FINCANTIERI

HALF-YEAR FINANCIAL REPORT

At 30 June 2020

HALF-YEAR FINANCIAL REPORT

at 30 June 2020

FINCANTIERI
The sea ahead

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

Secretary
Giuseppe Cannizzaro

Board of statutory auditors
(2020-2022)

Chairman
Gianluca Ferrero

Standing Auditors
Pasquale De Falco
Rossella Tosini

Alternate Auditors
Aldo Anelucci
Alberto De Nigro
Valeria Maria Scuteri

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
(2020-2028)

Deloitte & Touche S.p.A.

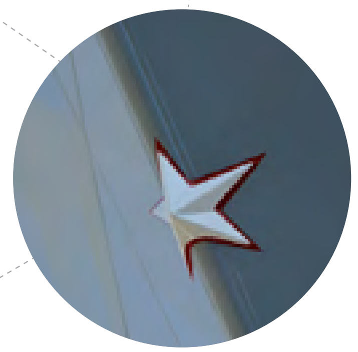
Information regarding the composition and functions of the Board Committees (the Internal Control and Risk Committee, which is also serving on an interim basis as the committee responsible for related party transactions, the Remuneration Committee, the Nomination Committee and the Sustainability Committee)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

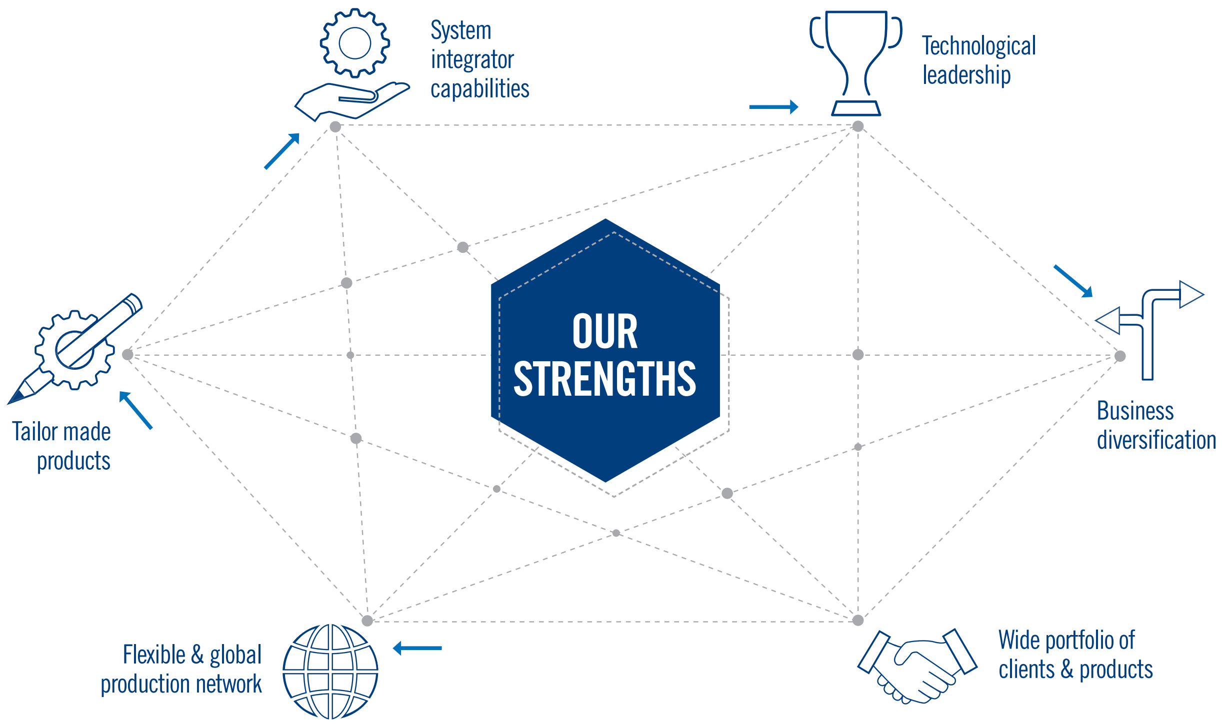
- OUR VISION
- OUR MISSION
- WHO WE ARE
- GROUP OVERVIEW



OUR VISION

We aspire to be world leaders in the industrial sectors where we operate, becoming a reference point for our customers, always selecting high value-added sectors and standing out for our diversification and innovation.

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.



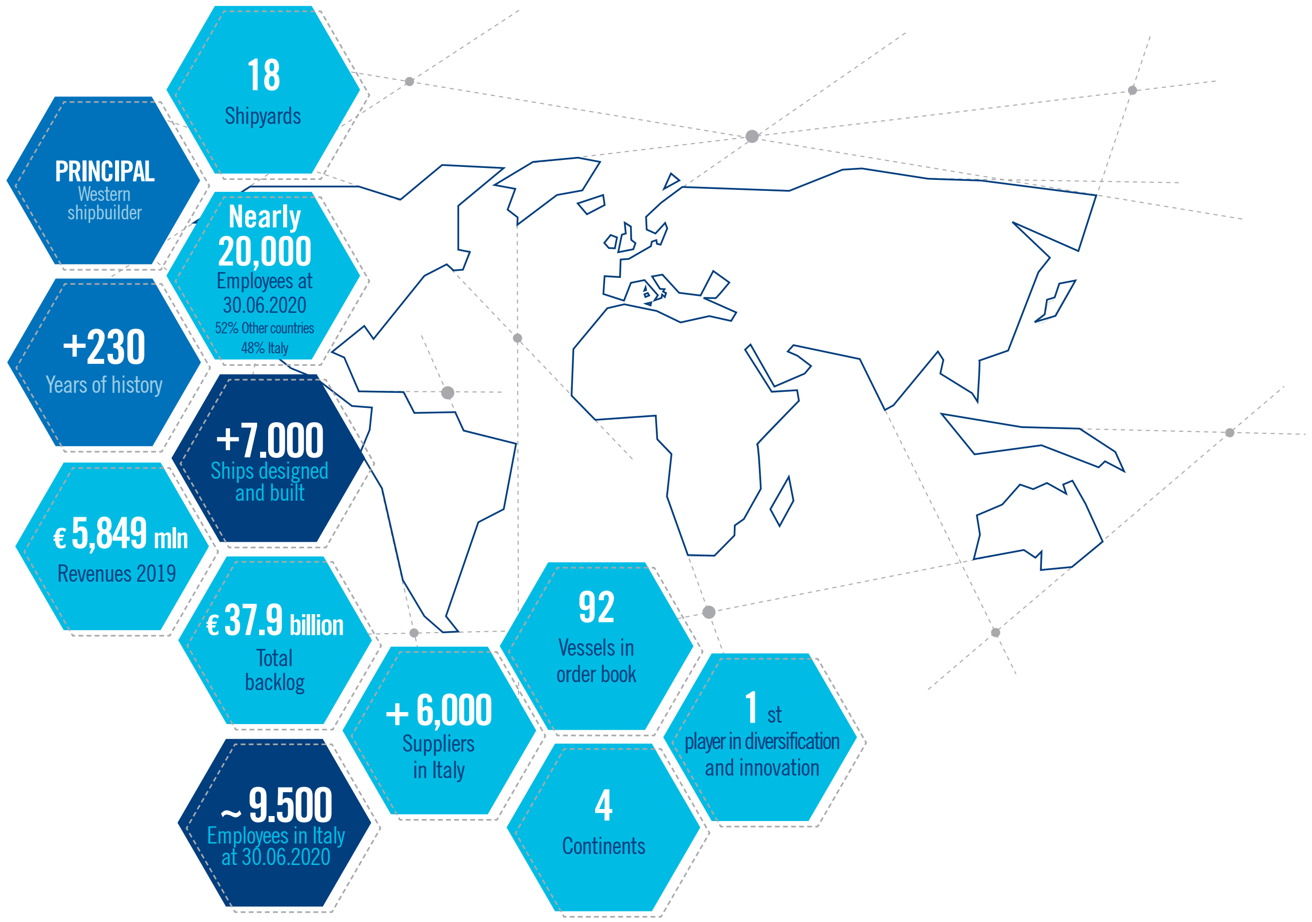
OUR MISSION

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

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 components in the mechanical and electrical sectors, ship interior solutions, electronic systems and software, infrastructure and maritime works and after-sales support services.

FACTS AND FIGURES



The figures refer to 30.06.2020

HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2020

With over 230 years of history and more than 7,000 vessels built, Fincantieri has always kept its management offices, as well as all its distinctive 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 18 shipyards operating in four continents, nearly 20,000 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 generated from cruise ship, naval vessel, Offshore and Specialized Vessel construction and from the supply of solutions for electronic systems and software and for maritime infrastructure and works. Compared with less diversified players, such diversification allows it to mitigate the effects of any fluctuations in demand on the end markets served.

GROUP OVERVIEW

The Group operates through the following three segments:

• Shipbuilding: encompassing the business areas cruise ships and expedition cruise vessels, naval vessels, ferries and mega yachts;
• Offshore and Specialized Vessels: encompassing the design and construction of high-end offshore support vessels, specialized ships, vessels for offshore wind farms and open ocean aquaculture, as well as the offer of innovative products in the field of 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, and supply of solutions for electronic systems and software and for infrastructure and maritime works.

A new organizational structure for the VARD group was defined in 2018, 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 economic results of VARD's Cruise business unit, coordinated directly by Fincantieri's Merchant Shipping Division, have been allocated to the Shipbuilding segment.
Project management for the construction 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.
Finally, it should be noted that as from 2020 Vard Electro's activities were reallocated from the Offshore and Specialized Vessels segment to the Shipbuilding segment and the comparison data at 30 June 2019 were consequently restated.
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 2020

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
- Integrated Naval Shipyard Riva Trigoso and Muggiano
- Ancona
- Castellammare di Stabia
- Palermo

Vard Group AS
- Søviknes

Vard Tulcea SA
- Tulcea

Vard Braila SA
- Braila

Vard Accommodations AS
Vard Electro AS
CSSC - Fincantieri Cruise Industry Development Ltd.

Fincantieri Marine Group Holdings Inc.
FMG LLC
- Sturgeon Bay

Marinette Marine Corporation LLC
- Marinette

ACE Marine LLC
- Green Bay

Fincantieri India Pte Ltd.
Fincantieri 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.
Naviris S.p.A.

OFFSHORE AND SPECIALIZED VESSELS

Offshore and Specialized Vessels

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

FINCANTIERI S.p.A.
Fincantieri Oil&Gas S.p.A.
Vard Group AS
- Brattvaag
- Langsten

Vard Promar SA
- Suape

Vard Vung Tau Ltd.
- Vung Tau

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

EQUIPMENT, SYSTEMS AND SERVICES

Systems and Components

Cabins
Public areas
Catering
Electrical, electronic and electromechanical integrated systems
Entertainment systems
Stabilization, propulsion, positioning and power generation systems
Steam turbines

FINCANTIERI S.p.A.
- Riva Trigoso

Seaf S.p.A.
Isotta Fraschini Motori S.p.A.
Fincantieri SI S.p.A.
Marine Interiors Cabins S.p.A.
Marine Interiors S.p.A.
Seanergy a Marine Interiors company S.r.l.
Luxury Interiors Factory S.r.l.
Fincantieri Sweden AB
Unifer Navale S.r.l.

Service

Ship repairs
Refitting
Refurbishment
Conversions
Product lifecycle management
- Integrated logistic support
- In-service support
- Refitting
- Conversions

Training and assistance

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

FMSNA Inc.
Fincantieri Services Middle East LLC
Fincantieri Services USA LLC

Electronics, Systems and Software

Design and integration of complex systems (system integration) with a focus on automation
Cyber security

FINCANTIERI S.p.A.
Seastema S.p.A.
Issel Nord S.r.l.
Gruppo Insis
Cetena S.p.A.
E-phors S.p.A.

Infrastructure

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

Fincantieri Infrastructure S.p.A.
Fincantieri Infrastructure Opere Marittime S.p.A.
Pergenova S.c.p.a.
Fincantieri Dragaggi Ecologici S.p.A.
BUSBAR4F S.c.a.r.l.

OTHER

Corporate functions

Strategic Direction and Coordination
- Governance, Legal and Corporate Affairs
- Accounting and Finance
- Human Resources
- Information Systems
- Research & Innovation
- Purchasing

FINCANTIERI S.p.A.

HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2020

THE FINCANTIERI PLANET

SHIPYARDS AND DOCKS

EUROPE

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

NORWAY
Brattvaag
Langsten
Søviknes

ROMANIA
Braila
Tulcea

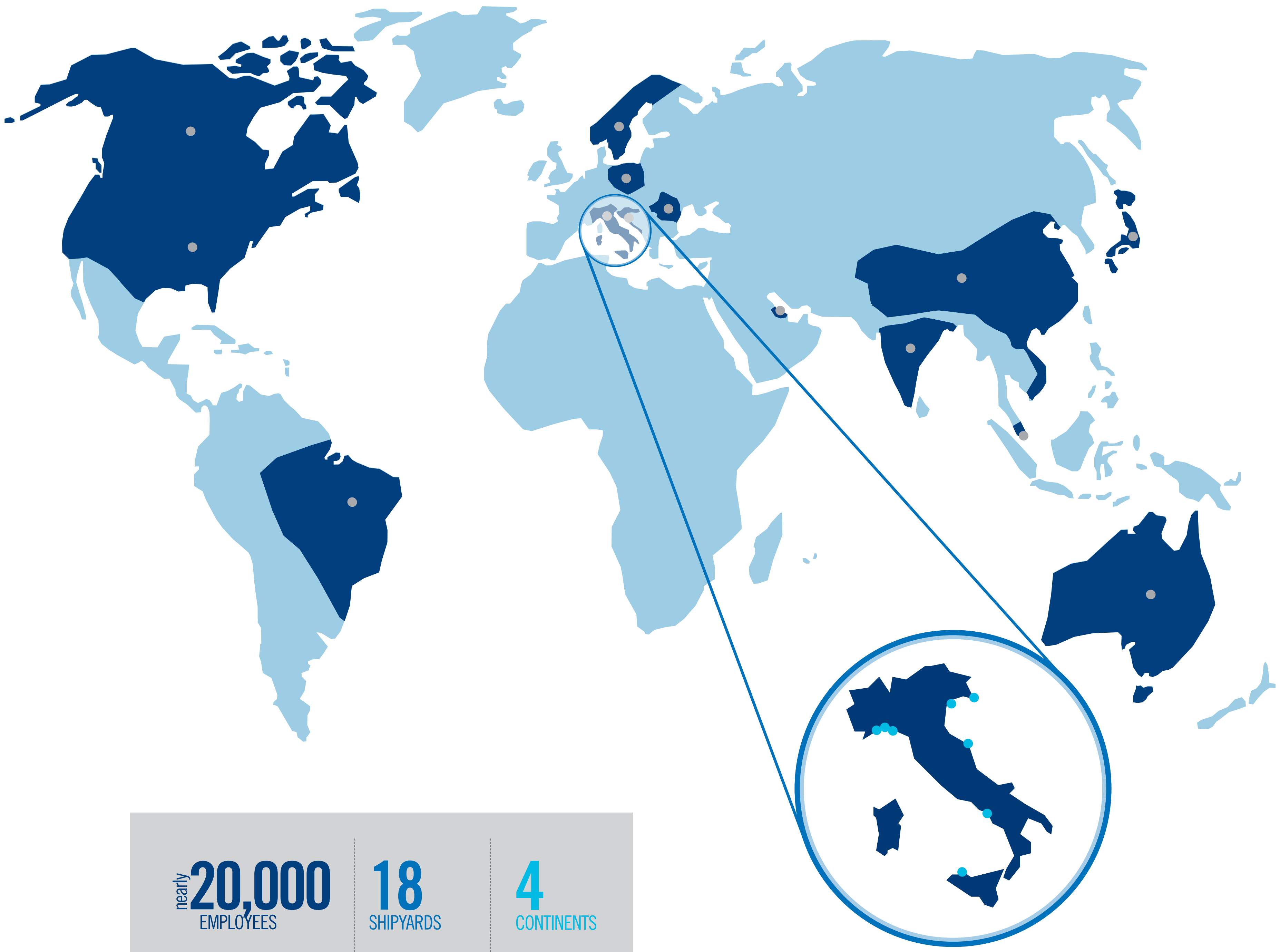
ASIA

VIETNAM
Vung Tau

AMERICAS

USA
Marinette
Sturgeon Bay
Green Bay

BRAZIL
Suape



nearly 20,000 EMPLOYEES | 18 SHIPYARDS | 4 CONTINENTS

MAIN SUBSIDIARIES

EUROPE

ITALY
Cetena
Seastema
Isotta Fraschini Motori
Fincantieri Oil&Gas
Marine Interiors
Marine Interiors Cabins
Insis
Seanergy A Marine Interiors Company
Fincantieri SI
Fincantieri Infrastructure
Fincantieri Infrastructure Opere Marittime
Issel Nord

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

ROMANIA
Vard Tulcea
Vard Braila

CROATIA
Vard Design Liburna

SWEDEN
Fincantieri Sweden

POLAND
Seaonics Polska

ASIA

CHINA
Fincantieri (Shanghai) Trading

INDIA
Fincantieri India
Vard Electrical Installation and Engineering (India)

QATAR
Fincantieri Services Middle East

SINGAPORE
Vard Holdings
Vard Shipholdings Singapore

JAPAN
FMSNA YK

VIETNAM
Vard Vung Tau

AMERICAS

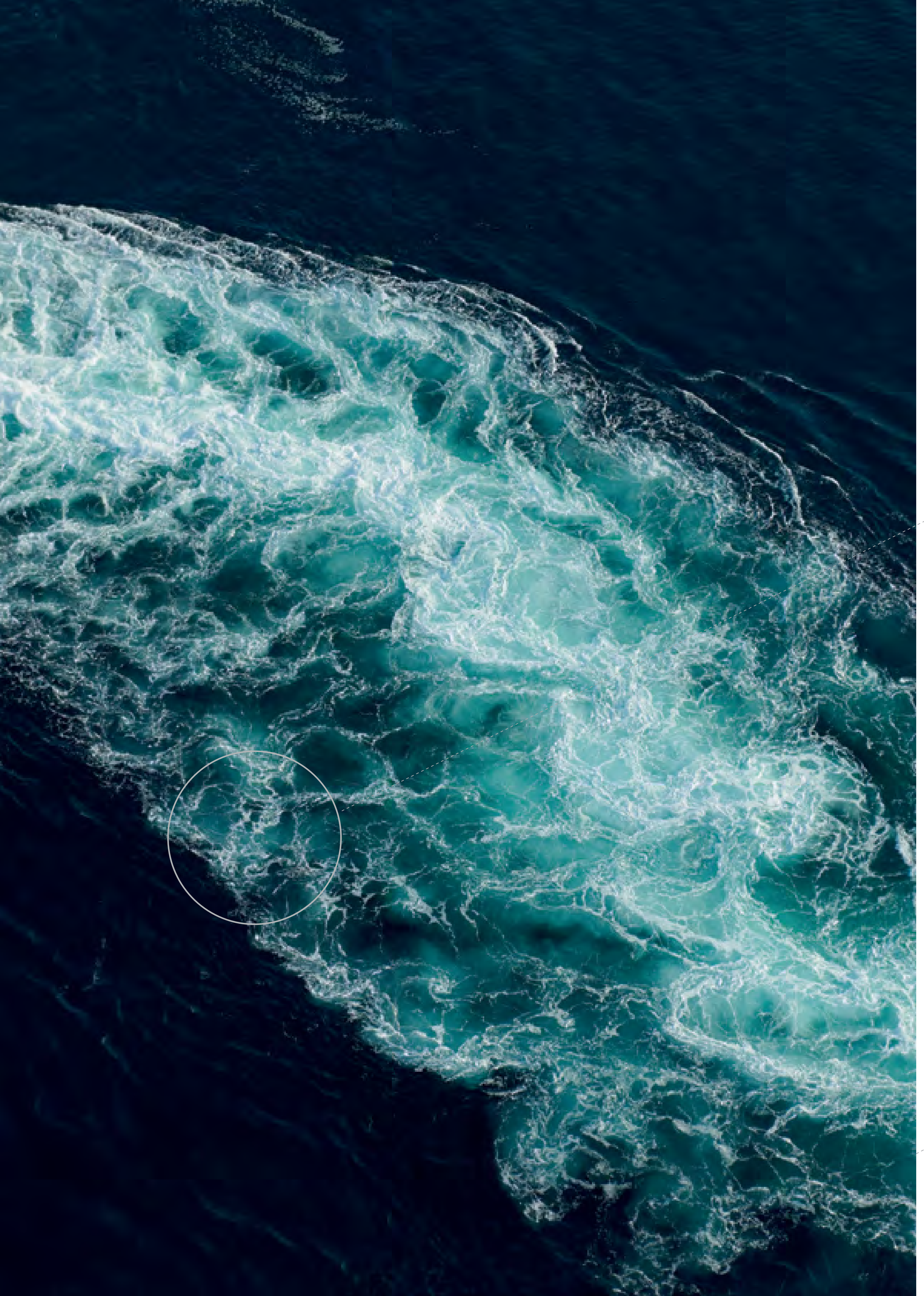
USA
Fincantieri Marine Group
Fincantieri Marine System North America
Fincantieri Services USA
Fincantieri USA

CANADA
Vard Marine

BRAZIL
Vard Promar

OCEANIA

AUSTRALIA
Fincantieri Australia



INTERIM REPORT ON OPERATIONS AT 30 JUNE 2020

HIGHLIGHTS

- **COVID-19 UPDATE**
  - **NO ORDER CANCELLATION**
  - **POSTPONEMENT IN PRODUCTION SCHEDULES** WITH THE CONSEQUENT DOWNTURN IN REVENUES
  - **EXPECTED DELIVERY OF 3 CRUISE SHIPS** FROM ITALIAN SHIPYARDS
- **TOTAL BACKLOG**[1] WITH **117 SHIPS** AND EURO **37.9** BILLION, EQUIVALENT TO 6.5 TIMES 2019 REVENUES
  - **BACKLOG** OF EURO **28** BILLION WITH **92** VESSELS TO DELIVER UP TO 2027
  - **SOFT BACKLOG** AT EURO **9.9** BILLION
- **DIVERSIFICATION STRATEGY ONGOING:**
  - **RENEWABLE ENERGY** SEGMENT: ORDER OF ONE SERVICE OPERATION VESSEL (SOV) FOR OFFSHORE WIND FARM MAINTENANCE
  - **INFRASTRUCTURE** SEGMENT: ORDER TO RECONSTRUCT THE PORT OF RAPALLO
- FINCANTIERI MARINETTE MARINE CHOSEN AS **PRIME CONTRACTOR** IN THE NEW GUIDED-MISSILE FRIGATES PROGRAM FOR THE US NAVY
- **DELIVERED 10 VESSELS** FROM **7** DIFFERENT SHIPYARDS
- COMPLETION OF THE **CORE STRUCTURE** OF THE NEW BRIDGE IN **GENOA** IN RECORD TIME
- **NAVIRIS** JV: FIRST R&T CONTRACT WITH OCCAR FOR 5 RESEARCH PROJECTS
- **THE COMMITMENT TO SUSTAINABILITY IS CONFIRMED:**
  - THE AGREEMENT WITH ENI HAS BEEN EXTENDED FOR INNOVATIVE **DECARBONIZATION AND CIRCULAR ECONOMY** INITIATIVES
  - THE COMMITMENT TO SUSTAINABILITY IS RECOGNIZED BY **VIGEO EIRIS**[2] AND TO THE FIGHT AGAINST CLIMATE CHANGE BY **CDP**[3]

- **REVENUE AND INCOME**: EURO **2,369** MILLION (-15.6%) WHICH ARE AFFECTED BY THE LOSS OF PRODUCTION VALUE OF AROUND EURO 790 MILLION
- **EBITDA** OF EURO **119** MILLION WITH AN **EBITDA MARGIN** OF 5.0% (VS. 8.1% IN THE FIRST HALF OF 2019) AFFECTED BY A CONTRIBUTION SHORTFALL OF EURO 65 MILLION DUE TO PRODUCTION DOWNTIME
- **ADJUSTED LOSS FOR THE PERIOD**[4] OF EURO **29** MILLION
- **LOSS FOR THE PERIOD** OF EURO **137** MILLION NET OF COSTS ASSOCIATED WITH COVID-19 FOR EURO 114 MILLION AND ASBESTOS-RELATED LITIGATION FOR EURO 23 MILLION
- **NET DEBT**[5] OF EURO **980** MILLION (COMPARED TO EURO 736 MILLION AT 31 DECEMBER 2019) REFLECTS THE TYPICAL DYNAMICS OF THE WORKING CAPITAL RELATED TO CRUISE SHIP CONSTRUCTION, ACCENTUATED BY THE EFFECTS OF COVID-19 WITH THE POSTPONEMENT OF THE DELIVERY OF A CRUISE SHIP EXPECTED DURING THE FIRST HALF OF THE YEAR AND OF PART OF THE COMMERCIAL RECEIPTS EXPECTED DURING THE PERIOD

[1] Sum of backlog and soft backlog.
[2] Vigeo Eiris: an agency that evaluates the integration of social, environmental and governance factors in the field of sustainability, with particular focus on the promotion of economic performance, responsible investment and sustainable value creation.
[3] Carbon Disclosure Project: an independent non-profit organization that provides a system to measure, detect, manage and share globally information on our environmental impact.
[4] Profit/(loss) for the period before extraordinary and non-recurring income and expenses.
[5] This figure does not include construction loans.

HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2020

HALF-YEAR OVERVIEW

After a start of the year marked by a sharp acceleration in production schedules, in light of the development of the huge backlog, the results for the first half of 2020 were significantly penalized by the suspension of production activities and the implementation of containment measures to stem the spread of the COVID-19 pandemic.
Since mid-March, the gradual enactment of measures aimed at reducing the risk of contagion has had a considerable impact on the normal course of social and working life of each individual, with significant effects on the economy at national and global level.
At the first signs of the emergency, and anticipating the government's anti-COVID measures, the Group promptly activated specific measures and protocols to protect the health and safety of its employees and those of satellite businesses. These were then taken as a model in other industrial sectors. The Group therefore ordered the **suspension of production activities** at Italian shipyards and facilities as from **16 March 2020**. However, it has been possible to ensure almost normal continuation of production in the Group's foreign shipyards.
Only after implementing all the necessary safety measures did the Group gradually resume its Italian production activities, namely from **20 April 2020**, and on 30 June around 90% of production staff were working at the shipyards. At the same time, a gradual and completely safe return of the satellite businesses to the Italian shipyards has been arranged, enabling regular deliveries to the Group's shipyards and production plants. Therefore, today there are no particular effects on the supply chain, which is nevertheless constantly monitored by Fincantieri.
The shutdown of activities led to a **reduction of over 2.7 million production hours** (around 16% of volumes expected for 2020), resulting in a delay in production programs and, consequently, the **postponement of revenue generation by about euro 790 million with a loss of EBITDA calculated at around euro 65 million** due to the lack of progress on shipbuilding projects during the shutdown.
The spread of the virus has severely affected the entire tourism sector and in particular the cruise sector, forcing all market operators to suspend their operations. In recent communications, shipowners are beginning to give the first **positive signs of a recovery in cruises** as early as the third quarter of 2020, albeit with a smaller number of ships and passengers.
In this context, the Group's management took immediate action to protect relations with its customers and strategic partners, in order to **safeguard the considerable backlog acquired**. The Group's commitment is aimed not only at guaranteeing the continuity of production schedules, thus safeguarding direct employment, but also at ensuring work for the approximately 6,000 small and medium-sized satellite businesses, playing an active role in the economic recovery of the nation. Thanks to the strategy promptly implemented, the Group has been able to keep the **backlog, which amounted to euro 28.0 billion as at 30 June 2020**, intact and without cancellations and allows visibility until 2027.
On this point, it is worth remembering that the contracts signed by Fincantieri qualify the current health emergency as a "cause of force majeure", allowing the Group to modify the production schedules and delivery dates of the ships without incurring penalties and reshape production. As a result of the Group's effort to protect the backlog, Fincantieri immediately established active dialogue with shipowners, on the one hand by suspending payment of the instalments scheduled for the vessels under construction and, on the other, by redefining the schedule of deliveries planned in 2020 and early 2021. It should be noted that, to date, the deliveries scheduled for the remainder of 2020 are confirmed.

HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2020

The package of measures launched to support cruise operators includes a debt holiday on export financing granted to shipowners, which envisages the suspension of repayment of the capital instalments from 1 April 2020 to 31 March 2021 and the consequent reshaping of the repayment plan over the subsequent four years. This facility is granted on condition that existing orders are confirmed.

On the commercial front, it is worth mentioning, in the naval business, the award of the contract for the first flagship unit of the new guided-missile frigates for the US Navy under the **FFG(X) program**. The Group, through its American subsidiary Fincantieri Marinette Marine, has prevailed over competing shipbuilding groups in the detailed design and construction of the program's flagship unit. The contract also includes options for the design and construction of the next 9 units. The award represents an important evolution in the American company's strategic profile: for the first time, Fincantieri Marinette Marine will act as prime contractor in a contract for the US Navy.

In the **Offshore and Specialized Vessels** segment, VARD signed the first order for the design and construction of a Service Operation Vessel (SOV), specifically for the maintenance of the Greater Changhua marine wind farms operated by the Danish electricity company Ørsted. This order, which marks the Norwegian subsidiary's entry into the promising offshore renewable energy sector, confirms the **diversification** strategy defined by the Parent Company.

In the **infrastructure** sector, it is worth mentioning the completion of the core structure of the bridge over the Polcevera river. The project, concluded with the raising of the last span on 28 April and is characterized by rapid work rhythms (which continued in compliance with government regulations even during the lockdown) and high quality standards, has returned to Genoa a crucial infrastructure destined to become a reference point for similar projects. Production process is ongoing also in Romania, with the construction of the suspension bridge over the Danube: which is a highly strategic project for the country and for Europe. The bridge will be the longest single suspended span in the country and the third longest in Europe.

Also in the infrastructure sector, through its subsidiary Fincantieri Infrastructure, the Group has signed a collaboration agreement with Bologna Stadio S.p.A. for the design and implementation of the redevelopment and modernization of the "Renato Dall'Ara" stadium. In addition, through its subsidiary Fincantieri Infrastructure Opere Marittime, Fincantieri signed the contract for the reconstruction, reinforcement and upgrading of the historic international marina of Rapallo, which was significantly damaged by the storm surges of October 2018.

The Group's strategic line has led to the consolidation of the industrial alliance between Fincantieri and Naval Group, through the establishment of an equal joint venture - **Naviris**. This partnership confirms the two companies' shared objective of building a future of excellence for the shipbuilding industry. The alliance therefore represents the natural evolution of the historic partnership between two world leaders. The joint venture marks an important step towards the consolidation of European naval defense in response to the growing need for a more efficient and competitive naval shipbuilding industry. Through Naviris, Fincantieri and Naval Group have joined forces to develop a new strategic capability and respond innovatively to the needs of their customers.

As regards the acquisition of **Chantiers de l'Atlantique**, the antitrust authorities, which were due to take a decision on 17 April, suspended the decision until a later date.

As part of the business expansion in **high-tech sectors**, the Group continued its strategy with the acquisition of a majority stake in Support Logistic Services S.r.l. (SLS), a company specialized in the construction, installation and maintenance of satellite communication systems, radar and radio communication systems, for civil and naval applications. The operation is part of Fincantieri's strategy to diversify and expand its product portfolio which it has undertaken decisively in recent years. The operation will give the Company direct access to a pool of highly qualified resources, creating a centre of excellence with a very high technological content and, at the same time, offering SLS new opportunities to develop its business plan, through significant growth and an increase in its production volume.

In the first half of 2020, the Fincantieri Group successfully delivered 10 vessels in 7 different shipyards, and can count on a **total backlog** of euro 37.9 billion for 117 vessels, consisting of a backlog of around euro 28.0 billion (with 92 vessels on delivery until 2027) and a soft backlog of euro 9.9 billion. The increase in the soft backlog shows once again how the Group's diversification, in terms of end markets, makes it possible to mitigate the effects of possible fluctuations in demand in the individual markets in which it operates.

In terms of **economic results**, the first half of 2020 closed with revenues of euro 2,369 million (euro 2,808 million at 30 June 2019), down 15.6% compared with the first half of 2019 as a result of the suspension of activities at the Group's Italian sites and facilities, which amounted to about euro 790 million in lost revenues due to the postponement of production programs. EBITDA amounted to euro 119 million (euro 227 million at 30 June 2019) with an EBITDA margin of 5.0% and it reflects the reduction in production volumes and the loss of productivity owing to the shutdown and then gradual reopening of the Group's Italian sites. The loss of EBITDA due to the postponement of progress in the shipbuilding projects during the lockdown was calculated at approximately euro 65 million. The loss for the period of euro 137 million (profit of euro 12 million at 30 June 2019) reflects the expenses of euro 114 million relating to production downtime caused by the spread of COVID-19 and extraordinary charges of euro 23 million relating to asbestos litigation.

Net debt totalled euro 980 million (euro 736 million at 31 December 2019) and reflects the impact of the COVID-19 emergency, which resulted, on the one hand, in the postponement to the second half of the year of the delivery of one vessel, which was scheduled for the first half of the year, and, on the other, in the suspension of collection of installments for the cruise vessels under construction.

From an **operational** point of view, it should be noted that 10 vessels were delivered during the period, including 3 cruise ships: "Scarlet Lady", the first of four vessels for the shipowner Virgin Voyages, a new operator in the cruise sector, "Seven Seas Splendor", the second vessel for the customer Regent Seven Seas Cruises, a brand of the Norwegian Cruise Line group, and "Le Bellot", the fifth cruise vessel for the customer Ponant. A naval vessel was also delivered (LCS 19 "St. Louis", the tenth unit for the US Navy, under the LCS program) and the ninth and tenth units of the FREMM program were launched, the first corvette for the Ministry of Defence of Qatar and the second Multipurpose Offshore Patrol Vessel (PPA) for the Italian Navy. In addition, in July 2020, "Le Jacques Cartier", the sixth expedition cruise vessel for the shipowner Ponant was delivered at the Norwegian shipyard in Søviknes.

Employment in Italy grew by 2% compared to 31 December 2019. This increase is mainly due to the adjustment of the workforce to the current order backlog relating to the cruise business. The overall level of the workforce decreased from 19,823 employees at 31 December 2019 to 19,668 employees at 30 June 2020, mainly due to the reduction in VARD's workforce both in

Norway following the closure of the Aukra and Brevik shipyards and in Romania as a result of the efficiency measures undertaken by the Group.

With regard to the **economic results of the various sectors**, the **Shipbuilding** segment closed the first half 2020 with a decrease in revenues (-17.5%) and a margin of 5.7%. This performance reflects the non-recognition of approximately euro 740 million of revenues and approximately euro 48 million of EBITDA due to the postponement of cruise ship construction and the naval programs in Italy following the shutdown of the Group's Italian shipyards caused by the COVID-19 emergency. It should be noted that the EBITDA of the VARD's cruise business is substantially at break-even point and in line with the restructuring plan launched in 2019, which last year also resulted in a revised cost estimate at the completion of the vessels in the order book.

The **Offshore and Specialized Vessels** segment recorded a decrease in revenues (-2.6%) and an EBITDA break-even during the half year period. This trend is affected by the downsizing of production capacity, which is the result of the reorganization that began at the end of 2019, which saw the closure of two Norwegian shipyards in Aukra and Brevik and the exit from the small vessel construction business for the fishery and fishery farm support vessel segments in order to concentrate production on more profitable sectors.

The **Systems, Components and Services** segment confirmed the growth trend, recording an increase in revenues (+5.7%) - despite the impact of approximately euro 120 million of revenue postponement due to the shutdown of some activities in Italy - thanks to the contribution of Fincantieri Infrastructure, which is engaged in the reconstruction of the bridge over the Polcevera river in Genoa. Margins in this business segment reflect the postponement of production programs with an EBITDA contribution shortfall of euro 17 million, and a change in the mix of products and services sold during the period compared with the first six months of the previous year.

During the period, the Group's commitment to combining business growth with the principles of **social and environmental sustainability** has continued. In particular, as regards research and development and confirming their common commitment to the transition towards decarbonization and environmental sustainability, Fincantieri signed an agreement with Cassa Depositi e Prestiti and Eni to develop joint projects within the circular economy, aimed at identifying and implementing technological solutions to deal with marine litter, in a mutually reinforcing way, which compromises the marine and coastal ecosystem mainly due to floating plastic waste and microplastics.

In recognition of the Group's commitment to sustainability, the CDP (formerly the Carbon Disclosure Project) has awarded it to Fincantieri a B rating - on a scale from A to D - for its commitment to the fight against climate change.

In addition, the Group has positioned itself in the highest range of the Vigeo Eiris ranking (Advanced) obtaining first place in the "Mechanical Components and Equipment" segment.

For the second half of the year, production volumes at the Group's Italian sites are expected to be in line with those before COVID-19. In the Cruise area, the Company will be engaged in the delivery of 3 vessels whose dates have been rescheduled (compared to the contractual dates) owing to the production shutdown. In the naval vessel area, the programs underway with the Qatari Ministry of Defense and for the renewal of the Italian Navy fleet are continuing, with the aim of substantially recovering the production activity lost during the months of lockdown by the end of the year. Production activities at foreign shipyards have not been interrupted, in line with the provisions of the local government authorities, although there has been a moderate slowdown in production activities which are expected to recover in the coming months.

As regards medium-long term scenarios, the Group will be involved in developing the considerable backlog acquired to date in converting the substantial soft-backlog into firm orders. The Group, albeit in a challenging global and market environment and one heavily affected by the spread of the COVID-19 pandemic, has also maintained its ability to acquire new orders in core segments and seize further opportunities for diversification. This capacity, combined with the pursuit of the objective of maintaining the current backlog, suggests, at this stage, that the Group will basically return to the growth levels and margins incorporated into the current order book.

In light of the above, the 2020-2024 Business Plan will be finalized as soon as a more detailed analysis is possible of the medium/long-term repercussions of the COVID-19 emergency on the macroeconomic context and the operating sectors in which the Group operates.

KEY FINANCIALS

(euro/million)

31.12.2019	Economic data		30.06.2020	30.06.2019 restated[2]
5,849	Revenue and income		2,369	2,808
320	EBITDA		119	227
5.5%	EBITDA margin (*)		5.0%	8.1%
153	EBIT		54	150
2.6%	EBIT margin (**)		2.3%	5.3%
(71)	Adjusted profit/(loss) for the period [1]		(29)	47
(67)	Extraordinary and non-recurring income and (expenses)		(139)	(27)
(124)	Profit/(loss) for the period from continuing operations		(137)	25
(148)	Profit/(loss) for the period		(137)	12
(141)	Group share of profit/(loss) for the period		(135)	16

31.12.2019	Financial data		30.06.2020	30.06.2019
1,786	Net invested capital		1,867	1,962
1,050	Equity		887	1,238
(736)	Net financial position		(980)	(724)

31.12.2019	Other indicators		30.06.2020	30.06.2019
8,692	Order intake (***)		1,723	6,627
37,127	Order book (***)		36,676	36,979
32,690	Total backlog (***)(****)		37,912	33,127
28,590	- of which backlog (***)		28,012	29,527
279	Capital expenditure		122	102
(296)	Net cash flows for the period		520	5
134	Research and Development costs		65	65
19,823	Employees at the end of the period	number	19,668	19,725
26	Vessels delivered	number	10	15
28	Vessels ordered	number	4	15
98	Vessels in order book	number	92	98

31.12.2019	Ratios		30.06.2020	30.06.2019 restated[2]
8.7%	ROI		3.7%	17.8%
-12.9%	ROE		-27.9%	5.3%
1.2	Total debt/Total equity	number	2.2	1.2
2.3	Net financial position/EBITDA	number	4.4	1.6
0.7	Net financial position/Total equity	number	1.1	0.6

(*) 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.
[1] Profit/(loss) for the period before extraordinary and non-recurring income and expenses.
[2] The figures at 30.06.2019 have been restated to reflect the discontinued operations of the small vessel construction business for the fishery and aquaculture sectors and the divestment of the Aukra shipyard.
The percentages contained in this report have been calculated with reference to amounts expressed in thousands of euros.

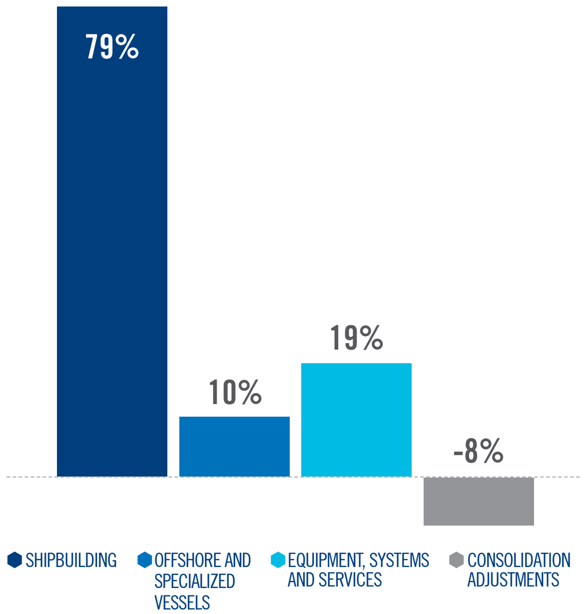
GROUP PERFORMANCE

Group operational performance

Order intake

During the first six months of 2020, the Group recorded euro 1,723 million in new orders, compared with euro 6,627 million in the corresponding period of 2019, with a book-to-bill ratio (order intake/revenue) of 0.7 (2.3 at 30 June 2019). It should be remembered that in the first half of 2019, the Group recorded a record level of order intake. Before intersegment consolidation adjustments, the Shipbuilding segment accounted for 79% of the period's total order intake (96% in the first half of 2019), the Offshore and Specialized Vessels segment for 10% (1% in the first half of 2019) and the Equipment, Systems and Services segment for 19% (5% in the first half of 2019).
With reference to the cruise ships business area, it should be noted that the order for the shipowner Norwegian Cruise Line, in addition to the extension, includes further agreed changes on the 4 cruise vessels already in the order book.
In the Shipbuilding segment, with reference to the naval business, the Group has been awarded the contract for the first flagship unit of the new guided-missile frigates for the US Navy under the **FFG(X) program**. The Group, through its American subsidiary Fincantieri Marinette Marine, has prevailed over the world's major shipbuilding groups in the detailed design and construction of the program's flagship unit.
The contract also includes options for the design and construction of the further 9 units. The award represents an important evolution in the strategic profile of the American operations: for the first time, Fincantieri Marinette Marine will act as prime contractor in a project for the US Navy.
Also in the naval vessel business, Naviris,

ORDER INTAKE (%) BY SEGMENT IN 1ST HALF 2020



a 50/50 joint venture between Fincantieri and Naval Group, has signed its first R&T (Research and Technology) contract with OCCAR (European Organisation for Joint Armament Cooperation) for a program of 5 research projects, which will be the basis for long-term cooperation between Fincantieri and Naval Group. Naviris, as prime contractor, will coordinate the technical activities entrusted to the two companies and will have the intellectual property resulting from the research developed.
In the Offshore and Specialized Vessels segment, the subsidiary VARD signed the first order for the design and construction of a Service Operation Vessel (SOV), specifically for the maintenance of the Greater Changhua marine wind farms operated by the Danish electricity company Ørsted. This order, which marks the Norwegian subsidiary's entry into the promising offshore renewable energy sector, confirms the diversification strategy defined by the Parent Company. It should also be noted that the subsidiary signed contracts for 2 fishery vessels during the period.

Lastly, in the Equipment, Systems and Services segment, through its subsidiary Fincantieri Infrastructure Opere Marittime, Fincantieri signed the contract for the reconstruction, reinforcement and upgrading of the historic international marina of Rapallo, which was significantly damaged by the storm surges of October 2018. The works to reconstruct the marina will also aim to secure the town and the marine area of Rapallo.

(euro/million)

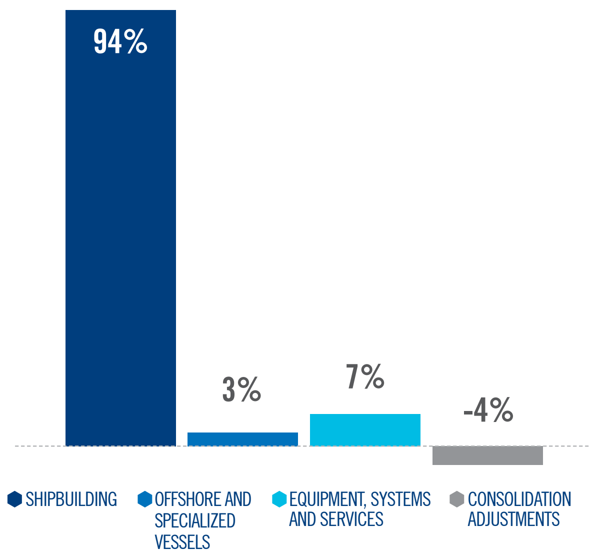
31.12.2019		Order intake analysis	30.06.2020		30.06.2019(*)	
Amounts	%		Amounts	%	Amounts	%
6,359	73	FINCANTIERI S.p.A.	610	35	6,060	91
2,333	27	Rest of Group	1,113	65	567	9
8,692	**100**	**Total**	**1,723**	**100**	**6,627**	**100**
8,057	93	Shipbuilding	1,364	79	6,368	96
207	2	Offshore and Specialized Vessels	164	10	52	1
842	10	Equipment, Systems and Services	322	19	349	5
(414)	(5)	Consolidation adjustments	(127)	(8)	(142)	(2)
8,692	**100**	**Total**	**1,723**	**100**	**6,627**	**100**

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

Backlog and Soft backlog

The Group's total backlog reached euro 37.9 billion at 30 June 2020, comprising euro 28.0 billion of backlog (euro 29.5 billion at 30 June 2019) and euro 9.9 billion of soft backlog (euro 3.6 billion at 30 June 2019) with development of the contracts in the portfolio up to 2027. The backlog and total backlog guarantee about 4.8 years and 6.5 years of work respectively in relation to the 2019 revenues. Before intersegment consolidation adjustments, the Shipbuilding segment accounts for 94% of the Group's total backlog (94% in the first half of 2019), the Offshore and Specialized Vessels segment for 3% (3% in the first half of 2019) and the Equipment, Systems and Services segment for 7% (5% in the first half of 2019).
The integrity of the backlog highlights, even in uncertain times such as these, the Group's ability to be a strategic ally for its customers. The long-term and solid relations that Fincantieri has built up over the years have allowed successful negotiations, enabling the backlog to be fully retained to date.

ORDER BACKLOG (%) BY SEGMENT AT JUNE 2020



Lastly, it should be noted that in the Equipment, Systems and Services segment, through its subsidiary Fincantieri Infrastructure, the Group has signed a partnership agreement with Bologna Stadio S.p.A. for the design and implementation of the redevelopment and modernization of the "Renato Dall'Ara" stadium.

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

(euro/million)

31.12.2019		Backlog analysis	30.06.2020		30.06.2019(*)	
Amounts	%		Amounts	%	Amounts	%
24,707	86	FINCANTIERI S.p.A.	23,853	85	26,530	90
3,883	14	Rest of Group	4,159	15	2,997	10
28,590	**100**	**Total**	**28,012**	**100**	**29,527**	**100**
26,828	94	Shipbuilding	26,333	94	27,797	94
888	3	Offshore and Specialized Vessels	744	3	881	3
1,736	6	Equipment, Systems and Services	1,951	7	1,604	5
(862)	(3)	Consolidation adjustments	(1,016)	(4)	(755)	(2)
28,590	**100**	**Total**	**28,012**	**100**	**29,527**	**100**

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

The soft backlog, representing the value of existing contract options and letters of intent as well as of contracts at an advanced stage of negotiation, none of which yet reflected in the order backlog, amounted to approximately euro 9.9 billion at 30 June 2020, compared with euro 3.6 billion at 30 June 2019. The increase in the soft backlog shows once again how the Group's diversification, in terms of end markets, makes it possible to mitigate the effects of possible fluctuations in demand in the markets in which it operates.
The following table shows the deliveries scheduled each year for the 92 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 2020 in addition to the total number of deliveries scheduled for the full 2020 financial year.
In order to protect the backlog and with a view to meeting the needs of its customers, Fincantieri has redefined, in full cooperation with the shipowner companies, the delivery dates of some of the vessels in the order book. It should be emphasized that, to date, the deliveries scheduled for 2020 are confirmed.

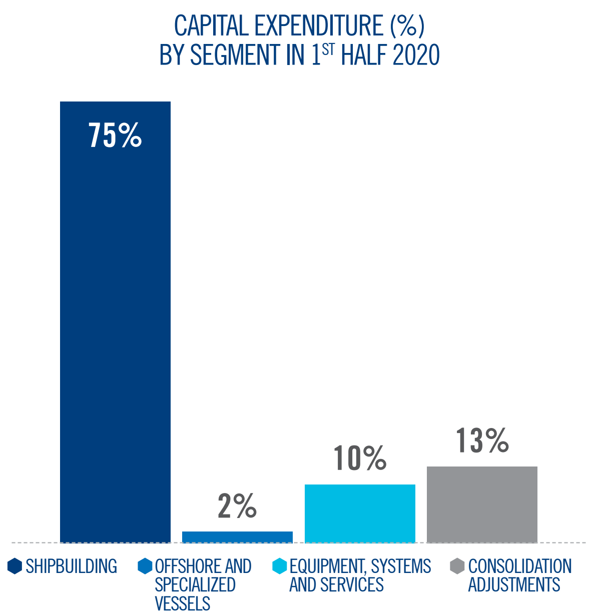
(number)

	Deliveries						
	Completed as at 30.06.20	Total 2020	2021	2022	2023	2024	Beyond 2024
Cruise ships and expedition cruise vessels	4	8	8	8	9	4	9
Naval	1	6	7	9	5	4	7
Offshore and Specialized Vessels	5	9	3	4	1	1	

Capital expenditure

Capital expenditure amounted to euro 122 million in the first six months of 2020, of which euro 25 million for Intangible assets (including euro 7 million for development projects) and euro 97 million for Property, plant and equipment. Capital expenditure represents 5.2% of the Group's revenue in the first six months of 2020, compared with 3.5% in the first six months of 2019.
Capital expenditure on Property, plant and equipment made in the first half of 2020, although hampered by the slowdowns due to the effects caused by COVID-19, have been in line with the ones initiated in previous years and mainly related to i) continued work to upgrade the operational areas and infrastructure at some Italian shipyards to meet new production scenarios; ii) an increase in the safety standards of the plant, equipment and buildings; iii) the continuation of work to increase the efficiency of the production processes 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.

HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2020



(euro/million)

31.12.2019		Capital expenditure analysis	30.06.2020		30.06.2019	
Amounts	%		Amounts	%	Amounts	%
215	77	FINCANTIERI S.p.A.	82	67	80	78
64	23	Rest of Group	40	33	22	22
279	**100**	**Total**	**122**	**100**	**102**	**100**
222	79	Shipbuilding	92	75	77	75
6	2	Offshore and Specialized Vessels	2	2	2	2
30	11	Equipment, Systems and Services	12	10	12	12
21	8	Other Activities	16	13	11	11
279	**100**	**Total**	**122**	**100**	**102**	**100**
61	22	Intangible assets	25	20	22	22
218	78	Property, plant and equipment	97	80	80	78
279	**100**	**Total**	**122**	**100**	**102**	**100**

Group financial results

Presented below are the reclassified consolidated versions of the income statement, statement of financial position and statement of cash flows, the breakdown of consolidated net financial position and the principal economic and financial indicators used by management to monitor business performance. It should be noted, with reference to the economic indicators, that the results as at 30 June 2020 do not include the costs associated with the impact of the COVID-19 outbreak, mainly related to the production downtime caused by the pandemic emergency and the costs of ensuring staff health and safety. This representation excludes elements that the management does not consider indicative of the Group's operating performance and allows a clearer comparison with previous periods.
A reconciliation of these reclassified statements to the IFRS statements can be found later on in this report.

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

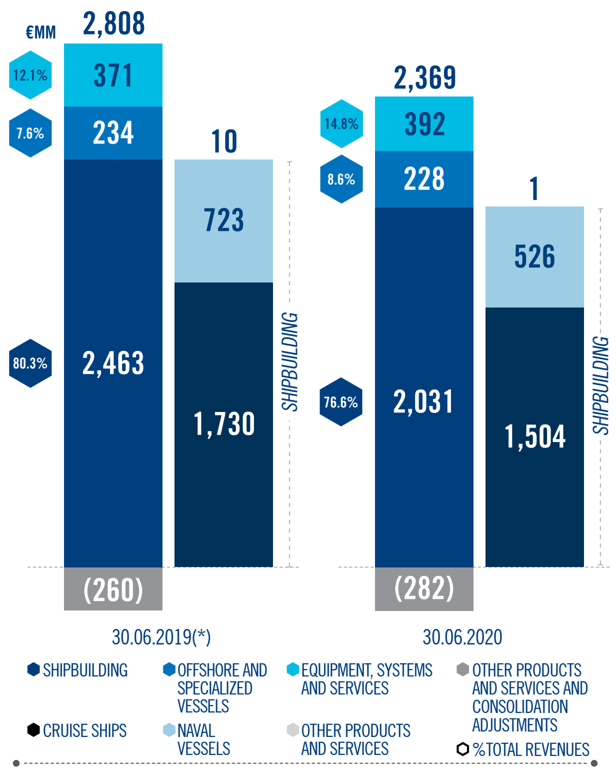
(euro/million)

31.12.2019		30.06.2020	30.06.2019 restated [2]	30.06.2019 discontinued operations
5,849	**Revenue and income**	**2,369**	**2,808**	29
(4,497)	Materials, services and other costs	(1,810)	(2,063)	(37)
(996)	Personnel costs	(432)	(504)	(4)
(36)	Provisions	(8)	(14)	
320	**EBITDA**	**119**	**227**	(12)
5.5%	**EBITDA margin**	**5.0%**	**8.1%**	-40.6%
(167)	Depreciation, amortization and impairment	(65)	(77)	(1)
153	**EBIT**	**54**	**150**	(13)
2.6%	**EBIT margin**	**2.3%**	**5.3%**	
(134)	Finance income/(costs)	(63)	(60)	
(3)	Income/(expense) from investments	(3)	(3)	
(87)	Income taxes	(17)	(40)	
(71)	**Adjusted profit/(loss) for the period** [1]	**(29)**	**47**	
(64)	of which attributable to Group	(27)	51	
(67)	Extraordinary and non-recurring income and (expenses)	(139)	(27)	
14	Tax effect of extraordinary and non-recurring income and expenses	31	5	
(124)	**Profit/(loss) for the period from continuing operations**	**(137)**	**25**	
(117)	of which attributable to Group	(135)	29	
(24)	Net profit/(loss) from discontinued operations		(13)	(13)
(148)	**Profit/(loss) for the period**	**(137)**	**12**	
(141)	of which attributable to Group	(135)	16	

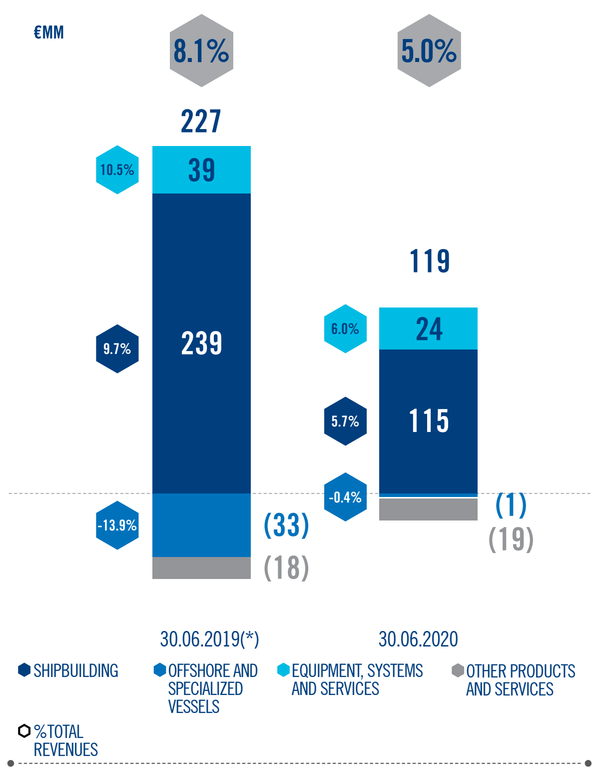
[1] Profit/(loss) for the period before extraordinary and non-recurring income and expenses.
[2] The figures at 30.06.2019 have been restated to reflect the discontinued operations of the small vessel construction business for the fishery and aquaculture sectors and the divestment of the Aukra shipyard.

Revenue and income, equal to euro 2,369 million, have decreased by euro 439 million compared to the previous period (-15.6%). This effect is due to the postponement of production programs caused by the shutdown of activities and the slowdowns following the resumption of production at the Group's Italian shipyards and facilities, resulting in the non-recognition of revenues in the first half of the year for about euro 790 million. The decrease in revenues also reflects the net negative impact (euro 39 million) of the translation into euros of revenues in Norwegian Krone and US Dollars generated by foreign subsidiaries.
The Shipbuilding segment recorded an overall decrease in revenues of 17.5%, with the revenues from cruise ships which decreased by 13.1% and the revenues from naval vessels which decreased by 27.3%. At 30 June 2020, revenues from the cruise ship business area accounted for 57% of the Group's revenues (56% at 30 June 2019), while the naval vessel business area accounted for 20% (24% at 30 June 2019). The Equipment, Systems and Services segment recorded an increase in volumes of about 5.7%, despite the shutdown of production activities in Italy, while revenue from the Offshore and Specialized Vessels segment is substantially in line with the previous period (-2.6%).
Revenue generated by foreign clients accounted for 84% of total revenues in the period ended 30 June 2020, compared to 81% for the corresponding period in 2019.

REVENUE ANALYSIS



EBITDA ANALYSIS



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

EBITDA is equal to euro 119 million at 30 June 2020 (euro 227 million in the first half of 2019), with an EBITDA margin of 5.0%, resulting decreased if compared to the 8.1% at 30 June 2019, with an EBITDA contribution shortfall during the period of approximately euro 65 million as a result of the production shutdown. The reduction in EBITDA is attributable to the Shipbuilding segment due to the suspension of production activities in Italy and the lower contribution of the Equipment, Systems and Services segment due to the different mix of products and services sold during the period. VARD ended the period with an EBITDA substantially at break-even, showing the first positive effects of the restructuring plan launched in 2019, which also resulted in a revised cost estimate at for the completion of the vessels in the order book and the downsizing of production capacity in Norway.

EBIT came to euro 54 million in the first half of 2020 (euro 150 million in the first half of 2019) with an EBIT margin (EBIT expressed as a percentage on Revenue and income) of 2.3% (5.3% in the first half of 2019). The reduction in EBIT is attributable to the reasons already explained above with reference to the Group's EBITDA. There was a lower incidence of depreciation, amortization and impairment compared to the previous period due to the reclassification of operating depreciation and amortization relating to the period of production shutdown due to COVID-19 to extraordinary expenses.

Finance income/(costs) and income/(expense) from investments report a net expense of euro 66 million (net expense of euro 63 million at 30 June 2019). The increase is mainly attributable to higher unrealized expenses resulting from the conversion of the loan granted to Vard Promar into US dollars.

Income taxes have a negative balance of euro 17 million for the first half of 2020 (negative balance of euro 40 million for the same period in 2019).

The **adjusted profit/(loss) for the period** shows a net loss of euro 29 million at 30 June 2020 (net profit of euro 47 million at 30 June 2019).

Extraordinary and non-recurring income and expenses amount to euro 139 million in net expenses (euro 27 million at 30 June 2019) and include costs associated with the impacts arising from the spread of COVID-19 for euro 114 million, costs related to asbestos litigation for euro 23 million and other costs linked to non-recurring operations for euro 2 million. The COVID-19 costs refer mainly to the failure to absorb fixed production costs for the period of production shutdown (approximately euro 65 million, including euro 17 million in depreciation and amortization), costs for sanitary aids and expenses to ensure employee health and safety.

Tax effect of extraordinary and non-recurring income and expenses was a net positive of euro 31 million at 30 June 2020.

Profit/(loss) for the period, reflecting the factors described above, is a net loss of euro 137 million (net profit of euro 12 million at 30 June 2019). The Group share of this result is a net loss of euro 135 million, compared with a net profit of euro 16 million in the same period of the previous year.

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(euro/million)

30.06.2019		30.06.2020	31.12.2019
621	Intangible assets	623	654
85	Rights of use	81	90
1,152	Property, plant and equipment	1,230	1,225
74	Investments	105	75
(14)	Other non-current assets and liabilities	(93)	(79)
(59)	Employee benefits	(59)	(60)
1,859	**Net fixed capital**	**1,887**	**1,905**
807	Inventories and advances	876	828
969	Construction contracts and client advances	981	1,415
(492)	Construction loans	(1,001)	(811)
647	Trade receivables	1,083	677
(1,824)	Trade payables	(1,982)	(2,270)
(80)	Provisions for risks and charges	(69)	(89)
76	Other current assets and liabilities	86	125
103	**Net working capital**	**(26)**	**(125)**
-	**Net assets (liabilities) held for sale and discontinued operations**	**6**	**6**
1,962	**Net invested capital**	**1,867**	**1,786**
863	Share capital	863	863
353	Reserves and retained earnings attributable to the Group	(5)	156
22	Non-controlling interests in equity	29	31
1,238	**Equity**	**887**	**1,050**
724	**Net financial position**	**980**	**736**
1,962	**Sources of funding**	**1,867**	**1,786**

The **reclassified consolidated statement of financial position** shows a positive variation in Net invested capital at 30 June 2020 of euro 81 million compared to the end of the previous financial year, mainly due to the following factors:

- **Net fixed capital**: is substantially in line with that at 31 December 2019. The changes are i) a decrease of euro 26 million in the value of Intangible assets and Property, plant and equipment, where investments for the period (euro 122 million) were more than offset by depreciation and amortization for the period (euro 73 million), the negative effect of the foreign currency translation of the financial statements (euro 56 million) and the reduction in fixed assets (euro 19 million) and ii) the increase in the item Investments (euro 30 million) due to VARD's purchase of a stake in the capital of a shipowner company operating in the Offshore sector, in addition to the transfer to the same of a ship previously recorded under fixed assets.
- **Net working capital**: reports a negative balance of euro 26 million (negative for euro 125 million at 31 December 2019). The main changes related to i) the reduction in Construction contracts and client advances (euro 434 million) due to the delivery of one cruise ship during the period and the reduction in production activities at Italian sites; ii) the increase in Trade receivables (euro 406 million) for the invoicing of the final installment of cruise ships due to be delivered in the second half of 2020; iii) the reduction in Trade payables (euro 288 million) mainly as a result of lower volumes developed during the period.
Construction loans at 30 June 2020 amounted to euro 1,001 million overall, with an increase of euro 190 million compared to 31 December 2019, with euro 800 million related to the Parent Company and euro 201 million to the VARD subsidiary. Given the operational nature of construction loans and particularly the fact that these types of loan are obtained and can be used exclusively to finance the contracts to which they refer, management treats them in the same way as client advances and so classifies them as part of Net working capital.
- **Net assets (liabilities) held for sale and discontinued operations:** equal to euro 6 million refer to the Norwegian shipyard of Aukra which is being divested with the exit from the small vessel construction business for the fishery sector and support vessels to fishery farms.
- **Equity,** amounting to euro 887 million, fell by euro 163 million, mainly due to the loss for the period (euro 137 million), the cash flow hedge reserve linked to cash flow hedging instruments (euro 19 million) and the currency translation reserve (euro 11 million).

CONSOLIDATED NET FINANCIAL POSITION

(euro/million)

30.06.2019		30.06.2020	31.12.2019
683	**Cash and cash equivalents**	897	382
12	**Current financial receivables**	18	2
(322)	Current bank debt	(716)	(163)
(219)	Commercial papers	(156)	(75)
(109)	Current portion of bank loans and credit facilities	(115)	(143)
(20)	Other current financial liabilities	(21)	(18)
(670)	**Current debt**	(1,008)	(399)
25	**Net current cash/(debt)**	(93)	(15)
72	**Non-current financial receivables**	98	91
(744)	Non-current bank debt	(910)	(730)
(77)	Other non-current financial liabilities	(75)	(82)
(821)	**Non-current debt**	(985)	(812)
(724)	**Net financial position**	(980)	(736)

The **Consolidated net financial position**, which excludes construction loans, reports a net debt balance of euro 980 million (euro 736 million in net debt at 31 December 2019). The increase in **Consolidated net financial position** is mainly due to the typical dynamics of the working capital related to cruise ship construction, accentuated by the postponement of the delivery date of a cruise ship expected during the six-month period and of part of the expected commercial receipts for the period. The increase in financial requirements was only partially mitigated by the reduction in production volumes resulting from the temporary closure of the Group's Italian shipyards.

RECLASSIFIED CONSOLIDATED STATEMENT OF CASH FLOWS

(euro/million)

31.12.2019		30.06.2020	30.06.2019
209	Net cash flows from operating activities	(177)	(2)
(22)	Net cash flows from discontinued operations		(12)
(310)	Net cash flows from investing activities	(117)	(118)
(173)	Net cash flows from financing activities	814	137
(296)	**Net cash flows for the period**	520	5
677	**Cash and cash equivalents at beginning of period**	382	677
1	Effects of currency translation difference on opening cash and cash equivalents	(5)	2
382	**Cash and cash equivalents at end of period**	897	684

The **Reclassified consolidated statement of cash flows** shows positive **net cash flows for the period** of euro 520 million (positive for euro 5 million in 2019). The cash flow for the period generated by financing activities, in addition to covering investments for the period and the amount absorbed by operating activities, reflects the Group's decision to use, at a time of great uncertainty following the outbreak of the pandemic, a considerable part of the available short-term forms of financing to create a liquidity buffer that is capable of meeting the financial requirements expected in the following months.
It should be noted that at 30 June 2020, the construction loans generated operating cash flows of euro 214 million (at 30 June 2019 they absorbed cash flows of euro 145 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 2020 and 2019.
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 2019 to 30 June 2020 and from 1 July 2018 to 30 June 2019.

31.12.2019		30.06.2020	30.06.2019 restated[1]
8.7%	ROI	3.7%	17.8%
-12.9%	ROE	-27.9%	5.3%
1.2	Total debt/Total equity	2.2	1.2
2.3	Net financial position/EBITDA	4.4	1.6
0.7	Net financial position/Total equity	1.1	0.6

[1] The figures at 30.06.2019 have been restated to reflect the discontinued operations of the small vessel construction business for the fishery and aquaculture sectors and the divestment of the Aukra shipyard.

The changes in ROI and ROE are mainly attributable to the operating results, EBIT and Net result, which, taken on an annual basis, saw a second half of 2019 impacted by Vard's restructuring plan and a first half of 2020 affected by COVID-19.
The indicators of strength and efficiency of the capital structure reflect the increase in the Group's Total debt and Net financial position accompanied by reduced profitability for the period and by the impact of the half-year results on Net equity - in this case too, the impacts are mainly attributable to the effects of COVID-19.

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 reallocation of Vard Electro's activities from the Offshore and Specialized Vessels segment to the Shipbuilding segment, the comparison data at 30 June 2019 reported below refer to the restated values.

(euro/million)

31.12.2019		30.06.2020	30.06.2019 restated (***)	30.06.2019 published
5,088	Revenue and income (*)	2,031	2,463	2,410
375	EBITDA (*)	115	239	246
7.4%	EBITDA margin (*) (**)	5.7%	9.7%	10.2%
8,057	Order intake (*)	1,364	6,368	6,364
34,206	Order book (*)	34,158	34,378	34,305
26,828	Backlog (*)	26,333	27,797	27,793
222	Capital expenditure	92	77	77
11	Vessels delivered (number)	5	7	7

(*) Before adjustments between operating segments.
(**) Ratio between operating segment EBITDA and Revenue and income.
(***) The comparison figures have been restated to reflect the reallocation of Vard Electro's activities from the Offshore and Specialized Vessels to the Shipbuilding segment.

Revenue and income

Shipbuilding sector revenues at 30 June 2020, amounted to euro 2,031 million, down 17.5% compared to the first half of 2019, mainly due to the postponement of production programs following the shutdown of the Group's Italian shipyards, which led to the non-developed revenues of about euro 740 milion during the six-month period. Euro 1,504 million of the revenues for the period refer to the cruise ship business (euro 1,730 million at 30 June 2019) with a decrease of 13.1% which also reflects the negative effect of the variation in the Euro/Norwegian Krone exchange rate (around euro 28 million) generated by the conversion of the financial statements of the Norwegian subsidiaries. Euro 526 million refer to the naval vessel business area (euro 723 million at 30 June 2019) with a decrease of 27.3% which benefited from the positive variation of the Euro/USD exchange rate (around euro 6 million) resulting from the conversion of the financial statements of the US subsidiaries.
The revenue trend in the cruise ships business area reflects on the one hand the acceleration in production in the early months of 2020, made necessary by the development of the heavy backlog and scheduled deliveries and, on the other, the production shutdown in the Group's Italian shipyards as a result of the COVID-19 emergency and the gradual resumption of production from 20 April 2020. The reduction in revenues in the naval ship business area reflects, on the one hand, the postponement of construction progress on orders for the Qatari Ministry of Defense and for the renewal of the Italian Navy fleet, following the suspension and slowdown of production activities in Italy, and, on the other, the greater contribution of the subsidiary FMG, which is involved in the development of the LCS program and the Foreign Military Sales program between the United States and Saudi Arabia.

EBITDA

The EBITDA of the operating segment at 30 June 2020 is euro 115 million (euro 239 million at 30 June 2019), with an EBITDA margin of 5.7% (9.7% at 30 June 2019). The segment margin is affected by the slower progress of cruise ship construction and military programs in Italy following the postponement of production programs which led to at non-developed EBITDA of approximately euro 48 million. It should be noted that Vard's cruise business is substantially at break-even point and in line with the subsidiary's restructuring plan launched in 2019, which also resulted in a revised cost estimate at completion of the vessels in the order book.

Order intake

In the first six months of 2020, orders worth euro 1,364 million were acquired for the construction of the flagship vessel of the new guided-missile frigates for the US Navy under the FFG(X) program and the order for the shipowner Norwegian Cruise Line which, in addition to the lengthening, also includes further agreed changes on 4 cruise vessels already in the order book.

Capital expenditure

Capital expenditure in Property, plant and equipment by the Parent Company in the first half of 2020, mostly involved:

- continuation of the updating activities on the working areas and infrastructure at some shipyards, in particular Monfalcone and Marghera, to meet the new production scenarios and upgrading and improvement of the safety standards of machinery, 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 VARD in the first six months of 2020 mainly related to the continuation of activities to increase production capacity and raise the efficiency of production processes at the Tulcea yard, in order to guarantee adequate support both for hull construction and the long-term program to produce pre-fitted sections of cruise ships for the Group's Italian shipyards. 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 2020 is analysed as follows:

(number)

	Deliveries
Cruise ships	3
Fishery vessels	1
Naval vessels	1
Mega yachts	

The vessels delivered were:

- "Seven Seas Splendor", the second vessel for the customer Regent Seven Seas Cruises, a brand of the Norwegian Cruise Line group, at the Ancona shipyard;
- "Scarlet Lady", the first of four vessels for the shipowner Virgin Voyages, a new operator in the cruise sector, at the Sestri Ponente shipyard;
- "Le Bellot", the fifth vessel for the customer Ponant at the Søviknes shipyard (Norway);
- one fishery vessel for the customer Finnmark Havfiske AS at the Søviknes shipyard (Norway);

• LCS 19 "St. Louis", the tenth vessel for the US Navy, as part of the LCS program, at the US Marinette shipyard (Wisconsin).

Offshore and Specialized Vessels

The Offshore and Specialized Vessels operating 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 reallocation of Vard Electro's activities from the Offshore and Specialized Vessels segment to the Shipbuilding segment, the comparison data at 30 June 2019 reported below refer to the restated values.

(euro/million)

31.12.2019		30.06.2020	30.06.2019 restated (***)	30.06.2019 published
440	Revenue and income (*)	228	234	314
(107)	EBITDA (*)	(1)	(33)	(52)
-24.2%	EBITDA margin (*) (**)	-0.4%	-13.9%	-16.6%
207	Order intake (*)	164	52	57
1,449	Order book (*)	1,257	1,273	1,346
888	Backlog (*)	744	881	885
6	Capital expenditure	2	2	2
15	Vessels delivered (number)	5	8	8

(*) Before adjustments between operating segments.
(**) Ratio between operating segment EBITDA and Revenue and income.
(***) The comparison figures at 30 June 2019 have been restated to reflect the discontinued operations of the small vessel construction business for the fishery and aquaculture sectors and the divestment of the Aukra shipyard and the reallocation of Vard Electro's activities from the Offshore and Specialized Vessels to the Shipbuilding segment.

Revenue and income

Revenues for the Offshore and Specialized Vessels operating segment at 30 June 2020 amount to euro 228 million, a decrease of 2.6% compared to the first half of 2019 (euro 234 million), and reflect the negative impact deriving from the change in the Euro/Norwegian Krone exchange rate (euro 19 million) due to the conversion of the Norwegian subsidiary's financial statements.

EBITDA

The EBITDA of the operating segment at 30 June 2020 has a negative value of euro 1 million (negative value of euro 33 million at 30 June 2019), with an EBITDA margin of -0.4% (-13.9% at 30 June 2019). The substantial break-even of EBITDA in the first half of 2020 highlights the effects of the restructuring plan launched by the Group's management during 2019, which also resulted in the revision of the final costs of the order book and the downsizing of production capacity, which saw the shutdown of two Norwegian shipyards in Aukra and Brevik and the exit from the small vessel construction business for the fishery and fishery farm support vessel segments in order to concentrate production on more profitable sectors.

Order intake

In the first half of 2020 the orders acquired by the VARD group amounted to euro 164 million and mainly concerned two orders for innovative vessels for the fishery farm sector and one order for a Service Operation Vessel (SOV) for the maintenance of offshore wind farms, confirming the diversification strategy defined by Fincantieri for the subsidiary.

Capital expenditure

Capital expenditure in the first six months of 2020 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
OSCV	1
Fishery&Aqua	2

In detail:
• 1 OSCV (Offshore Subsea Construction Vessel) was delivered to the shipowner Island Offshore AS at the Brevik shipyard (Norway);
• 1 fishery vessel delivered to Nergard Havfiske AS at the Brattvåg shipyard (Norway);
• 2 ferries delivered to Boreal Sjø AS at the Langsten shipyard (Norway);
• 1 aqua vessel delivered to Remøybuen AS at the Langsten shipyard (Norway).

Equipment, systems and services

The Equipment, Systems and Services operating segment includes the business areas for 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, cabins, repair and conversion services, logistical support and after-sales services, as well as supply of solutions for electronic systems and software and infrastructure and maritime works. 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., Marine Interiors Cabins S.p.A., the INSIS group, Fincantieri Dragaggi Ecologici S.p.A., Fincantieri SI S.p.A., Fincantieri Infrastructure S.p.A. and FMSNA Inc.

(euro/million)

31.12.2019		30.06.2020	30.06.2019
899	Revenue and income (*)	392	371
90	EBITDA (*)	24	39
10.0%	EBITDA margin (*) (**)	6.0%	10.5%
842	Order intake (*)	322	349
2,951	Order book (*)	2,761	2,530
1,736	Backlog (*)	1,951	1,604
30	Capital expenditure	12	11

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

Revenue and income

The revenues of the Systems, Components and Services segment, of euro 392 million (+5.7% compared to the first half of 2019), confirm the growth trend - despite the impact of approximately euro 120 million of revenue postponement due to the shutdown of some activities in Italy - thanks to the contribution of Fincantieri Infrastructure, which is engaged in the reconstruction of the bridge over the Polcevera river in Genoa and in the development of IT and electronic activities following the acquisition of the INSIS group. The acquisition, which took place in July 2019, is part of the plan to develop a centre of excellence for electronic systems and software in the defense and civil sectors.

EBITDA

The EBITDA of the operating segment at 30 June 2020 is euro 24 million (euro 39 million at 30 June 2019), with an EBITDA margin of 6.0%. The decrease in the margin is due to the postponement of production programs with an EBITDA contribution shortfall of euro 17 million, and the different mix of products and services sold during the period compared with the first six months of the previous year.

Order intake

New order intake for Equipment, Systems and Services amounted to euro 322 million in the first half of 2020 and mostly comprises:

- for the Equipment, Systems and Services business area: two stabilization systems and one positioning system for cruise orders, two biomass-powered steam turbines for foreign customers, supply and after-sales services relating to cabins, wet units, public areas, kitchens and "complete accommodation" packages for ship platforms. Supply of the electromechanical package for 4 vessels for MSC, supply of a shore supply container[6] for Multupurpose Offshore Patrol Vessel (PPA) and Landing Helicopter Dock (LHD), additional works for the construction of electrical systems for the ITER yard at the Cadarache nuclear site (France), supply of two back-up generators for VARD orders and two motors for generator sets for Expeditionary Fast Transport (EPF) orders;
- for the Services business area: after-sales service and supply of spare parts for the Italian Navy, the U.S. Navy and Coast Guard, for cruise orders and other minor customers, services and other mechanical processing for LCS orders, supply of In Service Support (ISS) to the Italian Navy on the "Orizzonte Class" frigates and "Dattilo Class" patrol vessels;
- for the Electronics, Systems and Software business area: supply of packages related to IT infrastructure and security, automation and logistics systems and plants, supply of Transport & Mobile Solutions and 14 IBS (Integrated Bridge System) Bridge Consoles for the customer Azimut Benetti S.p.A., 8 devices for automatic thermographic detection of body temperature in environments with a high influx of people for the Fincantieri Group and 10 for third-party customers, mainly for companies belonging to the CDP group and RFI group;
- for the Infrastructure business area: the reconstruction, reinforcement and updating of the international marina in Rapallo. Mention should also be made of the agreement with Bologna Stadio S.p.A. for the design and implementation of the redevelopment and modernization of the "Renato Dall'Ara" stadium.

[6] Mobile container used in emergency situations which, placed on land, is electrically powered by the ship and in turn is connected to other land-based systems.

Capital expenditure

Capital expenditure in the first six months of 2020 mainly concern the completion of 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)

31.12.2019		30.06.2020	30.06.2019
2	Revenue and income	1	1
(38)	EBITDA	(19)	(18)
n.a.	EBITDA margin	n.a.	n.a.
21	Capital expenditure	16	12

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

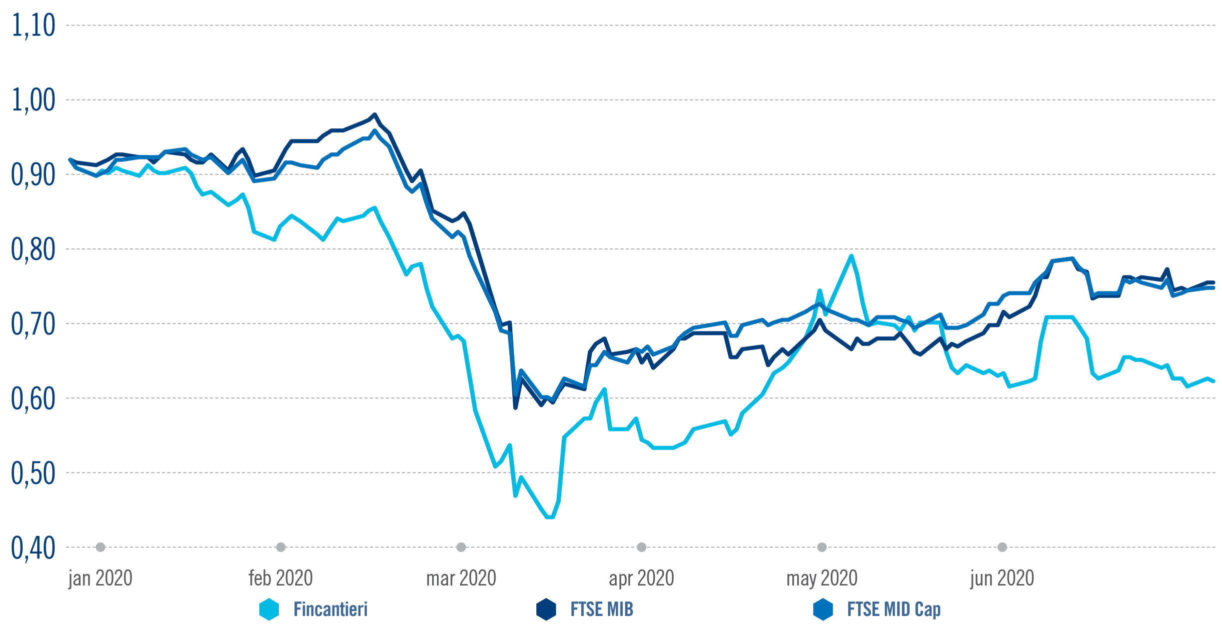
The market capitalization of Fincantieri, at the closing price on 30 June 2020, was approximately euro 1,035 million. In terms of stock liquidity, around 654 million shares were traded from the start of the year to 30 June 2020, with a daily average trading volume in the period of around 5.2 million shares, a decrease from the 754 million shares traded in the first half of 2019 (with a daily average trading volume of 6.0 million).

(euro)

31.12.2019			30.06.2020	30.06.2019
0.98	Average share price in the period		0.69	1.03
0.92	Share price at period end		0.61	0.99
1,700	Number of shares issued	million	1,700	1,692
1,692	Number of shares outstanding at period end	million	1,692	1,687
1,565	Market capitalization (*)	euro/million	1,035	1,667

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

Price (euro/share)



Other significant events in the period

14 JANUARY

The first meeting of the Board of Directors of Naviris, the joint venture between Fincantieri and Naval Group, was held on **14 January 2020**. This partnership consolidates the two companies' shared desire to build a future of excellence for the shipbuilding industry and Navies. Giuseppe Bono was assigned the Chairmanship while Hervé Guillou is a member of the Board of Directors. During the Franco-Italian summit in Naples on 27 February 2020, an intergovernmental agreement was signed, reaffirming the full support of France and Italy for the joint venture. This agreement makes the long-term alliance initiated by the two industrial groups fully operational.

24 JANUARY

On **24 January 2020**, Fincantieri and the Qatari Ministry of Defence, through Barzan Holdings, a company 100% owned by the Qatari Ministry of Defence, signed a Memorandum of Understanding (MoU) in Doha aimed at strengthening the strategic partnership through the evaluation and study of new technologies and capabilities, which could lead to the future acquisition of new units as early as 2020.

24 FEBRUARY

On **24 February 2020** Marakeb Technologies, a leading automation solutions provider, and Fincantieri signed a Memorandum of Understanding to explore opportunities for collaboration in automation.

06 MARCH

On **6 March 2020**, Cassa Depositi e Prestiti, Eni and Fincantieri, confirming their common commitment to the transition towards decarbonization and environmental sustainability, signed a Memorandum of Understanding to develop joint projects within the circular economy, aimed at identifying and implementing technological solutions to deal with marine litter, in a mutually reinforcing way, which compromises the marine and coastal ecosystem mainly due to floating plastic waste and microplastics. The agreement was signed with the aim of studying and developing technologies for the collection of waste dispersed at sea and along the coast and then use them to generate mobility products and industrial applications.

10 MARCH

On **10 March 2020**, Fincantieri Infrastructure raised the new 100-meter maxi steel deck. The deck, whose profile will recall the hull of a ship, as designed by Renzo Piano was transported across the Polcevera river. In the second half of the month, the last 100-meter maxi span was also raised, taking the new Genoa bridge over the railway.

13 MARCH

On **13 March 2020** Fincantieri, following the outbreak of the Coronavirus epidemiological phenomenon and in application of the measures that the Government has progressively put in place, decided to suspend production activities at the Group's Italian sites from March 16 to 29.

26 MARCH

On **26 March 2020**, Fincantieri, while taking all the necessary actions to make its employees safe, decided to continue the suspension of work at its plants and offices until the date indicated in the Decree of the President of the Council of Ministers of March 22. Therefore, Fincantieri and the national trade unions FIM - FIOM - UILM, have signed an agreement that provides for the possibility of using the Ordinary Wage Guarantee Fund (CIGO) for personnel at all company sites. During the period covered by CIGO, maintenance activities of the plants and essential services of the sites are still carried out, as are the direction and management activities strictly necessary for the current obligations of the company, where possible in work-from-home mode, and in order to carry out the preparatory activities for resumption of production.

28 APRIL

On **28 April 2020**, the last steel span of the bridge over the Polcevera river was positioned at height in Genoa before the Prime Minister Giuseppe Conte, the Minister of Infrastructure and Transport Paola De Micheli, the Governor of the Liguria Region Giovanni Toti and the Mayor of Genoa and Commissioner for Reconstruction Marco Bucci.

05 MAY

On **5 May 2020**, as part of the agreement for the promotion and financing of teaching-experimental activities in the naval sector signed last November by the Chancellor of the University of Genoa, Paolo Comanducci, and Giuseppe Bono, CEO of the Fincantieri Group, the parties signed the agreements to launch four PhD projects, each lasting three years. The initiative envisages a total investment by Fincantieri of over euro 250,000 for the completion of the projects.

19 MAY

On **19 May 2020**, Fincantieri announced that it had completed development of an innovative family of tunnel thrusters specifically dedicated to the cruise market, which establishes a new state of the art with respect to the specific requirements of the application including quietness, efficiency, reliability and environmental sustainability.

03 JUNE

On **3 June 2020**, the CEO of Eni, Claudio Descalzi, and the CEO of Fincantieri, Giuseppe Bono, signed a Memorandum of Understanding (MoU) that extends the Research and Development collaboration started between the two Italian companies in 2017.

04 JUNE

On **4 June 2020**, Naviris, a 50/50 joint venture between Fincantieri and Naval Group, has signed its first R&T (Research and Technology) contract with OCCAR (European Organisation for Joint Armament Cooperation) for a program of 5 research projects, which will be the keystone for long-term cooperation between Fincantieri and Naval Group. Naviris, as prime contractor, will coordinate the technical activities entrusted to the two companies and will have the intellectual property resulting from the research developed.

HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2020

Key events after the reporting period ended 30.06.2020

On 2 July 2020 the Group, through its subsidiary Insis, acquired a majority stake in Support Logistic Services S.r.l., a company based in Guidonia Montecelio (Rome), specializing in the construction, installation and maintenance of satellite communication systems, radar and radio communication systems, for naval and civil applications.
On 10 July 2020, "Le Jacques Cartier", the last cruise unit in the Explorer series for the shipowner Ponant, was delivered to the Søviknes shipyard in Norway. All six units in the series, built entirely at the Norwegian shipyards of VARD, were delivered in just two years.
On 22 July 2020, Naviris signed a contract with OCCAR (European Organisation for Joint Armament Cooperation) regarding a feasibility study for the mid-life upgrade (MLU) of the four Horizon-class destroyers. Naviris will work closely with its industrial partners Fincantieri, Naval Group, Leonardo, Thales, Eurosam, MBDA and Sigen.

Business outlook

For the second half of the year, production volumes at the Group's Italian sites are expected to be in line with those before COVID-19. In the Cruise area, the Company will be engaged in the delivery of 3 vessels whose dates have been rescheduled (compared to the contractual dates) owing to the production shutdown. In the naval vessel area, the programs underway with the Qatari Ministry of Defense and for the renewal of the Italian Navy fleet are continuing, with the aim of substantially recovering the production activity lost during the months of lockdown by the end of the year. Production activities at foreign shipyards have not been interrupted, in line with the provisions of the local government authorities, although there has been a moderate slowdown in production activities which are expected to recover in the coming months.
As far as the cruise sector is concerned, while in the United States the CDC (Center for Disease Control and Prevention) has extended the "no-sail order" until 30 September 2020, shipowners with routes in seas not subject to US directives have already resumed operations or are in the process of resuming them. Among these, Ponant, through the Paul Gauguin brand, resumed activities on 15 July in the seas of French Polynesia and Tahiti; the Carnival group's Aida brand also announced that activities will resume in Germany from August.
It should be noted that, over the last few weeks, the main shipowners have unequivocally expressed their intention not to cancel any existing orders, focusing on the entry of new ships into their fleet at the expense of less efficient ones.
A better performing fleet will allow shipowners to implement the new health and safety measures, generating a greater return on investment also by optimizing operating expenses, and at the same time to comply with the increasingly stringent environmental regulations.
As proof of the prospects for a recovery in the cruise industry, it should be noted that according to a recent survey conducted by UBS in May, 85% of cruise passengers declared they wanted to travel on cruise ships again, despite the health emergency that has affected the sector [7]. The main shipowners have also made their booking data for 2021 public, showing a positive recovery trend that brings the market back to previous levels.
As regards medium-long term scenarios, the Group will be involved in developing the considerable backlog acquired to date in converting the substantial soft-backlog into firm orders. The Group, albeit in a challenging global and market environment and one heavily affected by the spread of the COVID-19 pandemic, has also maintained its ability to acquire new orders in core segments and seize further opportunities for diversification. This capacity, combined with the pursuit of the objective of maintaining the current backlog, suggests, at this stage, that the Group will basically return to the growth levels and margins incorporated into the current order book.
In light of the above, the 2020-2024 Business Plan will be finalized as soon as a more detailed analysis is possible of the medium/long-term repercussions of the COVID-19 emergency on the macroeconomic context and the operating sectors in which the Group operates.

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 Rules for Related Party Transactions ("RPT Rules") with effect from 3 July 2014. Subsequently, on 3 December 2015, the Company also adopted the "Management of Related Party Transactions" Procedure in order to describe and define the process, terms and operating procedures for the proper management of related party transactions.
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. At 30 June 2020, FINCANTIERI S.p.A. held 7,226,303 treasury shares (equal to 0.42% of the Share Capital) with a total value of euro 7,118 thousand. On 10 June 2020, the Board of Directors approved the closure of the second cycle of the "Performance Share Plan 2016-2018" incentive plan, allocating free of charge to the recipients 4,822,542 ordinary Fincantieri shares. The allocation of shares will take place, using solely own shares in portfolio, by 31 July 2020.

Italian Stockmarket Regulations

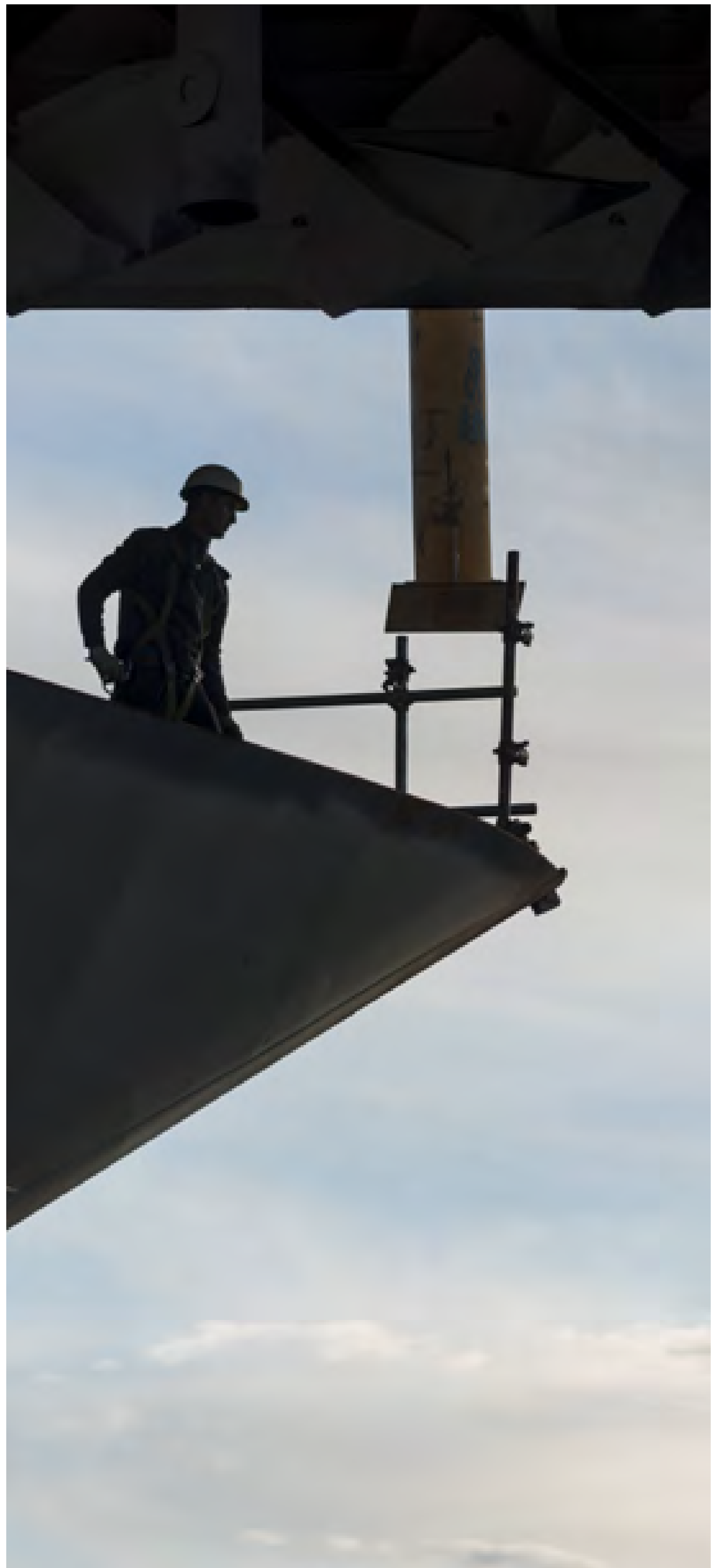
Art. 15 of the Market Regulations (adopted by Consob Resolution no. 20249 of 28 December 2017) sets out the listing conditions for companies that control companies incorporated in and governed by the laws of non-EU countries. With reference to these regulatory requirements concerning the listing conditions 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

[7] Forman, L. (11/07/2020). Cruise Fans Yearn to Ship Out, The Wall Street Journal, p.14.

30 June 2020, the Fincantieri subsidiaries falling under the scope of the above article are the VARD group and the FMG group. Suitable procedures have already been adopted to ensure that these groups comply with these regulations.
In accordance with the disclosures required by Consob Communication no. DEM/6064293 dated 28 July 2006, it is reported that no atypical and/or unusual transactions took place during 2020.

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 1 April 2020, and published in the "Ethics and Governance" section of the Company's website at www.fincantieri.it.
The Report contains a general and complete overview of the corporate governance system adopted by FINCANTIERI S.p.A. It also 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 body (and its committees) and supervisory body, their roles, duties and responsibilities.
The criteria for determining the compensation of the directors are set out in the "Report on the policy regarding remuneration and fees paid", prepared in compliance with the requirements of Art. 123-ter of Italy's Consolidated Law on Finance and Art. 84-quater of the Consob Issuer Regulations, and published in the "Ethics and Governance" section of the Company's website.



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 2020 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 plants, 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 and not strictly linked to the shipbuilding sector, such as the steel infrastructure works and automation systems. Given the current downturn in the offshore market, the subsidiary VARD has successfully pursued a strategy of diversifying into new market segments, such as expedition cruise ships and specialized fishing vessels and vessels for managing offshore wind farms, with the intent of reducing its exposure to the cyclical nature of the offshore Oil & Gas industry.

3 Risks related to maintenance of competitiveness in core markets

DESCRIPTION OF RISK	IMPACT	MITIGATION
The production of standard merchant vessels is now dominated by Asian shipyards, meaning that competitiveness can only be maintained by specializing in high value-added markets. As far as civilian vessels are concerned, the Parent Company has been focusing for several years on cruise ships, a business in which it has a long track record; it has extended this focus, with the VARD group, 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, health situations that affect the development of production activities, design changes or problems in procuring key supplies.	In the event of delivery delays, except for effects arising from events that are covered in the contract (i.e. force majeure), 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. The contracts entered into with customers provide that, in the event of a "force majeure event" preventing the regular construction of the order, such as a government order or a pandemic, the company would not be required to pay penalties to the shipowner for late delivery.

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.	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. The Group also works constantly with customers and financial institutions to ensure the delivery of orders in its order book.

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 in 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, also in situations of great financial stress arising from internal or external factors.

DESCRIPTION OF RISK	IMPACT	MITIGATION
The Group's clients often make use of financing to finalize the placement of orders. Overseas clients may be eligible for export finance schemes structured in accordance with OECD rules. Under such schemes, overseas buyers of ships can obtain bank credit against receipt of a guarantee by a national export credit agency, which in the case of Italy is SACE S.p.A. and GIEK in the case of Norway. The availability of export financing is therefore a key condition for allowing overseas clients to award contracts to the Group, especially where cruise ship construction is concerned.	The lack of available finance for the Group's clients or the low competitiveness of their conditions could have a highly negative impact on the Group's ability to obtain new orders as well as on the ability of clients to comply with the contractual terms of payment.	Fincantieri supports overseas clients during the process of finalizing export finance and particularly in managing relations with the agencies and companies involved in structuring such finance (for example, SACE, Simest and the banks). In addition, the process of structuring finance is managed in parallel with the process of finalizing the commercial contract, the enforceability of which is often subject to the shipowner's receipt of the commitment by SACE and the banks to provide an export credit guarantee. The subsidiary VARD also actively works with GIEK, the Norwegian export credit agency, particularly in a new sector for the Norwegian market like that of expedition cruise vessels. As an additional safeguard for the Group, in the event of a client default on its contractual obligations, Fincantieri has the right to terminate the contract. In such a case, it is entitled to keep the payments received and the ship under construction. The client may also be held liable for paying any costs prepaid by the Group.

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

DESCRIPTION OF RISK	IMPACT	MITIGATION
The Fincantieri Group's decision to outsource some of its business activities is dictated by strategic considerations based on two factors: a) outsource activities for which it has the skills but insufficient in-house resources; b) outsource activities for which there are no in-house skilled resources and which would be too expensive and inefficient to develop. Dependence on suppliers for certain business activities may result in the inability to ensure high standards of quality, failure to meet delivery dates, the acquisition of excessive supplier bargaining power, and a lack of access to new technologies. In addition, the significant presence of suppliers in the production process has an impact on local communities, possibly requiring the Group to address social, political and legality issues.	A negative performance by suppliers in terms of quality, timing or costs causes production costs to rise, and the client's perception of the quality of the Fincantieri product to deteriorate. As for other partners at the local level, non-optimal relations may impact the Group's ability to compete on the market.	The Group has specific personnel in charge of coordinating the assembly of on-board systems and managing specific areas of outsourced production. In addition, the Fincantieri Group carefully selects its "strategic suppliers", which must meet the highest standards of performance. The Parent Company has developed a precise program of supplier performance evaluation in this regard, ranging from measurement of the services rendered, both in terms of quality of service offered and punctuality of delivery, to the strict observation of safety regulations, in line with the Group's "Towards Zero Accidents" objective. In addition, particular attention is paid in general to relations with the local communities that interact with the Group's shipyards, involving appropriate institutional relationships, at the time supplemented by the conclusion of suitable legality and/or transparency protocols with the local authorities, which in turn enabled the definition of the National Legality Framework 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, which integrates the principles of sustainability into the company processes and activities, 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.

HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2020

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. In this context, reference is made to the protocols adopted in all production units to control and contain the risk of contagion in the COVID-19 epidemic, as provided for by the measures issued by the competent authorities. 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 and manage the possible emergence of 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 the Group's profit margins and cash flow.	Fincantieri has a policy for managing 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.

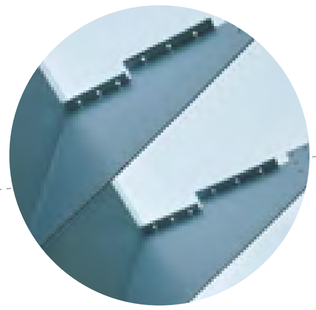
11 Risks related to financial debt

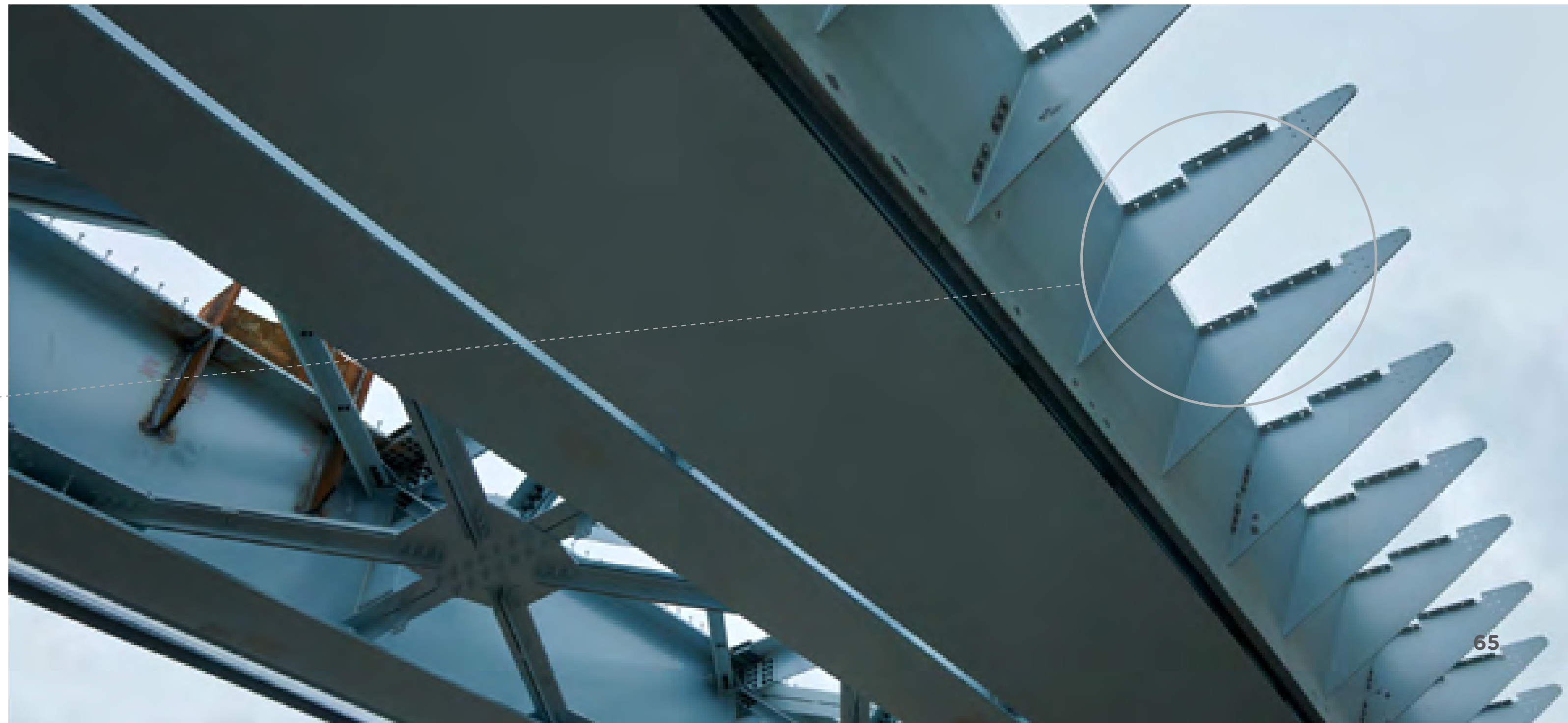
DESCRIPTION OF RISK	IMPACT	MITIGATION
Some of the loan agreements entered into by the Group require it or some of its companies to comply with conditions, commitments and constraints of a financial and legal nature (such as the occurrence of events of default, even potential ones, cross-default clauses 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.	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 guarantee a sufficient level of financial flexibility, the Group constantly maintains a buffer of available funding sources that is more than adequate for its expected future needs, even in the event of unfavourable cash scenarios, and 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:
  - provisions for costs and legal expenses associated with lawsuits brought by employees for asbestos-related damages;
  - costs relating to the impacts deriving from the spread of COVID-19;
  - costs relating to reorganization plans and non-recurring other personnel costs;
  - other extraordinary income and expenses.
- EBIT: this is equal to EBITDA after deducting recurring depreciation, amortization and impairment of a recurring nature (this excludes impairment of goodwill, intangible assets and property, plant and equipment recognized as a result of impairment tests).
- Adjusted profit/(loss) 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, Rights of use, Property, plant and equipment, Investments and Other non-current assets (including the fair value of derivatives classified in non-current Financial assets and non-current Financial liabilities) net of Employee benefits.
- Net working capital: this is equal to capital employed in ordinary operations and includes the following items: Inventories and advances, Construction contracts and client advances, Construction loans, Trade receivables, Trade payables, Provisions for risks and charges, and Other current assets and liabilities (including Income tax assets, income tax liabilities, deferred tax assets and deferred tax liabilities, as well as the fair value of derivatives classified in current Financial assets and current Financial liabilities).
- Net invested capital: this is equal to the total of Net fixed capital, Net working capital and Net assets (liabilities) held for sale and discontinued operations.
- The Net financial position monitored by management includes:
  - Net current cash/(debt): cash and cash equivalents, held-for-trading securities, current financial receivables, current bank debt (excluding construction loans), current portion of long-term loans and credit facilities, other current financial liabilities;
  - Net non-current cash/(debt): non-current financial receivables, non-current bank debt, bonds, other non-current financial liabilities.
- 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)

	30.06.2020		30.06.2019 (1)	
	Amounts in IFRS statement	Amounts in reclassified statement	Amounts in IFRS statement	Amounts in reclassified statement
A - Revenue		2,369		2,808
Operating revenue	2,323		2,775	
Other revenue and income	46		33	
B - Materials, services and other costs		(1,810)		(2,063)
Materials, services and other costs	(1,863)		(2,071)	
Recl. to I - Extraordinary and non-recurring income and expenses	53		8	
C - Personnel costs		(432)		(504)
Personnel costs	(478)		(507)	
Recl. to I - Extraordinary and non-recurring income and expenses	46		3	
D - Provisions		(8)		(14)
Provisions	(28)		(30)	
Recl. to I - Extraordinary and non-recurring income and expenses	20		16	
E - Depreciation, amortization and impairment		(65)		(77)
Depreciation, amortization and impairment	(82)		(77)	
Recl. to I - Extraordinary and non-recurring income and expenses	17			
F - Finance income/(costs)		(63)		(60)
Finance income/(costs)	(66)		(60)	
Recl. to I - Extraordinary and non-recurring income and expenses	3			
G - Income/(expense) from investments		(3)		(3)
Income/(expense) from investments	(3)		(3)	
H - Income taxes		(17)		(40)
Income taxes	14		(35)	
Recl. to L - Tax effect of extraordinary and non-recurring income and expenses	(31)		(5)	
I - Extraordinary and non-recurring income and expenses		(139)		(27)
Recl. from B - Materials, services and other costs	(53)		(8)	
Recl. from C - Personnel costs	(46)		(3)	
Recl. from D - Provisions	(20)		(16)	
Recl. from E – Depreciation, amortization and impairment	(17)			
Recl. from F – Finance income/(costs)	(3)			
L- Tax effect of extraordinary and non-recurring income and expenses		31		5
Recl. from H – Income taxes	31		5	
M - Profit/(loss) for the period from continuing operations		(137)		25
N - Net profit/(loss) from discontinued operations				(13)
Net profit/(loss) from discontinued operations			(13)	
Profit/(loss) for the period		(137)		12

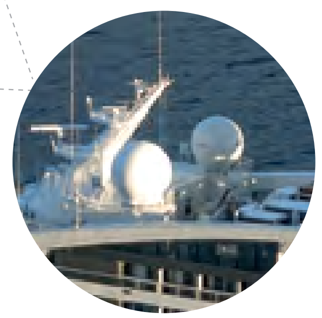
(1) The figures at 30.06.2019 have been restated to reflect the discontinued operations of the small vessel construction business for the fishery and aquaculture sectors and the divestment of the Aukra shipyard.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(euro/million)

	30.06.2020		31.12.2019	
	Amounts in IFRS statement	Amounts in reclassified statement	Amounts in IFRS statement	Amounts in reclassified statement
A - Intangible assets		623		654
Intangible assets	623		654	
B – Rights of use		81		90
Rights of use	81		90	
C - Property, plant and equipment		1,230		1,225
Property, plant and equipment	1,230		1,225	
D - Investments		105		75
Investments	105		75	
E - Other non-current assets and liabilities		(93)		(79)
Derivative assets	2		2	
Other non-current assets	36		16	
Other liabilities	(67)		(66)	
Derivative liabilities	(64)		(31)	
F - Employee benefits		(59)		(60)
Employee benefits	(59)		(60)	
G - Inventories and advances		876		828
Inventories and advances	876		828	
H - Construction contracts and client advances		981		1,415
Construction contracts - assets	2,229		2,698	
Construction contracts - liabilities and client advances	(1,248)		(1,283)	
I - Construction loans		(1,001)		(811)
Construction loans	(1,001)		(811)	
L - Trade receivables		1,083		677
Trade receivables and other current assets	1,480		1,079	
Recl. to O) Other assets	(397)		(402)	
M - Trade payables		(1,982)		(2,270)
Trade payables and other current liabilities	(2,258)		(2,552)	
Recl. to O) Other liabilities	276		282	
N - Provisions for risks and charges		(69)		(89)
Provisions for risks and charges	(69)		(89)	
O - Other current assets and liabilities		86		125
Deferred tax assets	89		99	
Income tax assets	12		9	
Derivative assets	4		2	
Recl. from L) Other current assets	397		402	
Deferred tax liabilities	(51)		(54)	
Income tax liabilities	(10)		(7)	
Derivative liabilities and option fair value	(79)		(44)	
Recl. from M) Other current liabilities	(276)		(282)	
P - Net assets (liabilities) held for sale and discontinued operations		6		6
NET INVESTED CAPITAL		1,867		1,786
Q - Equity		887		1,050
R - Net financial position		980		736
SOURCES OF FUNDING		1,867		1,786

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2020



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(euro/000)

	Note	30.06.2020	of which related parties Note 29	31.12.2019	of which related parties Note 29
ASSETS					
NON-CURRENT ASSETS					
Intangible assets	5	622,838		654,495	
Rights of use	6	80,680		89,617	
Property, plant and equipment	7	1,229,736		1,225,030	
Investments accounted for using the equity method	8	85,236		55,772	
Other investments	8	19,586		19,594	
Financial assets	9	99,409	33,544	92,603	34,356
Other assets	10	35,994		17,523	
Deferred tax assets	11	88,654		99,021	
Total non-current assets		**2,262,133**		**2,253,655**	
CURRENT ASSETS					
Inventories and advances	12	875,886	183,375	827,946	186,484
Construction contracts - assets	13	2,208,365		2,697,714	
Trade receivables and other current assets	14	1,480,154	228,821	1,079,388	175,334
Income tax assets	15	12,395		8,621	
Financial assets	16	23,328	1,065	9,329	389
Cash and cash equivalents	17	896,719		381,790	
Total current assets		**5,496,847**		**5,004,788**	
Assets classified as held for sale and discontinued operations	32	**5,551**		**6,141**	
TOTAL ASSETS		**7,764,531**		**7,264,584**	
EQUITY AND LIABILITIES					
EQUITY	18				
Equity attributable to owners of the parent					
Share capital		862,981		862,981	
Reserves and retained earnings		(5,284)		155,517	
Total Equity attributable to owners of the parent		**857,697**		**1,018,498**	
Attributable to non-controlling interests		28,998		31,351	
Total Equity		**886,695**		**1,049,849**	
NON-CURRENT LIABILITIES					
Provisions for risks and charges	19	60,618		70,882	
Employee benefits	20	59,327		60,044	
Financial liabilities	21	1,085,354	25,580	881,551	30,376
Other liabilities	22	28,336		28,576	
Deferred tax liabilities	11	51,495		54,349	
Total non-current liabilities		**1,285,130**		**1,095,402**	
CURRENT LIABILITIES					
Provisions for risks and charges	19	8,770		17,743	
Employee benefits	20	5		3	
Construction contracts - liabilities	13	1,227,576		1,282,713	
Trade payables and other current liabilities	23	2,257,964	99,116	2,553,701	117,812
Income tax liabilities		9,569		7,002	
Financial liabilities	24	2,088,822	11,202	1,258,171	11,695
Total current liabilities		**5,592,706**		**5,119,333**	
Liabilities directly associated with Assets classified as held for sale and discontinued operations	32	**-**		**-**	
TOTAL EQUITY AND LIABILITIES		**7,764,531**		**7,264,584**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(euro/000)

	Note	30.06.2020	of which related parties Note 29	30.06.2019*	of which related parties Note 29
Operating revenue	25	2,323,021	75,269	2,774,561	116,335
Other revenue and income	25	46,394	7,961	33,112	9,130
Materials, services and other costs	26	(1,862,709)	(74,660)	(2,070,742)	(73,825)
Personnel costs	26	(478,102)		(507,064)	
Depreciation, amortization and impairment	26	(81,183)		(77,145)	
Provisions	26	(27,942)		(29,992)	
Finance income	27	26,636	379	20,284	130
Finance costs	27	(92,593)	(1,340)	(80,277)	(1,887)
Income/(expense) from investments		(89)		(18)	
Share of profit/(loss) of investments accounted for using the equity method		(2,477)		(2,584)	
PROFIT / (LOSS) FOR THE PERIOD BEFORE TAXES		**(149,044)**		**60,135**	
Income taxes	28	12,473		(35,600)	
NET PROFT / (LOSS) FROM CONTINUING OPERATIONS		**(136,571)**		**24,535**	
Net profit/(loss) from discontinued operations	32			(12,507)	
NET PROFIT / (LOSS) FOR THE PERIOD (A)		**(136,571)**		**12,028**	
attributable to owners of the parent from continuing operations		(134,542)		28,140	
attributable to owners of the parent from discontinued operations				(12,284)	
		(134,542)		15,856	
attributable to non-controlling interests from continuing operations		(2,029)		(3,605)	
attributable to non-controlling interests from discontinued operations				(223)	
		(2,029)		(3,828)	
Net basic earnings/(loss) per share (euro)	29	(0.07950)		0.00940	
Net diluted earnings/(loss) per share (euro)	29	(0.07894)		0.00932	
Net basic earnings/(loss) per share from continuing operations (euro)	29	(0.07950)		0.01668	
Net diluted earnings/(loss) per share from continuing operations (euro)	29	(0.07894)		0.01654	
Other comprehensive income/(losses), net of tax (OCI)					
Gains/(losses) from remeasurement of employee defined benefit plans	18 20	(25)		(2,238)	
Total gains/(losses) that will not be reclassified to profit or loss, net of tax	18	**(25)**		**(2,238)**	
- attributable to non-controlling interests					
Effective portion of gains/(losses) on cash flow hedging instruments	18	(19,006)		(19,870)	
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	(9,860)		9,211	
Total gains/(losses) that may be subsequently reclassified to profit or loss, net of tax	18	**(28,866)**		**(10,659)**	
- attributable to non-controlling interests		**(329)**		**238**	
Total other comprehensive income/(losses), net of tax (B)	18	**(28,891)**		**(12,897)**	
- attributable to non-controlling interests		**(329)**		**238**	
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD (A)+(B)		**(165,462)**		**(869)**	
Attributable to owners of the parent		(163,104)		2,721	
Attributable to non-controlling interests		(2,358)		(3,590)	

(*) Figures restated following the retrospective application of IFRS 5 in relation to the exit from the small vessel construction business in the fishery and fishery farm support vessel segments which took place at the end of 2019.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

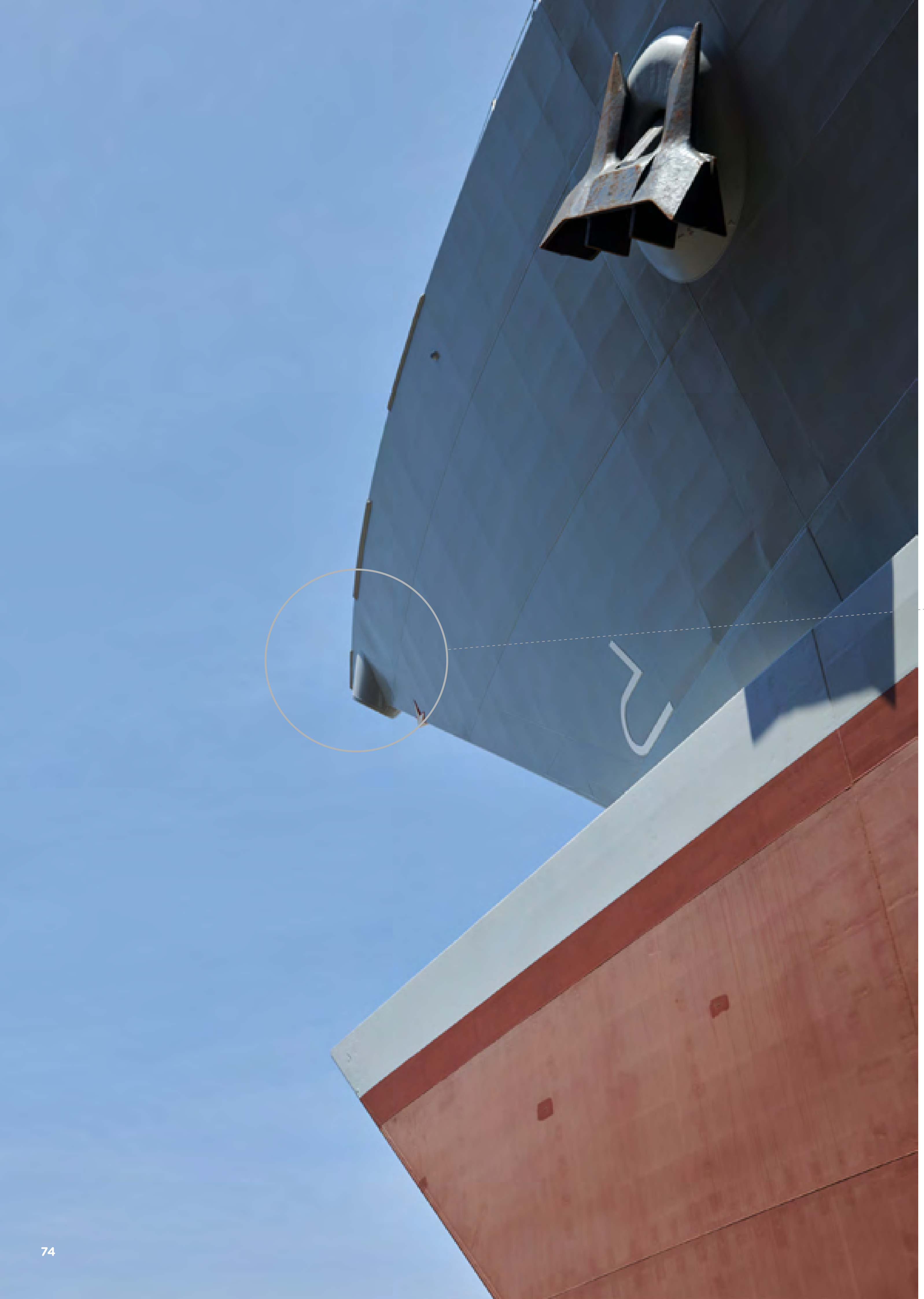
(euro/000)

	Note	Share Capital	Reserves, retained earnings and profit/(loss)	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total
1.1.2019	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
1.1.2020		862,981	155,517	1,018,498	31,351	1,049,849
Business combinations						
Share capital increase						
Acquisition of non-controlling interests			(19)	(19)		(19)
Dividend distribution						
Reserve for long-term incentive plan			2,345	2,345		2,345
Other changes/roundings			(23)	(23)	5	(18)
Total transactions with owners			2,303	2,303	5	2,308
Net profit/(loss) for the period			(134,542)	(134,542)	(2,029)	(136,571)
Other components						
OCI for the period			(28,562)	(28,562)	(329)	(28,891)
Total comprehensive income for the period			(163,104)	(163,104)	(2,358)	(165,462)
30.06.2020	18	862,981	(5,284)	857,697	28,998	886,695

CONSOLIDATED STATEMENT OF CASH FLOWS

(euro/000)

	Note	30.06.2020	30.06.2019
GROSS CASH FLOWS FROM OPERATING ACTIVITIES	30	(433)	190,863
Changes to working capital			
- inventories		(51,974)	79,563
- construction contracts and client advances		345,271	(72,530)
- trade receivables		(410,843)	103,823
- other current assets and liabilities		85,069	(15,621)
- other non-current assets and liabilities		13,167	(39)
- trade payables		(274,384)	(28,931)
CASH FLOWS FROM WORKING CAPITAL		(294,127)	257,128
Dividends paid			(16,874)
Interest income received		2,294	6,877
Interest expense paid		(30,780)	(35,557)
Income taxes (paid)/collected		(29,380)	(5,564)
Utilization of provisions for risks and charges and for employee benefits		(39,784)	(75,864)
NET CASH FLOWS FROM OPERATING ACTIVITIES		(391,777)	130,146
- of which related parties		(69,042)	(1,815)
Investments in:			
- intangible assets		(24,573)	(21,912)
- property, plant and equipment		(97,330)	(80,070)
- equity investments		(1,372)	(15,500)
- cash out for business combinations, net of cash acquired		(64)	(246)
Disposals of:			
- intangible assets			85
- property, plant and equipment		107	53
Change in other current financial receivables		6,433	15,748
Change in non-current financial receivables:			
- disbursements			(15,013)
- repayments			322
CASH FLOWS FROM INVESTING ACTIVITIES		(116,799)	(116,533)
- of which related parties		(721)	(4,570)
Change in non-current loans:			
- disbursements		245,870	60,000
- repayments		(648)	(14,279)
Change in current bank loans and credit facilities			
- disbursements		2,344,796	1,057,208
- repayments		(1,638,133)	(1,108,768)
Change in current bonds/commercial papers			
- disbursements		616,000	489,200
- repayments		(535,000)	(501,000)
Repayment of financial liabilities for leasing		(10,021)	
Change in other current financial liabilities		5,303	8,626
Change in receivables for trading financial instruments			767
Change in payables for trading financial instruments			2
Acquisition of non-controlling interests in subsidiaries		(37)	(474)
CASH FLOWS FROM FINANCING ACTIVITIES		1,028,130	(8,718)
- of which related parties		(87,789)	17,464
NET CASH FLOWS FOR THE PERIOD		519,554	4,895
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		381,790	676,487
Effect of exchange rate changes on cash and cash equivalents		(4,625)	2,127
CASH AND CASH EQUIVALENTS AT END OF PERIOD		896,719	683,509



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 1 - FORM, CONTENTS AND OTHER GENERAL INFORMATION

The parent Company

FINCANTIERI S.p.A. (hereinafter "Fincantieri" or the "Company" or the "Parent Company" and, together with its subsidiaries, the "Group" or the "Fincantieri Group") is a public limited company with its registered office in Via Genova no. 1, Trieste (Italy), and is listed on the Mercato Telematico Azionario (Italy's electronic stock market) organized and managed by Borsa Italiana S.p.A.
As at 30 June 2020, 71.32% of the Company's share capital of euro 862,980,725.70 is held by CDP Industria 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 0.42% of shares representing the Parent Company's Share Capital). It should be noted that 100% of the Share Capital of CDP Industria S.p.A. is owned by Cassa Depositi e Prestiti S.p.A. (hereinafter also referred to as "CDP"), 82.8% of whose Share Capital is in turn owned by Italy's Ministry of Economy and Finance. Furthermore, CDP, with registered office in via Goito 4, Rome, prepares the consolidated financial statements of the larger Group to which the company belongs and which are available on the website www.cdp.it in the "CDP Group" section.

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 2020 (the "Condensed Consolidated Interim Financial Statements") were approved by the Company's Board of Directors on 30 July 2020.
Deloitte & Touche S.p.A., the firm appointed to perform the statutory audit of the separate financial statements of the Parent Company and its main subsidiaries, has performed a limited review of the Condensed Consolidated Interim Financial Statements.
It should be noted that the comparative figures of the Income Statement at 30 June 2019 contained in the financial statements and notes have been restated to highlight the discontinued operations connected to the exit from the small vessel construction business in the fishery and fishery farm support vessel segments in accordance with IFRS 5.
The Condensed Consolidated Interim Financial Statements have been prepared on a going concern basis, since the Directors have verified that there are no financial, operating or other types of indicators that might highlight significant uncertainties in the Group's ability to meet its obligations in the foreseeable future and particularly within the next 12 months. In particular, it should be noted that the Group's financial capacity at 30 June 2020, added to the credit lines currently in an advanced state of negotiation, makes it possible for the Group to support the financial requirements expected over the next 12 months. The Group's estimates and projections have been prepared taking into account the agreements defined to date with the shipowners, which, on the one hand, envisage the suspension of the instalments scheduled during construction and, on the other, the redefinition of the schedule of planned deliveries in 2020 and in the first months of 2021 as a result of the COVID-19 pandemic.

Basis of preparation

The Half-Year Financial Report of the Fincantieri Group as at 30 June 2020 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 2019, 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.
With regard to credit risk, the Group constantly monitors the creditworthiness of its counterparties and, at present, it does not consider the collection of receivables from its customers to be at risk, despite the difficulties that some of them are experiencing due to the COVID-19 pandemic. It should be borne in mind, that commercial contracts relating to cruise units are only effective when the customer signs a committed bank financing contract, which, in almost all cases, is guaranteed by a national Export Credit Agency (SACE for Italy, Giek for Norway). This structure assures the Group that, when the contract is effective, customers have sufficient financial means to pay at least 80% of the price of the construction contracts, thus mitigating the risk of not collecting as expected.
With regard to liquidity risk, it should be highlighted that at 30 June 2020, the Net financial position monitored by the Group reports a net debt of euro 980 million (net debt of euro 736 million at 31 December 2019). This net financial position differs from ESMA's configuration, mainly because it does not include construction loans as they are linked to the operation of shipbuilding contracts. The reconciliation between the two is shown in Note 29.
The increase is mainly due to the typical dynamics of the working capital related to cruise ship construction, accentuated by the postponement, as a result of the pandemic, of part of the expected commercial receipts for the period and redefinition of the delivery date of a cruise ship expected during the six-month period. The increase in financial requirements was only partially offset by the reduction in production volumes resulting from the temporary closure of the Group's Italian shipyards. The Group's financial management has always been based on the diversification of sources, technical forms, durations and counterparties, and this has

enabled it to meet the increased financial requirements recorded during the period. With reference to market risks, it should be noted that the spread of the virus has severely affected the entire tourism sector and in particular the cruise sector, forcing all market operators to suspend their operations. In recent communications, shipowners are beginning to give the first positive signs of a recovery in cruises as early as the third quarter of 2020, albeit with a smaller number of ships and passengers. It should be noted that the main shipowners have unequivocally expressed their intention not to cancel any existing orders, focusing on the entry of new ships into their fleet at the expense of less efficient ones. The package of measures launched to support cruise operators includes a debt holiday on export financing granted by export credit agencies to shipowners, which envisages the suspension of repayment of the capital instalments from 1 April 2020 to 31 March 2021 and the consequent reshaping of the repayment plan over the subsequent four years. This facility is granted on condition that existing orders are confirmed.
The following table shows the financial assets and liabilities that are measured at fair value at 30 June 2020 and 31 December 2019 according to their level in the fair value hierarchy:

(euro/000)

	30.06.2020			31.12.2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Financial assets at fair value through profit and loss						
Equity instruments	91		4,138	101		4,135
Debt instruments						
Convertible loans			11,000			11,000
Financial assets at fair value through comprehensive income						
Equity instruments			15,359			15,359
Debt instruments						
Hedging derivatives		6,135			3,516	
Trading derivatives						
Total assets	**91**	**6,135**	**30,497**	**101**	**3,516**	**30,494**
Liabilities						
Financial liabilities at fair value through profit and loss			59,152			59,083
Hedging derivatives		120,758			53,319	
Trading derivatives						
Total liabilities	**-**	**120,758**	**59,152**	**-**	**53,319**	**59,083**

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

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

Financial assets at fair value through comprehensive income classified as Level 3 relate to equity investments carried at fair value. Level 3 also includes the financial liabilities relating to the fair value of options on equity investments calculated using valuation techniques whose inputs are not observable on the market.
Movements in financial assets and liabilities classified as Level 3 are basically due to 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 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.
During the first half of 2020 the following companies included in the scope of consolidation were incorporated:

- On 10 January 2020, the Parent Company took part in the incorporation of a joint venture with Naval Group, Naviris S.p.A., in which it holds a 50% stake. The new company, based in Genoa, will mainly deal with the design, construction, sale and maintenance of ships and systems used in air and naval activities;
- On 16 January 2020, the Parent Company incorporated the company E - Phors S.p.A., in which it holds 100% of the Share Capital. The new company, based in Milan, will focus on IT security.

The following main transactions should also be noted:

- On 28 January 2020, Marine Interiors Cabins S.p.A. sold its entire shareholding in Marine Interiors S.p.A. to Seaf S.p.A.; this transaction had no impact on the Condensed Consolidated Interim Financial Statements;
- On 21 April 2020, the subsidiary Fincantieri Oil & Gas S.p.A. acquired the entire shareholding held in Arsenal S.r.l.; the impacts of this transaction are not significant;
- On 28 May 2020, Vard Group AS sold its shareholding in VBD2 AS to the associate company Island Offshore XII Ship AS (see Note 7 and Note 8 for more details).

With regard to movements in shareholdings consolidated using the equity method, the following transactions are reported:

- On 3 February 2020, Vard Group AS acquired a shareholding in the shipowner Island Offshore XII Ship AS of 18.05%. Subsequently, Vard Group AS carried out a capital increase in the company through the contribution of VBD2 shares, which increased the stake to 35.66%;
- On 14 February 2020, the joint venture Naviris S.p.A. incorporated the company Naviris France SAS, based in Ollioules, which will mainly deal with systems used in air and naval activities.

No significant transactions or unusual events have taken place during the first half of 2020, except as reported in the Condensed Consolidated Interim Financial Statements as at and for the six months ended 30 June 2020. 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:

	30.06.2020		31.12.2019		30.06.2019	
	Average rate	Closing rate	Average rate	Closing rate	Average rate	Closing rate
US Dollar (USD)	1.1020	1.1198	1.1195	1.1234	1.1298	1.1380
Australian Dollar (AUD)	1.6775	1.6344	1.6109	1.5995	1.6003	1.6244
UAE Dirham (AED)	4.0473	4.1125	4.1113	4.1257	4.1491	4.1793
Brazilian Real (BRL)	5.4104	6.1118	4.4134	4.5157	4.3417	4.3511
Norwegian Krone (NOK)	10.7324	10.9120	9.8511	9.8638	9.7304	9.6938
Indian Rupee (INR)	81.7046	84.6235	78.8361	80.1870	79.1240	78.5240
Romanian Leu (RON)	4.8173	4.8397	4.7453	4.7830	4.7418	4.7343
Chinese Yuan (CNY)	7.7509	7.9219	7.7355	7.8205	7.6678	7.8185
Swedish Krona (SEK)	10.6599	10.4948	10.5891	10.4468	10.5181	10.5633

HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2020

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 2020 are the same as those adopted in preparing the Consolidated Financial Statements at 31 December 2019, to which reference is made, except for those listed under the accounting standards, amendments and interpretations applicable with effect from 1 January 2020, 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 2020

On 29 March 2018, the IASB published the revised version of the Conceptual Framework for Financial Reporting and at the same time published a document amending the references to the previous Conceptual Framework in IFRS Standards, providing:

- updated definitions of an asset and a liability;
- a new chapter on measurement, derecognition and disclosure;
- clarification of certain principles when drafting financial statements, such as prudence and substance over form.

On 22 October 2018, the IASB published amendments to IFRS 3 – Business Combination, with the aim of identifying the principles according to which an acquisition concerns a business or a group of assets, which, as such, do not meet the definition of business provided by IFRS 3.
On 26 September 2019, the IASB published amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform, which amend the hedge accounting requirements of IFRS 9 and IAS 39 in relation to the uncertainty arising from the (still ongoing) IBOR reform on future cash flows.
On 31 October 2019, the IASB published amendments to IAS 1 and IAS 8, clarifying the definition of "material information" in order to establish whether or not to include information in the financial statements.
The adoption of these amendments has had no significant impact on the Condensed Consolidated Interim Financial Statements.

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

On 28 May 2020, the IASB published an amendment to IFRS 16 – Leases "COVID19-related rent concessions" which gives lessees the possibility of not valuing changes to lease agreements related to COVID-19 that have led to a reduction in rent payments due by 30 June 2021, such as a modification to the lease agreement, by accounting for them directly in profit and loss. This amendment shall be effective for financial years beginning on or after 1 June 2020. Early application is permitted, however the Group has chosen not to join. Any early application would not have had a significant impact.

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 2019 (Note 3, section 19 - Subjective accounting estimates and judgements).
Certain valuation processes, particularly the more complex ones, such as the determination of any impairment of non-current assets, are generally carried out only at the time of preparing the annual financial statements, unless there are indicators of impairment that require the immediate assessment of any impairment losses.

Impacts of Covid-19

The impacts of COVID-19 on the Group's activities are mainly due to the suspension of production activities at Italian shipyards and plants from 16 March to 20 April 2020, the date on which the gradual recovery of Italian production activities was launched. However, in the Group's foreign shipyards, it has been possible to ensure regular continuation of production. The production shutdown in Italy led to a reduction in production, resulting in a delay in production programs and, consequently, the deferment of revenues with a loss of EBITDA due to the failure to progress on shipbuilding orders during the shutdown.
Fincantieri immediately established active dialogue with shipowners, on the one hand by suspending payment of the shipowner instalments scheduled during construction and, on the other, by redefining the schedule of deliveries planned in 2020 and early 2021. It should be emphasized that, to date, the deliveries scheduled for 2020 are confirmed. The Group, to date, has been able to keep the backlog, which amounted to euro 28.0 billion as at 30 June 2020, intact and without cancellations and allows visibility until 2027.
It should be noted that contracts signed by Fincantieri identify the current health emergency as a "cause of force majeure", allowing it to modify the production schedules and delivery dates of the ships without incurring penalties and reshape production.
The costs that the Group has had to incur as a result of COVID-19 and those not covered because of the loss of production, which had an impact on the final results at 30 June 2020, totaled about 114 million euros and refer mainly to the failure to absorb fixed production costs for the period of production shutdown (euro 65 million, including euro 17 million in depreciation and amortization), costs for sanitary aids and expenses to ensure employee health and safety.
The existence of impairment indicators for the Group's main CGU, also in consideration of the possible impact of COVID-19 on their activities, was verified in these Interim Financial Statements.
At Fincantieri Group level, it should be noted that the Company's stock market capitalization at 30 June 2020 is still higher than consolidated equity at that date, the Group's substantial order book is fully confirmed and the loss made during the period is essentially due to the postponement of production programs as a result of the COVID-19 epidemic.
For those CGUs that have possible impairment indicators, the test was updated to 30 June 2020. More details can be found in Note 5.

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	261,196	209,190	181,504	132,656	28,127	83,549	95,577	991,799
- accumulated amortization and impairment losses	(394)	(90,797)	(100,693)	(109,551)	(7,474)	(28,395)		(337,304)
Net carrying amount at 1.1.2020	**260,802**	**118,393**	**80,811**	**23,105**	**20,653**	**55,154**	**95,577**	**654,495**
Movements								
- business combinations			13			1		14
- additions	65			16	321	22	24,214	24,638
- net disposals						(1)		(1)
- reclassifications/other			8,683	15	68		(8,943)	(177)
- amortization		(5,116)	(13,731)	(3,574)	(768)	(5,456)		(28,645)
- impairment losses	(65)		(11)					(76)
- exchange rate differences	(17,668)	(8,426)	(303)	(107)	(218)	(249)	(439)	(27,410)
Closing net carrying amount	**243,134**	**104,851**	**75,462**	**19,455**	**20,056**	**49,471**	**110,409**	**622,838**
- cost	243,593	193,965	189,655	132,308	28,021	82,952	110,409	980,903
- accumulated amortization and impairment losses	(459)	(89,114)	(114,193)	(112,853)	(7,965)	(33,481)		(358,065)
Net carrying amount at 30.06.2020	**243,134**	**104,851**	**75,462**	**19,455**	**20,056**	**49,471**	**110,409**	**622,838**

"Concessions, licenses, trademarks and similar rights" include euro 16,521 thousand for trademarks with indefinite useful lives, reflecting the expectation for their use.
Capital expenditure in the first half of 2020, amounting to euro 24,638 thousand (euro 21,912 thousand at 30 June 2019), mainly related to:

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

The exchange rate differences chiefly reflect movements in the period by the Norwegian krone against the euro.
Goodwill amounts to euro 243,134 thousand at 30 June 2020 and is detailed below by CGU:

(euro/000)

	CGU
FMG Group	70,995
VARD Offshore and Specialized Vessels	54,321
VARD Cruise	114,627
INSIS Group	3,191
Total goodwill	**243,134**

Fincantieri verifies any impairment of goodwill on an annual basis (when the annual report is prepared) by subjecting the CGUs to which the goodwill is allocated to an impairment test. For the 2019 Annual Report, these tests were conducted on the basis of cash flow projections derived from the forecasts prepared by the management of the subsidiaries and did not take into account the possible effects on the operations of Group companies resulting from the COVID-19 virus outbreak. For further details on the method used by the Group to estimate the recoverable amount of goodwill, reference should be made to the 2019 Annual Report.
For the Condensed Consolidated Interim Financial Statements, based on the information available at that date, and in consideration of the possible impact of COVID-19 on the Group companies' operations, the management of the subsidiaries updated the forecasts made for the 2019 Annual Report.
As regards the FMG group, no impairment indicators were identified in light of both the limited impacts of COVID-19 during the period or currently expected and the important contracts acquired during the 6-month period.
For those CGUs that have possible impairment indicators at 30 June 2020, the tests carried out at 31 December 2019 have been updated.

CGU	Goodwill carrying amount	Recoverable amount	Post-tax WACC	g rate	Cash flow period
VARD Offshore and Specialized Vessels	54,321	Value in use	5.5%	1.8%	4.5 years
VARD Cruise	114,627	Value in use	5.9%	2.1%	4.5 years

VARD Offshore and Specialized Vessels CGU

No impairment loss needs to be recognized since the CGU's recoverable amount exceeds the carrying amount. The results obtained have been subjected to sensitivity analysis for those assumptions, changes in which might reasonably cause the test results to change materially. The analysis shows that if WACC were to increase by 100 basis points or if the "g rate", used in the terminal value calculation, were to decrease by 100 basis points, recoverable amount would still be higher than carrying amount.

VARD Cruise CGU

No impairment loss needs to be recognized since the CGU's recoverable amount exceeds the carrying amount. 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 the "g rate", used in the terminal value calculation, were to decrease by 100 basis points, recoverable amount would still be significantly higher than carrying amount.

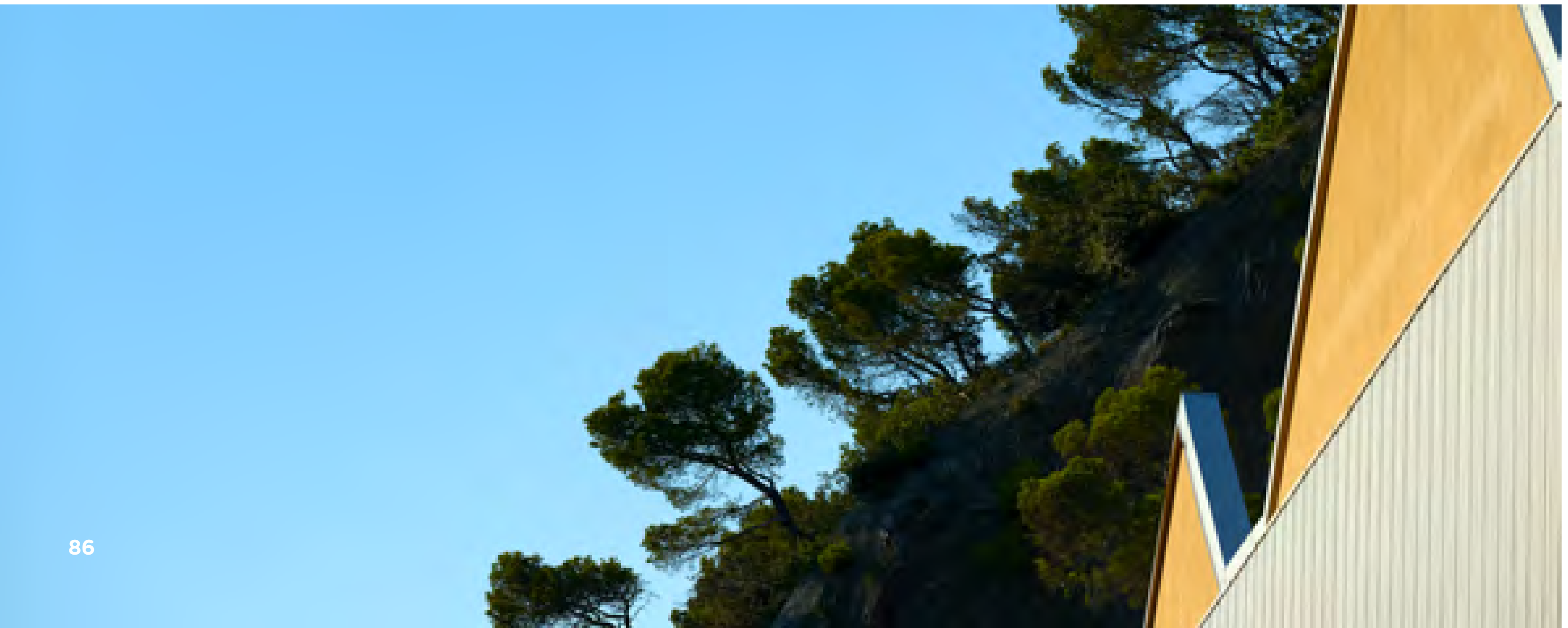
NOTE 6 - RIGHTS OF USE

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
- cost	78,197	21,881	1,361	4,597	903	287	107,226
- accumulated amortization and impairment losses	(13,914)	(1,425)	(457)	(1,424)	(301)	(88)	(17,609)
Net carrying amount at 1.1.2020	64,283	20,456	904	3,173	602	199	89,617
Movements							
- business combinations							-
- increases	964			295			1,259
- decreases	(106)	(135)		(16)			(257)
- reclassifications/other	1	(1)		4			4
- amortization	(6,255)	(698)	(222)	(801)	(154)	(41)	(8,171)
- impairment losses							-
- exchange rate differences	(1,649)	8	(32)	(24)	(18)	(57)	(1,772)
Closing net carrying amount	57,238	19,630	650	2,631	430	101	80,680
- cost	76,257	21,753	1,306	4,662	800	260	105,038
- accumulated amortization and impairment losses	(19,019)	(2,123)	(656)	(2,031)	(370)	(159)	(24,358)
Net carrying amount at 30.06.2020	57,238	19,630	650	2,631	430	101	80,680

Capital expenditure during the first half of 2020 amounted to euro 1,259 thousand and were mainly related to the entering into new contracts, while the decreases related to the early termination of contracts.
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	Industrial plant, machinery and equipment	Assets under concession	Leasehold improvements	Other assets	Assets under construction and supplier advances	Total
- cost	672,895	1,336,001	197,506	30,346	238,181	270,553	2,745,482
- accumulated amortization and impairment losses	(263,095)	(956,505)	(140,039)	(25,109)	(135,704)		(1,520,452)
Net carrying amount at 1.1.2020	409,800	379,496	57,467	5,237	102,477	270,553	1,225,030
Movements							
- change in consolidation area					(19,240)		(19,240)
- additions	121	4,793	6	63	507	91,840	97,330
- net disposals		(319)			(52)	(225)	(596)
- reclassifications/other changes	896	25,032	1,337	338	7,051	(33,993)	661
- amortization	(8,249)	(28,112)	(2,428)	(545)	(4,922)		(44,256)
- impairment losses	(21)						(21)
- finance costs							-
- exchange rate differences	(14,525)	(10,733)			(1,683)	(2,231)	(29,172)
Closing net carrying amount	388,022	370,157	56,382	5,093	84,138	325,944	1,229,736
- cost	654,238	1,344,823	198,849	30,749	223,914	325,944	2,778,517
- accumulated amortization and impairment losses	(266,216)	(974,666)	(142,467)	(25,656)	(139,776)		(1,548,781)
Net carrying amount at 30.06.2020	388,022	370,157	56,382	5,093	84,138	325,944	1,229,736

The change in the scope of consolidation refers to the sale of the subsidiary VBD2 AS, which held a self-managed vessel among its assets. Capital expenditure in the first half of 2020 has resulted in additions of euro 97,330 thousand, mainly related to:

- updating of the working areas and infrastructure at some shipyards, in particular Monfalcone and Marghera, to meet the new production scenarios and upgrading and improvement of the safety standards of machinery, equipment and buildings;
- continuation of activities to introduce new technologies in particular at the Monfalcone shipyard with regard to the Integrated Environmental Authorization;
- continuation of activities to increase the efficiency of production processes in the Vard Tulcea and Vard Braila shipyards 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;
- completion of 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;
- maintenance of infrastructure and upgrading of production systems in the US shipyards.

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

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
1.1.2020	33,247	22,525	55,772	15,359	4,235	19,594	75,366
Business combinations							-
Investments	32,827	1,250	34,077		58	58	34,135
Revaluations/(Impairment losses) through profit or loss	(2,492)	13	(2,479)				(2,479)
Revaluations/(Impairment losses) through equity							-
Disposals							-
Dividends from investments accounted for using the equity method							-
Reclassifications/Other	(11)		(11)				(11)
Exchange rate differences	(2,123)		(2,123)		(66)	(66)	(2,189)
30.06.2020	61,448	23,788	85,236	15,359	4,227	19,586	104,822

Investments made during the first half of 2020 totalled euro 34,135 thousand and mainly concerned, for euro 32,827 thousand, the purchase by the VARD group of a 35.66% stake in the shipowner Island Offshore XII Ship AS and, for euro 1,250 thousand, the incorporation by the Parent Company of the joint venture Naviris S.p.A..
Revaluations/(impairment losses) through profit or loss (negative euro 2,479 thousand) include the share of comprehensive income of companies accounted for using the equity method (namely associates and joint ventures).
Reclassifications/Other refers to the shareholding held by Fincantieri Oil & Gas S.p.A. in the company Arsenal S.r.l., previously valued at net equity and subsequently purchased at 100% and consolidated on a line-by-line basis.
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).

NOTE 9 - NON-CURRENT FINANCIAL ASSETS

These are analyzed as follows:

(euro/000)	30.06.2020	31.12.2019
Receivables for loans to joint ventures	22,000	22,000
Derivative assets	1,612	1,093
Other non-current financial receivables	65,438	58,465
Non-current financial receivables from associates	10,359	11,045
NON-CURRENT FINANCIAL ASSETS	99,409	92,603

"Receivables for loans to joint ventures" relates to the shareholder loan made to the joint venture CSSC - Fincantieri Cruise Industry Development Ltd. bearing a market rate of interest.
"Derivative assets" represent the reporting-date fair value of derivatives with a maturity of more than 12 months (Level 2).
"Other non-current financial receivables" refer to loans to third parties bearing market rates of interest.
"Non-current financial receivables from associates" refer to market rate loans to Group companies that are not consolidated line-by-line.

NOTE 10 - OTHER NON-CURRENT ASSETS

Other non-current assets are analyzed as follows:

(euro/000)

	30.06.2020	31.12.2019
Other receivables from investee companies	705	686
Government grants receivable	893	890
Firm commitments	26,315	7,038
Other receivables	8,081	8,909
OTHER NON-CURRENT ASSETS	**35,994**	**17,523**

Other non-current assets are all stated net of the related provision for impairment.
"Firm commitments" of euro 26,315 thousand (euro 7,038 thousand at 31 December 2019) reflect the fair value of the hedged item, represented by the construction contracts in currencies other than the functional currency and therefore subject to exchange rate risk, and it is the subject of fair value hedges used by the VARD Group. For considerations regarding credit risk, reference is made to the section "Basis of Preparation".
"Other receivables" of euro 8,081 thousand (euro 8,909 thousand at 31 December 2019) mainly include the receivable from the Iraqi Ministry of Defence (euro 4,693 thousand). The remaining balance of euro 3,388 thousand consists of security deposits, advances and other minor items.
The following table presents the amount of and movements in the provision for impairment of other non-current receivables:

(euro/000)

	Provision for impairment of other receivables
1.1.2020	**8,188**
Utilizations	
Increases/(Releases)	
30.06.2020	**8,188**

NOTE 11 - DEFERRED TAX ASSETS AND LIABILITIES

Movements in deferred tax assets are analyzed as follows:

(euro/000)

	Total
1.1.2020	**99,021**
Change in consolidation area	(241)
Through profit or loss	6,424
Impairment losses	(14,584)
Through other comprehensive income	(487)
Other movements	445
Exchange rate differences	(1,924)
30.06.2020	**88,654**

Deferred tax assets have been recognized on items for which the tax is likely to be recovered against forecast future taxable income of Group companies.
No deferred tax assets have been recognized on euro 105 million (euro 83 million at 31 December 2019) in carry forward 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
1.1.2020	**54,349**
Change in consolidation area	-
Through profit or loss	(1,384)
Impairment losses	-
Through other comprehensive income	-
Other movements	855
Exchange rate differences	(2,325)
30.06.2020	**51,495**

NOTE 12 - INVENTORIES AND ADVANCES

These are analyzed as follows:

(euro/000)

	30.06.2020	31.12.2019
Raw materials and consumables	364,877	299,230
Work in progress and semi-finished goods	35,647	31,547
Finished products	31,907	30,152
Total inventories	**432,431**	**360,929**
Advances to suppliers	443,455	467,017
TOTAL INVENTORIES AND ADVANCES	875,886	827,946

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

(euro/000)

	Provision for impairment - raw materials	Provision for impairment - work in progress and semi-finished goods	Provision for impairment - finished products
1.1.2020	13,644	1,874	9,751
Increases	450		258
Utilizations	(105)		(4)
Releases	(470)		
Exchange rate differences	1	6	22
30.06.2020	13,520	1,880	10,027

NOTE 13 - CONSTRUCTION CONTRACTS - ASSETS AND LIABILITIES

"Construction contracts - assets" are analyzed as follows:

(euro/000)

	30.06.2020			31.12.2019		
	Construction contracts - gross	Invoices issued and provision for expected losses	Construction contracts - net assets	Construction contracts - gross	Invoices issued and provision for expected losses	Construction contracts - net assets
Shipbuilding contracts	8,395,808	(6,222,901)	2,172,907	8,302,891	(5,678,913)	2,623,978
Other contracts for third parties	245,229	(209,771)	35,458	183,764	(110,028)	73,736
Total	8,641,037	(6,432,672)	2,208,365	8,486,655	(5,788,941)	2,697,714

"Construction contracts - assets" report those contracts where the value of the contract's stage of completion exceeds the amount invoiced to the client.
The stage of completion is determined as the costs incurred to date plus recognized margins less any expected losses.

"Construction contracts – liabilities" are analyzed as follows:

(euro/000)

	30.06.2020			31.12.2019		
	Construction contracts - gross	Invoices issued and provision for expected losses	Construction contracts - net liabilities	Construction contracts - gross	Invoices issued and provision for expected losses	Construction contracts - net liabilities
Shipbuilding contracts	3,987,937	(5,193,128)	(1,205,191)	4,080,158	(5,305,142)	(1,224,984)
Other contracts for third parties		(1,793)	(1,793)			-
Advances from Customers		(20,592)	(20,592)		(57,729)	(57,729)
Total	3,987,937	(5,215,513)	(1,227,576)	4,080,158	(5,362,871)	(1,282,713)

"Construction contracts - liabilities" report those contracts where the value of the stage of completion of the contract is less than the amount invoiced to the client.
The stage of completion is determined as the costs incurred to date plus recognized margins less any expected losses.
"Client advances" refer to contracts on which work had not started at the year-end reporting date.

NOTE 14 - TRADE RECEIVABLES AND OTHER CURRENT ASSETS

These are analyzed as follows:

(euro/000)	30.06.2020	31.12.2019
Trade receivables	1,082,615	677,472
Receivables from controlling companies (tax consolidation)	36,903	3,006
Receivables from related parties	711	792
Government grants receivable	6,633	6,619
Other receivables	263,814	272,449
Indirect tax receivables	35,862	49,454
Firm commitments	10,674	792
Accrued income	42,819	68,610
Prepayments	123	194
TOTAL TRADE RECEIVABLES AND OTHER CURRENT ASSETS	1,480,154	1,079,388

The above receivables are shown net of provisions for the impairment of receivables. These provisions relate to receivables that are no longer considered fully recoverable, including those involving legal action and judicial and out-of-court proceedings in cases of debtor default, also taking into account the estimate of any expected losses. 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
1.1.2020	31,826	63	6,797	38,686
Business combinations				-
Utilizations	(1,341)			(1,341)
Increases	175			175
Releases				-
Exchange rate differences	(77)			(77)
30.06.2020	30,583	63	6,797	37,443

The increase of euro 405,143 thousand in "Trade receivables" is mainly due to recording of the last instalment for a cruise ship, the delivery has been postponed in agreement with the customer and therefore collection has also been postponed and is expected by the end of the year.
For considerations regarding credit risk, reference is made to the section "Basis of Preparation".
The balance of euro 263,814 thousand in "Other receivables" mainly refers to receivables for shipowner allowances, receivables for contributions to research and construction, receivables for insurance settlements and other receivables from Social Security authorities mainly associated with the Parent Company.
"Firm commitments" reflect the fair value of the hedged item, represented by the construction contracts in currencies other than the functional currency and therefore subject to exchange rate risk, and it is the subject of fair value hedges used by the VARD group.

NOTE 15 - INCOME TAX ASSETS

These are analyzed as follows:

(euro/000)	30.06.2020	31.12.2020
Italian corporate income taxation (IRES)	2,769	1,564
Italian regional tax on productive activities (IRAP)	4,092	344
Foreign tax	5,534	6,713
TOTAL INCOME TAX ASSETS	12,395	8,621

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 1.1.2020	188
Increases	
Releases	
Other movements	
Total at 30.06.2020	188

NOTE 16 - CURRENT FINANCIAL ASSETS

These are analyzed as follows:

(euro/000)	30.06.2020	31.12.2019
Derivative assets	4,523	2,423
Other receivables	16,243	1,051
Government grants financed by BIIS	777	4,762
Accrued interest income	781	623
Prepaid interest and other financial expense	1,004	470
TOTAL CURRENT FINANCIAL ASSETS	23,328	9,329

"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" refers to loans to third parties during the period bearing market rates of interest.
"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)	30.06.2020	31.12.2019
Bank and postal deposits	896,542	381,656
Checks	5	
Cash on hand	172	134
TOTAL CASH AND CASH EQUIVALENTS	896,719	381,790

Cash and cash equivalents at period end include euro 2,055 thousand in term bank deposits; the remainder refers to the balances on current accounts held with a number of banks. The increase in "Cash and cash equivalents" reflects the Group's decision to use, at a time of great uncertainty following the outbreak of the pandemic, a considerable part of the available short-term forms of financing to create a liquidity buffer that is capable of meeting the financial requirements expected in the following months, even in highly stressed financial scenarios.

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	(7,118)	(7,118)
Share premium reserve	110,499	110,499
Legal reserve	58,757	51,189
Cash flow hedge reserve	(29,177)	(10,419)
Financial asset fair value reserve	(398)	(398)
Currency translation reserve	(135,781)	(126,002)
Other reserves and retained earnings	132,476	279,008
Profit/(loss) for the period	(134,542)	(141,242)
	857,697	1,018,498
Attributable to non-controlling interests		
Capital and reserves	23,097	30,336
Financial asset fair value reserve	(7)	(7)
Currency translation reserve	7,938	8,019
Profit/(loss) for the period	(2,029)	(6,997)
	28,998	31,351
TOTAL EQUITY	886,695	1,049,849

Share Capital

The Share Capital of FINCANTIERI S.p.A. amounts to euro 862,980,725.70, fully paid-in, divided into 1,699,651,360 ordinary shares (including 7,226,303 own shares in portfolio), with no par value.
On 10 June 2020, the Board of Directors approved the closure of the second cycle of the "Performance Share Plan 2016-2018" incentive plan, allocating 4,822,542 ordinary Fincantieri shares to beneficiaries free of charge, following verification of the degree to which the specific performance objectives originally set (EBITDA with a weighting of 70% and the "Total Shareholder Return" with a weighting of 30%) had been achieved.
Following the above resolution, the shares will be allocated using solely the own shares in portfolio. The shares will be delivered by 31 July 2020.
As at 30 June 2020, 71.32% of the Company's Share Capital, amounting to euro 862,980,725.70, was held by CDP Industria S.p.A.; the remainder was distributed on the indistinct market (except for 0.42% of shares owned by Fincantieri as own shares). None of the other private investors holds a significant stake equal to or greater than 3%.
It should be noted that 100% of the Share Capital of CDP Industria S.p.A. is owned by Cassa Depositi e Prestiti S.p.A., 82.8% of whose Share Capital is in turn owned by Italy's Ministry of Economy and Finance.

Reserve of own shares

The reserve is negative for euro 7,118 thousand and comprises the value of the own shares for the Company's incentive plans called "Performance Share Plan" (described in more detail in Note 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. As reported in the commentary on the Share Capital, following the Board of Directors' resolution of 10 June 2020 to allocate shares under the 2nd cycle of the "Performance Share Plan 2016-2018", 4,822,542 own shares in portfolio will be allocated. The shares will be delivered by 31 July 2020.
The number of shares issued is reconciled to the number of outstanding shares in the Parent Company at 30 June 2020.

	N° shares
Ordinary shares issued	1,699,651,360
less: own shares purchased	(7,226,303)
Ordinary shares outstanding at 31.12.2019	**1,692,425,057**
Changes in 2020	
plus: ordinary shares issued	
plus: own shares allocated	
less: own shares purchased	
Ordinary shares outstanding at 30.06.2020	**1,692,425,057**
Ordinary shares issued	1,699,651,360
less: own shares purchased	(7,226,303)

Share premium reserve

This reserve has been recorded as a result of the Share 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 9 June 2020 resolved to allocate the net profit for the year 2019 of euro 151,352 thousand, of which euro 7,568 thousand to the legal reserve and euro 143,784 thousand to the extraordinary reserve.
The Reserve to cover the issue of shares for the first cycle of the LTIP amounts to euro 3,842 thousand. It was set up by resolution of the Board of Directors on 27 June 2019 for the issue of shares to allocate to employees during the payout of the first cycle of the incentive plan "Performance Share Plan 2016-2018", through the reclassification from the reserves of available earnings and more specifically from the extraordinary reserve.

Non-controlling interests

The change with respect to 31 December 2019 is solely attributable to the overall result for the period.

Other comprehensive income/losses

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

(euro/000)	30.06.2020			30.06.2019		
	Gross amount	Tax (expense)/ benefit	Net amount	Gross amount	Tax (expense)/ benefit	Net amount
Effective portion of profits/(losses) on cash flow hedging instruments	(25,363)	6,357	(19,006)	(27,607)	7,737	(19,870)
Gains/(losses) from remeasurement of employee defined benefit plans	(33)	8	(25)	(2,945)	707	(2,238)
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	(4,233)	(5,627)	(9,860)	10,338	(1,127)	9,211
TOTAL OTHER COMPREHENSIVE INCOME/ (LOSSES)	**(29,629)**	**738**	**(28,891)**	**(20,214)**	**7,317**	**(12,897)**

(euro/000)	30.06.2020	30.06.2019
Effective portion of profits/(losses) arising in period on cash flow hedging instruments	(36,767)	(2,639)
Effective portion of profits/(losses) on cash flow hedging instruments reclassified to profit or loss	11,404	(24,968)
Effective portion of profits/(losses) on cash flow hedging instruments	**(25,363)**	**(27,607)**
Tax effect of other components of comprehensive income	**6,357**	**7,737**
TOTAL OTHER COMPREHENSIVE INCOME/(LOSSES), NET OF TAX	**(19,006)**	**(19,870)**

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	
1.1.2019	24,968	(9,765)	15,203	15,940
Change in fair value	(11,453)	992	(10,461)	
Utilizations	(24,968)	9,765	(15,203)	15,203
Other income/(expenses) for risk hedging				(12,398)
Finance income/(costs) relating to trading derivatives and time-value component of hedging derivatives				(73,134)
31.12.2019	(11,453)	992	(10,461)	(70,329)
Change in fair value	(36,816)	7,349	(29,467)	
Utilizations	11,453	(992)	10,461	(10,461)
Other income/(expenses) for risk hedging				6,321
Finance income/(costs) relating to trading derivatives and time-value component of hedging derivatives				(33,197)
30.06.2020	(36,816)	7,349	(29,467)	(37,337)

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	26,919	28,988	42		14,933	70,882
Current portion	2,372	8,553		4,161	2,657	17,743
1.1.2020	29,291	37,541	42	4,161	17,590	88,625
Business combinations						-
Other movements	(1)	1			(5,447)	(5,447)
Increases	20,051	7,019			603	27,673
Utilizations	(28,784)	(6,661)		(2,995)	(30)	(38,470)
Releases	(165)	(505)			(18)	(688)
Exchange rate differences	(624)	(780)		(351)	(550)	(2,305)
30.06.2020	19,768	36,615	42	815	12,148	69,388
Non-current portion	18,016	30,782	42		11,778	60,618
Current portion	1,752	5,833		815	370	8,770

Increases in the litigation provision mainly refer to: i) precautionary provisions for claims brought by employees, authorities or third parties for damages arising from asbestos exposure; ii) other provisions for litigation with former employees and suppliers and for other legal proceedings.
Utilization of the provision for litigation refers mainly to compensation in the asbestos-related lawsuits brought by employees, authorities or third parties.
Other changes refer to the reclassification of provisions for income tax risks from "Other risks and charges" to "Income tax liabilities".
The "Product warranty" provision relates to the estimated cost of carrying out work under contractual guarantee after vessel delivery. The warranty period normally lasts for 1 or 2 years after delivery.
The "Business reorganization" provision has been set aside in previous periods for the cost of the reorganization programs initiated by VARD in its Norwegian shipyards. The utilizations are mainly related to the closure of the Aukra and Brevik shipyards.
The provision for "Other risks and charges" includes funds for environmental clean-up costs (euro 4,582 thousand), provisions for risks related to various kinds of disputes, mostly of a contractual, technical or fiscal nature, which might be settled at the Group's expense either in or out of court.

NOTE 20 - EMPLOYEE BENEFITS

Movements in this line item are as follows:

(euro/000)	30.06.2020	31.12.2019
Opening balance	**60,066**	**56,830**
Business combinations	9	1,456
Interest cost	430	877
Actuarial (gains)/losses	33	2,830
Utilizations for benefits and advances paid	(1,294)	(2,435)
Staff transfers and other movements	104	508
Exchange rate differences		
Closing balance	**59,348**	**60,066**
Plan assets	(16)	(19)
Closing balance	**59,332**	**60,047**

The balance at 30 June 2020 of euro 59,348 thousand is mainly comprised of the employee severance benefit pertaining to the Group's Italian companies (euro 59,336 thousand).
The amount of Italian employee severance benefit recognized in the financial statements is calculated on an actuarial basis using the projected unit credit method; the discount rate used by this method to calculate the present value of the defined benefit obligation reflects the market yield on bonds with the same maturity as that expected for the obligation. The assumptions adopted are in line with those used for the financial statements at 31 December 2019 except for the discount rate, changed to 0.74% at the end of June 2020 (0.77% at 31 December 2019).

NOTE 21 - NON-CURRENT FINANCIAL LIABILITIES

These are analyzed as follows:

(euro/000)	30.06.2020	31.12.2019
Bank loans and credit facilities - non-current portion	907,027	728,417
Liabilities to other lenders	6,828	7,310
Financial liabilities for leasing IFRS 16 – non-current portion	70,572	76,645
Fair value of options on equity investments	37,541	37,541
Derivative liabilities	63,386	31,638
TOTAL NON-CURRENT FINANCIAL LIABILITIES	1,085,354	881,551

With reference to "Bank loans and credit facilities - non-current portion", during the first half of 2020, the Parent Company took out four new medium-long term unsecured loans: the first for euro 50 million, repayable in a single instalment in March 2023; the second for euro 70 million, repayable in a single instalment in March 2023; the third for euro 60 million, repayable in a single instalment in March 2023; and the fourth for euro 50 million, repayable in a single instalment in May 2025. At 30 June 2020, a non-current portion of euro 49 million of bank loans maturing in the next 12 months was reclassified to the current portion.
"Financial liabilities for leasing IFRS 16 - non-current portion" refers to the non-current portion of the financial liability for lease payments falling within the scope of IFRS 16. Note 6 contains details on related rights of use.
The "Fair value of options on equity investments" refers to the option held by minority shareholders of the INSIS group.
"Derivative liabilities" represent the reporting-date fair value of derivatives with a maturity of more than 12 months (Level 2). The increase in the balance is mainly due to the depreciation of the Norwegian Krona against the euro which negatively impacted the value of some derivatives traded by the subsidiary VARD and it was only partially offset by reclassifying the negative value of some hedging derivatives for a cruise contract to be delivered in the next 12 months from non-current to current liabilities.

HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2020

NOTE 22 - OTHER NON-CURRENT LIABILITIES

These are analyzed as follows:

(euro/000)	30.06.2020	31.12.2019
Capital grants	23,151	23,301
Other liabilities	5,185	5,233
Firm commitments		42
TOTAL OTHER NON-CURRENT LIABILITIES	28,336	28,576

"Capital grants" mainly comprise deferred income associated with grants for property, plant and equipment and innovation grants which will be released to income in future years to match the related depreciation/ amortization of these assets.
"Other liabilities" include euro 4,693 thousand in payables to other parties in respect of the amount owed by the Iraqi Ministry of Defence.

NOTE 23 - TRADE PAYABLES AND OTHER CURRENT LIABILITIES

These are analyzed as follows:

(euro/000)	30.06.2020	31.12.2019
Payables to suppliers	1,519,708	1,777,752
Payables to suppliers for reverse factoring	462,359	492,404
Social security payables	41,143	45,019
Other payables to employees for deferred wages and salaries	115,322	91,571
Other payables	77,053	101,695
Other payables to Parent Company (tax consolidation)	210	9,118
Indirect tax payables	17,792	26,527
Firm commitments	2,238	1,397
Accrued expenses	10,970	5,315
Deferred income	11,169	2,903
TOTAL TRADE PAYABLES AND OTHER CURRENT LIABILITIES	2,257,964	2,553,701

The reduction in "Payables to suppliers" compared to 31 December 2019 is mainly due to lower volumes developed over the period as a result of the production shutdown in the Group's Italian shipyards caused by COVID-19.
"Payables to suppliers for reverse factoring" report the liabilities sold to factoring companies by suppliers. These liabilities are classified among "Trade payables and other current liabilities" since they are related to obligations for the supply of goods and services used during the normal operating cycle. The sale is agreed with the supplier and envisages the possibility for the latter to give further extensions for consideration or not.
"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.
"Other payables to employees for deferred wages and salaries" reported at 30 June 2020 include the effects of allocations made for unused holidays and deferred pay.
"Other payables" include employee income tax withholdings payable to tax authorities, sundry payables for insurance premiums, advances received against research grants, amounts payable to employee supplementary pension funds, security deposits received and various liabilities for disputes in the process of being settled financially.
"Firm commitments" reflect the fair value of the hedged item, represented by the construction contracts in currencies other than the functional currency and therefore subject to exchange rate risk, and it is the subject of fair value hedges used by the VARD group.

NOTE 24 - CURRENT FINANCIAL LIABILITIES

These are analyzed as follows:

(euro/000)	30.06.2020	31.12.2019
Bonds issued and commercial papers	156,000	75,000
Bank loans and credit facilities - current portion	110,189	140,336
Loans from BIIS - current portion	777	4,762
Bank loans and credit facilities - Construction loans	1,001,268	811,410
Other short-term bank debt	684,500	162,674
Liabilities to other lenders - current portion	6,275	1,035
Bank credit facilities repayable on demand	32,300	97
Payables to joint ventures	1,576	1,573
Payables to associates	50	55
Financial liabilities for leasing IFRS 16 – current portion	13,004	15,441
Fair value of options on equity investments	21,611	21,542
Derivative liabilities	57,372	21,681
Accrued interest expense	3,900	2,565
TOTAL CURRENT FINANCIAL LIABILITIES	2,088,822	1,258,171

At 30 June 2020, "Bank loans and credit facilities - Construction loans" includes the use of euro 800 million in construction loans by FINCANTIERI S.p.A. and euro 201 million by the VARD group. The change compared to 31 December 2019 is mainly due to the typical dynamics of the working capital related to cruise ship construction and to the postponement of the delivery date of a cruise ship previously scheduled for the six-month period. As of 30 June 2020, the Group had construction financing facilities of about euro 1,520 million (euro 1,490 million at 31 December 2019).
With reference to the loans of Vard Group AS with Innovation Norge, of euro 6 million, which provide for covenants, it should be noted that at 30 June 2020 Vard Group AS had obtained the waiver by the bank of the covenants relating to the subsidiary's equity and net current assets.
At 30 June 2020, "Other short-term bank debt" includes the drawing down of committed lines of credit for euro 310 million, attributable entirely to the Parent Company, and uncommitted lines for euro 375 million, euro 218 million of which was drawn down by the Parent Company.
Moreover, euro 156 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 2020. 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). The increase in the balance is mainly due to the negative fair value of hedging derivatives for a cruise contract to be delivered in the next 12 months being reclassified from non-current to current liabilities.

NOTE 25 - REVENUE AND INCOME

These are analyzed as follows:

(euro/000)	30.06.2020	30.06.2019(*)
Sales and service revenue	2,254,638	1,554,392
Change in construction contracts	68,383	1,220,169
Operating revenue	**2,323,021**	**2,774,561**
Gains on disposal	48	36
Sundry revenue and income	42,630	29,782
Government grants	3,716	3,294
Other revenue and income	**46,394**	**33,112**
TOTAL REVENUE AND INCOME	2,369,415	2,807,673

(*) Figures restated following the retrospective application of IFRS 5 in relation to the exit from the small vessel construction business in the fishery and fishery farm support vessel segments which took place at the end of 2019

Revenues from operations are mainly those arising from contractual obligations satisfied "over time", i.e. over the gradual progress of activities.
The lower production volume compared to the first half of the previous year is due to the interruption of activities at Italian shipyards following the restrictions imposed by the COVID-19 pandemic.
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)	30.06.2020	30.06.2019(*)
Raw materials and consumables	(1,215,888)	(1,309,866)
Services	(704,998)	(620,824)
Leases and rentals	(16,797)	(15,748)
Change in inventories of raw materials and consumables	103,153	(5,687)
Change in work in progress	907	(107,798)
Sundry operating costs	(36,310)	(18,023)
Cost of materials and services capitalized in fixed assets	7,224	7,204
TOTAL MATERIALS, SERVICES AND OTHER COSTS	(1,862,709)	(2,070,742)

(*) Figures restated following the retrospective application of IFRS 5 in relation to the exit from the small vessel construction business in the fishery and fishery farm support vessel segments which took place at the end of 2019.

"Leases and rentals" mainly includes costs relating to short-term lease contracts and the remainder to leasing contracts in which the underlying asset is of modest value.

"Sundry operating costs" also include euro 544 thousand in losses on the disposal of non-current assets (euro 560 thousand at 30 June 2019).

PERSONNEL COSTS

(euro/000)	30.06.2020	30.06.2019(*)
Personnel costs:		
- wages and salaries	(357,863)	(381,406)
- social security	(92,261)	(97,295)
- costs for defined contribution plans	(18,138)	(17,127)
- other personnel costs	(12,860)	(13,796)
Personnel costs capitalized in fixed assets	3,020	2,560
TOTAL PERSONNEL COSTS	(478,102)	(507,064)

(*) Figures restated following the retrospective application of IFRS 5 in relation to the exit from the small vessel construction business in the fishery and fishery farm support vessel segments which took place at the end of 2019.

"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.

HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2020

Headcount

The Fincantieri Group's headcount at 30 June 2020 can be broken down as follows:

(number)	30.06.2020	30.06.2019
Employees at period end:		
Total at period end	19,668	19,725
- of whom in Italy	9,522	8,941
- of whom in Parent Company	8,396	8,091
- of whom in VARD	8,049	8,863
Average number of employees	19,609	19,350
- of whom in Italy	9,353	8,632
- of whom in Parent Company	8,296	7,927
- of whom in VARD	8,199	8,675

DEPRECIATION, AMORTIZATION AND IMPAIRMENT AND PROVISIONS

(euro/000)	30.06.2020	30.06.2019(*)
Depreciation and amortization:		
- amortization of intangible assets	(28,644)	(26,256)
- depreciation of rights of use	(8,140)	(7,648)
- depreciation of property, plant and equipment	(44,302)	(42,455)
Impairment:		
- impairment of goodwill	(65)	(394)
- impairment of intangible assets	(11)	(367)
- impairment of rights of use		
- impairment of property, plant and equipment	(21)	(25)
Total depreciation, amortization and impairment	**(81,183)**	**(77,145)**
Provisions:		
- impairment of receivables	(173)	(545)
- impairment of contractual assets		(12,763)
- increases in provisions for risks and charges	(28,486)	(24,553)
- release of provisions and impairment reversals	717	7,869
Total provisions	**(27,942)**	**(29,992)**

(*) Figures restated following the retrospective application of IFRS 5 in relation to the exit from the small vessel construction business in the fishery and fishery farm support vessel segments which took place at the end of 2019.

A breakdown of depreciation, amortization and impairment is provided in Notes 5, 6 and 7.

Details of provisions can be found in Notes 10, 14 and 19.

NOTE 27 - FINANCE INCOME AND COSTS

These are analyzed as follows:

(euro/000)

	30.06.2020	30.06.2019(*)
FINANCE INCOME		
Interest and other income from financial assets	379	210
Bank interest and fees and other income	2,718	7,315
Foreign exchange gains	23,539	12,759
Total finance income	**26,636**	**20,284**
FINANCE COSTS		
Interest and fees charged by joint ventures	(7)	(29)
Interest and fees charged by controlling companies	(99)	(613)
Expenses from derivative financial instruments	(22,981)	(28,740)
Interest on employee benefit plans	(198)	(395)
Interest and fees on bonds and commercial papers	(163)	(288)
Interest and fees on construction loans	(8,225)	(8,959)
Bank interest and fees and other expense	(23,003)	(22,010)
Interest and fees paid by related parties	(1,261)	(1,345)
Interest paid on leases IFRS 16	(1,561)	(1,675)
Impairment of financial receivables IFRS 9	(5,116)	
Foreign exchange losses	(29,979)	(16,223)
Total finance costs	**(92,593)**	**(80,277)**
TOTAL FINANCE INCOME AND COSTS	**(65,957)**	**(59,993)**

(*) Figures restated following the retrospective application of IFRS 5 in relation to the exit from the small vessel construction business in the fishery and fishery farm support vessel segments which took place at the end of 2019.

"Finance income" includes euro 14 thousand (euro 162 thousand in the first half of 2019) in interest formally paid by the Italian State to the Parent Company, but effectively paid to Banca Infrastrutture Innovazione e Sviluppo (with an equal amount recognized as finance cost), under the structure in place to disburse government grants. "Finance costs" includes euro 5,116 thousand of impairment of long-term financial receivables determined on the basis of the expected credit loss model.

NOTE 28 - INCOME TAXES

Income taxes have been calculated on the basis of the result for the period. The balance at 30 June 2020 comprises euro 19,249 thousand for the positive balance of current taxes for the recognition of the tax loss as regards the national tax consolidation and euro 6,776 thousand for the negative balance related to deferred income taxes. Deferred income taxes are analyzed in Note 11.

HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2020

NOTE 29 - OTHER INFORMATION

Net financial position

For the purposes of complying with Consob Communication no. DEM/6064293/2006, the following table shows the Net financial position as per ESMA recommendation.

(euro/000)

	30.06.2020	31.12.2019
A. Cash	177	134
B. Other cash equivalents	896,542	381,656
C. Trading securities	-	-
D. Cash and cash equivalents (A)+(B)+(C)	**896,719**	**381,790**
E. Current financial receivables	**18,028**	**2,144**
- of which related parties	1,065	389
F. Current bank debt	(1,718,068)	(974,181)
- of which related parties	-	(22,500)
G. Commercial papers	(156,000)	(75,000)
H. Current portion of non-current debt	(114,083)	(142,907)
- of which related parties	(9,620)	(10,120)
I. Other current financial liabilities	(20,911)	(18,098)
- of which related parties	(1,582)	(1,575)
J. Current debt (F)+(G)+(H)+(I)	**(2,009,062)**	**(1,210,186)**
K. Net current debt (D)+(E)+(J)	**(1,094,315)**	**(826,252)**
L. Non-current bank debt	(908,976)	(730,237)
- of which related parties	(25,580)	(30,376)
M. Bonds – non-current portion	-	-
N. Other non-current financial liabilities	(75,451)	(82,135)
O. Non-current debt (L)+(M)+(N)	**(984,427)**	**(812,372)**
P. Net financial position (K)+(O)	**(2,078,742)**	**(1,638,624)**

"Other current financial liabilities" and "Other non-current financial liabilities" do not include the fair value for options on equity investments or liabilities for foreign exchange derivatives since they are linked to hedging firm commitments and planned transactions connected with the Group's operations.
The following table reconciles the Net financial position as per ESMA recommendation and the Net financial position monitored by the Group.

(euro/000)

	30.06.2020	31.12.2019
Net financial position as per ESMA recommendation	**(2,078,742)**	**(1,638,624)**
Non-current financial assets	97,797	91,510
Construction loans	1,001,268	811,410
Net financial position monitored by the Group	**(979,677)**	**(735,704)**

Significant non-recurring events and transactions

With reference to the provisions of CONSOB Resolution no. 15519 of 27 July 2006, there were no significant non-recurring events and/or transactions at 30 June 2020 (at 30 June 2019 there were charges of euro 707 thousand relating to non-recurring restructuring plans included in "Personnel costs").

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 2020.

Related party transactions

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(euro/000)

	30.06.2020							
	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.					36,903	(25,580)	(9,620)	(145)
TOTAL PARENT COMPANIES	-	-	-	-	36,903	(25,580)	(9,620)	(145)
ORIZZONTE SISTEMI NAVALI S.p.A.					69,145		(1,565)	(791)
UNIFER NAVALE S.r.l.			1,491					(262)
CSSC - FINCANTIERI CRUISE INDUSTRY DEVELOPMENT Ltd.	22,000	687			1,609			(153)
ETIHAD SHIP BUILDING LLC					6,463			(981)
CONSORZIO F.S.B.					23			(6)
BUSBAR4F S.c.a.r.l.			1,143		484			(621)
FINCANTIERI CLEA BUILDING S.c.a.r.l.					3			
PERGENOVA S.C.p.A.					110,348			(59,087)
ISSEL MIDDLE EAST INFORMATION TECNOLOGY CONSULTANCY LLC		4					(17)	
NAVIRIS S.p.A.					509			
TOTAL JOINT VENTURES	22,000	691	2,634	-	188,584	-	(1,582)	(61,901)
PSC GROUP			4,326		71			(4,449)
CENTRO SERVIZI NAVALI S.p.A					1,107			(232)
CASTOR DRILLING SOLUTIONS AS		374						
OLYMPIC CHALLENGER KS	481							
DOF ICEMAN AS	3,430							
ISLAND DILIGENCE AS	4,133							
T. MARIOTTI S.p.A.								
DECOMAR S.p.A.	3,500				(30)			
TOTAL ASSOCIATES	11,544	374	4,326	-	1,148	-	-	(4,681)
SACE FCT								
SACE S.p.A.								(11)
GRUPPO TERNA								55
VALVITALIA S.p.A.			1,534		5			(1,334)
SUPPLEMENTARY PENSION FUND FOR SENIOR MANAGERS OF FINCANTIERI S.p.A.								(1,116)
COMETA NATIONAL SUPPLEMENTARY PENSION FUND								(3,655)
SOLIDARIETÀ VENETO - PENSION FUND								(90)
ACAM CLIENTI S.p.A.								
SIA S.p.A.								
TOTAL CDP GROUP	-	-	1,534	-	5	-	-	(6,151)
QUANTA S.p.A.								
EXPERIS S.p.A.								
LEONARDO GROUP			174,881		1,235			(26,213)
ENI GROUP					964			(23)
ENEL GROUP								1
COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE					(18)			
TOTAL OTHER RELATED PARTIES	-	-	176,415	-	2,186	-	-	(32,386)
TOTAL RELATED PARTIES	33,544	1,065	183,375	-	228,821	(25,580)	(11,202)	(99,113)
TOTAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION	99,409	23,328	443,455	35,994	1,480,154	(1,085,354)	(2,088,822)	(2,257,964)
% on consolidated statement of financial position	34%	5%	41%	0%	15%	2%	1%	4%

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(euro/000)

	31.12.2019							
	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.					3,171	(30,376)	(10,120)	(9,109)
TOTAL PARENT COMPANIES	-	-	-	-	3,171	(30,376)	(10,120)	(9,109)
ORIZZONTE SISTEMI NAVALI S.p.A.					101,518		(1,558)	(643)
UNIFER NAVALE S.r.l.			1,491					(595)
CSSC - FINCANTIERI CRUISE INDUSTRY DEVELOPMENT Ltd.	22,000	355			1,893			(383)
ETIHAD SHIP BUILDING LLC					6,094			(946)
CONSORZIO F.S.B.								(14)
BUSBAR4F S.c.a.r.l.			1,062		21			(1,145)
FINCANTIERI CLEA BUILDING S.c.a.r.l.					3			(610)
PERGENOVA S.C.p.A.					58,000			(58,037)
ISSEL MIDDLE EAST INFORMATION TECNOLOGY CONSULTANCY LLC		4					(17)	
NAVIRIS S.p.A.					95			
TOTAL JOINT VENTURES	22,000	359	2,553	-	167,624	-	(1,575)	(62,373)
PSC GROUP			4,743		38			(11,818)
CENTRO SERVIZI NAVALI S.p.A.					825			(351)
CASTOR DRILLING SOLUTION AS								
OLYMPIC CHALLENGER KS	532							
DOF ICEMAN AS	3,696							
ISLAND DILIGENCE AS	4,628							
T. MARIOTTI S.p.A.					43			
DECOMAR S.p.A.	3,500	30						
TOTAL ASSOCIATES	12,356	30	4,743	-	906	-	-	(12,169)
SACE FCT								
SACE S.p.A.								(11)
TERNA GROUP								52
VALVITALIA S.p.A.			1,550		3			(4,080)
SUPPLEMENTARY PENSION FUND FOR SENIOR MANAGERS OF FINCANTIERI S.p.A.								(1,290)
COMETA NATIONAL SUPPLEMENTARY PENSION FUND								(3,844)
SOLIDARIETÀ VENETO - PENSION FUND								(99)
ACAM CLIENTI S.p.A.								(1)
SIA S.p.A.								
TOTAL CDP GROUP	-	-	1,550	-	3	-	-	(9,273)
QUANTA S.p.A.								(34)
EXPERIS S.p.A.								
LEONARDO GROUP			177,638		2,579			(24,736)
ENI GROUP					1,051			(62)
ENEL GROUP								
COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE								(56)
TOTAL OTHER RELATED PARTIES	-		179,188	-	3,633	-	-	(34,161)
TOTAL RELATED PARTIES	34,356	389	186,484	-	175,334	(30,376)	(11,695)	(117,812)
TOTAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION	92,603	9,329	467,017	17,523	1,079,388	(881,551)	(1,258,171)	(2,553,701)
% on consolidated statement of financial position	37%	4%	40%	0%	16%	3%	1%	5%

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(euro/000)

	30.06.2020				
	Operating revenue	Other revenue and income	Materials, services and other costs	Finance income	Finance costs
CASSA DEPOSITI E PRESTITI S.p.A.		79	(50)		
TOTAL PARENT COMPANIES	-	79	(50)	-	-
ORIZZONTE SISTEMI NAVALI S.p.A.	36,981	277	(575)		(7)
UNIFER NAVALE S.r.l.		5	(4,230)		
CSSC - FINCANTIERI CRUISE INDUSTRY DEVELOPMENT Ltd.	4,238	1,456		332	
ETIHAD SHIP BUILDING LLC	125	76	(35)		
CONSORZIO F.S.B.	23	110	(127)		
BUSBAR4F S.c.a.r.l.		410	(513)		
FINCANTIERI CLEA BUILDING S.c.a.r.l.		3	(1,020)		
PERGENOVA S.c.p.a.	32,859	3,087	(14,367)		
ISSEL MIDDLE EAST INFORMATION TECNOLOGY CONSULTANCY LLC					
NAVIRIS S.p.A.	92	301			
TOTAL JOINT VENTURES	74,318	5,725	(20,867)	332	(7)
PSC GROUP		187	(9,544)		
CENTRO SERVIZI NAVALI S.p.A.	20	257	(1,649)		
CASTOR DRILLING SOLUTIONS AS					
OLYMPIC GREEN ENERGY KS					
DOF ICEMAN AS					
ISLAND DILIGENCE AS					(72)
T. MARIOTTI S.p.A.					
DECOMAR S.p.A.			(508)	47	
TOTAL ASSOCIATES	20	444	(11,701)	47	(72)
SACE FCT		36			(96)
SACE S.p.A.					(1,165)
TERNA GROUP			(20)		
VALVITALIA S.p.A.		34	(3,766)		
ACAM CLIENTI S.p.A.					
SIA S.p.A.			(3)		
TOTAL CDP GROUP	-	70	(3,789)	-	(1,261)
QUANTA S.p.A.					
EXPERIS S.r.l.					
LEONARDO GROUP (Finmeccanica)	59	1,511	(37,659)		
ENI GROUP	872	36	(577)		
ENEL GROUP		71	(1)		
COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE		25	(16)		
TOTAL OTHER RELATED PARTIES	931	1,713	(42,042)	-	(1,261)
TOTAL RELATED PARTIES	75,269	7,961	(74,660)	379	(1,340)
TOTAL CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	2,323,021	46,394	(1,862,709)	26,636	(92,593)
% on consolidated statement of comprehensive income	3%	17%	4%	1%	1%

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 PARENT 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)		
FINCANTIERI CLEA BUILDING S.c.a.r.l.		2	(1,179)		
PERGENOVA S.c.p.a.	2,929	69	(7,248)		
ISSEL MIDDLE EAST INFORMATION TECNOLOGY CONSULTANCY LLC					
NAVIRIS S.p.A.					
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)		
CASTOR DRILLING SOLUTIONS AS					
OLYMPIC GREEN ENERGY KS					
DOF ICEMAN AS					
ISLAND DILIGENCE AS					
T. MARIOTTI S.p.A.					
DECOMAR S.p.A.					
TOTAL ASSOCIATES	-	94	(12,828)	4	-
SACE FCT		31			(102)
SACE S.p.A.					(1,243)
TERNA GROUP			(54)		
VALVITALIA S.p.A.		71	(7,401)		
ACAM CLIENTI S.p.A.					
SIA S.p.A.					
TOTAL CDP GROUP	-	102	(7,455)	-	(1,345)
QUANTA S.p.A.			(15)		
EXPERIS S.r.l.			(12)		
LEONARDO GROUP (Finmeccanica)	46	6,494	(38,014)		
ENI GROUP	13,848	63	(752)		
ENEL GROUP			(2)		
COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE	26		(358)		
TOTAL OTHER RELATED PARTIES	13,920	6,659	(46,608)	-	(1,345)
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%

Costs for contributions incurred in the first half of 2020 and included in the item "Personnel costs" totalled euro 718 thousand for the Supplementary Pension Fund for Senior Managers of FINCANTIERI S.p.A. and euro 947 thousand for the Cometa National Supplementary Pension Fund.
The main related party relationships refer to:

• the Group's transactions with Orizzonte Sistemi Navali S.p.A., under the agreement signed in 2006 with the Italian Navy relating to the first phase of the "Renaissance" (or FREMM) program. This program, 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 2020 relate to its current account with Fincantieri under a centralized treasury management arrangement;
• the Group's relations with 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 contractor for the construction of new cruise ships at the CCSC group's Chinese shipyard, refer to the supply of specialist services and components to support CSSC shipyards;
• as regards relations with the ENI group, the framework agreement was finalized in 2018 under which studies were launched for new technologies related to gas utilization and exploitation, some of which were completed during the year. The rest refers chiefly to the sale of products and services and purchases of fuel with ENI S.p.A.;
• costs and revenue or receivables and payables with other related parties at 30 June 2020 refer chiefly to the supply of goods or services used in the production process.

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

• FINCANTIERI S.p.A. entered into five exporter indemnity agreements with SIMEST S.p.A., as standard transactions of lesser importance.
• the granting of a construction loan to FINCANTIERI S.p.A. in May 2020 by Cassa Depositi e Prestiti S.p.A., in syndicate with a leading national bank, for euro 400 million (of which euro 200 million the share of Cassa Depositi e Prestiti S.p.A.), to finance construction of a cruise ship to be delivere in 2021. The transaction was classified as a standard transaction of major importance. At 30 June 2020, this loan had not been drawn down.
Furthermore, during the period, Directors, Statutory Auditors, General Managers and other Key Management Personnel were paid a total of euro 3,906 thousand in remuneration by the Parent Company, of which euro 1,499 thousand classified in personnel costs and euro 2,407 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.

Basic and diluted earnings/(loss) per share

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

Basic/Diluted Earnings/(Loss) Per Share		30.06.2020	31.12.2019
Earnings/(loss) attributable to owners of the parent	euro/000	(134,542)	15,856
Weighted average number of shares outstanding to calculate the basic earnings/(loss) per share	number	1,692,425,057	1,687,412,180
Weighted average number of shares outstanding to calculate the diluted earnings/(loss) per share	number	1,704,344,303	1,700,986,504
Basic earnings/(loss) per share	**euro**	**(0.07950)**	**0.00940**
Diluted earnings/(loss) per share	**euro**	**(0.07894)**	**0.00932**

Basic earnings per share have been calculated by dividing the profit for the year attributable to owners of the parent by the weighted average number of Fincantieri S.p.A. shares outstanding during the year, excluding own shares.
Diluted earnings per share have been calculated by dividing the profit for the year attributable to the Group by the weighted average number of Fincantieri S.p.A. shares in circulation during the year, excluding own shares, plus the number of shares that could potentially be issued. At 30 June 2020, the shares that could potentially be issued concerned only the shares assigned under the Performance Share Plan 2016-2018 and the Performance Share Plan 2019-2021 described 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 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.

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

With reference to the Performance Share Plan 2016-2018, it should be noted that: i) on 27 June 2019, the Board of Directors approved the closure of the first cycle of the "Performance Share Plan 2016-2018" incentive plan, allocating free of charge to the recipients 10,104,787 ordinary Fincantieri shares through the use of 2,572,497 own shares in portfolio and by issuing 7,532,290 new shares, without a par value. The issue and delivery of the shares took place on 31 July 2019; ii) on 10 June 2020, the Board of Directors approved the closure of the second cycle of the "Performance Share Plan 2016-2018" incentive plan, allocating free of charge to the recipients 4,822,542 ordinary Fincantieri shares. The allocation of shares will take place, using solely own shares in portfolio, by 31 July 2020.

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

(euro)	Grant date	No. shares awarded	Fair value
First cycle of the Plan	24 July 2019	6,842,940	6,668,616

The Plans' features, outlined above, are described in detail in the special document prepared by the Parent Company under Art. 84-bis of Consob Regulation No. 11971 of 14 May 1999, made available to the public on the website www.fincantieri.it in the section "Ethics and Governance – Shareholders' Meeting – Shareholders' Meeting 2017 and 2018".

Litigation

The following is an update on the status of litigation described in the Notes to the 2019 Consolidated Financial Statements:

Foreign litigation

With reference to the "Iraq" dispute, described in detail in the Notes to the Consolidated Financial Statements at 31 December 2014 and the subject of various subsequent updates, it is recalled that following the failure to agree the operating contracts (Refurbishment Contract and Combat System Contract) required for the Settlement Agreement, the Iraqi Government stepped up the proceedings pending before the Appeals Court of Paris against the arbitration awarded to Fincantieri. On 18 January 2018, the Appeals Court of Paris rejected the counterparty's claims. On 20 June 2018 the Iraqi Government notified Fincantieri of its appeal before the French Supreme Court against the decision of the Appeals Court of Paris. In a ruling issued on 15 January 2020, the French Supreme Court finally rejected the Iraqi Government's appeal in its entirety.
With reference to the "Papanikolaou" 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 Patras Court of Appeal has agreed with the main principles of law stated by the Court of Cassation (which referred to the case back to the Court of Appeal in relation to a relatively minor point), but Fincantieri can appeal against the ruling before the Court of Cassation, whilst (ii) the case relating to the alleged loss of income from 2012 to 2052 is currently suspended.
With regard to the "Yuzwa" dispute pending in the District Courts of California and Florida, brought by Mr Yuzwa against Fincantieri, Carnival and others for losses 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 rejected the request for review and extraordinary appeal brought by the counterparty. The time limit for a further appeal to the Supreme Court has expired.
With reference to the claim brought by the Brazilian subsidiary Vard Promar against Petrobas Transpetro S.A., after the losses incurred on eight shipbuilding contracts, a claim for compensation is pending. In December 2015, Petrobas Transpetro S.A. terminated the contracts for the construction of two vessels and demanded repayment of its previous advance payments. The related claim has been brought in the court of the State of Rio de Janeiro. VARD has not recognized any receivable in its interim financial statements at 30 June 2020 for the Transpetro disputes.
With regard to litigation where Fincantieri is the defendant, the Parent Company has recognized provisions for a total of euro 2.7 million against liabilities considered probable in the event the case is lost.

Italian litigation

Client credit recovery

With reference to legal action against customers that are insolvent, bankrupt or the subject of other reorganization measures, with whom disputes have arisen, it is reported that legal actions are continuing against Tirrenia and Siremar, both under special administration. The Parent Company's credits have been appropriately impaired in cases where the expectation of recovery is less than the amount of the credit.

Litigation with suppliers

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

Employment litigation

This refers to cases brought by employees and former employees of contractors and subcontractors, which involve the Company under the "customer co-liability" principle (art. 1676 of the Italian Civil Code and art. 29 of Legislative Decree 276/2003).
Litigation relating to asbestos continued to be settled both in and out of court in 2020. The provision set aside for this has been estimated in relation to litigation pending at the reference date for the estimate. The total liability relating to cases that have not yet emerged or are not yet known to the Company cannot be reliably estimated based on the information currently available and therefore is not reflected in the financial statements.

Other litigation

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

Criminal prosecutions under Legislative Decree 231/2001

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

• In January 2014, FINCANTIERI S.p.A. received notice of a request for extension of the deadline for the preliminary investigations, under art. 406 of the Code of Criminal Procedure, into the former manager of the Monfalcone shipyard for the alleged infringement of Art. 256, par. 1, letters a) and b) of Legislative Decree No. 152/2006, as well as into the Company, being investigated under art. 25-undecies of Legislative Decree No. 231/2001 in relation to its alleged management of areas of sorting, temporary deposit and storage of hazardous waste at the Monfalcone shipyard without the required authorization, and the alleged disposal of such waste with documentation that would not permit it to be traced. As part of these proceedings, in October 2017, the former Managers of the Monfalcone shipyard, the former General Managers of the Company, the Company's former head of Safety and former Head of Personnel were notified of the conclusion of the preliminary investigations for the offences referred in art. 256, par. 1(a) and 1(b) of Legislative Decree No. 152/2006 ("Unauthorized waste management activities"); in April 2018, the Company was also notified of the conclusion of the investigations for the offence referred to in art. 25-undecies of Legislative Decree No. 231/2001 ("Environmental Offences"). In September 2018 the writ of summons to appear in court was served on all those under investigation. At the hearing of 6 March 2019, the judge ruled that no action should be taken against the former Manager of the Monfalcone plant in office until 30 June 2013, the former General Managers of the Company, the former Head of Safety and the former Head of Personnel of the Company, or against the Company, for the facts established in May 2013, under the statute of limitations. 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). At the hearing held on 15 July, the sentence not to proceed against the former Plant Manager, who had been in the position since 1 July 2013, owing to the expiry of the statute of limitations was given, while the case continues against the Company (as regards the facts established in February 2015). The next hearing is scheduled for 17 December 2020 for the continuation of the investigative activities.

- In September 2015, notices of conclusion of preliminary investigations were served not only on the former Monfalcone shipyard manager and three other employees under investigation for violation of art. 19, letter f), and art. 71 of Legislative Decree no. 81/2008 (respectively concerning breach of management obligations and failure to provide suitable personal protective equipment) and in general of art. 2087 of the Italian Civil Code (failure to adopt suitable measures to protect worker health), but also on the Company itself, under art. 25-septies, par. 1, 2 and 3, of Legislative Decree no. 231/2001, in connection with an accident on 24 November 2009 at the Monfalcone shipyard involving an employee, resulting in a sprained shoulder that took a year to heal.
- In March 2016, notices of conclusion of preliminary investigation were served on the former Monfalcone shipyard manager, under investigation for the offense of "bodily harm" under art. 590 of the Italian Criminal Code in relation to the violation of certain provisions of Legislative Decree No. 81/2008 and in general art. 2087 of the Italian Civil Code (failure to take suitable measures to protect worker health), and on the Company under art. 25 septies, par. 3, of Legislative Decree No. 231/2001, in connection with an accident on 29 March 2012 at the Monfalcone shipyard involving an employee with an injury to the little finger on his left hand that healed in eight months.
- In June and July 2016, notices of conclusion of preliminary investigation were served on the former Monfalcone shipyard manager, under investigation for the offense of "bodily harm" under art. 590 of the Italian Criminal Code in relation to the violation of certain provisions of Legislative Decree No. 81/2008 and in general art. 2087 of the Italian Civil Code (failure to take suitable measures to protect worker health), and on the Company under art. 25 septies, par. 3, of Legislative Decree No. 231/2001, in connection with an accident on 25 August 2010 at the Monfalcone shipyard involving an employee of a contractor with a contusion to his left knee, which took more than forty days to heal.
- In June 2018, notifications were served of the conclusion of the preliminary investigations into the management and disposal of waste, involving many persons and companies, including the Company's Chief Executive Officer, the former manager and two employees of the Palermo shipyard for the offence referred to in art. 452-quaterdecies of the Criminal Code ("Illegal waste trafficking activities") and the Company for the offence referred to in art. 25-undecies, par. 2(f) Legislative Decree No. 231/2001 ("Environmental Offences"). By order of 23 April 2019, the Judge for Preliminary Investigations, in acceptance of the request made by the counsel of the Company's Chief Executive Officer, ordered the dismissal of the proceedings against the Chief Executive Officer. The next hearing, before the Preliminary Hearing Judge, is scheduled for 11 September 2020.
- In September 2019, notices of conclusion of preliminary investigation were served on the hull pre-assembly foreman of the Monfalcone shipyard, under investigation for the offense of "bodily harm through negligence" under art. 590 of the Italian Criminal Code in relation to the violation of certain provisions of Legislative Decree No. 81/2008 and in general art. 2087 of the Italian Civil Code (failure to take suitable measures to protect worker health), and on the Company under art. 25 septies, par. 3, of Legislative Decree No. 231/2001, in connection with an accident on 3 February 2016 at the Monfalcone shipyard involving an employee with an arm fracture that healed in 83 days.
- In February 2020, notices of conclusion of preliminary investigation were served on the Manager of the Monfalcone shipyard, the Manager of the Marghera shipyard and the Production Manager at the Marghera shipyard for the offences referred to in art. 256, par. 1, of Legislative Decree No. 152/06 ("Unauthorized Waste Management Activities"), art. 137 of Legislative Decree No. 152/06 ("Unauthorized discharges of industrial waste water"), art. 279 of Legislative Decree No. 152/06 ("Unauthorized emissions into the atmosphere") and, with regard to the Manager of the Monfalcone shipyard alone, the offence referred to in art. 29 quattordecies, par. 4(b) of Legislative Decree No. 152/06 ("Failure to comply with the requirements of the AIA"). As far as the Company is concerned, it contests the violation of art. 25 undecies, par. 2(b)(1) and (2) in relation to art. 5, par. 1(a) and (b) of Legislative Decree 231/01 (Environmental offences).
- Between March and May 2020, notices of conclusion of preliminary investigation were served, among others, on the Manager of the Monfalcone shipyard, the Project Manager in charge of the project on behalf of the Company, and the legal representative at the time of the events of the subsidiary Fincantieri SI, for the offense of "Manslaughter" under art. 589, par. 1 and 2 of the Italian Criminal Code in relation to the violation of certain provisions of Legislative Decree No. 81/2008 and in general art. 2087 of the Italian Civil Code (failure to take suitable measures to protect worker health), and on the Company under art. 25 septies, par. 2, of Legislative Decree No. 231/2001, in connection with a fatal accident that took place on 2 March 2017 at the Monfalcone shipyard involving an employee of a subcontractor.

Tax position

National tax consolidation

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

Audits and assessments

FINCANTIERI S.p.A.

In 2019, the Italian Revenue Service launched a number of investigative activities in 2014; one of the assessment notices was the subject of adversarial proceedings and the Revenue Service's tax settlement proposal was accepted as a result of the Company's defensive initiatives.

Marine Interiors Cabins S.p.A.

With reference to the tax audit conducted by the Italian Revenue Service, Trieste office in 2017 on the fiscal years 2014 and 2015, the assessment notices received in 2018 have been appealed; the company's partial unsuccessful verdict was appealed during the first half of 2020, and a related assessment notice for 2017 regarding the use of losses was also appealed. With reference to the sentence on the adjustment of the value of the deed of transfer of the company branch for the purposes of the registration fee, Revenue Service Pordenone office appealed against the first degree sentence in our favour; the Company has entered an appearance.

Vard Tulcea

The subsidiary was subject to an audit by the Romanian tax authorities for the 2012-2016 years, which was concluded with an assessment notice; a defensive strategy is being pursued and appropriate provisions have been made.

Vard Braila

A tax audit has been launched on the subsidiary by the Romanian tax authorities for the 2014-2018 years, which is currently suspended due to the pandemic.

NOTE 30 - CASH FLOWS FROM OPERATING ACTIVITIES

These are analyzed as follows:

(euro/000)

	30.06.2020	30.06.2019
Profit/(loss) for the period	(136,571)	12,028
Depreciation and amortization	81,072	76,766
(Gains)/losses from disposal of property, plant and equipment	1,316	524
(Revaluation)/impairment of property, plant and equipment, intangible assets and equity investments	2,576	3,388
(Revaluation)/impairment of working capital		12,763
(Revaluation)/impairment of financial assets	5,188	
Increases/(releases) of provisions for risks and charges	26,985	19,319
Interest expenses capitalized		
Interest on employee benefits	532	618
Interest income	(3,097)	(7,525)
Interest expense	33,768	34,622
Income taxes	(12,473)	35,600
Long-term share-based incentive plan	2,345	2,760
Impact of unrealized exchange rate changes	(2,074)	
Finance income and costs from derivatives		
Gross cash flows from operating activities	**(433)**	**190,863**

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, Equipment, Systems and Services and Other Activities.

Shipbuilding encompasses the business areas cruise ships and expedition cruise vessels, naval vessels, ferries and mega yachts;

Offshore and Specialized Vessels: encompassing the design and construction of high-end offshore support vessels, specialized ships, vessels for offshore wind farms and open ocean aquaculture, as well as the offer of innovative products in the field of drillships and semi-submersible drilling rigs;

Equipment, Systems and Services: encompasses 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 and the supply of solutions for electronic systems and software for infrastructure and maritime works.

Other activities primarily refer to the cost of corporate activities which have not been allocated to other operating segments.

A new organizational structure for the VARD group was defined in 2018, 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 economic results of VARD's Cruise business unit, coordinated directly by Fincantieri's Merchant Shipping Division, have been allocated to the Shipbuilding operating segment.

Project management for the construction 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.

Finally, it should be noted that as from 2020 Vard Electro's activities were reallocated from the Offshore and Specialized Vessels segment to the Shipbuilding operating segment and the comparison data at 30 June 2019 were consequently restated.

The Group evaluates the performance of its operating segments and the allocation of financial resources on the basis of revenue and EBITDA, defined as Profit/(loss) for the 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 reorganization plans and other non- recurring personnel costs, (viii) Provisions for costs and legal expenses associated with lawsuits brought by employees for asbestos-related damages, (ix) Costs related to the impacts of the COVID-19 outbreak, (x) Other extraordinary income and expenses and (xi) Net result from discontinued operations.

The results of the operating segments at 30 June 2020 and 30 June 2019 are reported in the following pages.

(euro/000)

	30.06.2020				
	Shipbuilding	Offshore and Specialized Vessels	Equipment, Systems and Services	Other Activities	Group
Segment revenue	**2,030,955**	**227,905**	**391,623**	**1,093**	**2,651,576**
Intersegment elimination	(115,805)	(28,724)	(136,731)	(901)	(282,161)
Revenue (*)	**1,915,150**	**199,181**	**254,892**	**192**	**2,369,415**
EBITDA	**115,392**	**(737)**	**23,641**	**(19,563)**	**118,732**
EBITDA margin	**5.7%**	**(0.3%)**	**6.0%**		**5.0%**
Depreciation, amortization and impairment					(81,183)
Finance income					26,636
Finance costs					(92,593)
Income/(expense) from investments					(89)
Share of profit of investments accounted for using the equity method					(2,477)
Income taxes					12,473
Costs not included in EBITDA					(118,071)
Net profit/(loss) from discontinued operations					-
Profit/(loss) for the period					**(136,572)**

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

Details of "Costs not included in EBITDA" gross of the tax effect (euro 25,933 thousand) are given in the following table.

(euro/000)

	30.06.2020
Costs relating to reorganization plans and other non-recurring personnel costs(1)	(466)
Provisions for costs and legal expenses associated with asbestos-related lawsuits(2)	(23,065)
Costs relating to the impacts deriving from the spread of COVID-19(3)	(93,762)
Other extraordinary income and expenses(4)	(778)
Costs not included in EBITDA	**(118,071)**

(1) Amount included in "Personnel costs".
(2) Of which euro 3.0 million included in "Materials, services and other costs" and euro 20.1 million in "Provisions".
(3) Of which euro 49.2 million included in "Materials, services and other costs" and euro 44.6 million in "Personnel costs". It should also be noted that the impacts of the spread of COVID-19 have an effect on "Depreciation, amortization and impairment" of euro 16.8 million and on "Finance income/(costs)" of euro 3.4 million.
(4) Amount included in "Materials, services and other costs".

(euro/000)

	30.06.2019**				
	Shipbuilding	Offshore e navi speciali	Sistemi, componenti servizi	Altre attività	Gruppo
Segment revenue	**2,462,549**	**233,741**	**370,655**	**761**	**3,067,706**
Intersegment elimination	(40,043)	(44,385)	(174,948)	(652)	(260,028)
Revenue (*)	**2,422,506**	**189,356**	**195,707**	**109**	**2,807,678**
EBITDA	**238,590**	**(32,634)**	**38,885**	**(18,125)**	**226,716**
EBITDA margin	**9.7%**	**(13.9%)**	**10.5%**		**8.1%**
Depreciation, amortization and impairment					(77,145)
Finance income					20,284
Finance costs					(80,277)
Income/(expense) from investments					(18)
Share of profit of investments accounted for using the equity method					(2,584)
Income taxes					(35,600)
Costs not included in EBITDA					(26,841)
Net profit/(loss) from discontinued operations					(12,507)
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.
(**) The figures at 30.06.2019 have been restated to reflect the reallocation of Vard Electro's activities from the Offshore and Specialized Vessels to the Shipbuilding segment and the discontinued operations of the small vessel construction business for the fishery and aquaculture sectors and the divestment of the Aukra shipyard.

Details of "Costs not included in EBITDA" gross of the tax effect (euro 4,861 thousand) are given 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	(7,839)
Costs not included in EBITDA	**(26,841)**

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

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

(euro/000)

	30.06.2020	31.12.2019
Italy	850	815
Other countries	380	410
Total Property, plant and equipment	**1,230**	**1,225**

Capital expenditure in the first half of 2020 on Intangible assets and Property, plant and equipment amounted to euro 122 million, of which euro 89 million relating to Italy and the remainder to other countries.

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

(euro/000)

	30.06.2020		30.06.2019	
	Revenue and income	%	Revenue and income	%
Italy	390	16%	545	19%
Other countries	1,979	84%	2,292	81%
Total Revenue and income	**2,369**		**2,837**	

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/000)

	30.06.2020		30.06.2019	
	Revenue and income	%	Revenue and income	%
Client 1	450	19%	747	26%
Client 2	188	8%	368	13%
Total	**2,369**		**2,837**	

NOTE 32 - DISCONTINUED OPERATIONS

In October 2019 the Board of Directors of the subsidiary Vard Group AS approved the decision to leave the small vessel construction business for the fishery and aquaculture sectors and to proceed with the sale of the Aukra shipyard. Following that decision on 28 October 2019, Vard Group AS signed a letter of intent with a potential purchaser which envisages the completion of the sale by 2020. Pending completion of the sale transaction, the shipyard's activities were completed with the delivery of the last vessel in December 2019.
The comparative profit and loss at 30 June 2019 has been restated to show the gains and losses, net of the tax effects of this transaction, as discontinued operations.

(euro/000)	30.06.2019
Operating revenue	29,143
Other revenue and income	52
Materials, services and other costs	(37,032)
Personnel costs	(3,889)
Depreciation, amortization and impairment	(407)
Increases	(118)
Finance income	
Finance costs	(256)
Income/(expense) from investments	
Share of profit/(loss) of investments accounted for using the equity method	
Income taxes	
PROFIT/(LOSS) FOR THE PERIOD	**(12,507)**

The carrying amount of assets and liabilities held for sale is detailed below:

(euro/000)	30.06.2020	31.12.2019
Non-current assets	5,551	6,141
Current assets		
TOTAL ASSETS	**5,551**	**6,141**

(euro/000)	30.06.2020	31.12.2019
Non-current liabilities		
Current liabilities		
TOTAL LIABILITIES	**-**	**-**

NOTE 33 – EVENTS AFTER 30 JUNE 2020

On 2 July 2020 the Group, through its subsidiary Insis, acquired a majority stake in Support Logistic Services, a company based in Guidonia Montecelio (Rome), specializing in the construction, installation and maintenance of satellite communication systems, radar and radio communication systems, for naval and civil applications.
On 10 July 2020, "Le Jacques Cartier", the last cruise unit in the Explorer series for the shipowner Ponant, was delivered to the Søviknes shipyard in Norway. All six units in the series, built entirely at the Norwegian shipyards of the subsidiary Vard, were delivered in just two years.
On 22 July 2020, Naviris signed a contract with OCCAR (European Organisation for Joint Armament Cooperation) regarding a feasibility study for the mid-life upgrade (MLU) of the four Horizon-class destroyers. Naviris will work closely with its industrial partners Fincantieri, Naval Group, Leonardo, Thales, Eurosam, MBDA and Sigen.

Appendix 1

COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION

Principal activity	Registered office	Countries in which they operate		Share capital	% interest held		% consolidated by Group
Subsidiaries consolidated line-by-line							
BACINI DI PALERMO S.p.A. Dry-dock management	Palermo	Italy	EUR	1,032,000.00	100.00	FINCANTIERI S.p.A.	100.00
CENTRO PER GLI STUDI DI TECNICA NAVALE CETENA S.p.A. Ship research and experimentation	Genoa	Italy	EUR	1,000,000.00	71.10 15.00	FINCANTIERI S.p.A. Seaf S.p.A.	86.10
FINCANTIERI OIL & GAS S.p.A. Holding company	Trieste	Italy	EUR	21,000,000.00	100.00	FINCANTIERI S.p.A.	100.00
ARSENAL S.r.l. IT consulting	Trieste	Italy	EUR	10,000.00	100.00	Fincantieri Oil & Gas S.p.A.	100.00
FINCANTIERI HOLDING B.V. Holding company for foreign investments	Netherlands	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	USA	USD	501,000.00	100.00	Fincantieri Holding B.V.	100.00
FMSNA YK Servicing and sale of spare parts	Japan	Japan	JPY	3,000,000.00	100.00	Fincantieri Marine Systems North America Inc.	100.00
GESTIONE BACINI LA SPEZIA S.p.A. Dry-dock management	Muggiano (La Spezia)	Italy	EUR	260,000.00	99.89	FINCANTIERI S.p.A.	99.89
ISOTTA FRASCHINI MOTORI S.p.A. Design, construction, sale and after-sale services relating to fast medium- duty diesel engines	Bari	Italy	EUR	3,300,000.00	100.00	FINCANTIERI S.p.A.	100.00
SOCIETÀ PER L'ESERCIZIO DI ATTIVITÀ FINANZIARIE SEAF S.p.A. Financial support for Group companies	Trieste	Italy	EUR	6,562,000.00	100.00	FINCANTIERI S.p.A.	100.00
BOP6 S.c.a.r.l. Electrical installation	Trieste	Italy France	EUR	40,000.00	5.00 95.00	FINCANTIERI S.p.A. Fincantieri SI S.p.A.	100.00
ISSEL NORD S.r.l. Logistics engineering	Follo (La Spezia)	Italy	EUR	400,000.00	100.00	FINCANTIERI S.p.A.	100.00
SEASTEMA S.p.A. Design and development of integrated automation systems	Genoa	Italy	EUR	300,000.00	100.00	FINCANTIERI S.p.A.	100.00
FINCANTIERI AUSTRALIA Pty Ltd. Shipbuilding support activities	Australia	Australia	AUD	2,400,100.00	100.00	FINCANTIERI S.p.A.	100.00
FINCANTIERI SERVICES MIDDLE EAST LLC Servizi di project management	Qatar	Qatar	EUR	200,000.00	100.00	FINCANTIERI S.p.A.	100.00
FINCANTIERI USA Inc. Project management services	USA	USA	USD	1,029.75	100.00	FINCANTIERI S.p.A.	100.00
FINCANTIERI SERVICES USA LLC Holding company	USA	USA	USD	300,001.00	100.00	Fincantieri USA Inc.	100.00

COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION

Principal activity	Registered office	Countries in which they operate		Share capital	% interest held		% consolidated by Group
FINCANTIERI MARINE GROUP HOLDINGS Inc. Holding company	USA	USA	USD	1,027.27	87.44	Fincantieri USA Inc.	87.44
FINCANTIERI MARINE GROUP LLC Ship building and repair	USA	USA	USD	1,000.00	100.00	Fincantieri Marine Group Holdings Inc.	87.44
MARINETTE MARINE CORPORATION Ship building and repair	USA	USA	USD	146,706.00	100.00	Fincantieri Marine Group LLC	87.44
ACE MARINE LLC Building of small aluminium ships	USA	USA	USD	1,000.00	100.00	Fincantieri Marine Group LLC	87.44
FINCANTIERI DO BRASIL PARTICIPAÇÕES SA Holding company	Brazil	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	India	INR	10,500,000.00	99.00 1.00	Fincantieri Holding B.V. FINCANTIERI S.p.A.	100.00
MARINE INTERIORS CABINS S.p.A. Ship interiors	Trieste	Italy, Romania, Norway	EUR	5,120,000.00	100.00	Seaf S.p.A.	100.00
LUXURY INTERIORS FACTORY S.r.l. Ship interiors	Pordenone	Italy	EUR	50,000.00	100.00	Marine Interiors Cabins S.p.A.	100.00
MARINE INTERIORS S.p.A. Ship interiors	Trieste	Italy, Romania, Norway	EUR	1,000,000.00	100.00	Seaf S.p.A.	100.00
MI S.p.A. Ship interiors	Trieste	Italy	EUR	50,000.00	100.00	Seaf S.p.A.	100.00
SEAENERGY A MARINE INTERIORS COMPANY S.r.l. Manufacture of furniture	Pordenone	Italy	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	Italy, France	EUR	500,000.00	100.00	Seaf S.p.A.	100.00
FINCANTIERI INFRASTRUCTURE S.p.A. Carpentry	Trieste	Italy, Romania	EUR	500,000.00	100.00	FINCANTIERI S.p.A.	100.00
FINCANTIERI INFRASTRUCTURE OPERE MARITTIME S.p.A. Design, construction, maintenance, supply of civil maritime, port and hydraulic infrastructures	Trieste	Italy	EUR	100,000.00	100.00	Fincantieri Infrastructure S.p.A.	100.00
FINCANTIERI SWEDEN AB Sale, maintenance and after-sales service for a series of systems, equipment and related activities	Sweden	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	China	RMB	11,250,000.00	100.00	FINCANTIERI S.p.A.	100.00
FINCANTIERI EUROPE S.p.A. Holding company	Trieste	Italy	EUR	50,000.00	100.00	FINCANTIERI S.p.A.	100.00

COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION

Principal activity	Registered office	Countries in which they operate		Share capital	% interest held		% consolidated by Group
E - PHORS S.p.A. Design, production of products or services in the field of IT security, hardware systems and software applications	Milan	Italy	EUR	500,000.00	100.00	FINCANTIERI S.p.A.	100.00
INSIS S.p.A. Automation systems	Milan	Italy	EUR	10,791,563.00	55.50	FINCANTIERI S.p.A.	60.00
REICOM S.r.l. Design and engineering	Milan	Italy	EUR	600,000.00	100.00	Insis S.p.A.	60.00
SÉCURITÉ DES ENVIRONNEMENTS COMPLEXES Design and engineering	Milan	Italy	EUR	10,000.00	100.00	Insis S.p.A.	60.00
C.S.I. CONSORZIO STABILE IMPIANTI S.r.l. System installation	Milan	Italy	EUR	40,000.00	75.65	Insis S.p.A.	45.39
HMS IT S.p.A. Design and engineering	Rome	Italy	EUR	1,500,000.00	60.00	Insis S.p.A.	36.00
ESSETI SISTEMI E TECNOLOGIE S.r.l. ICT consulting and services	Milan	Italy	EUR	100,000.00	51.00	Insis S.p.A.	30.60
MARINA BAY S.A. Dormant	Luxembourg	Luxem-bourg	EUR	31,000.00	100.00	Insis S.p.A.	60.00
FINCANTIERI DRAGAGGI ECOLOGICI S.p.A. Dormant	Rome	Italy	EUR	500,000.00	55.00	FINCANTIERI S.p.A.	55.00
VARD HOLDINGS Ltd. Holding company	Singapore	Singapore	SGD	932,200,000.00	98.23	Fincantieri Oil & Gas S.p.A.	98.23
VARD GROUP AS Shipbuilding	Norway	Norway	NOK	26,795,600.00	100.00	Vard Holdings Ltd.	98.23
VARD SHIPHOLDING SINGAPORE Pte. Ltd. Charter of boats, ships and barges	Singapore	Singapore	USD	1.00	100.00	Vard Holdings Ltd.	98.23
VARD ELECTRO AS Electrical/automation installation	Norway	Norway UK	NOK	1,000,000.00	100.00	Vard Group AS	98.23
VARD ELECTRO ITALY S.r.l. Installation, production, sale and assistance for electrical equipment and parts	Genoa	Italy	EUR	200,000.00	100.00	Vard Electro AS	98.23
VARD RO HOLDING S.r.l. Holding company	Romania	Romania	RON	82,573,830.00	100.00	Vard Group AS	98.23
VARD NITERÓI Ltda. Dormant	Brazil	Brazil	BRL	354,883,790.00	99.99 0.01	Vard Group AS Vard Electro Brazil Ltda.	98.23
VARD PROMAR SA Shipbuilding	Brazil	Brazil	BRL	1,109,108,180.00	99.999 0.001	Vard Group AS Vard Electro Brazil Ltda.	98.23
VARD INFRAESTRUTURA Ltda. Dormant	Brazil	Brazil	BRL	10,000.00	99.99 0.01	Vard Promar SA Vard Group AS	98.23
ESTALEIRO QUISSAMÃ Ltda. Dormant	Brazil	Brazil	BRL	400,000.00	50.50	Vard Group AS	49.61
VARD SINGAPORE Pte. Ltd. Sales and holding company	Singapore	Singapore	USD	6,000,000.00	100.00	Vard Group AS	98.23
VARD DESIGN AS Design and engineering	Norway	Norway	NOK	4,000,000.00	100.00	Vard Group AS	98.23
VARD ACCOMMODATION AS Accommodation installation	Norway	Norway	NOK	500,000.00	100.00	Vard Group AS	98.23

COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION

Principal activity	Registered office	Countries in which they operate		Share capital	% interest held		% consolidated by Group
VARD PIPING AS Pipe installation	Norway	Norway	NOK	100,000.00	100.00	Vard Group AS	98.23
SEAONICS AS Offshore handling systems	Norway	Norway	NOK	46,639,721.00	56.40	Vard Group AS	55.40
VARD SEAONICS HOLDING AS Dormant	Norway	Norway	NOK	30,000.00	100.00	Vard Group AS	98.23
SEAONICS POLSKA SP. Z O.O. Engineering services	Poland	Poland	PLN	400,000.00	100.00	Seaonics AS	55.40
VARD DESIGN LIBURNA Ltd. Design and engineering	Croatia	Croatia	HRK	20,000.00	51.00	Vard Design AS	50.10
VARD ELECTRO TULCEA S.r.l. Electrical installation	Romania	Romania	RON	4,149,525.00	99.96	Vard Electro AS	98.19
VARD ELECTRO BRAZIL (INSTALAÇÕES ELETRICAS) Ltda. Electrical installation	Brazil	Brazil	BRL	3,000,000.00	99.00 1.00	Vard Electro AS Vard Group AS	98.23
VARD ELECTRO BRAILA S.r.l. Electrical installation	Romania	Romania	RON	45,000.00	100.00	Vard Electro AS	98.23
VARD ELECTRICAL INSTALLATION AND ENGINEERING (INDIA) Pvt. Ltd. Electrical installation	India	India	INR	14,000,000.00	99.50 0.50	Vard Electro AS Vard Electro Tulcea S.r.l.	98.23
VARD TULCEA SA Shipbuilding	Romania	Romania	RON	151,606,459.00	99.996 0.004	Vard RO Holding S.r.l. Vard Group AS	98.23
VARD BRAILA SA Shipbuilding	Romania	Romania	RON	165,862,177.50	94.12 5.88	Vard RO Holding S.r.l. Vard Group AS	98.23
VARD INTERNATIONAL SERVICES S.r.l. Dormant	Romania	Romania	RON	100,000.00	100.00	Vard Braila S.A.	98.23
VARD ENGINEERING CONSTANTA S.r.l. Engineering	Romania	Romania	RON	1,408,000.00	70.00 30.00	Vard RO Holding S.r.l. Vard Braila S.A.	98.23
VARD VUNG TAU Ltd. Shipbuilding	Vietnam	Vietnam	USD	8,000,000.00	100.00	Vard Singapore Pte. Ltd.	98.23
VARD ACCOMMODATION TULCEA S.r.l. Accommodation installation	Romania	Romania	RON	436,000.00	99.77 0.23	Vard Accomodation AS Vard Electro Tulcea S.r.l.	98.23
VARD ENGINEERING BREVIK AS Design and engineering	Norway	Norway	NOK	105,000.00	100.00	Vard Group AS	98.23
VARD OFFSHORE BREVIK AS Offshore industrial services and installation	Norway	Norway	NOK	100,000.00	100.00	Vard Group AS	98.23
VARD MARINE INC. Design and engineering	Canada	Canada	CAD	9,783,700.00	100.00	Vard Group AS	98.23
VARD MARINE US INC. Design and engineering	USA	USA	USD	1,010,000.00	100.00	Vard Marine Inc.	98.23
VARD ENGINEERING GDANSK Sp. Z.o.o. Offshore design and engineering activities	Poland	Poland	PLN	50,000.00	100.00	Vard Engineering Brevik AS	98.23
VBD1 AS Dormant	Norway	Norway	NOK	500,000.00	100.00	Vard Group AS	98.23
VARD CONTRACTING AS Dormant	Norway	Norway	NOK	30,000.00	100.00	Vard Group AS	98.23

COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION

Principal activity	Registered office	Countries in which they operate	Share capital		% interest held		% consolidated by Group
CDP TECHNOLOGIES AS Research and development of technology	Norway	Norway	NOK	500,000.00	100.00	Seaonics AS	55.40
CDP TECHNOLOGIES ESTONIA OÜ Automation and control system software	Estonia	Estonia	EUR	5,200.00	100.00	CDP Technologies AS	55.40
VARD ELECTRO CANADA Inc. Installation and integration of electrical systems	Canada	Canada	CAD	100,000.00	100.00	Vard Electro AS	98.23
VARD AQUA SUNNDAL AS Supplier of aquaculture equipment	Norway	Norway	NOK	1,100,000.00	100.00	Vard Group AS	98.23
VARD AQUA CHILE SA Supplier of aquaculture equipment	Chile	Chile	CLP	106,000,000.00	95.00	Vard Aqua Sunndal AS	93.32
VARD AQUA SCOTLAND Ltd Supplier of aquaculture equipment	UK	UK	GBP	10,000.00	100.00	Vard Aqua Sunndal AS	98.23

COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION

Principal activity	Registered office	Countries in which they operate	Share capital		% interest held		% consolidated by Group
Joint ventures consolidated using the equity method							
ORIZZONTE SISTEMI NAVALI S.p.A. Management of large naval vessel contracts	Genoa	Italy, Algeria	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	Arab Emirates	AED	2,500,000.00	35.00	FINCANTIERI S.p.A.	35.00
NAVIRIS S.p.A. Design, manufacture, maintenance and conversion of ships for naval or government use	Genoa	Italy	EUR	5,000,000.00	50.00	FINCANTIERI S.p.A.	50.00
NAVIRIS FRANCE SAS Shipbuilding	France	France	EUR	100,000.00	100.00	Naviris S.p.A.	50.00
CSSC - FINCANTIERI CRUISE INDUSTRY DEVELOPMENT LIMITED Design and marketing of cruise ships	Hong Kong	Hong Kong	EUR	140,000,000.00	40.00	FINCANTIERI S.p.A.	40.00
ISSEL MIDDLE EAST INFORMATION TECHNOLOGY CONSULTANCY LLC IT consultancy and Oil & Gas services	Arab Emirates	Arab Emirates	AED	150,000.00	49.00	Issel Nord S.r.l.	49.00
CSSC - FINCANTIERI (SHANGHAI) CRUISE DESIGN LIMITED Engineering, Project Management and Supply Chain Management	Hong Kong	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	Trieste	Italy, France	EUR	40,000.00	10.00 50.00	FINCANTIERI S.p.A. Fincantieri SI S.p.A.	60.00
FINCANTIERI CLEA BUILDINGS S.c.a.r.l. Contract management and execution	Verona	Italy	EUR	10,000.00	51.00	Fincantieri Infrastructure S.p.A.	51.00
PERGENOVA S.c.p.a. Construction of bridge in Genoa	Genoa	Italy	EUR	1,000,000.00	50.00	Fincantieri Infrastructure S.p.A.	50.00
CONSORZIO F.S.B. Construction	Venice	Italy	EUR	15,000.00	58.36	FINCANTIERI S.p.A.	58.36

COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION

Principal activity	Registered office	Countries in which they operate	Share capital		% interest held		% consolidated by Group
Associates consolidated using the equity method							
CASTOR DRILLING SOLUTION AS Offshore drilling technology	Norway	Norway	NOK	229,710.00	34.13	Seaonics AS	18.91
OLYMPIC CHALLENGER KS Shipowner	Norway	Norway	NOK	84,000,000.00	35.00	Vard Group AS	34.38
BREVIK TECHNOLOGY AS Holding of technology licenses and patents	Norway	Norway	NOK	1,050,000.00	34.00	Vard Group AS	33.40
MOKSTER SUPPLY AS Shipowner	Norway	Norway	NOK	13,296,000.00	40.00	Vard Group AS	39.29
MOKSTER SUPPLY KS Shipowner	Norway	Norway	NOK	131,950,000.00	36.00	Vard Group AS	35.36
REM SUPPLY AS Shipowner	Norway	Norway	NOK	345,003,000.00	26.66	Vard Group AS	26.19
OLYMPIC GREEN ENERGY KS Shipowner	Norway	Norway	NOK	4,841,028.00	29.50	Vard Group AS	28.98
DOF ICEMAN AS Shipowner	Norway	Norway	NOK	23,600,000.00	50.00	Vard Group AS	49.12
TAKLIFT AS Floating cranes	Norway	Norway	NOK	2,450,000.00	25.47	Vard Group AS	25.02
AS DAMECO Maintenance services	Norway	Norway	NOK	606,000.00	34.00	Vard Offshore Brevik AS	33.40
CSS DESIGN LIMITED Design and engineering	British Virgin Islands	British Virgin Islands	GBP	100.00	31.00	Vard Marine Inc.	30.45
ISLAND OFFSHORE XII SHIP AS Shipowner	Norway	Norway	NOK	404,097,000.00	35.66	Vard Group AS	35.03
ISLAND DILIGENCE AS Shipowner	Norway	Norway	NOK	17,012,500.00	39.38	Vard Group AS	38.68
UNIFER NAVALE S.r.l. Piping	Finale Emilia (Modena)	Italy	EUR	150,000.00	20.00	Seaf S.p.A.	20.00
CENTRO SERVIZI NAVALI S.p.A. Steel-working	San Giorgio di Nogaro (Udine)	Italy	EUR	12,782,000.00	10.93	FINCANTIERI S.p.A.	10.93
GRUPPO PSC S.p.A. Construction and systems	Maratea (Potenza)	Italy, Qatar, Romania, Colombia, Spain	EUR	1,431,112.00	10.00	FINCANTIERI S.p.A.	10.00
DECOMAR S.p.A. Eco-dredging	Massa	Italy	EUR	2,500.00	20.00	FINCANTIERI S.p.A.	20.00
PRELIOS SOLUTIONS & TECHNOLOGIES S.r.l. Engineering	Milan	Italy	EUR	50,000.00	49.00	Insis S.p.A.	29.40
LEONARDO SISTEMI INTEGRATI S.r.l. Engineering	Genoa	Italy	EUR	65,000.00	14.58	Insis S.p.A.	8.75
MC4COM - MISSION CRITICAL FOR COMMUNICATIONS S.c.a.r.l. Engineering	Milan	Italy	EUR	10,000.00	50.00	HMS IT S.p.A.	18.00

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 2020, during the first half of 2020.

2. The adequacy of the administrative and accounting processes for preparing the condensed consolidated half-year financial statements at 30 June 2020 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 2020:

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.

30 July 2020

CHIEF EXECUTIVE OFFICER	MANAGER RESPONSIBLE FOR PREPARING FINANCIAL REPORTS
Giuseppe Bono	*Felice Bonavolontà*

REPORT BY THE INDIPENDENT AUDITORS

Deloitte & Touche S.p.A.
Viale Giovanni Paolo II, 3/7
33100 Udine
Italia

Tel: +39 0432 1487711
Fax: +39 0432 1487712
www.deloitte.it

REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Fincantieri S.p.A.

Introduction

We have reviewed the accompanying half-yearly condensed consolidated financial statements of Fincantieri S.p.A. and subsidiaries ("Fincantieri Group"), which comprise the consolidated statement of financial position as of June 30, 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation of the half-yearly condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the half-yearly condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements of Fincantieri Group as at June 30, 2020 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.
Codice Fiscale/Registro delle Imprese di Milano Monza Brianza Lodi n. 03049560166 - R.E.A. n. MI-1720239 | Partita IVA: IT 03049560166

Il nome Deloitte si riferisce a una o più delle seguenti entità: Deloitte Touche Tohmatsu Limited, una società inglese a responsabilità limitata ("DTTL"), le member firm aderenti al suo network e le entità a esse correlate. DTTL e ciascuna delle sue member firm sono entità giuridicamente separate e indipendenti tra loro. DTTL (denominata anche "Deloitte Global") non fornisce servizi ai clienti. Si invita a leggere l'informativa completa relativa alla descrizione della struttura legale di Deloitte Touche Tohmatsu Limited e delle sue member firm all'indirizzo www.deloitte.com/about.

© Deloitte & Touche S.p.A.

Other Matters

The consolidated financial statements of Fincantieri Group for the period ended on December 31, 2019 and the half-yearly condensed consolidated financial statements as at June 30, 2019 have been respectively audited and reviewed by other auditors that on April 20, 2020 and on July 29, 2019 expressed an unmodified opinion and an unmodified conclusion on those consolidated financial statements.

DELOITTE & TOUCHE S.p.A.

Signed by
Barbara Moscardi
Partner

Udine, Italy
July 31, 2020

This report has been translated into the English language solely for the convenience of international readers.

HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2020

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