary Isotta Fraschini Motori celebrated the “1000-hour certification” of the 16V170C2ME diesel generator of the Multipurpose Offshore Patrol Vessel (PPA) class for the Italian Navy, an innovative product for naval applications.

14 JUNE

On **14 June 2019**, Fincantieri and Naval Group signed the Alliance Cooperation Agreement, which defines the operating terms for the establishment of an equal joint venture (50/50).

18 JUNE

On **18 June 2019**, Fincantieri and the National Research Council of Italy (CNR) presented the results of six multidisciplinary projects, within the context of the funding relating to innovation in the marine division of the Ministry of Infrastructure and Transport.

26 JUNE

On **26 June 2019**, as part of the agreement signed between Fincantieri, Regione Liguria and the trade union organizations CGIL, CISL and UIL last year and aimed at implementing a series of initiatives to facilitate work placement processes, the offer of ITS courses was extended to the autumn: a new course will begin in Liguria at the Merchant Marine Academy in order to meet the employment needs of the shipbuilding industry.

27 JUNE

On **27 June 2019**, the Fincantieri Board of Directors, in execution of the authorization granted by the Extraordinary Shareholders’ Meeting on 19 May 2017, approved the issue of 7,532,290 ordinary shares, without nominal value, having the same characteristics as the ordinary shares in circulation, for the “Performance Share Plan 2016-2018”, to be allocated free of charge to the beneficiaries of the plan, without an increase in share capital pursuant to art. 2349 of the Italian Civil Code according to the terms and conditions set out therein.

HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2019

Key events after the reporting period ended 30.06.2019

On 1 July 2019, the Municipality of Genoa and Fincantieri inaugurated a summer camp for children of Group employees aged between 4 and 11. Fincantieri has delivered this project with the aim of improving the well-being of its employees and their families. The initiative, the result of a public-private partnership, is a first demonstration of collaboration with local companies, which is part of the plan to implement “Genoa in Family”.
On 4 July 2019, Fincantieri concluded the acquisition of the majority share of the Insis S.p.A., solution provider in the integrated physical logical security sector, operating in national and international markets both directly and as a technology partner of large industrial groups.

Business outlook

Notwithstanding the challenging context with specific reference to the Offshore and Specialized Vessels sector performance, the good results within the Shipbuilding segment allow the forecasts for the 2019 financial year on a Group level to be maintained. Specifically, the targets of revenue growth and the maintenance of EBITDA margins in line with 2018 are confirmed, consistently with the economic and financial forecasts presented within the 2018-2022 Business Plan. Net debt is expected to rise temporarily due to working capital financing needs.
In the Shipbuilding segment, in the next half of 2019, the Group expects to deliver four ships, including three cruise units and one naval vessel. Also with reference to the naval business area, the program for the Qatari Ministry of Defense coming into full swing, with three vessels under construction and the first delivery scheduled for 2021.
In the Offshore and Specialized Vessels segment, the construction activity related to the backlog acquired as a result of the diversification strategy adopted following the Oil&Gas sector crisis is expected to continue, with ongoing focus on execution aimed at margin recovery. It should be noted that a restructuring plan is currently being developed which involves initiatives to recover margins in the medium term, also drawing on the experience of developing innovative products and cutting-edge technologies in sectors not closely linked to the Oil&Gas operating segment.
The Equipment, Systems and Services segment is expected to confirm its revenue growth trend, thanks to the development of the backlog relating to military programs, to greater volumes for the production of cabins and public areas for the cruise business activity, and to the development of activities within the infrastructure area which have seen the start of construction work on the bridge over the Polcevera River in the first half of the year.

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 29 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, on 30 June 2019, 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 2019.

Italian stockmarket regulations

Art. 15 (formerly art. 36) of the Consob Market Regulations (adopted by Consob Resolution no. 16191/2007 and updated with Consob Resolution no. 20249 of 28 December 2017) sets out the listing conditions for companies that control companies incorporated in and governed by the laws of non-EU countries. With reference to these regulatory requirements concerning the listing conditions for companies that control companies, incorporated in and governed by the laws of non-EU countries, that are material to the consolidated financial statements, it is reported that as at 30 June 2019, the Fincantieri subsidiaries falling under the scope of the above article are the VARD Group and the FMG Group. Suitable procedures have already been adopted to ensure that these groups comply with these regulations (art. 15).
In accordance with the disclosures required by Consob Communication no. DEM/6064293 dated 28 July 2006, it is reported that no atypical and/or unusual transactions took place during 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 “Ethics and Governance - Corporate Governance System” section of the Company's website at www.fincantieri.it.
The Report contains a general and complete overview of the corporate governance system adopted by FINCANTIERI S.p.A. It presents the Company's profile and the principles underlying the way it conducts its business; it provides information about the ownership structure and adoption of the Corporate Governance Code, including the main governance practices applied and the main characteristics of the system of internal control and risk management; it contains a description of the operation and composition of the governing and supervisory bodies and their committees, roles, duties and responsibilities.
The criteria for determining the compensation of the Directors are set out in the “Remuneration Report”, prepared in compliance with the requirements of art. 123-ter of 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 2019 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; • not correctly representing the operational management events and phenomena in the financial reports; • overestimating the synergies arising from acquisition operations or suffering the effects of slow and/or weak integration; • forming alliances, joint ventures or other relationships with counterparties that could negatively affect the ability to compete; • not adequately managing the complexity arising from its product diversification; • failing to efficiently distribute workloads according to production capacity (plant and labour) 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 ensure control of the proper completion and efficiency of its shipbuilding processes and the proper representation of these in its reporting, or if it was unable to adequately manage the Group synergies, alliances, joint ventures or other relationships with counterparties and the complexity arising from its product diversification or if it failed to efficiently distribute workloads according to production capacity (plant and labour) available on each occasion at the different production facilities, revenues 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, in this segment, for the subsidiary VARD, as well as the risk of cancellation or postponement of existing orders. Equally, the availability of resources earmarked by the State for defence 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 nationally and internationally, through acquisitions or the incorporation of new companies dedicated to specific businesses, such as the manufacture of steel products. Given the current downturn in the offshore market, the subsidiary VARD has successfully pursued a strategy of diversifying into new market segments, such as the expedition cruise, market and specialized vessels for fishing and aquaculture, with the intent of reducing its exposure to the cyclical nature of the Oil&Gas segment.

HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2019

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 and specific segments such as fishing and aquaculture. 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 endeavours 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 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 favouring 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 that do not meet the contractual obligations, or one or more suppliers that fail to discharge their obligations for operational or financial reasons, with potentially serious effects on the performance of operating activities and a potential increase in costs, including legal, in the case of a failure to comply with contractual commitments. 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 the majority of the offshore vessels in the current order book and is pursuing the initiatives launched to ensure a commercial solution to the few offshore projects that have remained in the order book to date. 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.

HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2019

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 Protocol signed in 2017. The subsidiary VARD has paid special attention to the process of evaluating and managing contracts with suppliers operating in new sectors that the Group entered as a result of its diversification strategy.

6 Risks related to business sustainability

DESCRIPTION OF RISK	IMPACT	MITIGATION
The shipbuilding industry, due to its specific characteristics, requires consideration of certain issues relating to the social and environmental sustainability of the business. The Company is committed to disseminating its Governance Model within the Group; however, any shortcomings in the communication of its commitment to the Group could put at risk the achievement of the goals defined and communicated to stakeholders. Furthermore, the Company has identified specific risks related to shipbuilding products and processes, including: • the risk of failing to pay attention to the development of new technologies and environmentally friendly products; • the risk of poor management of environmental issues, such as those related to climate change (impact of natural events, increase in the price of materials due to factors connected to climate); • the risk that the supply chain does not mirror the sustainability principles communicated by the Company; • the risk of failing to optimize the Group's human capital.	The aim of the Company is to combine business growth and financial soundness in line with social and environmental sustainability principles, and failure to achieve this goal could, in the long term, compromise growth of the Company's value, which benefits stakeholders.	The Company has developed a sustainability governance system which defines the roles and responsibilities of these processes in order to ensure adequate monitoring and control. The risks related to sustainability are identified, assessed and managed within the context of the Enterprise Risk Management process, and the Company has adopted a Sustainability Plan and monitors its application. The initiatives launched are accurately reported in the Sustainability Report.

7 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 labour 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 labour 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 labour 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. With regard to the subsidiary VARD, an internal reorganization has been carried out to assist the process of diversifying into new markets, with particular attention to the development of new concepts and alteration of production processes. At the same time, actions to recruit qualified labour have been launched in the Romanian shipyards to increase the technical and qualitative level of the workforce and achieve production efficiency in order to both support the parent company's production plan and guarantee better management of the other projects in the order book.

8 Risks related to legal and regulatory environment

DESCRIPTION OF RISK	IMPACT	MITIGATION
The Fincantieri Group must abide by the regulations in force in the countries where it operates, including those to safeguard the environment and health and safety at work, tax regulations and the personal data protection regulation. 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. Any breaches of personal data protection regulations would result in the application of the sanctions introduced by EU Regulation 2016/679 regarding the protection of personal data.	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. Compliance with the personal data protection regulation is ensured by a system of internal rules adopted in order to ensure that the personal data collected and processed within the company's business processes.

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.

9 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.

10 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 and the Group's cash flow.	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.

11 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 costs and 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 interest 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 also using certain measures not envisaged by 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:
  - costs relating to reorganization plans and non-recurring other personnel costs;
  - provisions for costs and legal expenses associated with lawsuits brought by employees for asbestos-related damages;
  - other expenses or income outside the ordinary course of business due to particularly significant non-recurring events.
- EBIT: this is equal to EBITDA after deducting depreciation, amortization and impairment of a recurring nature (this excludes impairment of goodwill, Intangible assets and Property, plant and equipment recognized as a result of impairment tests).
- Adjusted profit/(loss) 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,

HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2019

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 (on 12-month basis, 1 July - 30 June).
- 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)

	30.06.2019		30.06.2018	
	Amounts in IFRS statement	Amounts in reclassified statement	Amounts in IFRS statement	Amounts in reclassified statement
A - Revenue		**2,837**		**2,527**
Operating revenue	2,804		2,473	
Other revenue and income	33		54	
B - Materials, services and other costs		**(2,100)**		**(1,855)**
Materials, services and other costs	(2,108)		(1,857)	
Recl. to I - Extraordinary and non-recurring income and expenses	8		2	
C - Personnel costs		**(508)**		**(482)**
Personnel costs	(511)		(485)	
Recl. to I - Extraordinary and non-recurring income and expenses	3		3	
D - Provisions		**(14)**		**(7)**
Provisions	(30)		(38)	
Recl. to I - Extraordinary and non-recurring income and expenses	16		31	
E - Depreciation, amortization and impairment		**(78)**		**(65)**
Depreciation, amortization and impairment	(78)		(65)	
F - Finance income/(costs)		**(60)**		**(52)**
Finance income/(costs)	(60)		(52)	
G - Income/(expense) from investments		**(3)**		**1**
Income/(expense) from investments	(3)		5	
Recl. to I - Extraordinary and non-recurring income and expenses	-		(4)	
H - Income taxes		**(40)**		**(28)**
Income taxes	(35)		(20)	
Recl. to L - Tax effect of extraordinary and non-recurring income and expenses	(5)		(8)	
I - Extraordinary and non-recurring income and expenses		**(27)**		**(32)**
Recl. from B - Materials, services and other costs	(8)		(2)	
Recl. from C - Personnel costs	(3)		(3)	
Recl. from D - Provisions	(16)		(31)	
Recl. from G - Income/(expense) from investments	-		4	
L- Tax effect of extraordinary and non-recurring income and expenses		**5**		**8**
Recl. from H - Income taxes	5		8	
Profit/(loss) for the period		**12**		**15**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(euro/million)

	30.06.2019		31.12.2018	
	Amounts in IFRS statement	Amounts in reclassified statement	Amounts in IFRS statement	Amounts in reclassified statement
A - Intangible assets		**621**		**618**
Intangible assets	621		618	
B - Rights of use		**85**		**-**
Rights of use	85		-	
C - Property, plant and equipment		**1,152**		**1,074**
Property, plant and equipment	1,152		1,074	
D - Investments		**74**		**60**
Investments	74		60	
E - Other non-current assets and liabilities		**(14)**		**8**
Derivative assets	1		30	
Other non-current assets	30		31	
Other liabilities	(30)		(32)	
Derivative liabilities	(15)		(21)	
F - Employee benefits		**(59)**		**(57)**
Employee benefits	(59)		(57)	
G - Inventories and advances		**807**		**881**
Inventories and advances	807		881	
H - Construction contracts and client advances		**969**		**936**
Construction contracts - assets	2,301		2,531	
Construction contracts - liabilities and client advances	(1,332)		(1,595)	
I - Construction loans		**(492)**		**(632)**
Construction loans	(492)		(632)	
L - Trade receivables		**647**		**749**
Trade receivables and other current assets	979		1,062	
Recl. to O) Other assets	(332)		(313)	
M - Trade payables		**(1,824)**		**(1,849)**
Trade payables and other current liabilities	(2,150)		(2,116)	
Recl. to O) Other liabilities	326		267	
N - Provisions for risks and charges		**(80)**		**(135)**
Provisions for risks and charges	(80)		(135)	
O - Other current assets and liabilities		**76**		**94**
Deferred tax assets	139		123	
Income tax assets	22		21	
Derivative assets	8		23	
Recl. from L) Other current assets	332		313	
Deferred tax liabilities	(57)		(58)	
Income tax liabilities	(12)		(4)	
Derivative liabilities and option fair value	(30)		(57)	
Recl. from M) Other current liabilities	(326)		(267)	
NET INVESTED CAPITAL		**1,962**		**1,747**
P - Equity	**1,238**			**1,253**
Q - Net financial position	**724**			**494**
SOURCES OF FUNDING		**1,962**		**1,747**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS ENDED 30 JUNE 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(euro/000)

	Note	30.06.2019	of which related parties - Note 29	31.12.2018	of which related parties - Note 29
ASSETS					
NON-CURRENT ASSETS					
Intangible assets	5	621,207		617,668	
Rights of use	6	85,034			
Property, plant and equipment	7	1,152,296		1,074,026	
Investments accounted for using the equity method	8	54,134		55,651	
Other investments	8	19,582		4,556	
Financial assets	9	73,191	17,755	97,901	13,449
Other assets	10	31,156	790	31,811	673
Deferred tax assets	11	139,412		123,964	
Total non-current assets		2,176,012		2,005,577	
CURRENT ASSETS					
Inventories and advances	12	806,976	197,564	881,095	201,738
Construction contracts - assets	13	2,300,721		2,531,272	
Trade receivables and other current assets	14	981,034	197,845	1,062,377	145,310
Income tax assets	15	21,473		20,602	
Financial assets	16	27,674	500	48,688	86
Cash and cash equivalents	17	683,509		676,487	
Total current assets		4,821,387		5,220,521	
TOTAL ASSETS		6,997,399		7,226,098	
EQUITY AND LIABILITIES					
EQUITY	18				
Attributable to owners of the parent					
Share Capital		862,981		862,981	
Reserves and retained earnings		352,604		364,299	
Total Equity attributable to owners of the parent		1,215,585		1,227,280	
Attributable to non-controlling interests		21,927		25,690	
Total Equity		1,237,512		1,252,970	
NON-CURRENT LIABILITIES					
Provisions for risks and charges	19	70,860		126,523	
Employee benefits	20	59,416		56,806	
Financial liabilities	21	837,276	35,160	792,728	40,487
Other liabilities	22	30,576		32,137	
Deferred tax liabilities	11	56,848		58,012	
Total non-current liabilities		1,054,976		1,066,206	
CURRENT LIABILITIES					
Provisions for risks and charges	19	8,916		8,693	
Construction contracts - liabilities	13	1,331,596		1,594,793	
Trade payables and other current liabilities	23	2,151,423	113,305	2,116,290	66,642
Income tax liabilities		12,152		4,300	
Financial liabilities	24	1,200,824	35,115	1,182,846	12,324
Total current liabilities		4,704,911		4,906,922	
TOTAL EQUITY AND LIABILITIES		6,997,399		7,226,098	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(euro/000)

	Note	30.06.2019	of which related parties - Note 29	30.06.2018	of which related parties - Note 29
Operating revenue	25	2,803,704	116,335	2,472,610	108,295
Other revenue and income	25	33,164	9,130	54,331	614
Materials, services and other costs	26	(2,107,774)	(73,825)	(1,857,000)	(29,466)
- of which non-recurring	29				
Personnel costs	26	(510,953)		(484,356)	
- of which non-recurring	29	(707)			
Depreciation, amortization and impairment	26	(77,552)		(65,719)	
Provisions	26	(30,110)		(37,880)	
Finance income	27	20,284	130	26,901	445
Finance costs	27	(80,533)	(1,887)	(78,826)	(2,113)
Income/(expense) from investments		(18)		6,452	
Share of profit/(loss) of investments accounted for using the equity method		(2,584)		(1,503)	
Taxes	28	(35,600)		(20,016)	
PROFIT / (LOSS) FOR THE PERIOD (A)		12,028		14,994	
Attributable to owners of the parent		15,856		20,978	
Attributable to non-controlling interests		(3,828)		(5,984)	
Basic earnings/(loss) per share (euro)		0.00940		0.01243	
Diluted earnings/(loss) per share (euro)		0.00932		0.01237	
Other comprehensive income/(losses), net of tax (OCI)					
Gains/(losses) from remeasurement of employee defined benefit plans	18 20	(2,238)		535	
Total gains/(losses) that will not be reclassified to profit or loss, net of tax	18	(2,238)		535	
- attributable to non-controlling interests					
Effective portion of gains/(losses) on cash flow hedging instruments	18	(19,870)		(38,984)	
Gains/(losses) arising from changes in OCI of investments accounted for using the equity method	18				
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	18	9,211		15,987	
Total gains/(losses) that may be subsequently reclassified to profit or loss, net of tax	18	(10,659)		(22,997)	
- attributable to non-controlling interests		238		887	
Total other comprehensive income/(losses), net of tax (B)	18	(12,897)		(22,462)	
- attributable to non-controlling interests		238		887	
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD (A) + (B)		(869)		(7,468)	
Attributable to owners of the parent		2,721		(2,371)	
Attributable to non-controlling interests		(3,590)		(5,097)	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(euro/000)

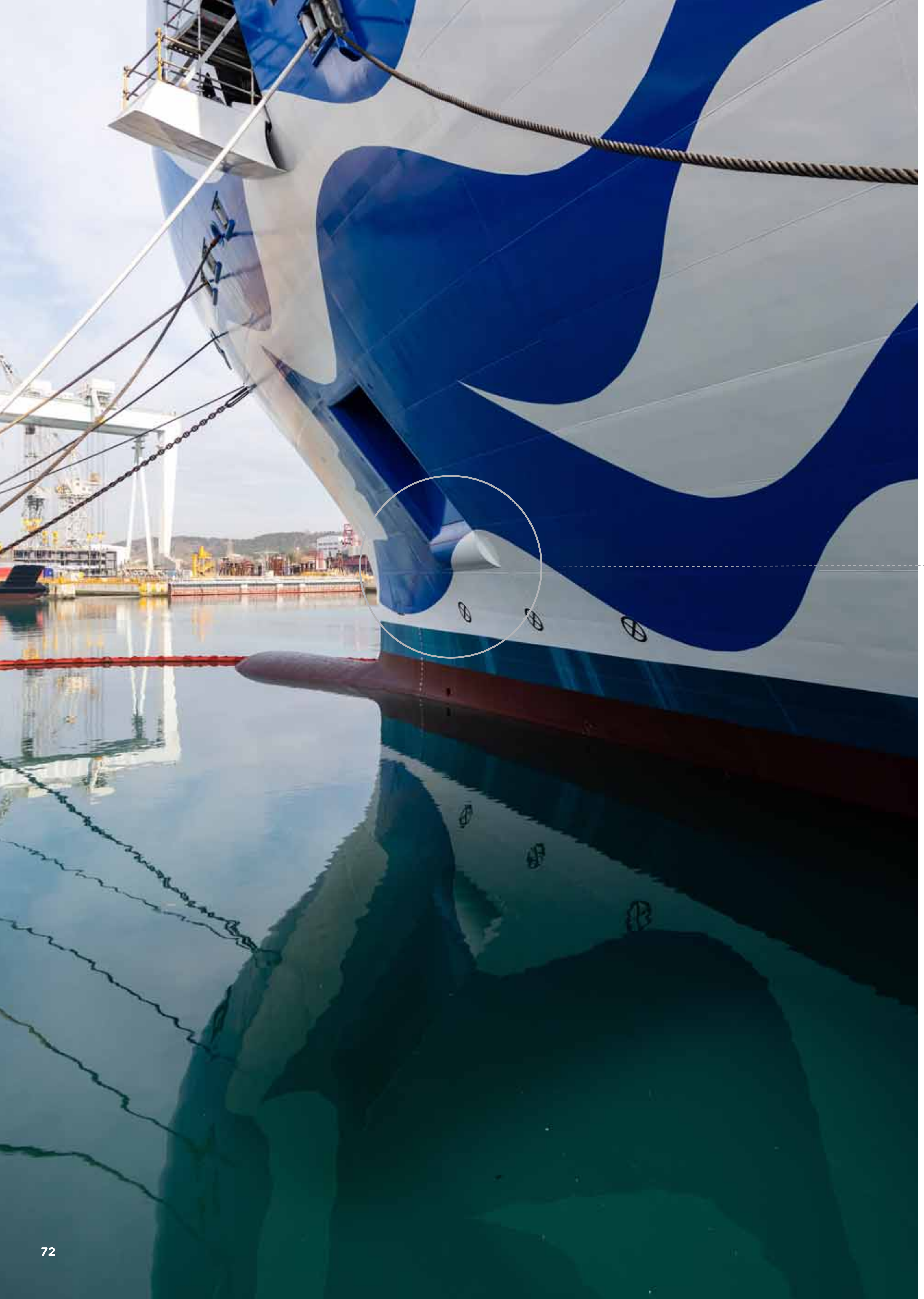
	Note	Share Capital	Reserves and retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	**Total**
01.01.2018	-	**862,981**	**353,430**	**1,216,411**	**72,088**	**1,288,499**
Business combinations						
Share Capital increase						
Acquisition of 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)**
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	-	**862,981**	**338,240**	**1,201,221**	**58,044**	**1,259,265**
01.01.2019	18	**862,981**	**364,299**	**1,227,280**	**25,690**	**1,252,970**
Business combinations						
Share Capital increase						
Acquisition of non-controlling interests			(302)	(302)	(173)	(475)
Dividend distribution			(16,874)	(16,874)		(16,874)
Reserve for long-term incentive plan			2,760	2,760		2,760
Other changes/roundings						
Total transactions with owners			**(14,416)**	**(14,416)**	**(173)**	**(14,589)**
Net profit/(loss) for the period			15,856	15,856	(3,828)	12,028
Other components						
OCI for the period			(13,135)	(13,135)	238	(12,897)
Total comprehensive income for the period			**2,721**	**2,721**	**(3,590)**	**(869)**
30.06.2019	18	**862,981**	**352,604**	**1,215,585**	**21,927**	**1,237,512**

HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2019

CONSOLIDATED STATEMENT OF CASH FLOWS

(euro/000)

	Note	30.06.2019	30.06.2018
NET CASH FLOWS FROM OPERATING ACTIVITIES	30	**130,136**	**262,450**
- of which related parties		(1,815)	(5,409)
Investments in:			
- intangible assets		(21,912)	(5,934)
- property, plant and equipment		(80,070)	(38,370)
- equity investments		(15,500)	(7,169)
- receivables and other financial assets			
- cash out for business combinations, net of cash acquired		(246)	(85)
Disposals of:			
- intangible assets		85	
- property, plant and equipment		53	334
- equity investments			16,600
- receivables and other non-current financial assets			
CASH FLOWS FROM INVESTING ACTIVITIES		**(117,590)**	**(34,624)**
Change in non-current loans:			
- disbursements		60,000	65,888
- repayments		(14,279)	(25,382)
Change in non-current financial receivables:			
- disbursements		(15,013)	(5,057)
- repayments		322	205
Change in current bank loans and credit facilities			
- disbursements		1,057,208	512,561
- repayments		(1,108,768)	(651,127)
Change in current bonds/commercial papers			
- disbursements		489,200	225,000
- repayments		(501,000)	
Change in other current financial liabilities/receivables		24,374	(2,517)
Change in receivables for held-for-trading financial instruments		767	949
Change in payables for held-for-trading financial instruments		2	
Net capital contributions by non-controlling interests			
Increase in Share Capital			
Acquisition of non-controlling interests in subsidiaries		(474)	(6,908)
CASH FLOWS FROM FINANCING ACTIVITIES		**(7,661)**	**113,612**
- of which related parties		12,744	(22,229)
NET CASH FLOWS FOR THE PERIOD		**4,885**	**341,438**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**676,487**	**274,411**
Effect of exchange rate changes on cash and cash equivalents		2,137	1,732
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**683,509**	**617,581**



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2019

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 2019, 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 2019 (the "Condensed Consolidated Interim Financial Statements") were approved by the Company's Board of Directors on 24 July 2019.
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 audit of the Condensed Consolidated Interim Financial Statements.

Basis of preparation

The Half-Year Financial Report of the Fincantieri Group as at 30 June 2019 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 2018, prepared in accordance with IFRS (the "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 2018, 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 2019 and 31 December 2018:

(euro/000)

	30.06.2019			31.12.2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Financial assets at fair value through profit or loss						
Equity instruments	165		4,125	178		4,111
Debt instruments						
Convertible loans			11,000			
Financial assets at fair value through comprehensive income						
Equity instruments			15,292			267
Debt instruments						
Hedging derivatives		8,143			52,147	
Held-for-trading derivatives		44			811	
Total assets	**165**	**8,187**	**30,417**	**178**	**52,958**	**4,378**
Liabilities						
Financial liabilities at fair value through profit or loss			19,508			19,389
Hedging derivatives		26,062			59,264	
Held-for-trading derivatives		32			30	
Total liabilities		**26,094**	**19,508**		**59,294**	**19,389**

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. During the first half of 2019, the following were classified as level 3 financial assets at fair value: i) the new investment in Genova Industrie Navali (see note 8), ii) the new convertible loan granted to T. Mariotti S.p.A. (see note 9). The remaining movements in financial assets and liabilities classified as Level 3 are basically due 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 2019:

- On 1 January 2019, the deed of reverse merger by incorporation of Delfi S.r.l. into the subsidiary Issel Nord S.r.l. took effect, whereby all the shares making up the capital of Delfi S.r.l. were cancelled, while those of Issel Nord S.r.l. were assigned to Fincantieri S.p.A.;
- On 8 January 2019 the company SIA ICD Industries Latvia, 100% owned by the company Seaonics AS, was liquidated;
- On 19 February 2019, the Parent Company and the subsidiary Fincantieri SI S.p.A. incorporated the company BOP6 S.c.a.r.l., in which they hold 5% and 95% of the Share Capital respectively. The NewCo, based in Trieste, will install transformers, converters, power factor correction units and harmonic filters at the ITER site in Saint-Paul Lez Durance (France);
- On 11 March 2019 the company Vard Ship Repair Braila SA, 100% owned by the company Vard Braila SA, was liquidated;
- On 19 March 2019, the Parent Company became a shareholder of Genova Industrie Navali S.c.p.a. with a 15% interest;
- On 19 March 2019 the subsidiary Marine Interiors S.p.A. acquired the entire shareholding of Luxury Interiors Factory S.r.l.;
- In the first half of 2019, Fincantieri increased its shareholding in the VARD Group, through the subsidiary Fincantieri Oil & Gas, from 97.22% at 31 December 2018 to 97.44% at 30 June 2019.

On 4 July 2019, FINCANTIERI S.p.A. completed the acquisition of a 60% stake in the INSIS Group, a solution provider in the field of physically and logically integrated security, operating in domestic and foreign markets both directly and as a technology partner of large industrial groups. The purchase price of the investment is euro 23 million. The agreement also provides that Fincantieri may exercise a call option on the remaining 40%, and the minority third party shareholder may exercise a put option on the same share.
No significant transactions or unusual events have taken place during the first half of 2019 or during 2018, except as reported in the Condensed Consolidated Interim Financial Statements as at 30 June 2019. 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:

	30.06.2019		31.12.2018		30.06.2018	
	Average rate	Closing rate	Average rate	Closing rate	Average rate	Closing rate
US Dollar (USD)	1.1298	1.1380	1.1810	1.1450	1.2104	1.1658
Australian Dollar (AUD)	1.6003	1.6244	1.5797	1.6220	1.5688	1.5787
UAE Dirham (AED)	4.1491	4.1793	4.3371	4.2050	4.4450	4.2814
Brazilian Real (BRL)	4.3417	4.3511	4.3085	4.4440	4.1415	4.4876
Norwegian Krone (NOK)	9.7304	9.6938	9.5975	9.9483	9.5929	9.5115
Indian Rupee (INR)	79.124	78.524	80.7332	79.7298	79.4903	79.8130
Romanian Leu (RON)	4.7418	4.7343	4.6540	4.6635	4.6543	4.6631
Chinese Yuan (CNY)	7.6678	7.8185	7.8081	7.8751	7.7086	7.7170
Swedish Krona (SEK)	10.5181	10.5633	10.2583	10.2548	10.1508	10.4530

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 2019 are the same as those adopted in preparing the Consolidated Financial Statements at 31 December 2018, to which reference is made, except for those listed under the accounting standards, amendments and interpretations applicable with effect from 1 January 2019, 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 2019

First time adoption IFRS 16

With effect from 1 January 2019, the new accounting standard IFRS 16 "Leases" came into force, which defines a standard form for recognising leasing contracts, eliminating the distinction between operating and financial leases, and providing for the recognition of an asset for the right to use the good and a liability for the lease.

For first-time application, for the purposes of displaying the impact in the financial statements from the first adoption of IFRS 16, the Group has decided to use the option provided for by IFRS 16, paragraph C5, subsection b) and paragraph C8, on the basis of which the Group recognised at 1 January 2019 a financial liability (euro 88 million) corresponding to the actual value of outstanding payments due for leases in place on the date of first application, discounted using the marginal lending rate on the date of initial application, against a fixed asset of the same amount reflecting the right to use the leased goods, without restating the values for the previous financial years presented for comparison. The weighted average marginal lending rate used to determine the financial liability at 1 January 2019 was 3.1%. In addition, for first-time application, the Group has used the option not to make any adjustments for operating leases which have underlying assets of a low value and for operating leases with a term ending within 12 months of the date of initial application, for which the payments due will continue to be recognised, as previously done, under operating charges.

In summary, accounting for leasing contracts pursuant to IFRS 16 requires:

- in the balance sheet, the recognition of an asset, representing the right of use of the good (right of use asset), and a liability (lease liability), representing the obligation to make payments under the contract; as permitted by the principle, the right of use asset and the lease liability are recorded in separate items with respect to the other components of the balance sheet;
- in the income statement, under operating costs, the recognition of amortisation of right of use assets and, in the financial section, the recognition of interest payable accrued on the lease liability, if not capitalised, instead of operating lease instalments recorded under operating costs in accordance with the provisions of the accounting standard in force up to the 2018 financial year. The income statement also includes: (i) instalments relating to short-term leases of modest value, as allowed by IFRS 16 in a simplified manner; and (ii) variable lease instalments, not included in the determination of the liability lease (e.g. instalments based on the use of the leased asset);
- in the statement of cash flows, the recognition of the repayments of the principal portion of the lease liability under net cash flow from financing activities. Interest payable is recognised under net cash flow from operating activities, where it is recognised in the profit and loss account.

The following table shows the reconciliation between the commitments for operating leases reported in the 2018 financial statements and the value of the financial liability and related rights of use recorded at the time of the first application of IFRS 16:

(euro/000)	01.01.2019
Commitments for operating leases IAS 17 not discounted to 31 December 2018 (+)	**81,188**
Exceptions to IFRS 16 recognition (-)	(8,698)
- For short-term leases (-)	(8,436)
- For leases of moderate value (-)	(261)
Other changes:	34,914
- adjustments due to different consideration of options for early renewal or termination of contracts	34,914
Financial liabilities for IFRS 16 non-discounted leases at 1 January 2019	**107,404**
Discount effect on operating leases (-)	(19,083)
Financial liabilities for IFRS 16 discounted operating leases at 1 January 2019	**88,322**
Financial liabilities for financial leases pursuant to IAS 17 at 01/01/2019 (+)	210
Total IFRS 16 financial liabilities at 1 January 2019	**88,531**
New Rights of Use recognised for transition purposes IFRS 16 (+)	
Assets for operational use:	88,322
a) buildings	62,028
b) state concessions	21,603
c) vehicles and passenger cars	4,146
c) other	545
Assets under financial lease as per IAS 17 at 01/01/2019 (+)	210
Financial liabilities for IFRS 16 discounted operating leases at 1 January 2019	**88,531**
Equity (Retained earnings) at 1 January 2019	**-**

Other accounting standards, amendments and interpretations applicable with effect from 1 January 2019

On 12 December 2017, the IASB issued the "Annual Improvements to IFRSs: 2015-2017 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.

On 7 February 2018, the IASB published amendments to IAS 19 – Plan Amendment, Curtailment or Settlement, specifying the methods for determining, in the case of a defined benefit plan, the costs relating to pensions for the remainder of the reporting period.

On 7 June 2017, the IASB issued interpretation IFRIC 23 – Uncertainty over Income Tax Treatments, which provides indications on how to reflect the effects of uncertainties in tax treatment in the accounts.

On 12 October 2017, the IASB published amendments to IFRS 9 – Prepayment Features with Negative Compensation, aimed at enabling measurement at amortised cost or at fair value through other comprehensive income (OCI) of financial assets with an early repayment option with negative compensation.

On 12 June 2017, the IASB published amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures, to clarify that IFRS 9 applies to long-term interests in an associate company or joint venture that form part of the net investment in the associate company or joint venture.

The application of these standards, amendments and interpretations had no significant effect on the consolidated interim financial statements as at 30 June 2019.

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

A full description of the use of accounting estimates can be found in the Consolidated Financial Statements at 31 December 2018. 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	254,830	188,420	179,898	123,349	24,938	63,048	55,259	889,742
- accumulated amortization and impairment losses		(80,469)	(70,471)	(98,339)	(7,354)	(15,441)		(272,074)
Net carrying amount at 01.01.2019	**254,830**	**107,951**	**109,427**	**25,010**	**17,584**	**47,607**	**55,259**	**617,668**
Movements								
- business combinations								
- additions	394		1,424		3	136	20,349	22,306
- net disposals						(48)		(48)
- reclassifications/other		(1)		636	674	1	(1,347)	(37)
- amortization		(4,133)	(14,115)	(3,164)	(873)	(4,058)		(26,343)
- impairment losses	(394)		(367)					(761)
- exchange rate differences	5,308	2,541	229	116	107	112	9	8,422
Closing net carrying amount	**260,138**	**106,358**	**96,598**	**22,598**	**17,495**	**43,750**	**74,270**	**621,207**
- cost	260,532	192,735	181,622	124,017	25,836	63,210	74,270	922,222
- accumulated amortization and impairment losses	(394)	(86,377)	(85,024)	(101,419)	(8,341)	(19,460)		(301,015)
Net carrying amount at 30.06.2019	**260,138**	**106,358**	**96,598**	**22,598**	**17,495**	**43,750**	**74,270**	**621,207**

Goodwill totals euro 260,138 thousand at 30 June 2019 and was allocated as follows:

CGU	Goodwill value
FMG Group	69,896
VARD Offshore and Specialized Vessels	132,673
VARD Cruise	57,569
TOTAL	**260,138**

Following impairment indicators for the VARD Offshore and Specialized Vessels and VARD Cruise CGUs, in line with the provisions of international accounting standard IAS 36, the recoverability of the value of goodwill allocated to the two CGUs was verified.
For the purposes of impairment testing, the company used cash flow projections

based on the best available information inferred from the Strategic Plan 2018-2022 updated at the moment of estimation. The following table specifies for each of the two CGUs the method used to determine recoverable amount and the discount and growth rates used adopted for this calculation. For further details on the method used by the Group to estimate the recoverable amount of goodwill, reference should be made to the 2018 Annual Report.

CGU	RECOVERABLE AMOUNT	POST TAX WACC	G RATE	CASH FLOW PERIOD
VARD Offshore and Specialized Vessels	Value in use	5.7%	1.8%	3.5 years
VARD Cruise	Value in use	5.6%	1.8%	3.5 years

VARD Offshore and Specialized Vessels CGU

The impairment test has shown that the CGU's recoverable amount exceeds its carrying amount, meaning that no impairment loss needs to be recognised. The results obtained have been subjected to sensitivity analysis for those assumptions, changes in which might reasonably cause the test results to change materially. This has shown that if WACC were to increase by 100 basis points or if growth rates (g rate), used in the terminal value calculation, were to decrease by 100 basis points, recoverable amounts would still be higher than carrying amounts.

VARD Cruise CGU

The impairment test has shown that the CGU's recoverable amount exceeds its carrying amount, meaning that no impairment loss needs to be recognised. The results obtained have been subjected to sensitivity analysis for those assumptions, changes in which might reasonably cause the test results to change materially. This has shown that if WACC were to increase by 100 basis points or if growth rates (g rate), used in the terminal value calculation, were to decrease by 100 basis points, recoverable amounts would still be significantly higher than carrying amounts.

The item "Concessions, licenses, trademarks and similar rights" includes euro 16,257 thousand for trademarks with indefinite useful lives, reflecting the expectation for their use.

Capital expenditure in the first half of 2019 has resulted in additions of euro 21,912 thousand (euro 5,934 thousand at 30 June 2018), mainly related to:

- the continued implementation of an integrated system for the design of ships (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 activity and optimise management of the processes;
- the development of information systems to support the Group's growing activities and optimise process management, with particular reference to the upgrading of management systems and the exporting of these systems to the main subsidiaries of the Group.

NOTE 6 - RIGHTS OF USE

Movements in this line item are as follows:

(euro/000)

	Buildings ROU	State concessions ROU	Transport and lifting vehicles ROU	Passenger cars ROU	Computer equipment ROU	Other ROU	Total
Initial book value as at 01.01.2019	62,237	21,603	1,342	2,804	483	62	88,531
Movements							
- business combinations							
- increases	6,555	1,251		997	29	5	8,837
- decreases	(241)	(1,258)					(1,499)
- reclassifications/other	(1,397)						(1,397)
- amortization	(5,951)	(692)	(228)	(666)	(101)	(10)	(7,648)
- impairment losses							
- exchange rate differences	(1,803)	11		1	1		(1,790)
Closing net carrying amount	59,400	20,915	1,114	3,136	412	57	85,034
- cost	65,353	21,607	1,342	3,785	513	66	92,666
- accumulated amortization and impairment losses	(5,953)	(692)	(228)	(649)	(101)	(9)	(7,632)
Net carrying amount at 30.06.2019	59,400	20,915	1,114	3,136	412	57	85,034

For the value of non-current and current financial liabilities pursuant to IFRS 16, reference should be made to notes 21 and 24.

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

Movements in this line item are as follows:

(euro/000)

	Land and buildings	Leased buildings	Industrial plant, machinery and equipment	Assets under concession	Leasehold improvements	Other assets	Assets under construction and supplier advances	**Total**
- cost	646,233	3,624	1,297,782	193,649	29,774	202,782	149,489	2,523,333
- accumulated depreciation and impairment losses	(241,745)	(3,404)	(920,529)	(135,300)	(24,074)	(124,255)		(1,449,307)
Net carrying amount at 01.01.2019	404,488	220	377,253	58,349	5,700	78,527	149,489	1,074,026
Movements								
- business combinations			15					15
- additions	709		7,631	91	11	273	71,355	80,070
- net disposals	1		(472)			(100)	(9)	(580)
- reclassifications/other	5,315	(223)	10,280	28	81	1,189	21,195	37,865
- depreciation	(8,926)		(26,926)	(2,259)	(461)	(4,203)		(42,775)
- impairment losses	(25)							(25)
- exchange rate differences	1,729	3	1,634			63	271	3,700
Closing net carrying amount	403,291	-	369,415	56,209	5,331	75,749	242,301	1,152,296
- cost	655,171		1,317,603	193,768	29,867	204,491	242,301	2,643,201
- accumulated depreciation and impairment losses	(251,880)		(948,188)	(137,559)	(24,536)	(128,742)		(1,490,905)
Net carrying amount at 30.06.2019	403,291	-	369,415	56,209	5,331	75,749	242,301	1,152,296

Capital expenditure in the first half of 2019 totalled euro 80,070 thousand, mainly related to:

- updating of the working areas at some shipyards, in particular Monfalcone, Marghera and Sestri, to the new production scenarios and upgrading and improvement of the safety standards of machinery, equipment and buildings;
- upgrading of the operating areas and infrastructure of the new Fincantieri Infrastructure plant in Valeggio sul Mincio following the award of major contracts for steel structures;
- 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 hulls and the multi-year program to build pre-fitted cruise ship blocks and sections for the Fincantieri production network.

Euro 37 million of the reclassification item refers to the reclassification of two vessels (PSV), which at December 31, 2018 were classified as contract work in progress, following the management's decision to manage these vessels on its own. It should be noted that, before proceeding with this reclassification, the book value of these vessels carried an impairment loss of Euro 12.8 million.

NOTE 8 - 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**
01.01.2019	35,423	20,228	55,651	267	4,289	4,556	60,207
Business combinations							
Investments		475	475	15,025		15,025	15,500
Revaluations/(Impairment losses) through profit or loss	(4,474)	1,890	(2,584)		(18)	(18)	(2,602)
Revaluations/(Impairment losses) through equity							
Disposals							
Dividends from investments accounted for using the equity method							
Reclassifications/Other							
Exchange rate differences	592		592		19	19	611
30.06.2019	31,541	22,593	54,134	15,292	4,290	19,582	73,716

Investments made in the first half of 2019 totalled euro 15,500 thousand and mainly concerned, for euro 15,000 thousand, the purchase of a 15% stake in Genova Industrie Navali - a holding company set up in 2008 by the merger of two historic Genoese shipyards, T. Mariotti and San Giorgio del Porto - as part of a cooperation agreement that will cover various areas, from new constructions, to repairs and conversions, up to the fitting out of ships. This agreement also provides for the granting of a loan convertible into a minority stake in T. Mariotti.

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. "Other investments" include investments carried at fair value, calculated either on the basis of the related prices if quoted in active markets (Level 1), or using valuation techniques whose inputs are not observable on the market (Level 3). The item entailed the recognition of net impairment losses through profit or loss for euro 18 thousand, following the negative change of the related fair value during the period.

NOTE 9 - NON-CURRENT FINANCIAL ASSETS

These are analyzed as follows:

(euro/000)	30.06.2019	31.12.2018
Receivables for loans to joint ventures	8,400	8,400
Grants financed by BIIS	777	4,762
Derivative assets	836	30,006
Other non-current financial receivables	53,823	49,684
Non-current financial receivables from investee companies	9,355	5,049
NON-CURRENT FINANCIAL ASSETS	73,191	97,901

“Other non-current financial receivables” report loans to third parties bearing market rates of interest. At June 30, 2019, this item included a convertible loan of euro 11 million granted to T. Mariotti S.p.A., valued at fair value through profit or loss (FVTPL), as part of a cooperation agreement signed by FINCANTIERI with the Genova Industrie Navali group in March 2019.

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

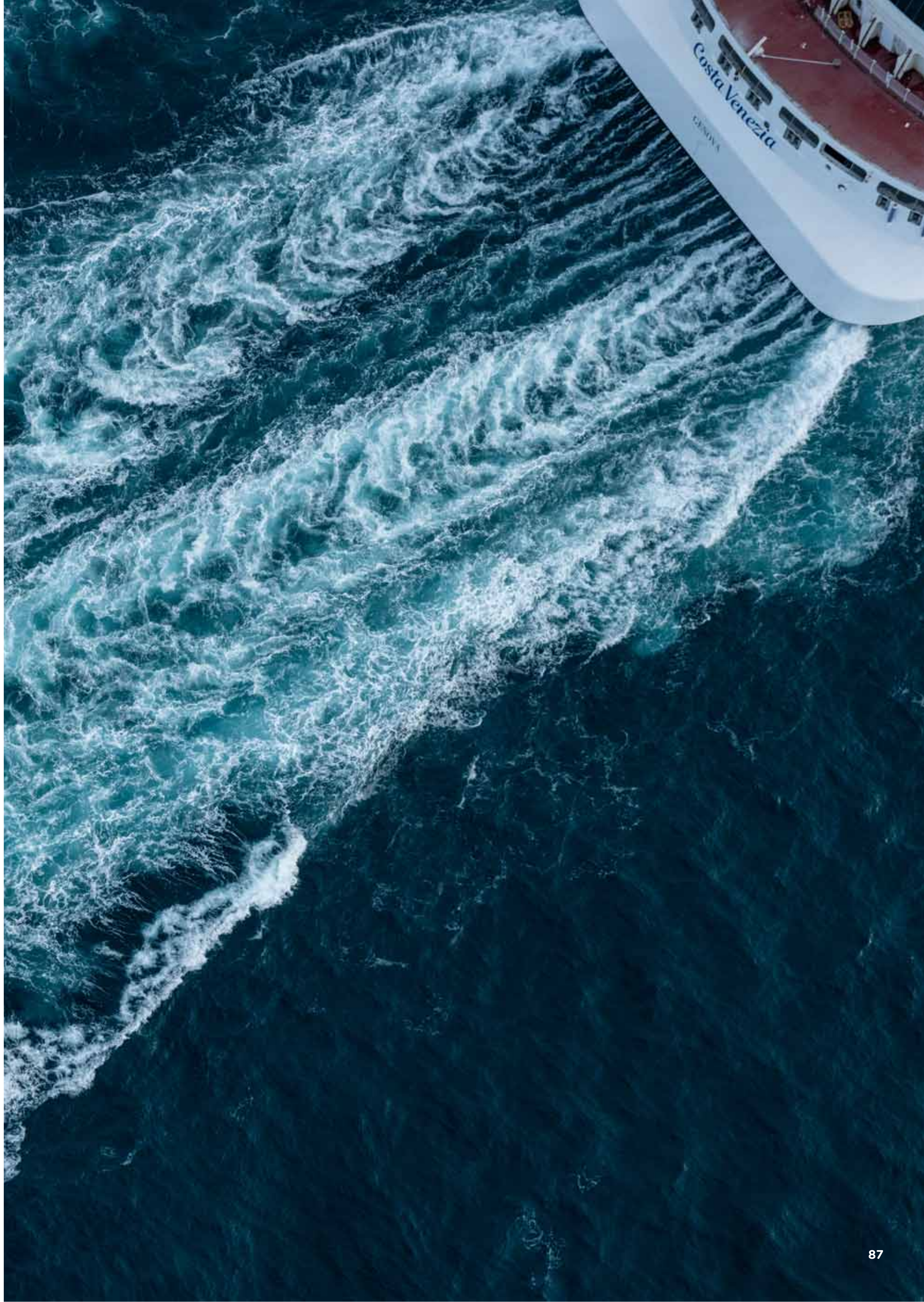
NOTE 10 - OTHER NON-CURRENT ASSETS

Other non-current assets are analyzed as follows:

(euro/000)	30.06.2019	31.12.2018
Other receivables from investee companies	790	673
Government grants receivable	5,093	4,407
Firm commitments	7,317	18,427
Other receivables	17,956	8,304
OTHER NON-CURRENT ASSETS	31,156	31,811

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
01.01.2019	8,188
Utilizations	
Increases/(Releases)	
First adoption IFRS	
30.06.2019	8,188



NOTE 11 - DEFERRED TAX ASSETS AND LIABILITIES

Movements in deferred tax assets are analyzed as follows:

(euro/000)	Total
01.01.2019	**123,964**
Business combinations	
Through profit or loss	6,447
Impairment losses	
Through other comprehensive income	8,444
Other movements	(7)
Exchange rate differences	564
30.06.2019	**139,412**

Deferred tax assets relate to the 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 23.7 million which can in part be offset against the deferred tax liabilities shown below.
No deferred tax assets have been recognized on euro 132 million (euro 102 million at 31 December 2018) in carryforward losses of subsidiaries which are thought unlikely to be recovered against future taxable income.
Movements in deferred tax liabilities are analyzed as follows:

(euro/000)	Total
01.01.2019	**58,012**
Business combinations	
Through profit or loss	(2,181)
Impairment losses	
Through other comprehensive income	
Other movements	(3)
Exchange rate differences	1,020
30.06.2019	**56,848**

NOTE 12 - INVENTORIES AND ADVANCES

These are analyzed as follows:

(euro/000)	30.06.2019	31.12.2018
Raw materials and consumables	274,009	280,105
Work in progress and semi-finished goods	27,028	120,044
Finished products	31,744	31,786
Merchandise		
Total inventories	**332,781**	**431,935**
Advances to suppliers	474,195	449,160
TOTAL INVENTORIES AND ADVANCES	**806,976**	**881,095**

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
01.01.2019	**13,000**	**16,445**	**3,060**
Increases	609		
Utilizations	(644)	(16,813)	
Releases	(648)		
Exchange rate differences	3	369	10
30.06.2019	**12,320**	**-**	**3,070**

The provision for impairment for work in progress and semi-finished goods was used during the year following the sale by the subsidiary Vard of an offshore unit partially written off in previous years. This sale also led to a reduction in inventories of work in progress and semi-finished products.

NOTE 13 - CONSTRUCTION CONTRACTS - NET ASSETS AND LIABILITIES

Construction contracts - net assets” are analyzed as follows:

(euro/000)

	30.06.2019			31.12.2018		
	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	9,185,253	(6,901,194)	2,284,059	8,134,360	(5,610,562)	2,523,798
Other contracts for third parties	53,460	(36,798)	16,662	48,102	(40,628)	7,474
Total	9,238,713	(6,937,992)	2,300,721	8,182,462	(5,651,190)	2,531,272

“Construction contracts – net liabilities” are analyzed as follows:

(euro/000)

	30.06.2019			31.12.2018		
	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	2,268,297	3,553,833	1,285,536	2,505,411	4,062,921	1,557,510
Other contracts for third parties	10,055	14,195	4,140			
Advances from Customers		41,920	41,920		37,283	37,283
Total	2,278,352	3,609,948	1,331,596	2,505,411	4,100,204	1,594,793

NOTE 14 - TRADE RECEIVABLES AND OTHER CURRENT ASSETS

These are analyzed as follows:

(euro/000)

	30.06.2019	31.12.2018
Trade receivables	646,873	749,387
Receivables from controlling companies (tax consolidation)	3,212	2,926
Government grants receivable	4,108	4,414
Other receivables	254,310	208,152
Indirect tax receivables	24,111	43,033
Firm commitments	789	5,217
Accrued income	44,937	49,053
Prepayments	2,694	195
TOTAL TRADE RECEIVABLES AND OTHER CURRENT ASSETS	981,034	1,062,377

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 trade receivables	Provision for past due interest	Provision for impairment of other receivables	Total
01.01.2019	33,128	63	6,809	40,000
Business combinations				
Utilizations	(540)			(540)
Increases	545			545
Releases	(2,504)		(12)	(2,516)
Exchange rate differences	17			17
30.06.2019	30,646	63	6,797	37,506

The decrease of euro 102,514 thousand in “Trade receivables” is mainly due to receipt of the final instalment for a cruise vessel delivered in the first half of 2019 and invoiced at 31 December 2018.
The balance of euro 254,310 thousand in “Other receivables” mainly refers to receivables for shipowner allowances, receivables for contributions to research and construction, receivables for insurance indemnities and other receivables from social security authorities relating to 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.

HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2019

NOTE 15 - INCOME TAX ASSETS

These are analyzed as follows:

(euro/000)

	30.06.2019	31.12.2018
Italian corporate income taxation (IRES)	13,731	13,451
Italian regional tax on productive activities (IRAP)	541	541
Foreign tax	7,201	6,610
TOTAL INCOME TAX ASSETS	21,473	20,602

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

(euro/000)

	Provision for impairment of income tax assets
Balance at 1.1.2019	2,042
Increases	
Releases	
Other movements	
Total at 30.06.2019	2,042

NOTE 16 - CURRENT FINANCIAL ASSETS

These are analyzed as follows:

(euro/000)

	30.06.2019	31.12.2018
Derivative assets	7,351	22,952
Other receivables	11,221	17,329
Government grants financed by BIIS	7,896	7,751
Accrued interest income	374	439
Prepaid interest and other financial expense	832	217
TOTAL CURRENT FINANCIAL ASSETS	27,674	48,688

"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 include interest-bearing receivables from clients of the Vard Group.
"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 17 - CASH AND CASH EQUIVALENTS

These are analyzed as follows:

(euro/000)

	30.06.2019	31.12.2018
Bank and postal deposits	683,403	676,395
Checks		
Cash on hand	106	92
TOTAL CASH AND CASH EQUIVALENTS	683,509	676,487

Cash and cash equivalents at the end of the period include euro 6,238 thousand in term bank deposits; the remainder refers to the balances of current accounts held with a number of banks.

HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2019

NOTE 18 - EQUITY

Equity attributable to owners of the parent

The composition of equity is analyzed in the following table:

(euro/000)	30.06.2019	31.12.2018
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	51,189	40,289
Cash flow hedge reserve	(4,666)	15,271
Financial asset fair value reserve	(395)	(394)
Currency translation reserve	(129,135)	(137,916)
Other reserves and retained earnings	314,533	269,387
Profit/(loss) for the period	15,856	72,440
	1,215,585	1,227,280
Attributable to non-controlling interests		
Capital and reserves	18,821	22,504
Financial asset fair value reserve	(10)	(11)
Currency translation reserve	6,945	6,515
Profit/(loss) for the period	(3,829)	(3,318)
	21,927	25,690
TOTAL EQUITY	1,237,512	1,252,970

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.
On 27 June 2019, the Board of Directors approved the closure of the first cycle of the "Performance Share Plan 2016-2018" incentive plan, allocating 10,104,787 ordinary Fincantieri shares to beneficiaries free of charge, following verification of the degree to which the specific performance objectives originally set (EBITDA of 70% and the "Total Shareholder Return") had been achieved with a weighting of 30%.
The issue and delivery of the shares will be completed by 31 July 2019.
Following the above resolution, the shares will be allocated using treasury shares in portfolio for those to be allocated free of charge to non-employees numbering 2,572,497 shares and by issuing new shares, again with no par value, in order to satisfy the Plan for shares to be allocated free of charge to employees numbering 7,532,290 shares.
Following the issue of the new shares, the number of shares issued will be 1,699,651,360. The dilutive effect on the Share Capital will be 0.44%.

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 29) 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.
As mentioned in the commentary on the Share Capital, following the resolution of the Board of Directors of 27 June 2019 on the allocation of shares for the first cycle of the "Performance Share Plan 2016-2018" incentive plan, 2,572,497 shares will be allocated as own shares in portfolio. The shares will be delivered by 31 July 2019.
The number of shares issued is reconciled with the number of outstanding shares in the Parent Company at 30 June 2019.

	N° shares
Ordinary shares issued	1,692,119,070
less: own shares purchased	(4,706,890)
Ordinary shares outstanding at 31.12.2018	**1,687,412,180**
Changes in 2019 - Ordinary shares issued	- -
- less: own shares purchased	
Ordinary shares issued	1,692,119,070
less: own shares purchased	(4,706,890)
Ordinary shares outstanding at 30.06.2019	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 5 April 2019 resolved to allocate the net profit for the year 2018 as follows: euro 16,874 thousand for distribution to the shareholders of a dividend of 1 euro cent per share in circulation at the registration date (15 April 2019), excluding own shares in portfolio on that date. This dividend was paid by June 2019.
The Fincantieri Group's purchase of shares from minority shareholders in the subsidiary VARD over the period has led to a change of euro 265 thousand in other reserves and retained earnings. At 31 December 2018, the subsidiary Fincantieri Oil & Gas directly owned 97.22% 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 97.44% by the end of the first half of the year. This transaction has not altered the Fincantieri Group's scope of consolidation since VARD was already fully consolidated; the above change in the stake must be treated as a "transaction between shareholders" 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 the Group's consolidated equity.
The change in the Reserve for the management's share-based incentive plan refers to the share of personnel costs, who are beneficiaries of the plan, accrued over the first half of 2019 (euro 2,760 thousand). More details about the incentive plan can be found in Note 29.

Non-controlling Interests

The change of euro 173 thousand since 31 December 2018 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)

	30.06.2019			30.06.2018		
	Gross amount	Tax (expense)/ benefit	Net amount	Gross amount	Tax (expense)/ benefit	Net amount
Effective portion of profits/(losses) on cash flow hedging instruments	(27,607)	7,737	(19,870)	(54,398)	15,414	(38,984)
Gains/(losses) from remeasurement of employee defined benefit plans	(2,945)	707	(2,238)	704	(169)	535
Gains/(losses) arising from changes in OCI of investments accounted for using the equity method						
Gains/(losses) arising on translation of financial statements of foreign operations	10,338	(1,127)	9,211	13,228	2,759	15,987
Total other comprehensive income/ (losses)	**(20,214)**	**7,317**	**(12,897)**	**(40,466)**	**18,004**	**(22,462)**

(euro/000)

	30.06.2019	30.06.2018
Effective portion of profits/(losses) arising in period on cash flow hedging instruments	(2,639)	7,986
Effective portion of profits/(losses) on cash flow hedging instruments reclassified to profit or loss	(24,968)	(62,384)
Effective portion of profits/(losses) on cash flow hedging instruments	**(27,607)**	**(54,398)**
Tax effect of other components of comprehensive income	**7,737**	**15,414**
TOTAL OTHER COMPREHENSIVE INCOME/(LOSSES), NET OF TAX	**(19,870)**	**(38,984)**

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	Income taxes	Net	
01.01.2018	**131,697**	**(39,061)**	**92,636**	
Change in fair value	24,968	(9,765)	15,203	
Utilizations	(131,697)	39,061	(92,636)	92,636
Other income/(expenses) for risk hedging				(90,215)
Finance income/(costs) relating to held-for-trading derivatives and time-value component of hedging derivatives				(18,361)
31.12.2018	**24,968**	**(9,765)**	**15,203**	**(15,940)**
Change in fair value	(27,607)	7,737	(19,870)	
Utilizations	(24,968)	9,765	(15,203)	15,203
Other income/(expenses) for risk hedging				(13,782)
Finance income/(costs) relating to held-for-trading derivatives and time-value component of hedging derivatives				(29,758)
30.06.2019	**(27,607)**	**7,737**	**(19,870)**	**(28,337)**

NOTE 19 - PROVISIONS FOR RISKS AND CHARGES

These are analyzed as follows:

(euro/000)

	Litigation	Product warranty	Agent indemnity benefit	Business reorganization	Other risks and charges	Total
Non-current portion	73,483	35,919	54		17,067	126,523
Current portion	1,750	4,843		894	1,206	8,693
01.01.2019	**75,233**	**40,762**	**54**	**894**	**18,273**	**135,216**
Business combinations						
Other movements	1	4		1	1	7
Increases	16,253	7,270			1,019	24,542
Utilizations	(57,473)	(11,203)	(12)		(6,225)	(74,913)
Releases	(194)	(4,460)			(730)	(5,384)
Exchange rate differences	44	88		23	153	308
30.06.2019	**33,864**	**32,461**	**42**	**918**	**12,491**	**79,776**
Non-current portion	32,041	26,739	42		12,038	70,860
Current portion	1,823	5,722		918	453	8,916

Increases in the provision for litigation mainly refer to: i) precautionary provisions for claims brought by employees, authorities or third parties for damages arising from asbestos exposure; ii) other residual provisions for litigation with employees and suppliers and for other legal proceedings.
Utilization of the provision for litigation includes euro 31.5 million for the settlement of the "Serene" dispute, which resulted in the termination of all enforcement proceedings in the English courts and other proceedings pending in other jurisdictions.
Utilization of provisions for other risks and charges includes euro 5.6 million for disbursements following the tax settlement proposal for the tax audit on 2013.

This utilization was recorded in profit and loss for euro 5.0 million under the item relating to taxes for previous years and euro 0.6 million under sundry operating costs.
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 one or two years after delivery, but in some cases it may be longer.
The provision for “Other risks and charges” includes euro 5,203 thousand for environmental clean-up costs, while the remainder relates to various kinds of disputes, mostly of a contractual, technical or fiscal nature, which might be settled at the Group’s expense either in or out of court.

NOTE 20 - EMPLOYEE BENEFITS

Movements in this line item are as follows:

(euro/000)	30.06.2019	31.12.2018
Opening balance	**56,830**	**58,929**
Business combinations		
Interest cost	618	724
Actuarial (gains)/losses	2,945	(1,694)
Utilizations for benefits and advances paid	(955)	(1,501)
Staff transfers and other movements	3	373
Exchange rate differences	1	(1)
Closing balance	**59,441**	**56,830**
Plan assets	(25)	(24)
Closing balance	**59,416**	**56,806**

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 2018 except for the discount rate, changed to 0.94% at the end of June 2019.

NOTE 21 - NON-CURRENT FINANCIAL LIABILITIES

These are analyzed as follows:

(euro/000)	30.06.2019	31.12.2018
Bank loans and credit facilities - non-current portion	744,851	760,448
Loans from BIIS - non-current portion	777	4,762
Liabilities to other lenders	5,802	6,078
Financial liabilities for leasing IFRS 16 - non-current portion	70,550	
Finance lease obligations	24	26
Derivative liabilities	15,272	21,414
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**837,276**	**792,728**

With reference to “Bank loans and credit facilities - non-current portion”, during the first half of 2019, the Parent Company took out two new medium-long term unsecured loans: the first for euro 30 million, repayable in a single instalment in February 2022; the second for euro 30 million, repayable in a single instalment in May 2024. At 30 June 2019, a non-current portion of euro 68 million of bank loans maturing in the next 12 months had been reclassified to the current portion.

The item “Financial liabilities for leasing IFRS 16” refers to the non-current portion of the financial liability for instalments due relating to leasing contracts falling within the scope of application of IFRS 16 applied as from 1 January 2019. Reference should be made to note 6 for analysis of related rights of use.
“Derivative liabilities” represent the reporting-date fair value of derivatives with a maturity of more than 12 months (Level 2).

NOTE 22 - OTHER NON-CURRENT LIABILITIES

These are analyzed as follows:

(euro/000)	30.06.2019	31.12.2018
Capital grants	25,279	24,242
Other liabilities	5,058	6,933
Firm commitments	239	962
TOTAL OTHER NON-CURRENT LIABILITIES	**30,576**	**32,137**

“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 23 - TRADE PAYABLES AND OTHER CURRENT LIABILITIES

These are analyzed as follows:

(euro/000)	30.06.2019	31.12.2018
Payables to suppliers	1,405,705	1,471,101
Payables to suppliers for reverse factoring	418,113	377,487
Social security payables	39,942	37,327
Other payables to employees for deferred wages and salaries	104,883	76,454
Other payables	78,947	84,335
Other payables to the Parent Company (tax consolidation)	80,482	47,459
Indirect tax payables	19,614	18,007
Firm commitments	250	697
Accrued expenses	2,068	2,576
Deferred income	1,419	847
TOTAL TRADE PAYABLES AND OTHER CURRENT LIABILITIES	2,151,423	2,116,290

"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.
The item "Other payables to employees" reported at 30 June 2019 includes the effects of allocations made for unused holidays and deferred wages and salaries.
"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.
The item "Firm commitments" refers to 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 24 - CURRENT FINANCIAL LIABILITIES

These are analyzed as follows:

(euro/000)	30.06.2019	31.12.2018
Bonds issued and commercial papers	219,200	231,000
Bank loans and credit facilities - current portion	105,669	51,544
Loans from BIIS - current portion	7,896	7,751
Bank loans and credit facilities - Construction loans	492,114	632,482
Other short-term bank debt	321,288	195,930
Liabilities to other lenders - current portion	1,015	906
Bank credit facilities repayable on demand	468	1,287
Payables to joint ventures	1,964	1,716
Finance lease obligations - current portion	21	210
Financial liabilities for leasing IFRS 16 - current portion	17,138	
Fair value of options on equity investments	19,508	19,389
Derivative liabilities	10,822	37,880
Accrued interest expense	3,721	2,751
TOTAL CURRENT FINANCIAL LIABILITIES	1,200,824	1,182,846

At 30 June 2019, "Bank loans and credit facilities - Construction loans" includes the use of euro 260 million in construction loans by FINCANTIERI S.p.A. and euro 232 million by the VARD Group. The change compared to 31 December 2018 is mainly due to the repayment of the construction loan following the Group's deliveries of orders of Cruise and Offshore and Specialized Vessels over the period.
It should be noted that during the period the Parent Company took out new construction financing lines for euro 575 million with leading international credit institutions. As of June 30, 2019, these lines thus totalled approximately euro 1,607 million.
With reference to the loans of Vard Group AS with Innovation Norge and the credit lines for the construction loans with DNB and Sparebanken 1 SMN which provide for covenants, it should be noted that at 30 June 2019 Vard Group AS had obtained a waiver by the banks of the covenants relating to shareholders' equity and net current assets.
At 30 June 2019, "other short-term bank debt" refer to euro 155 million from the drawing down of committed credit lines, of which euro 140 million related to the Parent Company and not used at 31 December 2018, and euro 166 million from uncommitted credit lines, of which euro 30 million was utilized by the Parent Company.
Moreover, euro 219 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 2019. 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 25 - REVENUE AND INCOME

These are analyzed as follows:

(euro/000)	30.06.2019	30.06.2018
Sales and service revenue	1,564,255	1,201,124
Change in construction contracts	1,239,449	1,271,486
Operating revenue	**2,803,704**	**2,472,610**
Gains on disposal	36	145
Sundry revenue and income	29,834	43,135
Government grants	3,294	11,051
Total other revenue and income	**33,164**	**54,331**
TOTAL REVENUE AND INCOME	**2,836,868**	**2,526,941**

More details on segment information can be found in Note 31.

NOTE 26 - OPERATING COSTS

Materials, services and other costs

Materials, services and other costs are analyzed as follows:

(euro/000)	30.06.2019	30.06.2018
Raw materials and consumables	(1,345,775)	(1,257,259)
Services	(621,483)	(569,769)
Leases and rentals	(15,771)	(22,180)
Change in inventories of raw materials and consumables	(5,687)	24,231
Change in work in progress	(107,798)	(14,839)
Sundry operating costs	(18,464)	(17,227)
Cost of materials and services capitalized in fixed assets	7,204	43
TOTAL MATERIALS, SERVICES AND OTHER COSTS	**(2,107,774)**	**(1,857,000)**

Sundry operating costs include losses on the disposal of non-current assets of euro 560 thousand (euro 662 thousand at June 30, 2018).

PERSONNEL COSTS

(euro/000)	30.06.2019	30.06.2018
Personnel costs:		
- wages and salaries	(384,795)	(357,873)
- social security	(97,699)	(96,594)
- costs for defined contribution plans	(17,127)	(17,856)
- other personnel costs	(13,892)	(13,793)
Personnel costs capitalized in fixed assets	2,560	1,760
Total personnel costs	**(510,953)**	**(484,356)**

“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 2019 can be broken down as follows:

(number)	30.06.2019	30.06.2018
Employees at period end:		
Total at period end	19,725	19,375
- of whom in Italy	8,941	8,447
- of whom in Parent Company	8,091	7,705
- of whom in VARD	8,863	8,984
Average number of employees	19,350	19,313
- of whom in Italy	8,632	8,186
- of whom in Parent Company	7,927	7,613
- of whom in VARD	8,675	9,007

DEPRECIATION, AMORTIZATION AND IMPAIRMENT AND PROVISIONS

(euro/000)	30.06.2019	30.06.2018
Depreciation and amortization:		
- amortization of intangible assets	(26,343)	(23,235)
- amortization of rights of use	(7,648)	
- depreciation of property, plant and equipment	(42,775)	(42,460)
Impairment:		
- impairment of goodwill	(394)	
- impairment of intangible assets	(367)	
- impairment of property, plant and equipment	(25)	(24)
Total depreciation, amortization and impairment	**(77,552)**	**(65,719)**
Provisions:		
- impairment of receivables	(545)	(274)
- impairment of contractual assets	(12,763)	
- increases in provisions for risks and charges	(24,671)	(40,519)
- release of provisions and impairment reversals	7,869	2,913
Total provisions	**(30,110)**	**(37,880)**

An analysis of depreciation, amortization and impairment is provided in Notes 5 and 6. An analysis of provisions can be found in Notes 9, 13 and 18.

The impairment of contractual assets refers to the write-down of construction contracts, reclassified as tangible fixed assets, commented on in Note 7.

NOTE 27 - FINANCE INCOME AND COSTS

These are analyzed as follows:

(euro/000)	30.06.2019	30.06.2018
FINANCE INCOME		
Interest and other income from financial assets	210	1,182
Income from derivative financial instruments		73
Bank interest and fees and other income	7,315	4,102
Foreign exchange gains	12,759	21,544
Total finance income	**20,284**	**26,901**
FINANCE COSTS		
Interest and fees charged by joint ventures	(29)	(3)
Interest and fees charged by controlling companies	(613)	(364)
Expenses from derivative financial instruments	(28,740)	(6,277)
Interest on employee benefit plans	(395)	(342)
Interest and fees on bonds issued and commercial papers	(288)	(6,046)
Interest and fees on construction loans	(9,189)	(11,684)
Bank interest and fees and other expense	(22,036)	(21,282)
Interest and commission payable from related parties	(1,345)	
Interest paid on leases IFRS 16	(1,675)	
Foreign exchange losses	(16,223)	(32,828)
Total finance costs	**(80,533)**	**(78,826)**
TOTAL FINANCE INCOME AND COSTS	**(60,249)**	**(51,925)**

"Finance income" includes euro 162 thousand (euro 305 thousand in the first half of 2018) 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 recognised in the finance costs), under the structure in place to disburse government grants.

NOTE 28 - INCOME TAXES

Income taxes have been calculated on the basis of the result for the period. Deferred income taxes are analyzed in Note 11.

NOTE 29 - OTHER INFORMATION

Net financial position

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

(euro/000)

	30.06.2019	31.12.2018
A. Cash	106	92
B. Other cash equivalents	683,403	676,395
C. Held-for-trading securities		
D. Cash and cash equivalents (A)+(B)+(C)	**683,509**	**676,487**
E. Current financial receivables	**12,427**	**17,985**
- of which related parties	500	106
F. Current bank debt	(321,756)	(197,217)
- of which related parties		
G. Bonds issued and commercial paper - current portion	(219,200)	(231,000)
H. Current portion of non-current debt	(109,390)	(54,292)
- of which related parties	(10,651)	(10,622)
I. Other current financial liabilities	(20,138)	(2,835)
- of which related parties	(1,964)	(1,702)
J. Current debt (F)+(G)+(H)+(I)	**(670,484)**	**(485,344)**
K. Net current debt (D)+(E)+(J)	**25,452**	**209,128**
L. Non-current financial receivables	**71,578**	**63,133**
- of which related parties	17,755	13,449
M. Non-current bank debt	(744,851)	(760,448)
- of which related parties	(35,160)	(40,487)
N. Bonds - non-current portion		
O. Other non-current financial liabilities	(76,376)	(6,104)
P. Non-current debt (M)+(N)+(O)	**(821,227)**	**(766,552)**
Q. Net non-current debt (L)+(P)	**(749,649)**	**(703,419)**
R. Net financial position (K)+(Q)	**(724,197)**	**(494,291)**

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)

	30.06.2019	31.12.2018
Net financial position	**(724,197)**	**(494,291)**
Non-current financial receivables	(71,578)	(63,133)
Construction loans	(492,114)	(632,482)
Net financial position as per ESMA recommendation	**(1,287,889)**	**(1,189,906)**

Significant Non-recurring Events and Transactions

In accordance with CONSOB Communication no. 0092543 of 3 December 2015 with reference to the provisions of CONSOB Resolution no. 15519 of 27 July 2006, only items considered to be non-recurring have been presented in the financial statements, excluding extraordinary ones outside of ordinary operations. The items reported at 30 June 2019 refer to non-recurring costs relating to restructuring plans presented gross of euro 707 thousand in tax effects.

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 2019.

Related party Transactions

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(euro/000)

	30.06.2019							
	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
CASSA DEPOSITI E PRESTITI S.p.A.				3,212		(35,160)	(33,149)	(80,480)
TOTAL CONTROLLING COMPANIES				3,212		(35,160)	(33,149)	(80,480)
ORIZZONTE SISTEMI NAVALI S.p.A.				107,922			(1,949)	(619)
UNIFER NAVALE S.r.l.			1,491					(535)
CSSC - FINCANTIERI CRUISE INDUSTRY DEVELOPMENT Ltd.	8,400	212		40,399				
ETIHAD SHIP BUILDING LLC				5,848				(983)
CONSORZIO F.S.B.				12				
BUSBAR4F S.c.a.r.l.				149				(466)
PERGENOVA S.C.p.A.				30,968				(10,574)
ISSEL MIDDLE EAST INFORMATION TECHNOLOGY CONSULTANCY LLC		4					(17)	
TOTAL JOINT VENTURES	8,400	216	1,491	185,298			(1,966)	(13,177)
PSC GROUP			1,606	31				(7,262)
CENTRO SERVIZI NAVALI S.p.A.				308				
OLYMPIC CHALLENGER KS	722	48						
BREVIK TECHNOLOGY AS	190							
MØKSTER SUPPLY KS	635							
DOF ICEMAN AS	3,426							
CSS DESIGN					790			
ISLAND DILIGENCE AS	4,382	26						
CASTOR DRILLING SOLUTION AS		203						
OLYMPIC GREEN ENERGY KS		7						
TOTAL ASSOCIATES	9,355	284	1,606	339	790			(7,262)
SACE S.p.A.								(11)
TERNA GROUP				55				
VALVITALIA S.p.A.			1,725	5				(1,428)
SUPPLEMENTARY PENSION FUND FOR SENIOR MANAGERS OF FINCANTIERI S.p.A.								(1,025)
COMETA NATIONAL SUPPLEMENTARY PENSION FUND								(4,364)
SOLIDARIETÀ VENETO - PENSION FUND								(102)
TOTAL CDP GROUP			1,725	60				(6,930)
LEONARDO GROUP			192,742	8,037				(5,396)
ENI GROUP				867				(3)
ENEL GROUP								
COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE				32				(27)
QUANTA S.p.A.								(30)
EXPERIS S.r.l.								
TOTAL RELATED PARTIES	17,755	500	197,564	197,845	790	(35,160)	(35,115)	(113,305)
TOTAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION	73,191	27,674	806,976	981,034	31,156	(837,276)	(1,200,824)	(2,151,423)
% on consolidated statement of financial position	24%	2%	24%	20%	3%	4%	3%	5%

(*) "Advances" are classified in the item "Inventories", as detailed in Note 12.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(euro/000)

	31.12.2018							
	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
CASSA DEPOSITI E PRESTITI S.p.A.					2,926	(40,487)	(10,622)	(47,459)
TOTAL CONTROLLING COMPANIES					2,926	(40,487)	(10,622)	(47,459)
ORIZZONTE SISTEMI NAVALI S.p.A.					92,326		(1,702)	(1,269)
UNIFER NAVALE S.r.l.			1,491					(1,042)
CSSC - FINCANTIERI CRUISE INDUSTRY DEVELOPMENT Ltd.	8,400	86			39,528			
ETIHAD SHIP BUILDING LLC					7,598			(4,421)
LUXURY INTERIORS FACTORY S.r.l.								(33)
TOTAL JOINT VENTURES	8,400	86	1,491		139,452		(1,702)	(6,765)
ARSENAL S.r.l.								(34)
PSC GROUP			656		18			(4,423)
CENTRO SERVIZI NAVALI S.p.A.					306			
OLYMPIC CHALLENGER KS	176							
BREVIK TECHNOLOGY AS	182							
MØKSTER SUPPLY AS	619							
CSS DESIGN				673				
ISLAND DILIGENCE AS	4,072							
TOTAL ASSOCIATES	5,049		656	673	324			(4,457)
SACE FCT					11			(54)
TERNA GROUP								12
VALVITALIA S.p.A.			1,843		17			(1,593)
SUPPLEMENTARY PENSION FUND FOR SENIOR MANAGERS OF FINCANTIERI S.p.A.								(1,199)
COMETA NATIONAL SUPPLEMENTARY PENSION FUND								(3,651)
SOLIDARIETÀ VENETO - PENSION FUND								(93)
TOTAL CDP GROUP			1,843		28			(6,578)
LEONARDO GROUP			197,748		1,967			(1,528)
ENI GROUP					613			212
ENEL GROUP								(1)
COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE								(23)
QUANTA S.p.A.								(34)
EXPERIS S.r.l.								(9)
TOTAL RELATED PARTIES	13,449	86	201,738	673	145,310	(40,487)	(12,324)	(66,642)
TOTAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION	97,901	48,688	449,160	31,811	1,062,377	(792,728)	(1,182,846)	(2,116,290)
% on consolidated statement of financial position	14%	0%	45%	2%	14%	5%	1%	3%

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(euro/000)

	30.06.2019				
	Operating revenue	Other revenue and income	Materials, services and other costs	Finance income	Finance costs
CASSA DEPOSITI E PRESTITI S.p.A.		74	(45)		(513)
TOTAL CONTROLLING COMPANIES		74	(45)		(513)
ORIZZONTE SISTEMI NAVALI S.p.A.	95,262	328	(348)		(29)
UNIFER NAVALE S.r.l.			(5,035)		
CSSC - FINCANTIERI CRUISE INDUSTRY DEVELOPMENT Ltd.	4,138	1,737		126	
ETIHAD SHIP BUILDING LLC	18	83	(69)		
CONSORZIO F.S.B.	23	84	(103)		
BUSBAR4F S.c.a.r.l.	45		(362)		
PERGENOVA S.C.p.A.	2,929	69	(7,248)		
FINCANTIERI CLEA BUILDINGS S.c.a.r.l.		2	(1,179)		
TOTAL JOINT VENTURES	102,415	2,303	(14,344)	126	(29)
PSC GROUP		94	(11,650)	4	
CENTRO SERVIZI NAVALI S.p.A.			(1,178)		
ARSENAL S.r.l.					
BREVIK TECHNOLOGY AS					
OLYMPIC GREEN ENERGY KS					
DOF ICEMAN AS					
TOTAL ASSOCIATES		94	(12,828)	4	
CDP IMMOBILIARE S.r.l.					
SACE S.p.A.					(1,243)
SACE FCT		31			(102)
TERNA GROUP			(54)		
VALVITALIA S.p.A.		71	(7,401)		
TOTAL CDP GROUP		102	(7,455)		(1,345)
LEONARDO GROUP	46	6,494	(38,014)		
ENI GROUP	13,848	63	(752)		
ENEL GROUP			(2)		
COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE	26		(358)		
QUANTA S.p.A.			(15)		
EXPERIS S.r.l.			(12)		
TOTAL RELATED PARTIES	116,335	9,130	(73,825)	130	(1,887)
TOTAL CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	2,803,704	33,164	(2,107,774)	20,284	(80,533)
% on consolidated statement of comprehensive income	4%	28%	4%	1%	2%

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
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)		
CSSC - FINCANTIERI CRUISE INDUSTRY DEVELOPMENT Ltd.					
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	
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			
VALVITALIA		28	(2,962)		
OTHER		18			
TOTAL CDP GROUP		61	(3,341)		(1,545)
LEONARDO GROUP	11		(19,225)		
ENI GROUP	191		(337)		
ENEL GROUP			(8)		
COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE			(24)		
QUANTA S.p.A.			(691)		
EXPERIS S.r.l.			(65)		
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%

Costs for contributions incurred in the first half of 2019 and included in the item Personnel Costs totalled euro 677 thousand for the Supplementary Pension Fund for Senior Managers of FINCANTIERI S.p.A. and euro 1,023 thousand for the Cometa National Supplementary Pension Fund.
The main related party relationships refer to:

- Orizzonte Sistemi Navali S.p.A., under the agreement signed in 2006 with the Italian Navy relating to the first phase of the "Renaissance" (or FREMM) program. This program, for which Orizzonte Sistemi Navali S.p.A. is the prime contractor, involves the construction of ten ships for the Italian Navy, with ship design and production activities performed by the Company and its subsidiaries. The financial liabilities with Orizzonte Sistemi Navali S.p.A. at 30 June 2019 relate to its corresponding current account that Orizzonte Sistemi Navali S.p.A. holds with the Company under a centralized treasury management arrangement;
- the LEONARDO group, in connection with agreements to supply and install combat systems for naval vessels under construction;
- the Group's relations with the PSC Group refer mainly to the supply of turnkey models of air conditioning systems (engineering, supply of ventilation machines, accessories and ducts, their installation on board, start-up and commissioning);
- the Group's relations with the newly formed company PERGENOVA, a joint venture between Salini Impregilo and Fincantieri, are aimed at rebuilding the bridge over the Polcevera river in Genoa;
- relations with the joint venture CSSC - FINCANTIERI CRUISE INDUSTRY DEVELOPMENT Ltd. between Fincantieri and CSSC, prime contractors for the construction of new cruise ships at the CSSC group's Chinese shipyard, refer to the supply of specialist services and components to support the CSSC shipyards;
- with regard to relations with the ENI group, the framework agreement was finalised in 2018 under which studies were launched for new technologies related to gas exploitation, some of which were completed during the year. The rest refers chiefly to the sale of products and services and purchases of fuel with ENI S.p.A.;
- costs and revenue or receivables and payables with other related parties at 30 June 2019 refer chiefly to the supply of goods or services used in the production process.

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

- the granting to FINCANTIERI S.p.A., in May 2019, expiring in March 2021, by Cassa Depositi e Prestiti S.p.A. of a Revolving Credit Facility for a maximum amount of euro 100 million to cover financial requirements for ordinary activities and to finance research, development and innovation programs for the years 2018-2021. As at 30 June 2019, this line of credit had not been used.

It is also reported that FINCANTIERI S.p.A. entered into three Exporter Indemnity Agreements in favour of SIMEST S.p.A., as standard transactions of lesser importance. In the context of standard transactions of lesser importance, FINCANTIERI S.p.A. was granted a five-year revolving credit line by the Mediocredito Centrale in June 2019 to cover financial needs for ordinary activities.
Furthermore, during the period, Directors, Statutory Auditors, General Managers and other Key Management Personnel were paid a total remuneration of euro 2,750 thousand by the Parent Company, of which euro 1,081 thousand is classified in personnel costs and euro 1,669 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, it should be noted that on 27 June 2019, the Board of Directors approved the closure of the first cycle of the "Performance Share Plan 2016-2018" incentive plan, allocating free of charge to the recipients 10,104,787 ordinary Fincantieri shares through the use of 2,572,497 own shares in portfolio and by issuing 7,532,290 new shares, without a par value. The issue and delivery of the shares will be completed by 31 July 2019.

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 the ongoing disputes described in the Notes to the 2018 Consolidated Financial Statements:

Foreign litigation

In relation to the "Serene" dispute on 7 May 2019, Fincantieri and Serena Equity Limited entered into a settlement agreement, which resulted in the termination of all enforcement proceedings in the English courts and other proceedings pending in other jurisdictions.

With reference to the "Papanikolaou" dispute, brought before the Court of Patras (Greece) by Mr. Papanikolaou and his wife against the Company, Minoan Lines and others following the accident that occurred to the plaintiff in 2007 on board the Europa Palace, built by Fincantieri: (i) in the case relating to the alleged loss of income until 2012, the Greek Court of Cassation has agreed with the main conclusions made in the appeal judgment (which had recognised the responsibility of Fincantieri), but referred the case back to the Court of Appeal in relation to a relatively minor point, whilst (ii) the case relating to the alleged loss of income from 2012 to 2052 is currently suspended. The hearing before the Patras Court of Appeal of the first case was held on March 14, 2019 and the sentence is expected in the third/fourth quarter of 2019. On 12 March 2019, a hearing was held before the Court of Patras in relation to the second case, to which Fincantieri objected invoking the suspension of the proceedings on the grounds that a final ruling had not yet been reached in the first case. The ruling of the Court of Patras is expected in the second half of 2019.

With regard to the dispute pending in the District Courts of California and Florida, brought by Mr Yuzwa against Fincantieri, Carnival and others for the 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 time limit for any further appeal to the Supreme Court has expired.

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). Disputes relating to issues with asbestos continued to be settled both in and out of court in 2019.

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 January 2014, FINCANTIERI S.p.A. received notice of a request for extension of the deadline for the preliminary investigations, under art. 406 of the Code of Criminal Procedure, into the former manager of the Monfalcone shipyard for the alleged infringement of art. 256, par. 1, subsections a) and b) of Legislative Decree no. 152/2006, as well as into the Company, being investigated under art. 25-undecies of Legislative Decree no. 231/2001 in relation to its alleged management of areas for sorting and the temporary storage of hazardous waste at the Monfalcone shipyard without the required authorisation and the alleged disposal of such waste with documentation that did not allow it to be traced. With regarding to this case, 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 the former Head of Personnel were notified of the conclusion of the preliminary investigations for the offences referred to in art. 256, par. 1, subsections a) and b) of Legislative Decree No. 152/2006 ("Unauthorized waste management activities"); in April 2018 the Company was also notified of the conclusion of the investigations for the alleged offence pursuant to art. 25-undecies of Legislative Decree 231/2001 ("Environmental Crimes"). In September 2018 the court summons to trial was notified to all of the investigated persons. At the hearing of 6 March 2019, the judge ruled that no action should be taken against the former Manager of the Monfalcone plant in office until 30 June 2013, the former General Managers of the Company, the former Head of Safety and the former Head of Personnel of the Company, or against the Company, for the facts established in May 2013, under the statute of limitations. The trial continues against the former Plant Manager in office since 1 July 2013 and the Company (as regards the facts established in February 2015).

Between March and April 2014, notices of conclusion of preliminary investigations were served not only on twenty-one individuals (including members of the Board of Directors and of the Oversight Board and employees of the Company at the date of the event, some of whom are still in office or employed by the Company) in the various capacities being investigated for the offences of "wilful removal or omission of precautions against workplace accidents" and "bodily harm through negligence" under articles 437 and 590 of the Italian Criminal Code and of violation of certain provisions of Legislative Decree no. 81/2008, as well as against the Company under art. 25-septies, par. 3, of Legislative Decree no. 231/2001, in connection with an injury to an employee on 13 December 2010 at the Monfalcone shipyard during the lifting of two bundles of iron pipes. At the preliminary hearing on 18 December 2014, the proceedings against the members of the Board of Directors and the Oversight Board and the two General Managers were dismissed, while the other employees of the Company at the date of the incident, as notified above, were formally indicted. Gorizia's public prosecutor has challenged the verdict of no case to answer in the Court of Cassation which, at the end of the hearing held on 20 January 2016, rejected the appeal and upheld the dismissal of the case against members of the Board of Directors and the Oversight Board, as well as the two General Managers. The Company was acquitted at the hearing held on 14 July 2017. The decision was appealed by the public prosecutor: the first hearing, originally scheduled for 10 June 2019, was postponed until 16 September 2019.

In June 2018, notices of completion of preliminary investigations into the management and disposal of waste were served on a number of parties and companies, including the Company's Chief Executive Officer, the former manager and two employees of the Palermo plant for the offence provided for in art. 452-quaterdecies of the Italian Criminal Code ("Organised activities for the illicit trafficking of waste") and the Company for the offence provided for in art. 25-undecies, paragraph 2, subsection f) of Legislative Decree 231/2001 ("Environmental Offences"). By order of 23 April 2019, the Judge for the Preliminary Investigations, in acceptance of the request made by the defences of the Company's Chief Executive Officer, ordered the dismissal of the proceedings against the Chief Executive Officer.

Tax position

National tax consolidation

FINCANTIERI S.p.A., Fincantieri Oil & Gas S.p.A. and Isotta Fraschini Motori S.p.A. contribute to the national tax consolidation of Cassa Depositi e Prestiti S.p.A. for the three year period from 2019 to 2021.

Audits and assessments

Fincantieri

The tax audit for 2013 was defined by means of a tax settlement proposal, with disbursements that had already been estimated and set aside in previous years.

NOTE 30 - CASH FLOWS FROM OPERATING ACTIVITIES

These are analyzed as follows:

(euro/000)	30.06.2019	30.06.2018
Profit/(loss) for the period	12,028	14,994
Depreciation and amortization	76,766	65,694
(Gains)/losses from disposal of property, plant and equipment	524	(3,174)
(Revaluation)/impairment of property, plant and equipment, intangible assets and equity investments	3,388	(1,216)
(Revaluation)/impairment of working capital	12,763	
Increases/(releases) of provisions for risks and charges	19,319	37,614
Interest expenses capitalized		
Interest on employee benefits	618	388
Interest income	(7,525)	(5,284)
Interest expense	34,622	39,340
Income taxes	35,600	20,016
Long-term share-based incentive plan	2,760	2,068
Impact of unrealized exchange rate changes		12,649
Finance income and costs from derivatives		
Gross cash flows from operating activities	**190,863**	**183,089**
CHANGES IN WORKING CAPITAL		
- inventories and advances	79,563	(8,686)
- construction contracts and client advances	(72,540)	3,397
- trade receivables	103,823	310,653
- other current assets and liabilities	(15,621)	16,392
- other non-current assets and liabilities	(39)	(3,288)
- trade payables	(28,931)	(160,318)
Cash flows from working capital	**257,118**	**341,239**
Dividends paid	(16,874)	(16,875)
Interest income received	6,877	3,991
Interest expense paid	(35,557)	(18,763)
Income taxes (paid)/collected	(5,564)	(21,714)
Utilization of provisions for risks and charges and for employee benefits	(75,864)	(25,428)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**130,136**	**262,450**
- of which related parties	(1,815)	(5,409)

NOTE 31 - SEGMENT INFORMATION

Management has identified the following operating segments which reflect the model used to manage and control the business sectors in which the Group operates: Shipbuilding, Offshore and Specialized Vessels, Systems, Components and Services and Other Activities.

Shipbuilding: encompassing the business areas of cruise ships, expedition cruise vessels, naval vessels and other products and services (ferries and mega yachts);

Offshore and Specialized Vessels: encompassing the design and construction of

high-end offshore support vessels, specialized ships, vessels for offshore wind farms and open ocean aquaculture, as well as the offer of innovative products in the field of drillships and semi-submersible drilling rigs;
The Equipment, Systems and Services operating segment is engaged in the design and manufacture of high-tech systems and components, 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 corporate activities which have not been allocated to other operating segments.
The Group evaluates the performance of its operating segments and the allocation of financial resources on the basis of revenue and EBITDA. 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 relating to reorganisation plans and other non-recurring personnel costs, (viii) provisions for costs and legal expenses associated with lawsuits brought by employees for asbestos-related damages, and (ix) other costs or income of a non-routine nature arising from non-recurring events of particular significance.
The results of the operating segments at 30 June 2019 and 30 June 2018 are reported in the following pages.

(euro/000)

	30.06.2019				
	Shipbuilding	Offshore and Specialized Vessels	Equipment, Systems and Services	Other Activities	Group
Segment revenue	**2,409,689**	**314,271**	**370,655**	**761**	**3,095,376**
Intersegment elimination	(39,805)	(43,103)	(174,948)	(652)	(258,508)
Revenue (*)	**2,369,884**	**271,168**	**195,707**	**109**	**2,836,868**
EBITDA	**246,190**	**(52,078)**	**38,885**	**(18,125)**	**214,872**
EBITDA margin	**10.2%**	**(16.6%)**	**10.5%**		**7.6%**
Depreciation, amortization and impairment					(77,552)
Finance income					20,284
Finance costs					(80,533)
Income/(expense) from investments					(18)
Share of profit of investments accounted for using the equity method					(2,584)
Income taxes					(40,461)
Extraordinary and non-recurring income and expenses					(21,980)
Profit/(loss) for the period					**12,028**

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

Analysis of "Extraordinary and non-recurring income and expenses" gross of the tax effect (euro 4,861 thousand) are presented in the following table.

(euro/000)

	30.06.2019
Costs relating to reorganization plans and other non-recurring personnel costs (1)	707
Provisions for costs and legal expenses associated with asbestos-related lawsuits (2)	18,295
Other non-recurring income and expenses (3)	7,839
Extraordinary and non-recurring income and expenses	**26,841**

(1) Balance included in "Personnel costs".
(2) Balance included in the item "Materials, services and other costs" for euro 2.3 million and in the item "Provisions" for euro 15.9 million.
(3) Balance refers to charges related to the streamlining of the Promar shipyard for euro 6 million.

(euro/000)

	30.06.2018*				
	Shipbuilding	Offshore and Specialized Vessels	Equipment, Systems and Services	Other Activities	Group
Segment revenue	**2,129,289**	**333,227**	**321,450**	**845**	**2,784,811**
Intersegment elimination	(90,276)	(630)	(166,218)	(746)	(257,870)
Revenue (**)	**2,039,013**	**332,597**	**155,232**	**99**	**2,526,941**
EBITDA	**172,754**	**(5,708)**	**34,334**	**(18,054)**	**183,326**
EBITDA margin	**8.1%**	**(1.7%)**	**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**

(*) The comparative figures have been restated following redefinition of the operating segments.
(**) Revenue: sum of "Operating revenue" and "Other revenue and income" reported in the consolidated statement of comprehensive income.

Analysis 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 relating to reorganization plans and other non-recurring personnel costs (1)	(2,582)
Provisions for costs and legal expenses associated with asbestos-related lawsuits (2)	(32,134)
Other non-recurring income and expenses	2,789
Extraordinary and non-recurring income and expenses	**31,927**

(1) Balance included in "Personnel costs".
(2) Balance included in the item "Materials, services and other costs" for euro 1.9 million and in the item "Provisions" for euro 30.2 million.

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

(euro/million)	30.06.2019	31.12.2018
Italy	743	704
Other countries	409	374
Total Property, plant and equipment	**1,152**	**1,078**

Capital expenditure in the first half of 2019 on Intangible assets and Property, plant and equipment totalled to euro 102,279 million, of which euro 86,754 million relates 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)	30.06.2019		30.06.2018	
	Revenue and income	%	Revenue and income	%
Italy	545	19%	453	18%
Other countries	2,292	81%	2,074	82%
Total Revenue and income	**2,837**		**2,527**	

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)	30.06.2019		30.06.2018	
	Revenue and income	%	Revenue and income	%
Client 1	747	26%	699	28%
Client 2	368	13%	349	14%
Total Revenue and income	**2,837**		**2,527**	

NOTE 32 - EVENTS AFTER 30 JUNE 2019

On 1 July 2019, the Municipality of Genoa and Fincantieri inaugurated a summer camp for children of Group employees aged between 4 and 11. Fincantieri has delivered this project with the aim of improving the well-being of its employees and their families. The initiative, the result of a public-private partnership, is a first demonstration of collaboration with local companies, which is part of the plan to implement "Genoa in Family".

On 4 July 2019, Fincantieri concluded the acquisition of the majority share of the Insis S.p.A. solution provider in the integrated physical and logical security sector, operating in national and international markets both directly and as a technology partner of large industrial groups.

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 aftersale 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
BOP6 S.c.a.r.l. Electrical installation	Trieste	EUR	40,000.00	5.00 95.00	FINCANTIERI S.p.A.	100.00
ISSEL NORD S.r.l. Logistics engineering	Follo (La Spezia)	EUR	400,000.00	100.00	FINCANTIERI S.p.A.	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	Qàtar	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
LUXURY INTERIORS FACTORY S.r.l. Ship interiors	Italy	EUR	50,000.00	100.00	Marine Interiors S.p.A.	100.00
SEAENERGY A MARINE INTERIORS COMPANY S.r.l. Manufacture of furniture	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	RMB	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	97.44	Fincantieri Oil & Gas S.p.A.	97.44
VARD GROUP AS Shipbuilding	Norway	NOK	16,295,600.00	100.00	Vard Holdings Ltd.	97.44
VARD SHIPHOLDING SINGAPORE Pte. Ltd. Charter of boats, ships and barges	Singapore	USD	1.00	100.00	Vard Holdings Ltd.	97.44
VARD ELECTRO AS Electrical/automation installation	Norway	NOK	1,000,000.00	100.00	Vard Group AS	97.44

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	97.44
VARD RO HOLDING S.r.l. Holding company	Romania	RON	82,573,830.00	100.00	VARD Group AS	97.44
VARD NITERÓI Ltda. Dormant	Brazil	BRL	354,883,790.00	99.99 0.01	VARD Group AS Vard Electro Brazil (Instalaçoes Eletricas) Ltda.	97.44
VARD PROMAR SA Shipbuilding	Brazil	BRL	1,109,108,180.00	100.00	VARD Group AS	97.44
ESTALEIRO QUISSAMÃ Ltda. Dormant	Brazil	BRL	400,000.00	50.50	VARD Group AS	49.21
VARD SINGAPORE Pte. Ltd. Sales and holding company	Singapore	USD	6,000,000.00	100.00	VARD Group AS	97.44
VARD DESIGN AS Design and engineering	Norway	NOK	4,000,000.00	100.00	VARD Group AS	97.44
VARD ACCOMMODATION AS Accommodation installation	Norway	NOK	500,000.00	100.00	VARD Group AS	97.44
VARD PIPING AS Pipe installation	Norway	NOK	100,000.00	100.00	VARD Group AS	97.44
SEAONICS AS Offshore handling systems	Norway	NOK	46,639,721.00	56.40	VARD Group AS	54.96
VARD SEAONICS HOLDING AS Dormant	Norway	NOK	30,000.00	100.00	VARD Group AS	97.44
SEAONICS POLSKA SP. Z.O.O. Engineering services	Poland	PLN	400,000.00	100.00	Seaonics AS	54.96
VARD DESIGN LIBURNA Ltd. Design and engineering	Croatia	HRK	20,000.00	51.00	Vard Design AS	42.69
VARD ELECTRO TULCEA S.r.l. Electrical installation	Romania	RON	4,149,525.00	99.96	Vard Electro AS	97.44
VARD ELECTRO BRAZIL (INSTALAÇÕES ELETRICAS) Ltda. Electrical installation	Brazil	BRL	3,000,000.00	99.00 1.00	Vard Electro AS VARD Group AS	97.44
VARD ELECTRO BRAILA S.r.l. Electrical installation	Romania	RON	45,000.00	100.00	Vard Electro AS	97.44
VARD ELECTRICAL INSTALLATION AND ENGINEERING (INDIA) Pte. Ltd. Electrical installation	India	INR	14,000,000.00	99.50 0.50	Vard Electro AS Vard Electro Tulcea S.r.l.	97.44
VARD TULCEA SA Shipbuilding	Romania	RON	151,606,459.00	99.996 0.004	Vard RO Holding S.r.l. VARD Group As	97.44
VARD BRAILA SA Shipbuilding	Romania	RON	165,862,177.50	94.12 5.88	Vard RO Holding S.r.l. VARD Group AS	97.44

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.	97.44
VARD VUNG TAU Ltd. Shipbuilding	Vietnam	USD	8,000,000.00	100.00	Vard Singapore Pte. Ltd.	97.44
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.	97.44
VARD ENGINEERING BREVIK AS Design and engineering	Norway	NOK	105,000.00	100.00	VARD Group AS	97.44
VARD OFFSHORE BREVIK AS Offshore industrial services and installation	Norway	NOK	100,000.00	100.00	VARD Group AS	97.44
VARD MARINE Inc. Design and engineering	Canada	CAD	9,783,700.00	100.00	VARD Group AS	97.44
VARD MARINE US Inc. Design and engineering	USA	USD	1,010,000.00	100.00	Vard Marine Inc.	97.44
VARD ENGINEERING GDANSK Sp. Z.o.o. Offshore design and engineering activities	Poland	PLN	50,000.00	100.00	Vard Engineering Brevik AS	97.44
VBD1 AS Dormant	Norway	NOK	500,000.00	100.00	VARD Group AS	97.44
VARD CONTRACTING AS Dormant	Norway	NOK	30,000.00	100.00	VARD Group AS	97.44
CDP TECHNOLOGIES AS Research and development of technology	Norway	NOK	500,000.00	100.00	Seaonics AS	54.96
CDP TECHNOLOGIES ESTONIA OÜ Automation and control system software	Estonia	EUR	5,200.00	100.00	CDP Technologies AS	54.96
VARD ELECTRO CANADA Inc. Installation and integration of electrical systems	Canada	CAD	100,000.00	100.00	Vard Electro AS	97.44
VARD AQUA SUNNDAL AS Supplier of aquaculture equipment	Norway	NOK	1,100,000.00	98.21	VARD Group AS	95.70
VARD AQUA CHILE SA Supplier of aquaculture equipment	Chile	CLP	106,000,000.00	95.00	Vard Aqua Sunndal AS	90.91
VARD AQUA SCOTLAND Ltd. Supplier of aquaculture equipment	UK	GBP	10,000.00	100.00	Vard Aqua Sunndal AS	95.70

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	Italy	EUR	20,000,000.00	51.00	FINCANTIERI S.p.A.	51.00
ETIHAD SHIP BUILDING LLC Design, production and sale of civilian and naval ships	Arab Emirates	AED	2,500,000.00	35.00	FINCANTIERI S.p.A.	35.00
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
ISSEL MIDDLE EAST TECHNOLOGY CONSULTANCY LLC IT Consulting and Oil & Gas Services	Arab Emirates	AED	150,000.00	49.00	Issel Nord S.r.l.	49.00
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
BUSBAR4F s.c.a.r.l. Installation of electrical systems	Italy	EUR	40,000.00	10.00 50.00	FINCANTIERI S.p.A. FINCANTIERI S.p.A.	60.00
FINCANTIERI CLEA BUILDINGS s.c.a.r.l. Management and conducting of tenders	Italy	EUR	10,000.00	51.00	FINCANTIERI INFRASTRUCTURE S.p.A.	51.00
PERGENOVA s.c.p.a. Construction of the Genoa viaduct	Italy	EUR	1,000,000.00	50.00	FINCANTIERI INFRASTRUCTURE S.p.A.	50.00
CONSORZIO F.S.B. Construction of buildings	Italy	EUR	15,000.00	58.36	FINCANTIERI S.p.A.	58.36

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	18.76
OLYMPIC CHALLENGER KS Shipowner	Norway	NOK	84,000,000.00	35.00	VARD Group AS	34.10
BREVIK TECHNOLOGY AS Holding of technology licenses and patents	Norway	NOK	600,000.00	34.00	VARD Group AS	33.13
MØKSTER SUPPLY AS Shipowner	Norway	NOK	13,296,000.00	40.00	VARD Group AS	38.98
MØKSTER SUPPLY KS Shipowner	Norway	NOK	131,950,000.00	36.00	VARD Group AS	35.08
REM SUPPLY AS Shipowner	Norway	NOK	345,003,000.00	26.66	VARD Group AS	25.98
OLYMPIC GREEN ENERGY KS Shipowner	Norway	NOK	4,841,028.00	29.50	VARD Group AS	28.74
DOF ICEMAN AS Shipowner	Norway	NOK	23,600,000.00	50.00	VARD Group AS	48.72
TAKLIFT AS Floating cranes	Norway	NOK	2,450,000.00	25.47	VARD Group AS	24.82
AS DAMECO Maintenance services	Norway	NOK	606,000.00	34.00	Vard Offshore Brevik AS	33.13
CSS DESIGN LIMITED Design and engineering	British Virgin Islands	GBP	100.00	31.00	Vard Marine Inc.	30.21
ARSENAL S.r.l. IT consulting	Trieste	EUR	16,421.05	24.00	Fincantieri Oil & Gas S.p.A.	24.00
ISLAND DILIGENCE AS Shipowner	Norway	EUR	17,012,500.00	39.38	Vard Group AS	38.37
CENTRO SERVIZI NAVALI S.p.A. Steel-working	Italy	EUR	12,782,000.00	10.93	Fincantieri S.p.A.	10.93
GRUPPO PSC S.p.A. Plant engineering and construction activities	Italy	EUR	1,431,112.00	10.00	Fincantieri S.p.A.	10.00

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 2019, during the first half of 2019.

2. The adequacy of the administrative and accounting processes for preparing the condensed consolidated half-year financial statements at 30 June 2019 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 2019:

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.

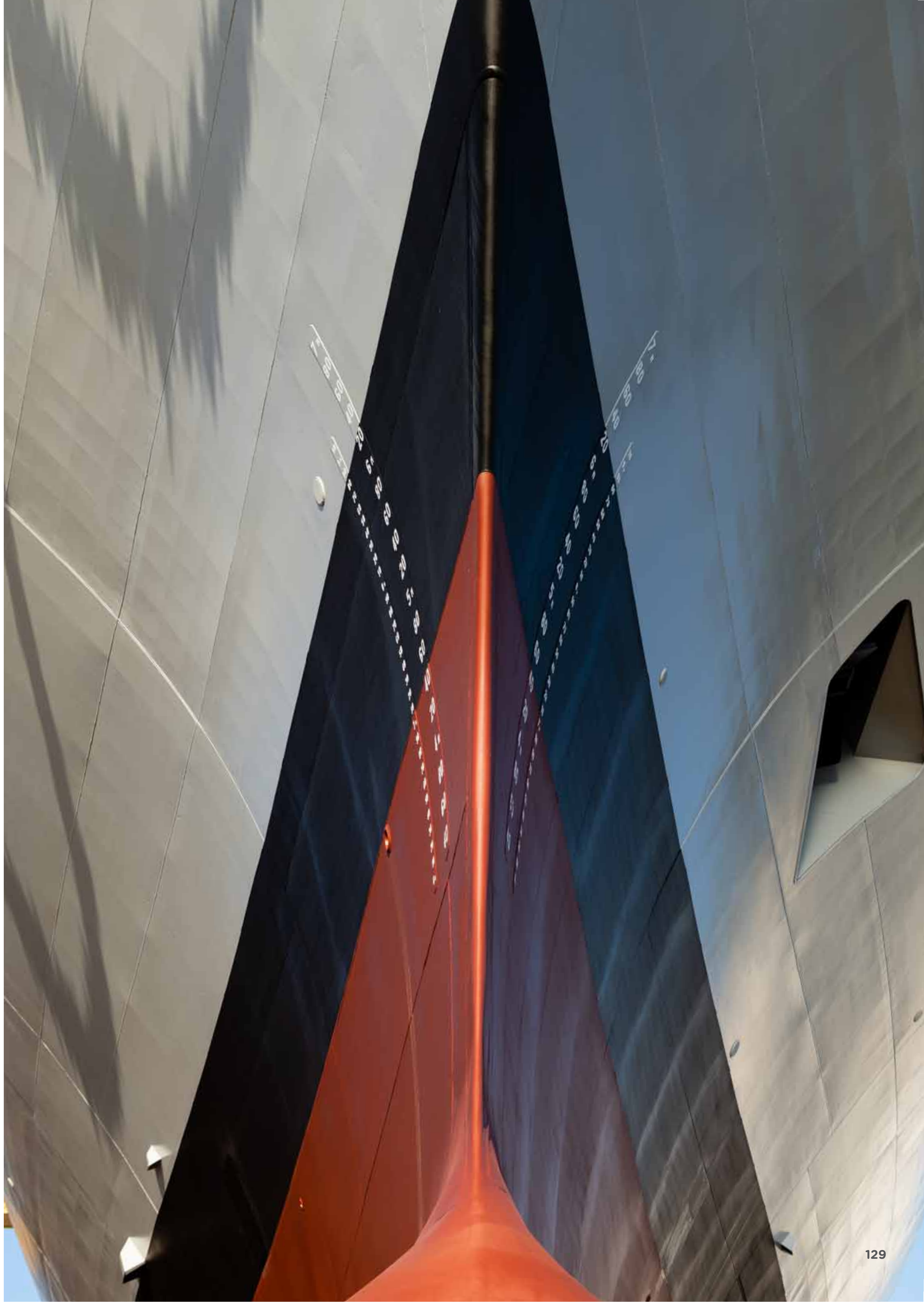
24 July 2019

CHIEF EXECUTIVE OFFICER

Giuseppe Bono

MANAGER RESPONSIBLE FOR PREPARING FINANCIAL REPORTS

Felice Bonavolontà



REPORT BY THE INDIPENDENT 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 2019, 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 2019 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, 29 July 2019

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

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C .F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

www.pwc.com/it

FINCANTIERI

Parent Company
Registered office Via Genova no. 1 - 34121 Trieste – Italy
Tel: +39 040 3193111 Fax: +39 040 3192305
fincantieri.com
Share Capital Euro 862,980,725.70
Venezia Giulia Company Registry and Tax No. 00397130584
VAT No. 00629440322

FINCANTIERI
The sea ahead