FINCANTIERI

HALF-YEAR FINANCIAL REPORT
at 30 June 2021

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FINCANTIERI

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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 Anellucci
Alberto De Nigro
Valeria Maria Scuteri

MANAGER RESPONSIBLE FOR PREPARING FINANCIAL REPORTS

Felice Bonavolontà

SUPERVISORY BODY
Leg. Decree 231/01
(2021-2023)

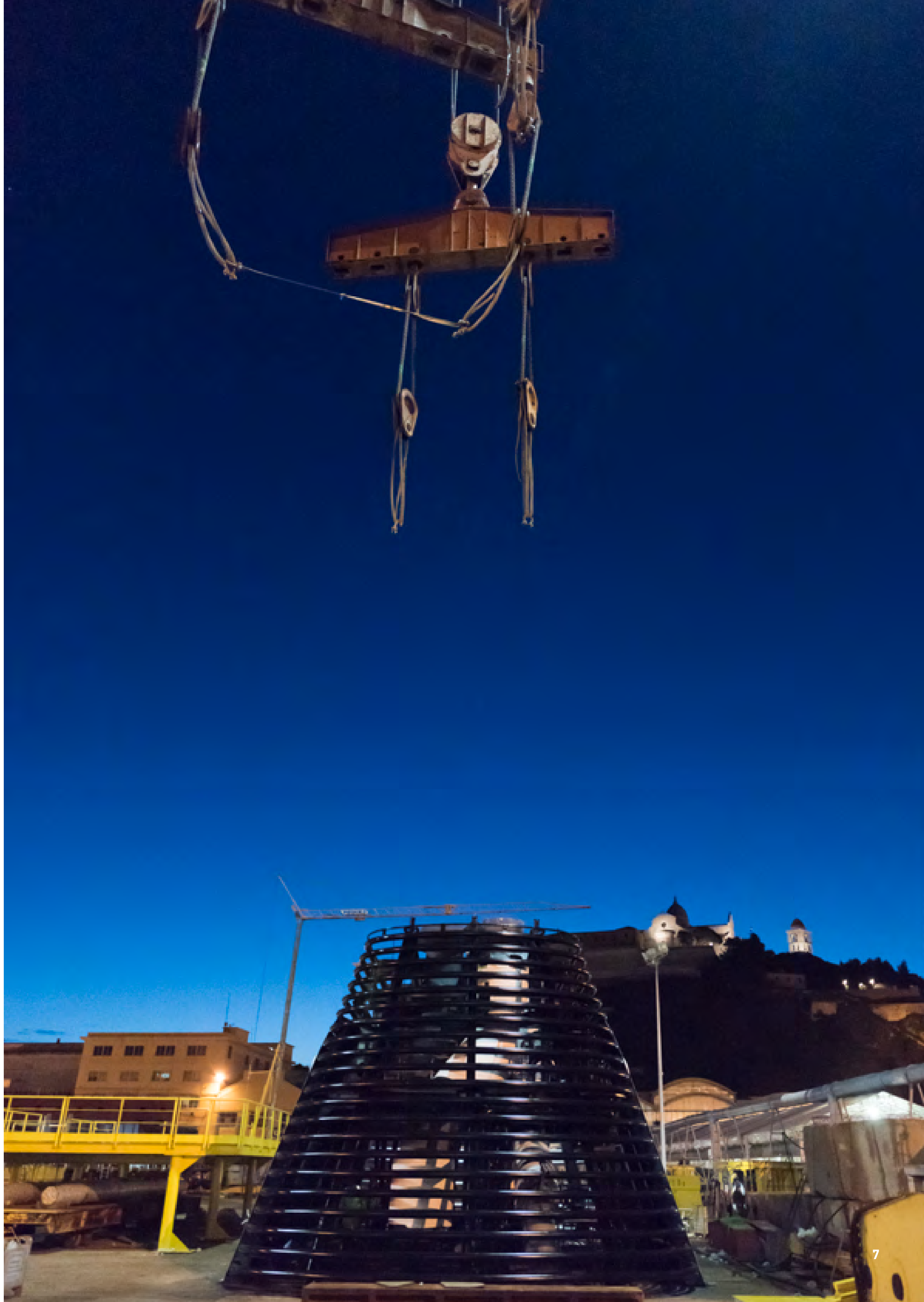
CHAIRMAN
Attilio Befera

MEMBERS
Stefano Dentilli
Fioranna Negri

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 as the committee responsible for related party transactions, the Remuneration Committee, which is also serving as the committee responsible for related party transactions in the case of resolutions on remuneration, the Nomination Committee and the Sustainability Committee) is provided in the "Ethics and Governance" section of the Fincantieri website available at www.fincantieri.com



THE FINCANTIERI GROUP

Our Vision
Our Mission
Who we are
Group overview

Our Vision

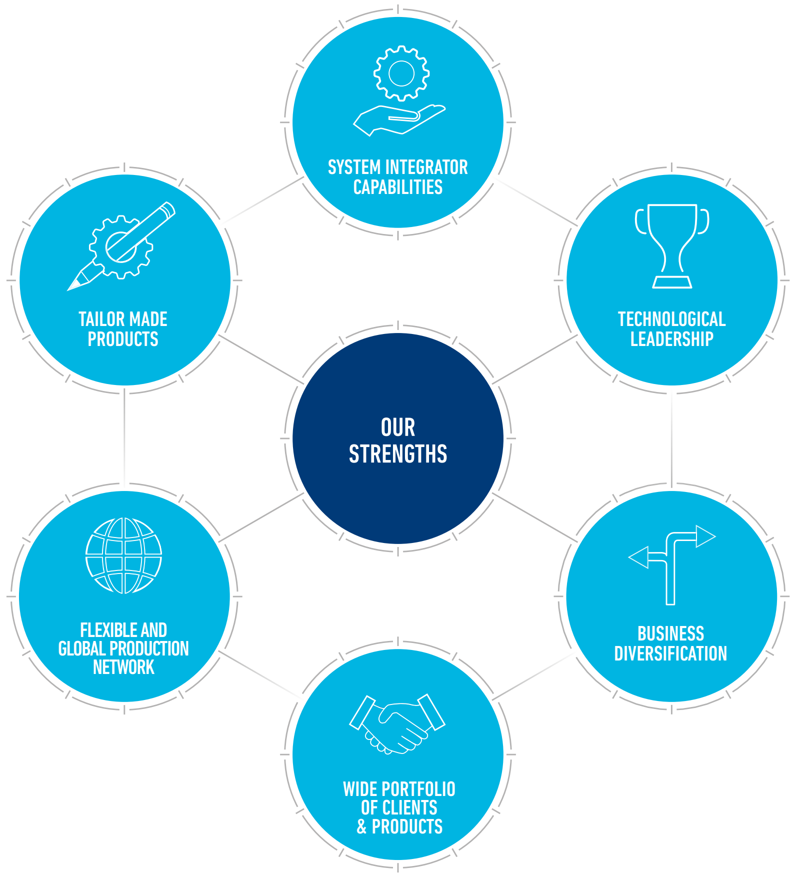
We aspire to be world leaders in the industrial sectors where we operate, becoming a reference point for our customers, always selecting high value-added sectors and standing out for our diversification and innovation and for our ability to apply our expertise in other sectors.
The Sea Ahead: all those who work at Fincantieri Group steer for this course: talented men and women working with responsibility and ethics 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 sustainable value for every stakeholder.

Who we are

Fincantieri is one of the world's leading shipbuilding groups, the only one active in all areas of high-technology shipbuilding. Leader in the construction and conversion of cruise ships, naval vessels and offshore vessels in the oil & gas and wind power sectors, Fincantieri is also the leader in the production of systems and components, after-sales services and naval furnishing solutions. The skills it has developed in managing complex projects mean the Group has an outstanding reputation in infrastructure and is a major operator in digital tech and cyber security, electronics and advanced systems engineering.
With over 230 years of history and more than 7,000 ships built, Fincantieri maintains its know-how and management centres in Italy, where it employs 10,000 people and generates around 90,000 jobs, which double on a global scale thanks to a production network of 18 shipyards on four continents and more than 20,000 direct workers.
71.32% of Fincantieri's share capital of 862,980,725.70 euros is held, through the subsidiary CDP Industria S.p.A., by Cassa Depositi e Prestiti (CDP) S.p.A., a company controlled by the Ministry of Economy and Finance. 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 0.27% of shares representing the share capital).



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

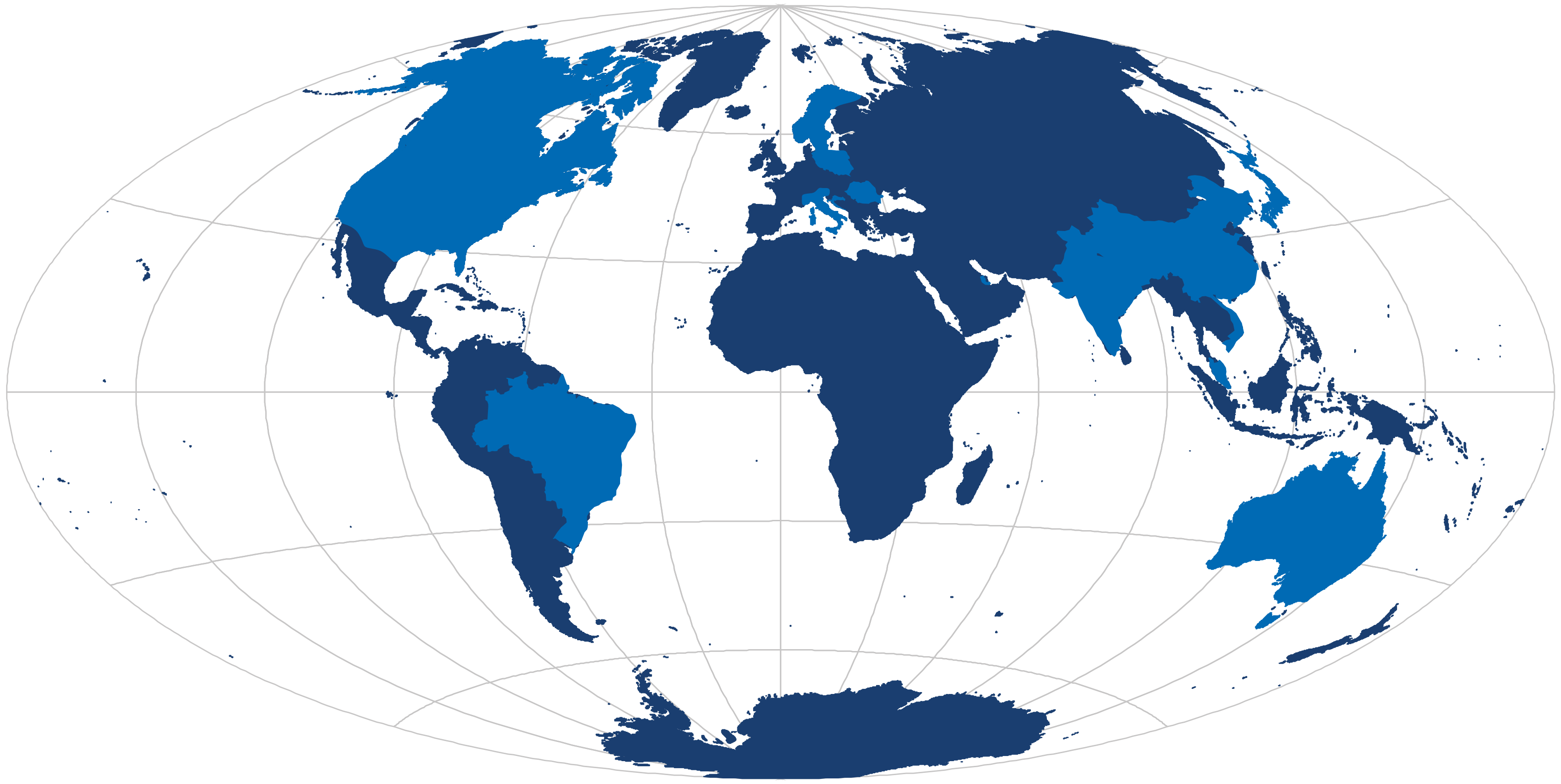
€ 5.9 bln
Revenues 2020

+7,000
Ships designed and built

PRINCIPAL
Western shipbuilder

+230
Years of history

€ 37 bln
Total backlog



18
Shipyards

+20,000
employees at 30.06.2021
50% other countries | 50% Italy

1st
Player in diversification and innovation

93
Vessels in order book

+6,000
Suppliers in Italy alone

4
Continents

MAIN SUBSIDIARIES

Europe

Italy
Cetena
Seastema
Isotta Fraschini Motori
Fincantieri Oil&Gas
Marine Interiors
Marine Interiors Cabins
Fincantieri NexTech
Seanergy A Marine Interiors Company
Fincantieri SI
Fincantieri Infrastructure
Fincantieri Infrastructure Opere Marittime
Fincantieri Infrastrutture Sociali
Issel Nord
MI
E-Phors
BOP6

Norway
Vard Group
Vard Design
Vard Piping
Vard Electro
Vard Accommodation
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
Fincantieri Infrastructure USA
Fincantieri Infrastructure Wisconsin

Canada
Vard Marine

Brazil
Vard Promar

Oceania

Australia
Fincantieri Australia

Group overview

The Group operates through the following three segments:

- Shipbuilding: encompassing the business areas of 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 includes the following business areas: i) Services, which includes ship repairs and conversions, logistic support, refitting, training and after-sales services, ii) Complete Accommodation, which includes the fitting out of cabins, public areas, catering, wet units and windows, iii) Electronics, Systems and Software, which focuses on advanced technological solutions, from the design and integration of complex systems (system integration) to telecommunications and critical infrastructure, iv) Energy, which includes the design and construction of energy generation and storage systems, and v) Infrastructure, which includes the design, construction and assembly of steel structures for large civil and maritime projects.

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

Group overview

SEGMENTS

BUSINESS AREAS

PRODUCT PORTFOLIO

MAIN SUBSIDIARIES/ASSOCIATES/JOINT VENTURES

SHIPBUILDING

CRUISE SHIPS

Contemporary
Premium
Upper Premium
Luxury
Exploration/Niche
Expedition cruise vessels

NAVAL VESSELS

Aircraft carriers
Destroyers
Frigates
Corvettes
Patrol vessels
Amphibious ships
Logistic support ships
Multirole and research vessels
Special vessels
Submarines

OTHER

Mega-yacht > 70 m
Ferries

Main subsidiaries/associates/joint ventures:

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

Vard Group AS
- Søviknes

Vard Tulcea SA
- Tulcea

Vard Braila SA
- Braila

Vard Accommodation 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
Fishery/Aquaculture
Wind offshore

Main subsidiaries/associates/joint ventures:

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

SERVICES

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

Training and assistance

Main subsidiaries/associates/joint ventures:

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

FMSNA Inc.

Fincantieri Services Middle East LLC

Fincantieri Services USA LLC

Fincantieri Services Doha LLC

COMPLETE ACCOMMODATION

Cabins
Public areas
Catering
Wet units
Glazing
Refrigerated counters

Main subsidiaries/associates/joint ventures:

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.

MI S.p.A.

ELECTRONICS, SYSTEMS AND SOFTWARE

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

Cyber security

Telecommunications

Critical infrastructures

Main subsidiaries/associates/joint ventures:

Seastema S.p.A.

Issel Nord S.r.l.

Gruppo NexTech

Cetena S.p.A.

E-PHORS S.p.A.

ENERGY

Energy generation/storage systems:
- Electrical, electronic and electromechanical integrated systems Entertainment systems
- Stabilization, propulsion, positioning and power generation systems
- Steam turbines

Main subsidiaries/associates/joint ventures:

FINCANTIERI S.p.A.
- Riva Trigoso

Isotta Fraschini Motori S.p.A.

Fincantieri SI S.p.A.

Power4Future S.p.A.

FINMESA S.c.a.r.l.

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

Main subsidiaries/associates/joint ventures:

Fincantieri Infrastructure S.p.A.

Fincantieri Infrastructure Opere Marittime S.p.A.

Pergenova S.c.p.a.

Fincantieri Dragaggi Ecologici S.p.A.

BOP6 S.c.a.r.l.

Fincantieri Infrastructure USA Inc.

Fincantieri Infrastructure Wisconsin Inc.

Fincantieri Infrastructure Florida Inc.

Gruppo FINSO

OTHER

CORPORATE FUNCTIONS

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

Main subsidiaries/associates/joint ventures:

FINCANTIERI S.p.A.

INTERIM REPORT ON OPERATIONS AT 30 JUNE 2021

Highlights

Half-year overview

Key financials

Group performance

Operational review by segment

Other information

Enterprise risk management

Alternative performance measures

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

Highlights

Financial results

- **2021 guidance confirmed**: revenues increased by over 25% and EBITDA at 7% reflects the rising prices for raw materials
- **Revenue and income**: euro **3,026** milion [1], **+28%** vs. 1H 2020 (euro 2,369 million)
- **EBITDA** [2] of euro **219** million (+84% vs. 1H 2020) and an **EBITDA margin** of **7.2%**, excluding pass-through activities (vs. 5.0% 1H 2020)
- **Adjusted profit for the period** [3] of euro **49** million (adjusted loss of euro 29 million in 1H 2020)
- **Profit for the period** of euro **7** million (loss of euro 137 million in 1H 2020) after deducting costs for asbestos (euro 29 million) and for COVID-19 (euro 22 million)
- **Net debt** [4] of euro **1,617** million (euro 1,062 million at 31 December 2020) is stable during the quarter and consistent with the production program and with the delivery schedule (three cruise ships in July alone with receipts of around euro 1.5 billion); 2021 expected values are in line with the those at the end of 2020

Operational performance

- **Total backlog** [5] with **111 ships**, euro **37** billion, equivalent to 7.1 times 2020 revenues, excluding revenues from pass-through activities, of which:
  - **Backlog:** of euro **27.6** billion with **93** ships on delivery **until 2029**
  - **Soft backlog:** at approx. euro **9.4** billion
- **Production volumes at record levels** to handle the massive order backlog and to meet the delivery schedule, with **8.4 million hours worked** vs. 5.6 million hours in 1H 2020
- **COVID-19**: launch of the **vaccination campaign** at the Group's Italian sites
- Delivered **7 vessels at 6 shipyards** in **1H** and expected delivery of **6 cruise ships** in **2H 2021**
- **Fincantieri** chosen as **prime contractor** for the supply of 6 **FREMM** frigates to the **Indonesian Navy**
- **Fincantieri Marinette Marine**: order confirmed for the **second vessel** in the FFG-62 program for the **US Navy**
- **Infrastrutture:** contract signed for the **construction of a cruise ship** terminal for MSC **in Miami** (US)
- **VARD**: order for the construction of the **Somnio residential superyacht**
- **Fincantieri NexTech**: work started in the partnership with **Autostrade Tech and IBM** for a **predictive monitoring** system for infrastructure

Strategic initiatives

- **Cold Ironing**: agreement with **Enel X** for the construction and management of port infrastructure with a low environmental impact and for the electrification of onshore logistics activities
- **Ecological transition**: the **JV Power4Future** established for the production of lithium-ion batteries
- **Connected vehicles and smart roads**: agreement with **Almaviva** for the digitalization of the transport and logistics sector
- **Industrial automation**: agreement with **Comau** to develop solutions for robotic welding

Sustainability

- **Gaïa rating**: awarded the score 85/100 and 2nd place out of 512 companies assessed for performance and integration of sustainability policies into corporate governance
- **Green Star 2021**: Fincantieri is 1st place in Italy in the "Engineering, construction and infrastructure" segment for its commitment to the green economy according to the German Institute of Quality and Finance (ITQF)
- **Excellence in Safety Award**: **Shipbuilders Council of America** (SCA) awarded Fincantieri Marinette Marine the "Excellence in Safety Award" and Fincantieri Bay Shipbuilding (Sturgeon Bay) the "Improvement in Safety Award" for the health and safety of the two shipyards

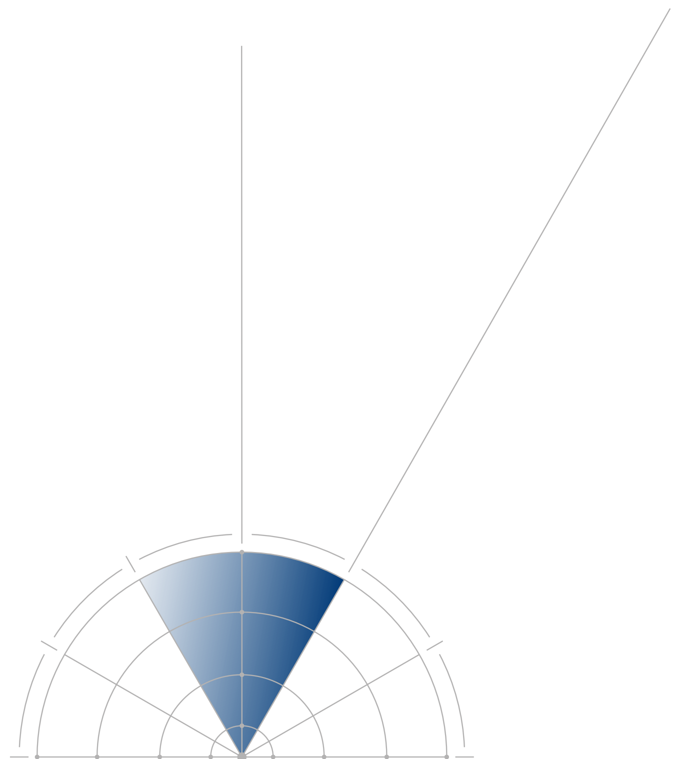
[1] Excluding pass-through activities of approximately euro 225 million. See the definition of pass-through activities contained in the section Alternative Performance Measures.
[2] This figure does not include extraordinary and non-recurring income and expenses; see the description contained in the section Alternative Performance Measures.
[3] Profit/(loss) for the period before extraordinary and non-recurring income and expenses.
[4] This figure does not include construction loans but does include non-current financial receivables.
[5] Sum of backlog and soft backlog.

Half-year overview

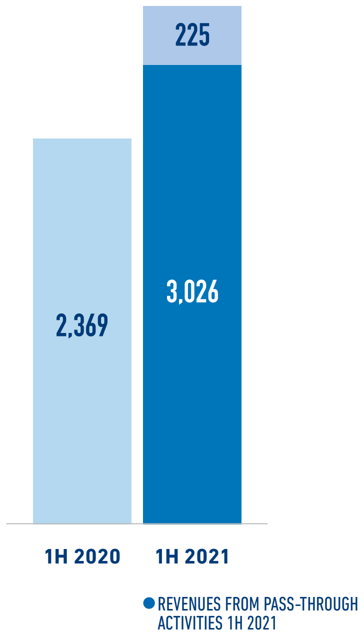
The positive operating, financial and business results for the first half of 2021 continue to confirm the growth strategy and development paths identified by the Group before the outbreak of the pandemic. These achievements demonstrate the effectiveness of the strategy Fincantieri adopted at the onset of the pandemic and mark a clear turnaround compared to early 2020. Performance during the period is completely in line with the targets set for 2021 and means the guidance is reconfirmed, despite the upward trend in the prices of raw materials.

The first part of the year saw Fincantieri maintain its leadership position in the sector of cruise ship construction with deliveries scheduled until 2027 and a production program that continues apace in order to develop the order backlog. The Group has also confirmed its role as partner not just with the Italian Navy and US Navy but also with other Navies around the world, with new contracts signed and important negotiations being held, while at the same time strengthening its presence in the segment of specialized ships for the offshore wind sector.

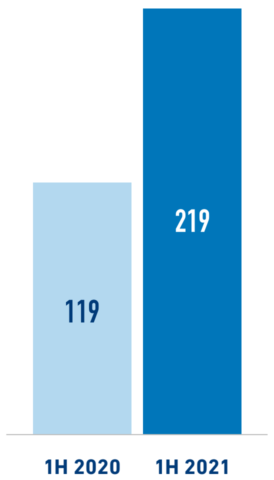
In keeping with its long-term vision, Fincantieri has also continued its diversification strategy, affirming - even during the crisis triggered by the COVID-19 health emergency - its expertise in other business areas thanks to its innovative capacity and continuous accretion of know-how. In these six months, this strategy has led to the creation of alliances and agreements with leading national and international companies, with the aim of further consolidating the Group's competitive advantage.



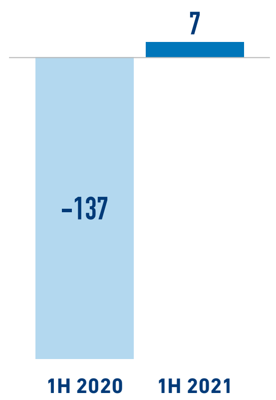
Financial results



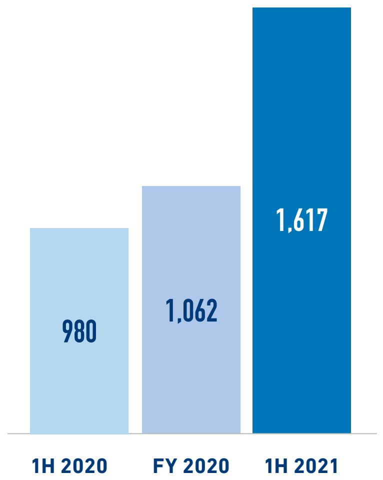
Revenues of euro 3,026 million, excluding pass-through activities of euro 225 million, **increased of 28%** compared to 1H 2020. The results show that the revenues lost in the first half of last year owing to the shutdown of the Group's Italian shipyards and facilities with the outbreak of the COVID-19 pandemic, have been fully recovered. Growth in the first half of the year is consistent with the targets set for 2021.



An **EBITDA** of **euro 219 million**, and an **EBITDA margin of 7.2%**, excluding pass-through activities, (5.0% at 30 June 2020), demonstrates the Group's ability to return to the margin levels projected by the current backlog. The positive performance in the period confirms the margins, even when taking the probable rise in the prices of raw materials into consideration. Special mention should be made of the positive performance of VARD Offshore, with an EBITDA for the period of euro 4 million, thanks to the effects of the restructuring plan, launched by Fincantieri management in 2019, to improve operations and business performance.

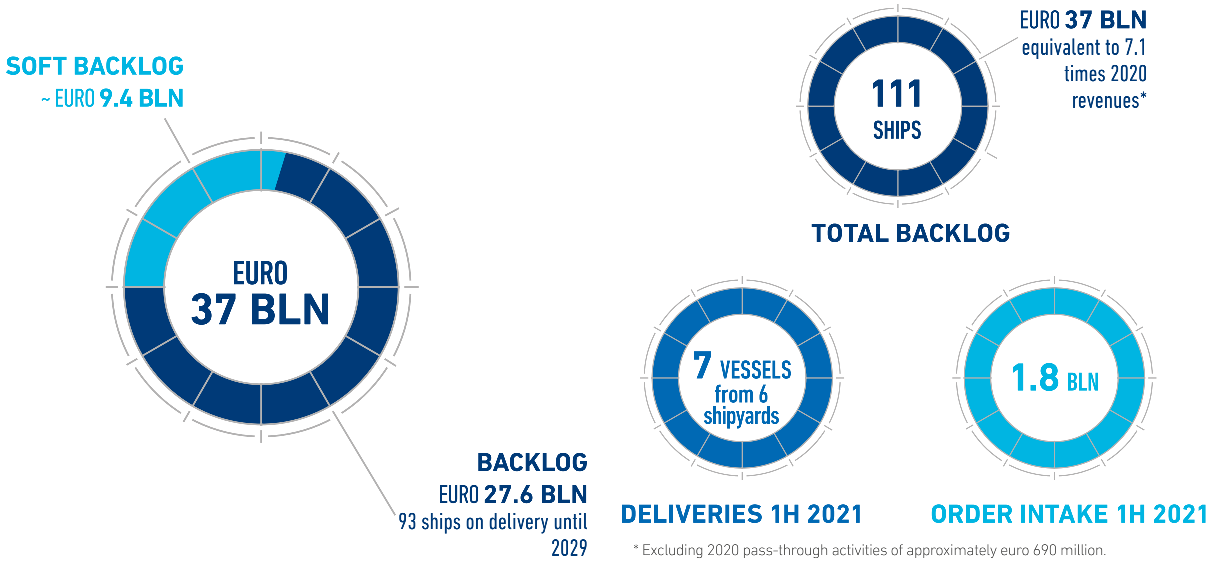


The **Profit for the period** of **euro 7 million** (loss of euro 137 million at 30 June 2020) after deducting the **asbestos**-related litigation costs of **euro 29 million** and the costs relating to the spread of **COVID-19 of euro 22 million**.



The **net debt of euro 1,617 million** (euro 1,062 million at 31 December 2020) is consistent with the production program and with the delivery schedule set for 2021. The second half of the year sees the receipts for the delivery of six cruise ships, three of which in July alone, (for approximately euro 1.5 billion), therefore, by the end of the year the net debt could stabilize at a value in line with the previous year.

Operational performance



* Excluding 2020 pass-through activities of approximately euro 690 million.

In the first half of 2021, the Group kept to its delivery schedule, decided at the beginning of the year, with two cruise ships, one expedition cruise vessel, three naval ships and one fishery vessel.
The backlog, of approximately euro 27,612 million at 30 June 2021, confirmed the values achieved in 2020: it reflects the Group's business capacity, with the conversion of part of the soft backlog into firm orders, and the effectiveness of its strategy to support shipowners. Mention should also be made of the debt holiday on export financing granted to shipowners, provided they confirm existing orders. This measure was originally due to expire on 31 March 2021 but has been extended for another 12 months and envisages the suspension of repayment of the capital installments and the consequent reshaping of the repayment plan over the subsequent four years.
In the **Defense sector**, the reputation built up and consolidated by the Group over time and its development of cutting-edge products that meet the growing needs of the market have made it a global player. Fincantieri has been chosen once again, through its US subsidiary Fincantieri Marinette Marine, as a partner of the US Navy. A year after awarding the contract to design and build the flagship vessel of the **FFG-62** "**Constellation**" program, the US Navy has renewed its confidence in the Group's US shipyards. As part of the contract for ten frigates awarded to FMM, as prime contractor, in 2020, the order for the second these frigates was confirmed in May. Fincantieri's design capacity combined with the high product versatility of the FREMM frigates have enabled the Group to achieve another important business milestone: in June, Fincantieri and the Indonesian Ministry of Defense signed an agreement for the supply of 6 FREMM class frigates. The agreement, which once again sees Fincantieri in the role of prime contractor, is extremely important in view of its strengthening of cooperation in a strategic area of Southeast Asia.
Constantly working in complex, high value-added projects has enabled Fincantieri to make use of its skills in **areas other than shipbuilding**. Fincantieri Infrastructure, a Group company that has made its mark with the construction of the Genoa Bridge, has been chosen by MSC for the realization of a new cruise terminal in Miami, Florida. The facility will be able to serve large three cruise ships at the same time and will be able to handle the transit of around 36,000 passengers every day. In addition to two new quays and four passenger boarding bridges, the project will include office areas and a multi-storey car park.
In the **Offshore and Specialized Vessels segment**, VARD's positioning in the sector of renewable energy and in that of specialized ships has continued. In the first half of the year, the Company signed an order for **three Service Operation Vessels (SOVs) to maintain the largest offshore wind farm in the world**, Dogger Bank, located off the east coast of Great Britain, in the North Sea. VARD has also been selected for the construction of the **Somnio superyacht**: a residential yacht whose itinerary will be decided solely by the owners of the 39 onboard luxury flats. In **Digital Infrastructure**, work started on the multiyear partnership signed with **Autostrade Tech and IBM** in 2020 for the activation, marketing and maintenance of a new generation digital system for **dynamic predictive monitoring** and remote control of bridges, viaducts and tunnels. This system, which is part of the Motorway Transformation Plan for Italy, will be based on 3D digital modelling (Digital Twin), the use of drones and the Internet of Things and could be made available to the market as a service and on-premises.

HEADCOUNT

The increase in headcount is mainly due to the absorption of the INSO workforce and that of its subsidiary SOF following the finalization of the acquisition in early June.

On an overall level the headcount has increased from 20,150 at 31 December 2020 to **20,784 at 30 June 2021**.

Strategic initiatives

With the wealth of engineering, project management and complex project integration skills it has acquired in shipbuilding, the Group has been able to emerge is new areas with high value added and high technological content.
The strong capacity for innovation that has long distinguished Fincantieri is the driver that continues to steer the Group towards ever more sophisticated **digital solutions**. Technological innovation also has real application in the Group's production processes, with the aim of increasing efficiency. Through Fincantieri NexTech (formerly Insis) and the pooling of all the know-how in a single technology hub, the Group aims to establish itself as a strategic partner in the supply of pioneering products, solutions and services **in the fields of electronics**, **advanced systems engineering and information technology**. This is demonstrated by the recent agreement signed with **Comau**, an Italian excellence and **world leader in the field of industrial automation**, for the development of prototype robotic solutions for steel welding. These solutions are aimed at reducing lead times and increasing production efficiency and they will initially be used for the Group's shipyards. Fincantieri and Comau will explore the possibility of marketing these solutions not only in the shipbuilding industry but also in adjacent sectors, such as the construction of large steel structures for infrastructure and special works, or continuous structures for suspension bridges and large lifting systems.
Thanks to the cross-cutting expertise acquired, in addition to the partnership with Autostrade Tech and IBM, Fincantieri has entered into two important partnerships. The first is an agreement with **Enel X** for the construction and management of new generation port infrastructure, with a low environmental impact, and for the electrification of onshore logistics activities. The agreement, initially dedicated to national projects, concerns the implementation of cold ironing (the technology for supplying shore-to-ship power while the ships are at berth during stopovers), management and optimization of energy exchanges in new infrastructure and electricity storage and generation systems. The second is the partnership with **Almaviva** to support the digitalization process in the transport and logistics sector, promoting a sustainable mobility system which, at the same time, meets the new needs for moving people and goods. The partnership also aims to develop applications for transport safety and predictive maintenance, with the support of artificial intelligence and digital twin.
Moreover, the subsidiary Fincantieri SI and Faist Electronics have established a joint venture, **Power4Future**, focused on the production of **lithium-ion batteries**, which are strategic in many industrial sectors. The initiative will make a major contribution to achieving Italy's decarbonization targets.
As evidence of its innovative capacity and its commitment to the environment, Fincantieri has signed a Memorandum of Understanding (MoU) with **MSC and SNAM** for a feasibility study on the design and construction of the **world's first hydrogen powered cruise ship**, which would enable zero-emission operations in specific navigation areas, as well as the development of the related infrastructure for hydrogen storage.

Sustainability

In the first half of 2021, the Group promoted and implemented specific actions aimed at achieving its own ambitious strategy as regards ESG responsibility.
As regards **environmental responsibility and the fight against climate change**, the Group has continued purchasing electricity from renewable sources certified with Guarantees of Origin. In 2020, 100% of the electricity needs of the Italian production plants and companies, and that of the Romanian shipyards, were supplied by energy generated from renewable sources (hydroelectric, wind, photovoltaic).
In the **social** context, Fincantieri continued its efforts to contain the spread of COVID-19. The measures adopted to guarantee social distancing, and to ensure the production programs are met, include expanding work activities into five shifts, thus limiting the number of workers present on the ship and ashore at the same time. The vaccination campaign for Group employees and for the employees of satellite businesses was launched in June, starting with the Sestri Ponente shipyard. The practical action taken to combat the spread of the pandemic symbolizes the Company's commitment to protect the health of its employees and that of the communities in which it operates.
As regards **governance and business integrity**, on 10 February 2021, the Board of Directors of Fincantieri S.p.A. approved the Group's tax strategy, defining its goals and principles and setting guidelines for implementing them. This strategy is based on the principles outlined in the Code of Conduct and is already set out in the goals of the Sustainability Plan for 2021. It is an essential tool to ensure an effective tax risk control system, a crucial factor in guaranteeing the integrity of the Group's assets and preserving its reputation in the interest of all stakeholders.

RATINGS AND AWARDS

CDP (formerly the Carbon Disclosure Project) awarded the Group an A- rating (on a scale from A to - D) in 2020 for its commitment to the fight against climate change.

Gaïa Rating, part of the EthiFinance group, recognized the Company's efforts in ESG, awarding it an overall score of 85/100 and ranking it second out of the 512 European companies assessed.

Vigeo Eiris placed the Group in the highest range of its ranking (Advanced) in 2020. Fincantieri was placed in first place in the "Mechanical Components and Equipment" segment.

The **German Institute of Quality and Finance** (ITQF), in cooperation with the **Management and Economic Research Institute** (IMWF), awarded the "Green Star 2021" seal to Fincantieri, classifying it among the 200 Green Stars in Italy and placing it first in the "Engineering, construction and infrastructure" sector.

The **Shipbuilders Council of America** (SCA) awarded Fincantieri Marinette Marine with the "Excellence in Safety Award" and Fincantieri Bay Shipbuilding (Sturgeon Bay) with the "Improvement in Safety Award", two prestigious health and safety awards.

Business outlook

In a situation where the health emergency still has significant effects on the working and social life of individuals, the Group continues to apply strict health protocols. These efforts have enabled it to achieve the target of zero infections at its production plants in the first week of July. Furthermore, Fincantieri has recently launched a vaccination campaign in all its shipyards, starting with Sestri, deciding to bear the cost of managing the company vaccination points for employees of satellite businesses as well.
The cruise business has been severely affected by the spread of the pandemic, however, based on the schedules released by the cruise operators on 13 July, a significant revival of activities is now expected: 141 ships will be in service by the end of July and 50 cruise operators will have restarted operations across the globe at that date[6].
The return of cruises, together with the growth in bookings and the confidence placed in the major shipowners by the financial market, demonstrate yet again the sector's resilience. Most cruise lines have seen an increase in bookings, a trend that is not just back in line with historical trends, but for some operators is actually higher.
On the basis of these considerations and the results at 30 June, to date the Group confirms for 2021 a projected increase in volumes consistent with growth expectations (revenues increasing over 25%, excluding pass-through activities) and margins in line with expectations, despite the trend of rising prices for raw materials regarding the production scheduled for the coming years.
In line with previous planning and according to the delivery schedule for the cruise segment in the second half of 2021, the net financial position reached approximately euro 1.2 billion at the end of July, taking into account receipts of euro 1.5 billion following the delivery of three cruise ships during that month. Net debt will, at the end of the year, stabilize at expected values lower than the peak in March and in line with 2020. This dynamic shows how the trend in net financial position is strongly influenced by the production program and the delivery schedule.
The Shipbuilding segment confirms, for the second half-year, the forecasted significant increase in business volumes compared to the levels achieved in 2020.
In the Cruise segment, the delivery of four ships is scheduled at the Group's Italian shipyards (three of which were delivered in July: Valiant Lady for Virgin Voyages, MSC Seashore for MSC and Rotterdam for HAL, and one in the fourth quarter - Silver Dawn for SilverSea) and two vessels in the luxury niche segment by VARD's cruise division (Ponant Icebreaker, Viking Octantis).
In the naval vessel business area, the expected business volumes for the current financial year are confirmed, with the delivery of three ships by the Italian shipyards, in addition to two vessels in the Group's US shipyards. Work is expected to begin on the construction of the first vessel in the FFG-62 program for the US Navy in the fourth quarter of 2021 (delivery scheduled for 2026).
The Offshore and Specialized Vessels segment forecasts a growth in business volumes for the period compared to 2020 levels and the delivery of two ships.
For the Equipment, Systems and Services segment, the following is expected:

- in the Services business area, the development of the backlog related to the contracts signed with the Italian Navy and the Qatari Ministry of Defence, as well as the completion of repair and conversion activities for the shipowner Windstar
- in Complete Accommodation, an increase in volumes, supported by increased activities for the supply of cabins, wet units and public rooms, as well windows and catering
- for Electronics, Systems and Software, significant growth driven by activities in the defence systems business in the naval sector and in solutions for the monitoring and safety of critical infrastructure
- in the Energy business area, the synergistic development of activities related to mechanical and electronic power systems, as well as the continuation of developments to integrate new strategic technologies (e.g. hybrid ship propulsion, emissions reduction, clean energy generation)
- for Infrastructure, the start of activities for the construction of the MSC Terminal in Miami and the gradual consolidation of the ongoing operations of the companies recently acquired by the INSO group.

In the medium-long term, the Group remains committed to developing the order backlog acquired over the years. As a result of the recognition it has received for the versatility and quality of its products, Fincantieri has further strengthened its position in the Defense sector with contracts signed and important negotiations being held with several Navies around the world. These successes will lead the Group to have increasing input in the naval vessel business area, with expected benefits in terms of margins and cash flows.
We should note that prices for raw materials could stabilize at values higher than those at the beginning of 2021 and the effects of this could affect future production. To date, however, this is not expected to have a significant impact on the expected growth in margins in the medium term. This stability is assured, among other things, by the benefits of ongoing investments to make the production process even more efficient and more technologically advanced.
The Group's strategic choices have led to a rapid recovery from the pandemic crisis in 2020 and, consequently, the positive results reported. These achievements confirm Fincantieri's ability to respond promptly to the emergency and put it firmly back on the growth paths identified beforehand, demonstrating a capacity to return to expected margin levels with the development of the current order book.

[6] Cruise Industry News – Special Report "Cruise Ships in Service – July 2021

Key financials

(euro/million)

31.12.2020	Economic data		30.06.2021	30.06.2020
5,879	Revenue and income		3,251	2,369
5,191	Revenue and income excluding pass-through activities [1]		3,026	2,369
314	EBITDA [2]		219	119
5.3%	EBITDA margin *		6.7%	5.0%
6.1%	EBITDA margin * excluding pass-through activities [1]		7.2%	5.0%
(42)	Adjusted profit/(loss) for the period [3]		49	(29)
(245)	Profit/(loss) for the period		7	(137)
(240)	Group share of profit/(loss) for the period		6	(135)
31.12.2020	**FINANCIAL DATA**		**30.06.2021**	**30.06.2020**
1,839	Net invested capital		2,421	1,867
777	Equity		804	887
(1,062)	Net financial position [4]		(1,617)	(980)
31.12.2020	**Other indicators**		**30.06.2021**	**30.06.2020**
4,526	Order intake ***		1,753	1,723
36,770	Order book ***		38,278	36,676
35,681	Total backlog *** / ****		37,012	37,912
27,781	- of which backlog ***		27,612	28,012
309	Capital expenditure		160	122
20,150	Employees at the end of the period	Number	20,784	19,668

* 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] See the definition contained in the section Alternative Performance Measures.
[2] This figure does not include extraordinary and non-recurring income and expenses, including expenses from the impact of the spread of COVID-19; see the definition contained in the section Alternative Performance Measures.
[3] Profit/(loss) for the period before extraordinary and non-recurring income and expenses.
[4] This figure does not include construction loans but does include non-current financial receivables.
The percentages contained in this report have been calculated with reference to amounts expressed in thousands of euro.

Group performance

Order intake, order backlog and deliveries

During the first six months of 2021, the **Group recorded euro 1,753 million in new orders**, compared with euro 1,723 million in the corresponding period of 2020, with a book-to-bill ratio (order intake/revenue) of 0.6 (0.7 at 30 June 2020).

(euro/million)

31.12.2020		ORDER INTAKE ANALYSIS	30.06.2021		30.06.2020	
Amounts	%		Amounts	%	Amounts	%
2,969	66	FINCANTIERI S.p.A.	273	16	610	35
1,557	34	Rest of Group	1,480	84	1,113	65
4,526	**100**	**Total**	**1,753**	**100**	**1,723**	**100**
3,716	82	Shipbuilding	1,080	62	1,364	79
487	11	Offshore and Specialized Vessels	174	10	164	10
649	14	Equipment, Systems and Services	665	38	322	19
(326)	(7)	Consolidation adjustments	(166)	(10)	(127)	(8)
4,526	**100**	**Total**	**1,753**	**100**	**1,723**	**100**

The **Group's total backlog** reached euro 37 billion at 30 June 2021, comprising euro 27.6 billion of backlog (euro 28.0 billion at 30 June 2020) and euro 9.4 billion of soft backlog (euro 9.9 billion at 30 June 2020) with development of the contracts in the portfolio up to 2029.
The backlog and total backlog guarantee about 5.3 years and 7.1 years of work respectively in relation to the 2020 revenues, excluding pass-through activities.
The composition of the backlog by segment is shown in the following table.

(euro/million)

31.12.2020		TOTAL BACKLOG ANALYSIS	30.06.2021		30.06.2020	
Amounts	%	Backlog analysis	Amounts	%	Amounts	%
23,953	86	FINCANTIERI S.p.A.	21,901	79	23,853	85
3,828	14	Rest of Group	5,711	21	4,159	15
27,781	**100**	**Total**	**27,612**	**100**	**28,012**	**100**
26,088	94	Shipbuilding	24,084	87	26,333	94
874	3	Offshore and Specialized Vessels	879	3	744	3
1,839	7	Equipment, Systems and Services	3,606	13	1,951	7
(1,020)	(4)	Consolidation adjustments	(957)	(3)	(1,016)	(4)
27,781	**100**	**Total**	**27,612**	**100**	**28,012**	**100**
7,900	**100**	**Soft backlog ***	**9,400**	**100**	**9,900**	**100**
35,681	**100**	**Total backlog**	**37,012**	**100**	**37,912**	**100**

* Soft backlog represents the value of existing contract options and letters of intent as well as of contracts at an advanced stage of negotiation, none of which are yet reflected in the order backlog.

The analysis of the numbers of vessels delivered, ordered and those in the order book is shown in the following table.

(number)

31.12.2020	DELIVERIES, ORDER INTAKE AND ORDER BOOK	30.06.2021	30.06.2020
19	Vessels delivered	7	10
18	Vessels ordered	5	4
97	Vessels in order book	93	92

It should be noted that the delivery of a vessel under construction for the shipowner Viking has been brought forward from January 2022 to December 2021. It should also be noted that, at 30 June 2021, two ships were excluded from the order book due to a failure to check whether the necessary conditions precedent have been fulfilled for the final effectiveness of the contract.

(number)

	DELIVERIES							
	Completed as at 30.06.21	2021*	2022	2023	2024	2025	Beyond 2025	Total**
Cruise ships	2	6	7	7	6	5	4	35
Naval	3	5	9	5	6	5	6	36
Offshore and Specialized Vessels	2***	2	11	8	1			22
Total	7	13	27	20	13	10	10	93

* Data do not include the vessels delivered as at 30.06.21.
** Number of vessels in the order book, analysed by the main business units at 30.06.21.
*** For the purpose of representing the Fincantieri Group's operating segments, VARD's shipyards have been divided between Cruise and Offshore. This is why the cruise vessel Coral Geographer, built in an offshore shipyard for the Australian company Coral Expeditions, has been included in the deliveries of Offshore and Specialized Vessels.

Capital expenditure

Capital expenditure amounted to euro 160 million in the first six months of 2021, an increase of 31% compared to the previous year. Capital expenditure represents 5.3% of the Group's revenues in the first six months of 2021 compared with 5.2% in the first six months of 2020.
Capital expenditure undertaken in the first six months of 2021 has mainly aimed at further strengthening Fincantieri's position in the civil and naval shipbuilding sector. The measures undertaken are aimed at adapting the European and US shipyards to the significant backlog acquired and making the production process more efficient and technologically advanced, contributing to improving the margins of the orders that will start production.

(euro/million)

31.12.2020		CAPITAL EXPENDITURE ANALYSIS	30.06.2021		30.06.2020	
Amounts	%		Amounts	%	Amounts	%
193	62	FINCANTIERI S.p.A.	72	45	82	67
116	38	Rest of Group	88	55	40	33
309	**100**	**Total**	**160**	**100**	**122**	**100**
250	81	Shipbuilding	135	85	92	75
3	1	Offshore and Specialized Vessels	2	1	2	2
32	10	Equipment, Systems and Services	12	8	12	10
24	8	Other Activities	11	6	16	13
309	**100**	**Total**	**160**	**100**	**122**	**100**
77	25	Intangible assets	24	15	25	20
232	75	Property, plant and equipment	136	85	97	80
309	**100**	**Total**	**160**	**100**	**122**	**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 do not include the costs associated with the impact of the COVID-19 outbreak, mainly related to the production downtime in 2020 caused by the pandemic emergency, the lower production efficiency 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.

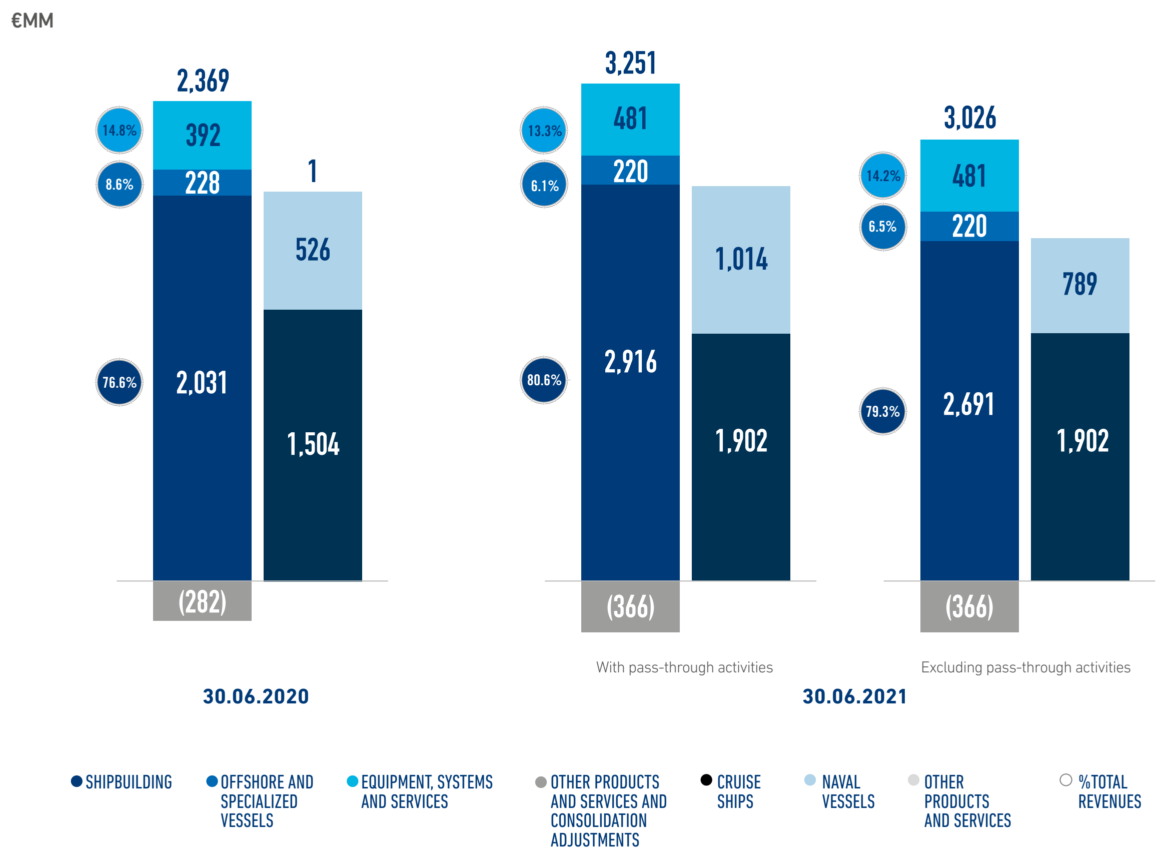
RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(euro/million)

31.12.2020	31.12.2020 Excluding pass-through activities[1]		30.06.2021	30.06.2021 Excluding pass-through activities[1]	30.06.2020
5,879	5,191	**Revenue and income**	3,251	3,026	2,369
(4,613)	(3,925)	Materials, services and other costs	(2,472)	(2,247)	(1,810)
(917)	(917)	Personnel costs	(546)	(546)	(432)
(35)	(35)	Provisions	(14)	(14)	(8)
314	314	EBITDA[2]	219	219	119
5.3%	6.1%	**EBITDA margin**	6.7%	7.2%	5.0%
(166)	(166)	Depreciation, amortization and impairment	(96)	(96)	(65)
148	148	EBIT	123	123	54
2.5%	2.9%	**EBIT margin**	3.8%	4.1%	2.3%
(131)		Finance income/(costs)	(45)		(63)
(13)		Income/(expense) from investments	-		(3)
(46)		Income taxes	(29)		(17)
(42)		**Adjusted profit/(loss) for the period**[1]	49		(29)
(37)		of which attributable to Group	49		(27)
(258)		Extraordinary and non-recurring income and (expenses)	(53)		(139)
(196)		- of which costs relating to the impacts deriving from the spread of COVID-19[3]	(22)		(114)
(52)		- of which costs related to asbestos litigation	(29)		(23)
(10)		- of which other costs linked to non-recurring activities	(2)		(2)
55		Tax effect of extraordinary and non-recurring income and expenses	11		31
(245)		**Profit/(loss) for the period**	7		(137)
(240)		of which attributable to Group	6		(135)

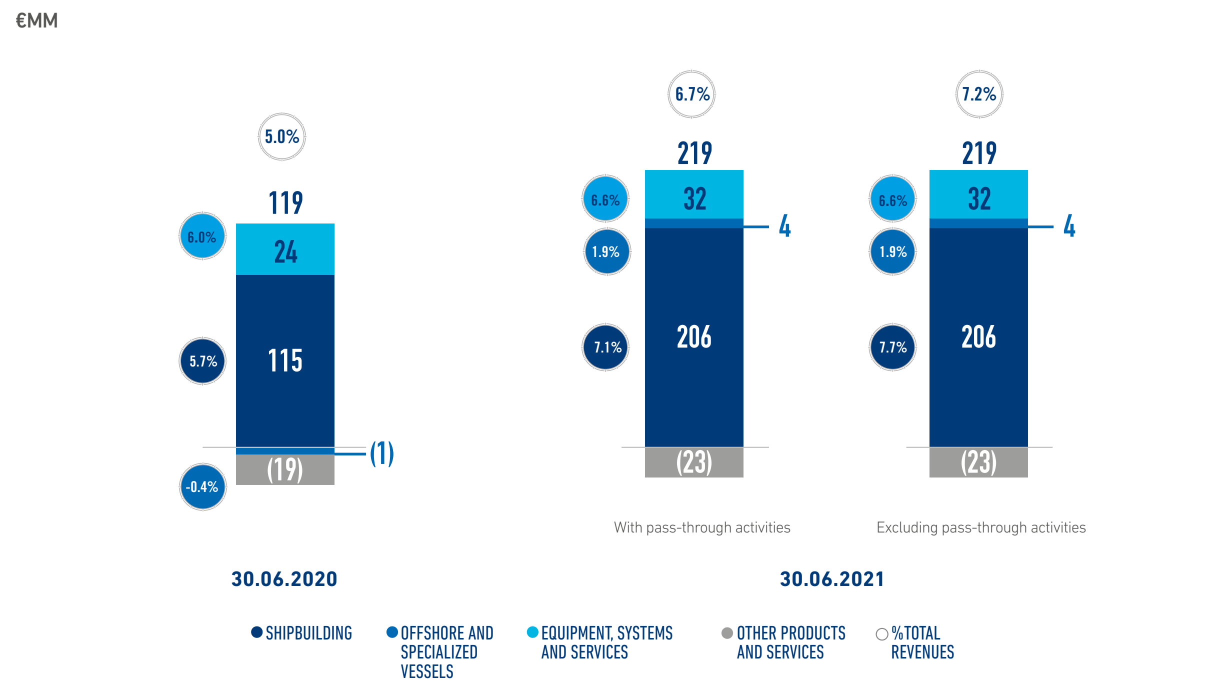
[1] See the definition contained in the section Alternative Performance Measures.
[2] This figure does not include extraordinary and non-recurring income and expenses, including expenses from the impact of the spread of COVID-19; see the definition contained in the section Alternative Performance Measurese.
[3] Of which Depreciation, amortization and impairment for euro 20 million and Finance costs for euro 9 million at 31 December 2020 and Depreciation, amortization and impairment for euro 17 million and Finance costs for euro 3 million at 30 June 2020.

REVENUE ANALYSIS



Revenue and income in the first half of 2021 amount to euro 3,026 million, excluding pass-through activities of euro 225 million, an increase of 27.7% over the same period in 2020. The increase in revenue reflects the positive performance of the Shipbuilding segment (+32.5% excluding pass-through activities) and attests to the full recovery of production activities in the Group's Italian shipyards, which recovered the volumes lost in 2020 as a result of the production shutdown caused by COVID-19. The Equipment, Systems and Services segment shows an increase in revenues (+22.8%) driven by activities to support the construction of cruise ships and naval vessels. In the first half of 2021, revenues of the Offshore and Specialized Vessels segment were broadly in line with those during the same period in 2020 (-3.5%), recovering some of the volumes lost during the first quarter of 2021. The trend in revenues reflects the net negative impact (euro 15 million) of the translation into Euros of revenues in US dollars and in Norwegian krone generated by foreign subsidiaries.
At 30 June 2021, the Group's revenues generated with foreign customers amounted to 88%, up on the previous half-year (84%).

EBITDA ANALYSIS



The Group's **EBITDA** at 30 June 2021, of euro 219 million (euro 119 million at 30 June 2020), benefited from the increase in volumes and the improvement in margins, even net of the impact of the increase in prices of raw materials. The **EBITDA margin**, excluding pass-through activities, rose from 5.5% at 30 June 2020 to 7.2% at 30 June 2021, thus recovering far more that the margins lost as a result of the production shutdown, in the first half of 2020, at the Group's Italian facilities due to COVID-19 (euro 65 million). The increase in margins is mainly attributable to the Shipbuilding segment (EBITDA margin of 7.7%, excluding pass-through activities). VARD Offshore closed the first half of 2021 with a positive EBITDA, confirming the strategic choices made by management since 2019 with the restructuring that took place after the delisting of the Norwegian group.

EBIT came to euro 123 million in the first half of 2021 (euro 54 million in the first half of 2020) with an **EBIT margin** (EBIT expressed as a percentage on Revenue and income, excluding pass-through activities) of 4.1% (2.3% in the first half of 2020). The increase 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 first half of 2020 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) report net costs of euro 45 million (net costs of euro 63 million at 30 June 2020). The positive change is mainly attributable to foreign exchange gains and losses (down by euro 21 million compared to the loss recorded the previous half-year due to the translation of the loan in US dollars of the Brazilian subsidiary Vard Promar) and the reduction (by approximately euro 10 million) of the financial component related to hedging derivatives (one of the two ships denominated in US dollars was delivered in 2020). These improvements have been partially offset by the higher impairment of the financial assets (an increase of euro 9 million) and by the higher net finance costs on the exposure for the period.

Income/(expense) from investments report a zero balance at 30 June 2021 (negative balance of euro 3 million at 30 June 2020) as the net effect of the income of euro 14 million, the difference between the contractual price and the INSO group's assets and liabilities at the acquisition date, offset by the recognition of the losses made by some associate companies.

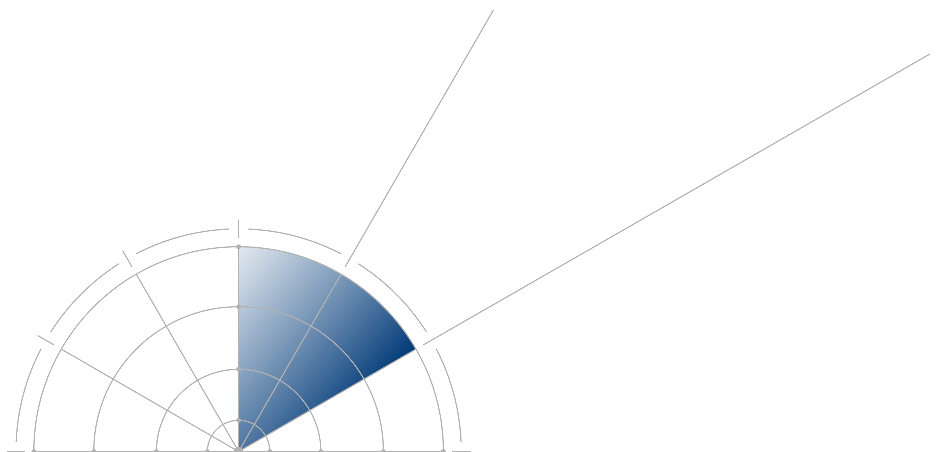
Income taxes have a negative balance of euro 29 million for the first half of 2021 (negative balance of euro 17 million for the same period in 2020).

The adjusted profit/(loss) for the period shows a net profit of euro 49 million at 30 June 2021 (net loss of euro 29 million at 30 June 2020).

Extraordinary and non-recurring income and expenses amount to euro 53 million in net expenses (euro 139 million at 30 June 2020) and include costs related to asbestos litigation for euro 29 million, the expenses related to COVID-19 for euro 22 million associated with the implementation of the prevention measures adopted to guarantee employee health and safety, and other costs linked to non-recurring operations for euro 2 million. At 30 June 2020, the COVID-19 costs also include the non-absorption of fixed production costs for the period of production shutdown (approximately 65 million, including euro 17 million in depreciation and amortization).

Tax effect of extraordinary and non-recurring income and expenses was a net positive of euro 11 million at 30 June 2021 (euro 31 million at 30 June 2020).

Profit/(loss) for the period, reflecting the factors described above, is a net profit of euro 7 million (net loss of euro 137 million at 30 June 2020). The Group share of this result is a net profit of euro 6 million, compared with a net loss of euro 135 million in the same period of the previous year.



RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(euro/million)

30.06.2020		30.06.2021	31.12.2020
623	Intangible assets	628	629
81	Rights of use	106	85
1,230	Property, plant and equipment	1,390	1,301
105	Investments	119	105
(93)	Other non-current assets and liabilities	(25)	(25)
(59)	Employee benefits	(60)	(60)
1,887	**Net fixed capital**	2,158	2,035
876	Inventories and advances	826	881
981	Construction contracts and client advances	1,666	1,963
(1,001)	Construction loans	(1,278)	(1,325)
1,083	Trade receivables	1,355	602
(1,982)	Trade payables	(2,262)	(2,361)
(69)	Provisions for risks and charges	(80)	(73)
86	Other current assets and liabilities	36	111
(26)	**Net working capital**	263	(202)
6	**Net assets (liabilities) held for sale and discontinued operations**	-	6
1,867	**Net invested capital**	2,421	1,839
863	Share capital	863	863
(5)	Reserves and retained earnings attributable to the Group	(76)	(101)
29	Non-controlling interests in equity	17	15
887	**Equity**	804	777
980	**Net financial position**	1,617	1,062
1,867	**Sources of funding**	2,421	1,839

The **reclassified consolidated statement of financial position** shows a positive variation in Net invested capital at 30 June 2021 of euro 582 million compared to the end of the previous financial year, mainly due to the following factors:

- **Net fixed capital**: with an overall increase of euro 123 million. The most significant effects in particular are i) the recording of Rights of use for the new lease contracts signed by some of the subsidiaries; ii) the increase in Property, plant and equipment of euro 89 million, where investments for the half-year (euro 136 million) and the positive impact of the foreign currency translation of the financial statements (euro 9 million) were partly offset by depreciation and amortization for the period (euro 51 million), and the reduction in fixed assets (euro 20 million) due to the transfer, by VARD, of a ship previously recorded in assets under construction to a shipowner company operating in the Offshore sector; and iii) the increase in the item Investments (euro 14 million) due to the same transfer operation.
- **Net working capital**: reports a positive balance of euro 263 million (negative for euro 202 million at 31 December 2020) with an increase of euro 465 million. The main changes related to i) the reduction in Construction contracts and client advances (euro 297 million) due to the net effect of progress in the contracts during the period and the invoicing of the final installment for a cruise ship for delivery in July; ii) the increase in Trade receivables (euro 753 million) due to the aforementioned invoicing; iii) the reduction in Trade payables (euro 99 million) mainly due to the payment of the debt recorded at the end of 2020 for the repurchase of two FREMM vessels from the subsidiary Orizzonte and then resold by Fincantieri; and iv) the reduction of Other current assets and liabilities (euro 75 million) mainly due to the reduction in other receivables from shipowners and the increase in payables to personnel for deferred wages and salaries. Construction loans at 30 June 2021 amounted to euro 1,278 million overall, with a decrease of euro 47 million compared to 31 December 2020, with euro 1,090 million related to the Parent Company and euro 188 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**: : the assets and liabilities of the Norwegian shipyard of Aukra have been reclassified among Non-current assets since the conditions that led to them being recorded as held for sale have lapsed.
- **Equity**: amounting to euro 804 million, increased by euro 27 million, mainly due to the profit for the period (euro 7 million), the cash flow hedge reserve linked to cash flow hedging instruments (euro 3 million) and the currency translation reserve (euro 13 million).

CONSOLIDATED NET FINANCIAL POSITION

(euro/million)

30.06.2020		30.06.2021	31.12.2020
897	**Cash and cash equivalents**	799	1,275
18	**Other current financial assets**	65	76
(737)	Current financial liabilities	(230)	(153)
(156)	Debt instruments - current portion	(153)	(100)
(115)	Current portion of bank loans and credit facilities	(130)	(122)
(1,008)	**Current debt**	(513)	(375)
(93)	**Net current cash/(debt)**	351	976
98	**Non-current financial receivables**	131	96
(985)	Non-current financial liabilities	(2,099)	(2,134)
(985)	**Non-current debt**	(2,099)	(2,134)
(980)	**Net financial position**	(1,617)	(1,062)

The reconciliation with the net financial position in the configuration required by CONSOB communication no. DEM/6064293 of 28 July 2006 is provided in Note 30 of the Notes to the Consolidated Financial Statements.

The **Consolidated net financial position**, which excludes construction loans, reports a net debt balance of euro 1,617 million (euro 1,062 million in net debt at 31 December 2020). The increase is in line with forecasts and is consistent with the trend in production volumes and with the delivery schedule that envisages the delivery of six cruise vessels in the remaining part of the year (three in July alone with receipts of around euro 1.5 billion). Receipts in July brought the Net financial position to around euro 1.2 billion to then stabilize, at the end of the year, at the expected values lower than the peak in March and in line with those reported at 31 December 2020. This shows once again how financial debt is strongly influenced by the production program and delivery schedule. It should also be noted that the Net financial position was impacted by the strategy - adopted in 2020 - of granting payment extensions to clients (euro 423 million at 30 June 2021), in order to safeguard the considerable order backlog acquired and to strengthen relations with shipowner companies. Payment of these amounts is expected, based on the extensions agreed with shipowners, during the second half of 2021 and during 2022.

RECLASSIFIED CONSOLIDATED STATEMENT OF CASH FLOWS

(euro/million)

31.12.2020		30.06.2021	31.12.2020
(14)	Net cash flows from operating activities	(392)	(177)
(376)	Net cash flows from investing activities	(141)	(117)
1,291	Net cash flows from financing activities	50	814
901	**Net cash flows for the period**	(483)	520
382	**Cash and cash equivalents at beginning of period**	1,275	382
(8)	Effects of currency translation difference on opening cash and cash equivalents	7	(5)
1,275	**Cash and cash equivalents at end of period**	799	897

The **Reclassified consolidated statement of cash flows** shows negative **net cash flows for the period** of euro 483 million (positive for euro 520 million in the first half of 2020). Operating activities during the period absorbed cash flows due to the trend in production volumes developed. This absorption, together with the investments during the period, was mainly covered by the financial resources in place at 31 December 2020. Cash flows for the period were affected by the dynamics of the delivery schedule, which has the delivery of 3 vessels planned for July with receipts of approximately euro 1.5 billion.
It should be noted that at 30 June 2021, the construction loans absorbed operating cash flows of euro 57 million (at 30 June 2020 they generated cash flows of euro 214 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 2021 and 2020.

31.12.2020		30.06.2021	30.06.2020
8.1%	ROI *	5.8%	3.0%
-26.8%	ROE *	0.9%	-14.1%
3.2	Total debt [1]/Total equity	3.2	2.2
3.4	Net financial position [2]/EBITDA [3]	3.9	4.4
1.4	Net financial position [2]/Total equity	2.0	1.1

* See the definition contained in the section Alternative Performance Measures.
[1] This figure does not include construction loans .
[2] This figure does not include construction loans but does include non-current financial receivables.
[3] This figure does not include Extraordinary and non-recurring income and expenses, including expenses from the impact of the spread of COVID-19. See the definition contained in the section Alternative Performance Measures.

The changes in ROI and ROE, compared to the previous half-year, are mainly attributable to the operating results, EBIT and Net result, which saw a recovery of margins.
The indicators of the strength and efficiency of the capital structure reflect the increase in the Group's Total debt and Net Financial Position mainly due to the delivery schedule which has the delivery of 6 cruise ships planned for the second half of 2021 (3 of which in July alone).

Operational review by segment

Shipbuilding

The Shipbuilding segment is engaged in the design and construction of cruise ships, ferries, naval vessels and mega yachts. Production is carried out at the Group's shipyards in Italy, Europe and the United States.

(euro/million)

31.12.2020			30.06.2021	30.06.2020
5,226	Revenue and income *		2,916	2,031
4,538	Revenue and income * excluding pass-through activities [1]		2,691	2,031
285	EBITDA [2] *		206	115
5.4%	EBITDA margin */**		7.1%	5.7%
6.3%	EBITDA margin */** excluding pass-through activities [1]		7.7%	5.7%
3,716	Order intake *		1,080	1,364
33,929	Order book *		32,888	34,158
26,088	Backlog *		24,084	26,333
250	Capital expenditure		135	92
12	Vessels delivered	number	5	5

* Before adjustments between segments.
** Ratio between segment EBITDA and Revenue and income.
[1] See the definition contained in the section Alternative Performance Measures.
[2] This figure does not include Extraordinary and non-recurring income and expenses, including expenses from the impact of the spread of COVID-19. See the definition contained in the section Alternative Performance Measures.

Revenue and income

Shipbuilding segment revenues at 30 June 2021, excluding pass-through activities of euro 225 million, amounted to euro 2,691 million with an increase of 32.5% compared to the same period in 2020. Euro 1,902 million of the revenues for the period refer to the cruise ship business (euro 1,504 million at 30 June 2020) with an increase of 26.4%; euro 789 million refer to the naval vessel business area (euro 526 million at 30 June 2020) with an increase of 49.8%. As a proportion of Group revenues (56% and 23% respectively), we see a greater incidence of revenues relating to naval ships compared to that reported at 30 June 2020 (57% and 20%).
Revenues in the cruise ship business confirm the trend already observed in the fourth quarter of 2020 and is an expression of the return to full operation in all the Group's shipyards, which are committed to developing the significant order backlog acquired. Two of the eight cruise ships scheduled for the year were delivered in the first six months of 2021. It should be noted that three of the six remaining cruise ships are scheduled for delivery in July (Valiant Lady for Virgin Voyages, MSC Seashore for MSC Cruises and Rotterdam for the Holland America Line).
The increase in the production value of the naval vessel business area, excluding pass-through activities relating to the FREMM vessel delivered in April, reflects the progress made in the Italian Navy's fleet renewal program; the first LSS (Logistic Support Ship) vessel - "Vulcano" - was delivered in March, while the first of seven Multipurpose Offshore Patrol Vessels (PPA) is scheduled for delivery during the second half of the year. The increase in revenues is also due to the progress made in the contracts for the Qatari Ministry of Defense (the first corvette is scheduled for delivery in the second half of the year), and work on the other contracts acquired by the Parent Company. The business area's revenues also include the contribution of the US subsidiary FMG, which continues to develop the LCS program, in addition to the Foreign Military Sales program between the US and Saudi Arabia, which envisages the supply of four Multi-Mission Surface Combatants, and the FFG-62 program.

EBITDA

The segment's EBITDA at 30 June 2021 of euro 206 million, an increase compared to the first half of 2020 (euro 115 million), confirms the growth strategy and development paths identified by the Group before the outbreak of the pandemic. The EBITDA margin of 7.7%, excluding pass-through activities (7.1% if total revenues are considered), is a net increase compared to the 5.7% at 30 June 2020 and confirms the Group's ability to return to the margin levels projected by the current backlog.

Order intake

Orders of euro 1,080 million were acquired in the first six months of 2021. With reference to the cruise ships business area, it should be noted that the order awarded to the subsidiary VARD for the construction of the Somnio residential mega-yacht. In the naval vessel business area, the **US Navy** has confirmed the order for the second guided-missile frigate as part of the "**Constellation**" **FFG-62 program**. The contract, awarded to the US subsidiary Fincantieri Marinette Marine in May 2020, includes options for the construction of a further 8 vessels.

Capital expenditure

Capital expenditure in Property, plant and equipment in the first half of 2021 mostly involved:

- continuation of activities to improve operating areas and infrastructure in the Monfalcone and Marghera shipyards to enable a more efficient development of the considerable backlog acquired. The investment plan for the Marghera shipyard is being finalized and it is expected to be closed by the end of the year;
- the launch of an important investment program in the US sites of Marinette Marine and Bay Shipbuilding shared with the US Navy, to increase their efficiency in order to develop the order backlog resulting from the recently acquired FFG(X) program;
- continuation of activities to increase production capacity and raise the efficiency of production processes at the Romanian shipyards of Vard Tulcea and Vard Braila 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;
- continuation of activities to introduce new technologies in particular at the Monfalcone shipyard with regard to the Integrated Environmental Authorization;
- upgrading and improvement of the safety and energy saving standards of machinery, equipment and buildings.

Production

The number of vessels delivered in the first six months of 2021 is analyzed as follows:

(number)

	DELIVERIES
Cruise ships	2
Naval vessels	3

The vessels delivered were:

- LSS "Vulcano", the first vessel in the Italian Navy fleet renewal program, at the Muggiano shipyard;
- "Viking Venus", the first of five cruise ships to be delivered by the Italian shipyards for the shipowner Viking, at the Ancona shipyard;
- LCS 21 "USS Minneapolis St. Paul" at the US Marinette shipyard (Wisconsin);
- a multi-role frigate (FREMM), at the Muggiano shipyard (La Spezia);
- "Hanseatic Spirit", the third vessel in a new series of small luxury cruise ships for Hapag-Lloyd Cruises at the Langsten shipyard (Norway).

Offshore and specialized vessels

The Offshore and Specialized Vessels segment includes the design and construction of high-end offshore support vessels, specialized vessels and vessels for offshore wind farms and open ocean aquaculture, as well as innovative products in the field of drillships and semi-submersible drilling rigs. Fincantieri operates in this market through the VARD group, FINCANTIERI S.p.A. and Fincantieri Oil & Gas S.p.A..

(euro/million)

31.12.2020			30.06.2021	30.06.2020
389	Revenue and income *		220	228
(5)	EBITDA [1] *		4	(1)
-1.3%	EBITDA margin */**		1.9%	-0.4%
487	Order intake *		174	164
1,436	Order book *		1,351	1,257
874	Backlog *		879	744
3	Capital expenditure		2	2
7	Vessels delivered	number	2	5

* Before adjustments between segments.
** Ratio between segment EBITDA and Revenue and income.
[1] This figure does not include Extraordinary and non-recurring income and expenses, including expenses from the impact of the spread of COVID-19. See the definition contained in the section Alternative Performance Measures.

Revenue and income

Revenues of the Offshore and Specialized Vessels segment at 30 June 2021, of euro 220 million, were broadly in line with those reported during the same period in 2020 (-3.5%), recovering some of the volumes lost during the first quarter of 2021. This shows the recovery of volumes lost following the reduction in production capacity with the closure of the Brevik shipyard, which was still active in the first half of 2020, thanks to the redefinition of the product range and order book in view of the repositioning in more promising sectors such as offshore wind.

EBITDA

The EBITDA of the operating segment at 30 June 2021 has a positive value of euro 4 million (negative value of euro 1 million at 30 June 2020), with an EBITDA margin of 1.9% (-0.4% at 30 June 2020). EBITDA in the first half of 2021 benefits from the effects of the restructuring and reorganization strategy launched in 2019 and shows the first signals of repositioning in sectors with broader market prospects.

Order intake

In the first half of 2021, the VARD group's order intake amounted to euro 174 million and mainly concerned the order from North Star Renewables for the realization of three Service Operation Vessels (SOV) specifically for use in the Dogger Bank wind farm situated 130km from the east coast of Great Britain, in the North Sea. Once completed, the wind farm will be the largest in the world and it is the focus of activities of the world's major players in the sector.

Capital expenditure

Capital expenditure in the first six months of 2021 mainly relates to measures to maintain production efficiency.

Production

The following vessels were delivered during the period:

(number)

	DELIVERIES
Coral Expedition	1
Fishery&Aqua	1

In detail:

- 1 expedition cruise vessel delivered to the Australian shipowner Coral Expeditions at the Vung Tau shipyard (Vietnam);
- 1 fishery vessel delivered to the shipowner Luntos Co. at the Vung Tau shipyard (Vietnam).

Equipment, systems and services

The Equipment, Systems and Services segment includes the following business areas: Services, Complete Accommodation, Electronics, Systems and Software, Energy, Infrastructure. These activities are carried out by FINCANTIERI S.p.A. and by its Italian and foreign subsidiaries.

(euro/million)

31.12.2020		30.06.2021	30.06.2020
937	Revenue and income *	481	392
76	EBITDA [1] *	32	24
8.1%	EBITDA margin */**	6.6%	6.0%
649	Order intake *	665	322
3,045	Order book *	5,726	2,761
1,839	Backlog *	3,606	1,951
32	Capital expenditure	12	12

* Before adjustments between segments.
** Ratio between segment EBITDA and Revenue and income.
[1] This figure does not include Extraordinary and non-recurring income and expenses, including expenses from the impact of the spread of COVID-19. See the definition contained in the section Alternative Performance Measures.

Revenue and income

Equipment, Systems and Services segment revenues amounted to euro 481 million, an increase of 22.8% compared to the first half of 2020. This growth is mainly attributable to the Complete Accommodation business area, driven by the cruise volumes generated during the period and the development of the considerable order backlog for the services rendered as part of naval contracts. The segment's business areas are committed to starting development of the backlog and strengthening their positioning in the relevant markets.

EBITDA

The EBITDA of the segment at 30 June 2021 is euro 32 million (euro 24 million at 30 June 2020), with an EBITDA margin of 6.6% (6.0% at 30 June 2020). The margins for the half-year, net of the improvement compared to the first quarter of 2021 (4.5%), reflects the positive contribution of the various business areas but is still affected by the lower margins of the Ship Repair and Conversion business area.

Order intake

New order intake for Equipment, Systems and Services amounted to euro 665 million in the first half of 2021 and for the business areas mostly comprises:

- Services: 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, additional activities on the Through Life Sustainment Management program for the Italian Navy's FREMM vessels; extension of In Service Support (ISS) agreements for the Italian Navy on the "Orizzonte Class" frigates and "Scirè" submarine and for the Algerian Navy on the "BDSL";
- Complete Accommodation: after-sales services and supply of cabins, wet units, public areas, kitchens and complete accommodation packages for two cruise ships for the shipowner Viking, one cruise ship for TUI and one for NCL;
- Electronics, Systems and Software: supply of infrastructure monitoring systems for bridges and viaducts in Italy (ARGO project), supply of conveyor belts and supply of devices to automatically detect body temperature in environments with high people traffic for Trenitalia, supply of an X/KA/KU multi-band antenna system and 9 dual tri-band satellite systems for Leonardo, supply of an Integrated Bridge System (IBS) console for Azimut, an Integrated Automation System (IAS) device for Cantiere Navale Visentini, a Safety Management System & Command (SMSC) device, provision of services in the field of architecture and cyber security for the Fincantieri Group and develop and supply of a System Design Review and Critical Design Review for the first U212 NFS (Near Future Submarine);
- Energy: supply of a stabilization system and a transverse propulsion system for Vard's Somnio project, rudder roll systems, azimuth propulsion, main and ammunition elevators for new FREMM vessels for the Italian Navy, two THR steam turbines for exhaust gas heat recovery generators for TUI Cruise ships, three turbines for mechanical drive for Air Liquide and Nooter Eriksen, one condensing turbine for the French market;
- Infrastructure: contract worth approximately euro 350 million for the construction of the new cruise terminal for the MSC Group in the Port of Miami, the cruise hub for North America and the Caribbean, with multi-storey central body and two quays of approximately 750 metres in total; contract for the roof and other maintenance works at the Taranto steelworks.

Capital expenditure

Capital expenditure in the first six months of 2021 mainly relates to:

- continuation of the upgrading of the operating areas and infrastructure of the Fincantieri Infrastructure plant in Valeggio sul Mincio following the award of major contracts for steel structures and for the development of activities to support shipbuilding;
- implementation of efficiency measures for the production process of Marine Interiors, particularly with regard to the production of cabins and wet units.

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)

31.12.2020		30.06.2021	30.06.2020
2	Revenue and income	1	1
(42)	EBITDA [1]	(23)	(19)
n.a.	EBITDA margin	n.a.	n.a.
24	Capital expenditure	11	16

n.a. not applicable.
[1] See the definition contained in the section Alternative Performance Measures.

Capital expenditure

The main initiatives relate to capital expenditure on:

- development of information systems to support the Group's growing activities and optimize processes, with particular reference to the upgrading of management systems and implementing these systems in the main subsidiaries of the Group;
- ongoing work to install an integrated system for ship design (CAD) and project lifecycle management (PLM), aimed at improving the efficiency and effectiveness of the engineering process;
- introduction of digitalization aimed at (i) strengthening the introduction of Industry 4.0 principles into shipbuilding (e.g. artificial intelligence, automation, IoT, virtual reality) and (ii) use Robotic Process Automation tools and advanced analysis/reporting systems.

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

Other information

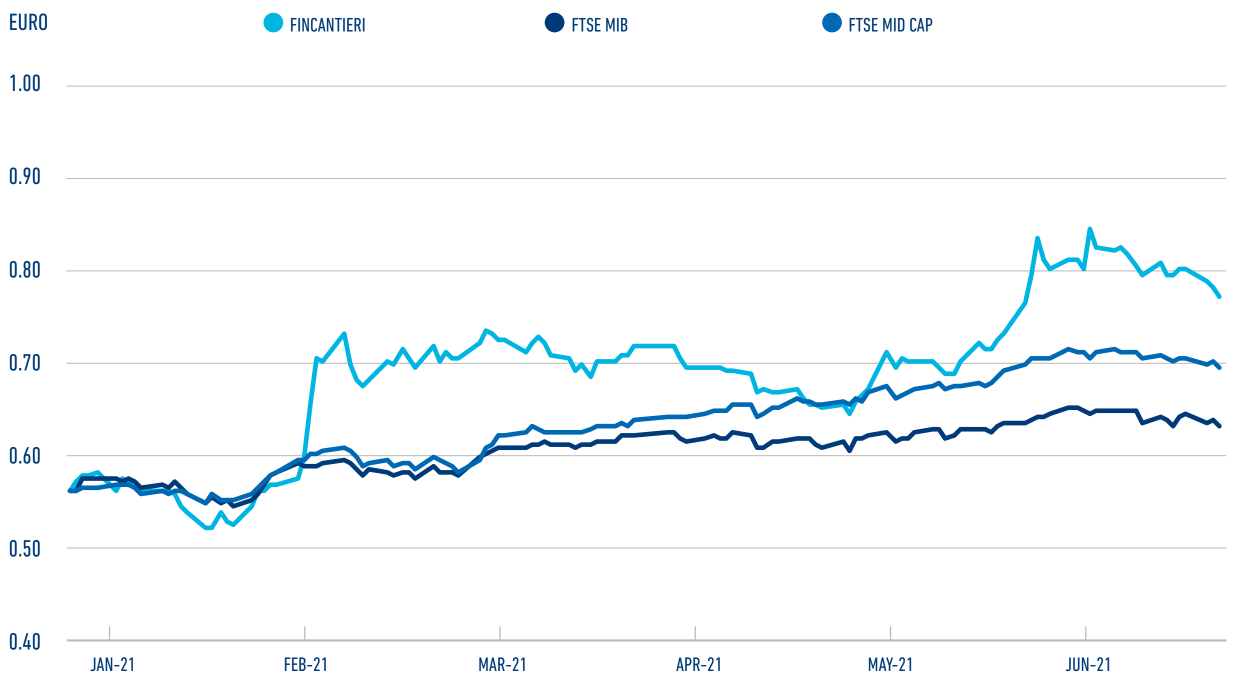
Market capitalization

The market capitalization of Fincantieri, at the closing price on 30 June 2021, was approximately euro 1,292 million. In terms of stock liquidity, around 589 million shares were traded from the start of the year to 30 June 2021, with a daily average trading volume in the period of around 4.7 million shares, a decrease from the 654 million shares traded in the first half of 2020 (with a daily average trading volume of 5.2 million).

(euro)

31.12.2020			30.06.2021	30.06.2020
0.64	Average share price in the period		0.68	0.69
0.55	Share price at period end		0.76	0.61
1,700	Number of shares issued	million	1,700	1,700
1,695	Number of shares outstanding at period end	million	1,695	1,692
932	Market capitalization *	euro/million	1,292	1,035

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



Other significant events in the period

JANUARY

On **25 January 2021**, Naviris, the 50/50 joint venture between Fincantieri and Naval Group, officially received ISO 9001:2015 and AQAP 2110 certifications from Lloyd's Register, in accordance with the NATO Supplementary Regulations for major defense suppliers. These certifications are a further step in the development of the joint venture, whose aim is to manage export and cooperation programs for surface vessels as well as research and development projects.

FEBRUARY

On **3 February 2021**, Fincantieri officially started its activities within the SEA Defence project. The project, which started last December and selected under the European Defence Development Programme (EDIDP 2019), aims to define a roadmap to develop technologies to be included in the next generation of naval platforms.

On **8 February 2021**, Fincantieri, through its subsidiary E-phors, which specializes in the provision of cyber security services and products, delivered a pilot training course, in partnership with the Italian Academy of the Merchant Navy, with the aim of introducing Deck Officers to the fundamentals of cyber security.

On **11 February 2021**, Naviris, the 50/50 joint venture between Fincantieri and Naval Group that is in charge of developing cooperation programs, and Navantia signed a Memorandum of Understanding (MoU) aimed at expanding industrial cooperation for the European Patrol Corvette (EPC) program, the most important naval initiative under the European Permanent Structured Cooperation (PESCO) project.

MARCH

On **24 March 2021**, Enel X and Fincantieri signed a letter of intent to cooperate in the construction and management of new generation port infrastructure, with a low environmental impact, and for the electrification of onshore logistics activities. The agreement, initially dedicated to national projects, concerns the implementation of cold ironing (the technology for supplying shore-to-ship power while the ships are at berth during stopovers); management and optimization of energy exchanges in new infrastructure; electricity storage and generation systems, including through the use of renewable sources, and the application of fuel cells.

On **31 March 2021**, the RV Laura Bassi, the only Italian icebreaking and oceanographic research vessel, operated by the Italian National Institute for Oceanography and Applied Geophysics (OGS), on return from its mission in the Antarctic, arrived at the Fincantieri shipyard in Trieste (Arsenale Triestino San Marco – ATSM), where it will undergo important and delicate work to complete its scientific outfitting for studying and exploring the entire marine ecosystem. Work on the vessel will be carried out by Fincantieri, which will work together with a group of companies from the local area.

APRIL

On **26 April 2021**, Fincantieri - through its subsidiary Fincantieri NexTech - and Almaviva, a leading Italian group in digital innovation, have signed a cooperation agreement to support the acceleration of the digitalization process in the transport and logistics sector. The aim is to promote a mobility system that is closer to the new needs for moving people and goods, with special focus on the environmental impact and safety.

MAY

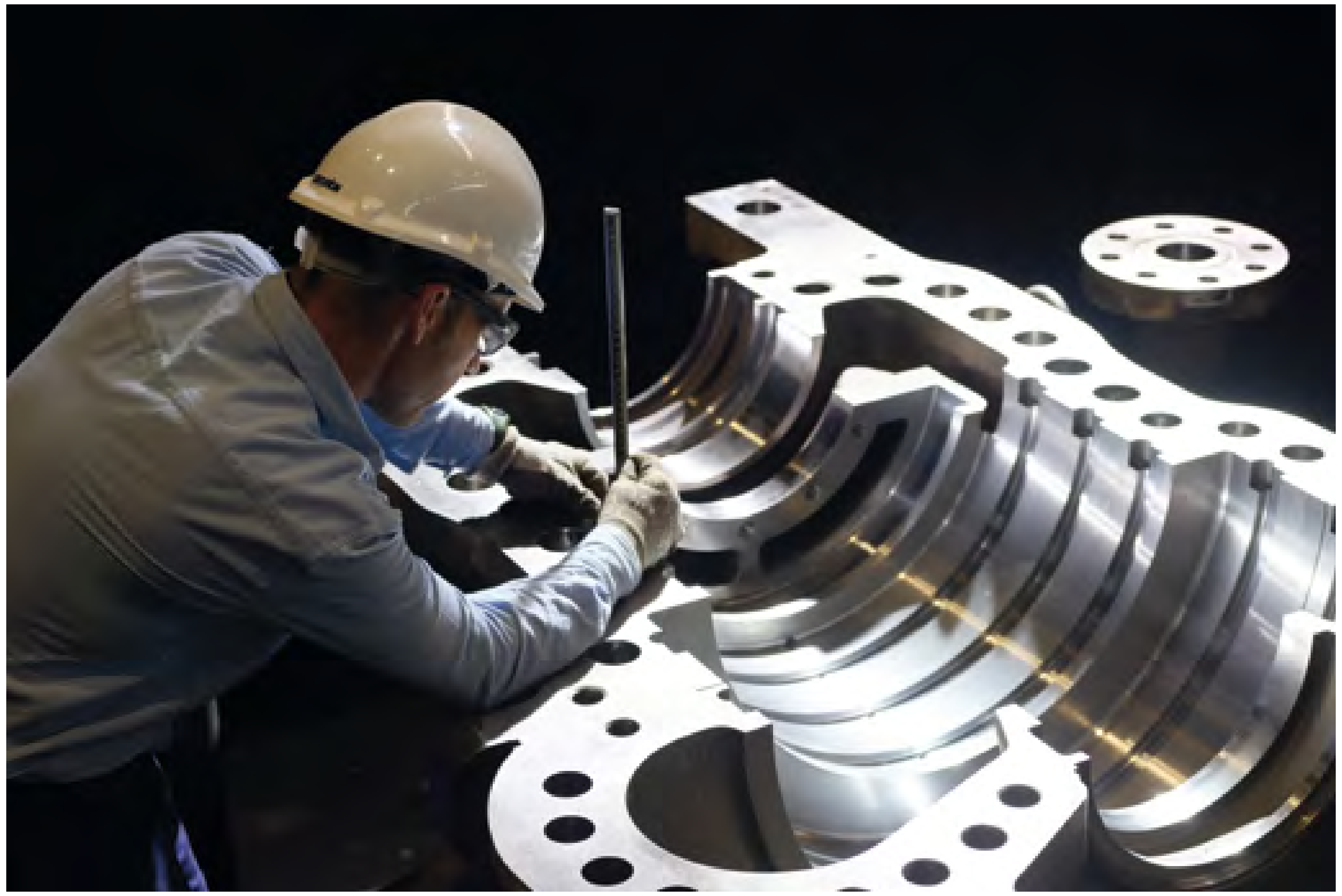
On **20 May 2021**, Fincantieri and Comau, two Italian companies, global leaders in their respective sectors, signed a letter of intent to develop prototype robotic solutions for steel welding and, subsequently, for the realization of series of machines initially for Fincantieri's shipyards. The agreement was signed by Paolo Carmassi, CEO of Comau, and Fabio Gallia, Fincantieri's General Manager.

On **28 May 2021**, Fincantieri SI - a subsidiary of Fincantieri and leader in the integration of electric propulsion systems and complex electromechanical plants in the marine (cold ironing) and onshore sector - and Faist Electronics - a subsidiary of Faist Group specialized in the development and supply of complete electrical energy storage systems including control and power electronic devices, established the joint venture Power4Future, focused on the production of lithium-ion batteries, which are highly strategic in many industrial sectors and considered a source of competitive advantage for companies and countries that have the technology.

JUNE

On **1 June 2021**, Fincantieri, through its subsidiary Fincantieri Infrastructure, finalized the acquisition of the main business unit of INSO – Sistemi per le Infrastrutture Sociali S.p.A., and of its subsidiary SOF, formerly part of the Condotte group, and now holds control under the new company "FINSO – Fincantieri INfrastrutture SOciali". Fincantieri Infrastructure holds 90% of shares in the new company and the remaining part is held by Sviluppo Imprese Centro Italia SGR S.p.A. ("SICI").

On **10 June 2021**, during MADEX (International Maritime Defense Industry Exhibition) 2021, one of the main naval exhibitions in the Asia Pacific area, Fincantieri signed a contract with Daewoo Shipbuilding & Marine Engineering (DSME) to support the conceptual design of the new class of aircraft carriers "CVX" for the Republic of Korea's Navy (South Korea). The program for the first-in-class vessel envisages the tender for the basis design starting in the second half of 2021, while the detailed design and construction will begin in subsequent years.



Key events after the reporting period ended 30.06.2021

On 2 July 2021, "Valiant Lady" was delivered at the Sestri Ponente shipyard and the "Resilient Lady" was launched, the second and third of four cruise ships commissioned from Fincantieri by Virgin Voyages, a new operator in the cruise industry and brand of Sir Richard Branson's Virgin Group.
On 19 July 2021, Fincantieri topped the list of Most Attractive Employers in the Manufacturing, Mechanical and Industrial Engineering sector by Universum, a Swedish company that ranks the most attractive companies for Italian university students using a detailed questionnaire.
On 26 July 2021, the Cruise Division of the MSC Group, the third largest cruise group in the world, Fincantieri, one of the largest shipbuilding groups in the world, and SNAM, one of the world's leading energy infrastructure operators, signed a Memorandum of Understanding (MoU) to jointly assess the conditions for the design and construction of the world's first hydrogen powered cruise ship, which would enable zero-emission operations in specific navigation areas, as well as the development of the related infrastructure for hydrogen storage.
The MSC Seashore was delivered at the Monfalcone shipyard on 26 July 2021, the third of four ships in the innovative Seaside class. The ship will be the company's longest and the largest ever built in Italy.

Business outlook

In a situation where the health emergency still has significant effects on the working and social life of individuals, the Group continues to apply strict health protocols. These efforts have enabled it to achieve the target of zero infections at its production plants in the first week of July. Furthermore, Fincantieri has recently launched a vaccination campaign in all its shipyards, starting with Sestri, deciding to bear the cost of managing the company vaccination points for employees of satellite businesses as well.
The cruise business has been severely affected by the spread of the pandemic, however, based on the schedules released by the cruise operators on 13 July, a significant revival of activities is now expected: 141 ships will be in service by the end of July and 50 cruise operators will have restarted operations across the globe at that date[7].
The return of cruises, together with the growth in bookings and the confidence placed in the major shipowners by the financial market, demonstrate yet again the sector's resilience. Most cruise lines have seen an increase in bookings, a trend that is not just back in line with historical trends, but for some operators is actually higher.
On the basis of these considerations and the results at 30 June, to date the Group confirms for 2021 a projected increase in volumes consistent with growth expectations (revenues increasing over 25%, excluding pass-through activities) and margins in line with expectations, despite the trend of rising prices for raw materials regarding the production scheduled for the coming years.
In line with previous planning and according to the delivery schedule for the cruise segment in the second half of 2021, the net financial position reached approximately euro 1.2 billion at the end of July, taking into account receipts of euro 1.5 billion following the delivery of three cruise ships during that month. Net debt will, at the end of the year, stabilize at expected values lower than the peak in March and in line with 2020. This dynamic shows how the trend in net financial position is strongly influenced by the production program and the delivery schedule.
The Shipbuilding segment confirms, for the second half-year, the forecasted significant increase in business volumes compared to the levels achieved in 2020.
In the Cruise segment, the delivery of 4 ships is scheduled at the Group's Italian shipyards (three of which were delivered in July: Valiant Lady for Virgin Voyages, MSC Seashore for MSC and Rotterdam for HAL, and one in the fourth quarter - Silver Dawn for Silversea) and 2 vessels in the luxury niche segment by VARD's cruise division (Ponant Icebreaker, Viking Octantis).
In the naval vessel business area, the expected business volumes for the current financial year are confirmed, with the delivery of 3 ships by the Italian shipyards, in addition to 2 vessels in the Group's US shipyards. Work is expected to begin on the construction of the first vessel in the FFG-62 program for the US Navy in the fourth quarter of 2021 (delivery scheduled for 2026).
The Offshore and Specialized Vessels segment forecasts a growth in business volumes for the period compared to 2020 levels and the delivery of 2 ships.
For the Equipment, Systems and Services segment, the following is expected:

- in the Services business area, the development of the backlog related to the contracts signed with the Italian Navy and the Qatari Ministry of Defence, as well as the completion of repair and conversion activities for the shipowner Windstar
- in Complete Accommodation, an increase in volumes, supported by increased activities for the supply of cabins, wet units and public rooms, as well windows and catering
- for Electronics, Systems and Software, significant growth driven by activities in the defence systems business in the naval sector and in solutions for the monitoring and safety of critical infrastructure
- in the Energy business area, the synergistic development of activities related to mechanical and electronic power systems, as well as the continuation of developments to integrate new strategic technologies (e.g. hybrid ship propulsion, emissions reduction, clean energy generation)
- for Infrastructure, the start of activities for the construction of the MSC Terminal in Miami and the gradual consolidation of the ongoing operations of the companies recently acquired by the INSO group.

In the medium-long term, the Group remains committed to developing the order backlog acquired over the years. As a result of the recognition it has received for the versatility and quality of its products, Fincantieri has further strengthened its position in the Defense sector with contracts signed and important negotiations being held with several Navies around the world. These successes will lead the Group to have increasing input in the naval vessel business area, with expected benefits in terms of margins and cash flows.
We should note that prices for raw materials could stabilize at values higher than those at the beginning of 2021 and the effects of this could affect future production. To date, however, this is not expected to have a significant impact on the expected growth in margins in the medium term. This stability is assured, among other things, by the benefits of ongoing investments to make the production process even more efficient and more technologically advanced.
The Group's strategic choices have led to a rapid recovery from the pandemic crisis in 2020 and, consequently, the positive results reported. These achievements confirm Fincantieri's ability to respond promptly to the emergency and put it firmly back on the growth paths identified beforehand, demonstrating a capacity to return to expected margin levels with the development of the current order book.

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 ("Consob Regulation"), FINCANTIERI S.p.A. has adopted Rules for Related Party Transactions ("RPT Rules") with effect from 3 July 2014 and then revised them, with effect from 1 July 2021, in order to incorporate the changes made by Consob with resolution no. 21624 of 10 December 2020 to the Consob Regulation. On 3 December 2015, the Company also adopted the internal "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, which was subsequently amended, with effect from 1 July 2021, to incorporate the revisions introduced in the RPT Rules.
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 30 of the Notes to the Half-Year Financial Report.

[7] Cruise Industry News – Special Report "Cruise Ships in Service – July 2021

Purchase of own shares

The Shareholders' Meeting held on 8 April 2021 authorized the Board of Directors to purchase ordinary shares on the market for, among other things, the share incentive plans approved by the Company or by its subsidiaries. The authorization to purchase own shares was given for a period of 18 months from the date of the resolution (8 June 2021). At 30 June 2021, FINCANTIERI S.p.A. held 4,540,441 treasury shares (equal to 0.27% of the Share Capital) with a total value of euro 4,473 thousand. On 10 June 2021, the Board of Directors approved the closure of the third cycle of the "Performance Share Plan 2018-2020" incentive plan, allocating free of charge to the recipients 2,787,276 ordinary Fincantieri shares. The allocation of shares took place on 2 July 2021, using solely own shares in portfolio.

Italian stock market regulations

Art. 15 of the Italian Stock 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 30 June 2021, the Fincantieri subsidiaries falling under the scope of the above article are the FMG group and VARD Group AS. 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 2021.

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 25 February 2021, 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.. The Report outlines 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[8], 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.

[8] In January 2020, the Corporate Governance Committee approved the Corporate Governance Code, to which the Company adheres, and application starts from 2021.

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 2021 are described below according to their nature.

Risks related to operational complexity

DESCRIPTION OF RISK

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

- not guaranteeing adequate control of project management activities;
- not adequately managing the operational, logistical and organizational complexity that characterizes the Group;
- not 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.

IMPACT

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 construction processes and the proper representation of these in its reporting, or if it was unable to adequately manage the Group synergies, alliances, joint ventures or other relationships with counterparties and the complexity arising from its product diversification or if it failed to efficiently distribute workloads according to production capacity (plant and labour) available on each occasion at the different production facilities, revenues and profitability might decline, with possible negative effects on its results of operations and financial condition.

MITIGATION

To manage processes of such complexity, the Group implements procedures and work plans designed to manage and monitor the implementation of each project throughout its duration. 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.

Risks related to nature of the market

DESCRIPTION OF RISK

The shipbuilding market in general is historically characterized by cycles, sensitive to trends in the industries served. The Group's clients that operate in the cruise business base their investment plans on demand by their own clientele, mainly influenced by trends in the leisure market. On this point it should be noted that the spread of the Covid-19 pandemic has had a severe impact on the segment. In the naval business, the demand for new ships is heavily dependent on governments' defense spending policies.

IMPACT

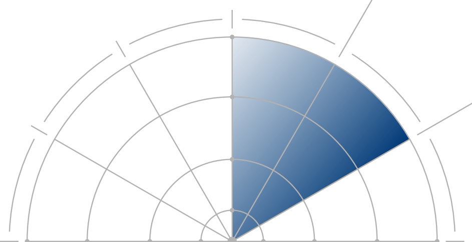
Postponement of fleet renewal programs or other events with negative repercussions on the operations of the Fincantieri Group's principal cruise business clients could impact capacity utilization and business profitability. Equally, the availability of resources earmarked by the State for defense spending on fleet modernization programs is a variable that could influence the Group's results of operations and financial condition.

MITIGATION

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 Customers, products and geographical coverage.
In the cruise business area, this strategy has enabled the consolidation of the largest product-Customer matrix in the sector. In recent years orders have been acquired from all the major cruise lines (RCL, NCL, MSC) and the main newcomers (Virgin, Viking, Oceania, Regent, Silversea, Ponant, Hurtigruten, Hapag-Lloyd Cruises, etc.) for the construction of ships across all segments (from luxury niche to contemporary).
In the naval business, Fincantieri has been a partner in the most important supranational defense programs launched in Europe: with Germany for the realization of submarines and with France for the realization of new generation frigates through the Orizzonte (now completed) and FREMM programs. Moreover, the acquisition of Manitowoc Marine Group (renamed Fincantieri Marine Group - FMG) provided the opportunity to enter to the most important international market and build up further expertise which led to the acquisition of major contracts in markets outside of Italy (e.g. Qatar, Arab Emirates, Indonesia).
Given the continuing difficult situation in the Oil & Gas market, the subsidiary VARD has successfully pursued a strategy of diversifying into new segments, such as expedition cruise ships and specialized fishing vessels and vessels for managing offshore wind farms.
In parallel with the development of the shipbuilding business, Fincantieri has also launched strategic initiatives to use its wealth of engineering, project management and complex project integration skills in other high value-added areas (e.g. onshore and offshore infrastructure, hospitals, complex solutions, electronic and cyber security systems).
In the current market context, which has been significantly affected by the spread of the Covid-19 pandemic, the Group has maintained continuous and productive relations with its customers which have enabled the existing order book to be fully confirmed.
In addition, in order to meet the difficulties experienced by the cruise operators, the delivery times have been rescheduled and payment extensions have been granted for the installments due during construction in the spirit of long-term cooperation.

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 specialized ships for fishing and naval vessels to manage offshore wind farms. 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 or are not consistent with the company's principles of environmental protection and sustainability. 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. In this context, a key factor is the dissemination and communication of the governance model at all levels to ensure effective integration of the sustainability principles in all processes.	Inattentive monitoring of the Group's markets and slow responses to the challenges posed by competitors and to client needs may lead to a reduction in competitiveness, lower production volumes and/or less remunerative pricing, with a consequent reduction in the sustainability of the business in the medium to long term.	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.

Risks related to contract management

DESCRIPTION OF RISK

The shipbuilding contracts managed by the Group are mostly multi-year construction contracts for a fixed consideration, any change in which must be agreed with the client. Changes in commodity prices (e.g. raw materials) after the construction contracts were signed may expose the Group to lower margins from product sales or to trade losses. Furthermore, 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 and is by its very nature subject to uncertainties associated with making estimates.

IMPACT

Cost overruns not envisaged at the pre-contractual stage or due to abnormal market trends and not covered by a parallel increase in price can lead to a reduction in margins on the contracts concerned.

MITIGATION

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

DESCRIPTION OF RISK

Many factors can influence production schedules, as well as capacity utilization, and so impact agreed vessel delivery dates with possible penalties payable by the Group. The current operational scenario with its strong elements of unpredictability also affects the planning and budgeting process, which is based on the availability of complete and reliable information. 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.

IMPACT

In the event of delivery delays, construction contracts provide for the payment of penalties that generally increase the longer the delay, with the sole exception of effects arising from events that are covered in the contract (i.e. force majeure).

MITIGATION

The Group manages its contracts through dedicated structures that control all aspects during the contract life cycle (design, procurement, construction, outfitting). Contracts with suppliers include the possibility of applying penalties for delays or hold-ups attributable to such suppliers. 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

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.

IMPACT

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.

MITIGATION

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

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 minority part of the contract price during ship construction; the balance of the price is paid upon delivery. As a result, the Group incurs significant upfront costs, assuming the risk of incurring such costs before receiving full payment of the price from its clients and thus having to finance the working capital absorbed by ships during construction.

IMPACT

If the Group were unable to 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.

MITIGATION

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.

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. Suppliers' access to the Fincantieri supply chain is conditional on their acceptance of the Company's sustainability principles, which must be confirmed in the development of their activities. 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. Suppliers who do not comply with sustainability principles also negatively affect stakeholders' perception and the sustainable development of the company. 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. Inclusion in the supplier base occurs after a due diligence covering economic, production and sustainability aspects. Furthermore, 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.

Risks related to climate change

DESCRIPTION OF RISK

Fincantieri's focus on sustainability and its desire to create a resilient business model has led it to address how climate change will impact the Company in terms of risks, opportunities and financial impacts.
Climate change risks are characterized by a high level of uncertainty and potential impacts may greatly affect Fincantieri's activities, products and entire value chain.
Physical risks are associated with increased economic costs and financial losses due to the increased severity and frequency of extreme weather events related to climate change. They include acute risks (e.g. floods, heat waves, tornadoes) and risks related to long-term climate change, i.e. chronic risks (e.g. sea level rise and ocean acidification).
Transition risks are associated with the transition to a low-carbon economy and are closely related to changes in the social, economic and political environment, as well as changes in the CO_2 pricing framework and regulatory restrictions.
The Company is also exposed to the risk of not adequately exploiting technological innovation that may lead to the replacement of existing products or their modernization with low-carbon products offering more competitive solutions.
Transition risks also include reputational risks: in fact, not undertaking a gradual decarbonization process could have a negative impact on the company's reputation and consequently on its financial results.
Climate change mitigation and adaptation efforts undertaken by the Company may also represent an opportunity, for example looking at the development of new technologies and the roll-out of new products and services with reduced environmental impact.

IMPACT

Climate change could prevent the Company from carrying out its activities, limiting all the activities of the entire value chain and leading to a significant increase in costs.
In particular, the assets of the shipbuilding industry are threatened in the short term by the impacts of acute phenomena, which could nevertheless also have long-term impacts due, for example, to rising sea levels and could prevent the Company from carrying out its operations, thus threatening its products/services with significant recovery costs.
In the context of product development and construction, all decisions associated with the design process that are not in line with the Group's Environmental Policy and Eco-Sustainable Design principles may have a negative impact on the climate and on Fincantieri's reputation.

MITIGATION

As part of the management of its processes, the Company has put a governance system in place to ensure adequate control and monitoring of the risks associated with them, also in relation to climate change. In particular, climate change risks are included in the risks assessed and managed as part of the Risk Management process by simultaneously pursuing various mitigation activities.
As part of physical risk management, the Company has taken out specific insurance policies to protect its yards against economic damage from catastrophic events.
To maintain leadership in the shipbuilding sector, Fincantieri pursues several innovative low-carbon solutions, with projects aimed at identifying new models of electrical and thermal power generation, as well as testing the use of new eco-friendly materials for fitting out cruise ships in line with eco-design principles.
In line with the Environmental Policy, the Company also monitors its emissions and impacts directly, implementing mitigation strategies, including through investments in energy efficiency and the purchase of energy from renewable sources. With regard to reputational risks, the Group communicates its commitments, objectives and targets concerning the fight against climate change in a timely manner to all stakeholders in order to maintain a positive reputation, also in relation to climate.

Risks related to human resource management

DESCRIPTION OF RISK

The Fincantieri Group has a vast accumulation of experience, know-how and business knowledge. As far as the workforce is concerned, the domestic 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.

IMPACT

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.

MITIGATION

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.

DESCRIPTION OF RISK

Human capital is an essential component of the Fincantieri Group's assets and must be protected and developed. A lack of human resources development strategy would not allow the implementation of processes to enhance this capital, guarantee respect for diversity and equal opportunities, protect human rights, and ensure the health and safety of the workers.

IMPACT

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.

MITIGATION

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.

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 regulations on health and safety in the workplace, environmental protection or tax, as well as any changes in the local legal and regulatory framework, or the occurrence of exceptional or unforeseen events, could cause the Fincantieri Group to incur extraordinary costs relating to safety at work, environmental protection and tax. 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.
Working in the defence 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 defence and security sector including in other countries.

Risks related to information access and operation of the computer system

DESCRIPTION OF RISK

The Group's business could be adversely affected by:

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

IMPACT

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

MITIGATION

The Group considers it has taken all necessary steps to minimize and manage the possible emergence of these risks by applying the measures laid down for by the regulations in force and 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 access management procedure using special software, allowing prior identification and treatment of the risks of segregation of duties (SoD) resulting from inappropriate attribution of access credentials.

Risks related to exchange rates

DESCRIPTION OF RISK

The Group is exposed to exchange rate risk on transactions of a commercial and financial nature denominated in a currency other than the functional one (economic risk and transaction risk). In addition, translation risk can arise when preparing the 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).

IMPACT

The absence of adequate currency risk management could increase the volatility of the Group's economic results. In particular, if currencies in which shipbuilding contracts are denominated were to depreciate, this could have an adverse impact on the Group's profit margins and cash flow.

MITIGATION

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.

Risks related to financial debt

DESCRIPTION OF RISK

Some of the loan agreements entered into by the Group require it or some of its companies to comply with conditions, commitments and constraints of a financial and legal nature (such as the occurrence of events of default, even potential ones, cross-default clauses and covenants), non-observance of which could lead to immediate repayment of the loans. In addition, future increases in interest rates could lead to higher costs and payments depending on the level of indebtedness outstanding at the time. Cash flows may be affected by the impact of the current negative economic and social scenario, with production and financial rescheduling having an impact on planned receipts. The Group might not be able to access sufficient credit to properly finance its activities (such as in the case of particularly poor financial performance) or it might be able to access it only under particularly onerous terms and conditions.

IMPACT

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

MITIGATION

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. It should be noted that there are no covenants included in the Group's loan agreements. 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 indicators not envisaged by IFRS. In particular, EBITDA, in the configuration monitored by the Group, 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 (see the reclassified consolidated income statement given in the section commenting on the Group's economic and financial results); the EBITDA configuration adopted by the Group may not be consistent with the configuration adopted by other companies.
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 related to the impacts deriving from the spread of COVID-19 mainly refer to the failure to absorb fixed production costs during the shutdown period in 2020, the impact of reduced efficiency resulting from the implementation of the preventive measures adopted, and the costs for sanitary aids and expenses to ensure employee health and safety;
  - 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 year before adjustments for non-recurring items or those outside the ordinary course of business, which are reported before the related tax effect.
- Net fixed capital: this reports the fixed assets used in the business and includes the following items: Intangible assets, Rights of use, Property, plant and equipment, Investments and Other non-current assets and liabilities (including the fair value of derivatives classified in non-current Financial assets and non-current Financial liabilities) net of Employee benefits.
- Net working capital: this is equal to capital employed in ordinary operations which includes Inventories and advances, Construction contracts and client advances, Construction loans, Trade receivables, Trade payables, Provisions for risks and charges, and Other current assets and liabilities (including Income tax assets, Income tax liabilities, Deferred tax assets and Deferred tax liabilities, as well as the fair value of derivatives classified in current Financial assets and current Financial liabilities).
- Net invested capital: this is equal to the total of Net fixed capital, Net working capital and Net assets (liabilities) held for sale and discontinued operations.
- Net financial position monitored by the Group includes:

  - Net current cash/(debt): cash and cash equivalents, current financial assets, current financial liabilities (excluding construction loans) and current portion of medium/long-term loans and credit facilities;
  - Net non-current cash/(debt): non-current financial receivables, non-current financial liabilities and debt instruments.

- ROI: Return on Investment is calculated as the ratio between EBIT for the period 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 and the arithmetic mean of Total Equity at the beginning and end of the reporting period.
- Total debt/Total equity: this is calculated as the ratio between Total debt and Total equity.
- Net financial position/EBITDA: this is calculated as the ratio between the Net financial position, as monitored by the Group, and EBITDA.
- Net financial position/Total equity: this is calculated as the ratio between the Net financial position, as monitored by the Group, and Total equity.
- Revenue and income excluding pass-through activities: these exclude the portion of revenues that relates to sales contracts with pass-through activities and which have a contra-entry in the cost item; pass-through activities are those contracts for which the Group invoices the entire contractual amount to the end customer but does not directly manage the construction contract.
- 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

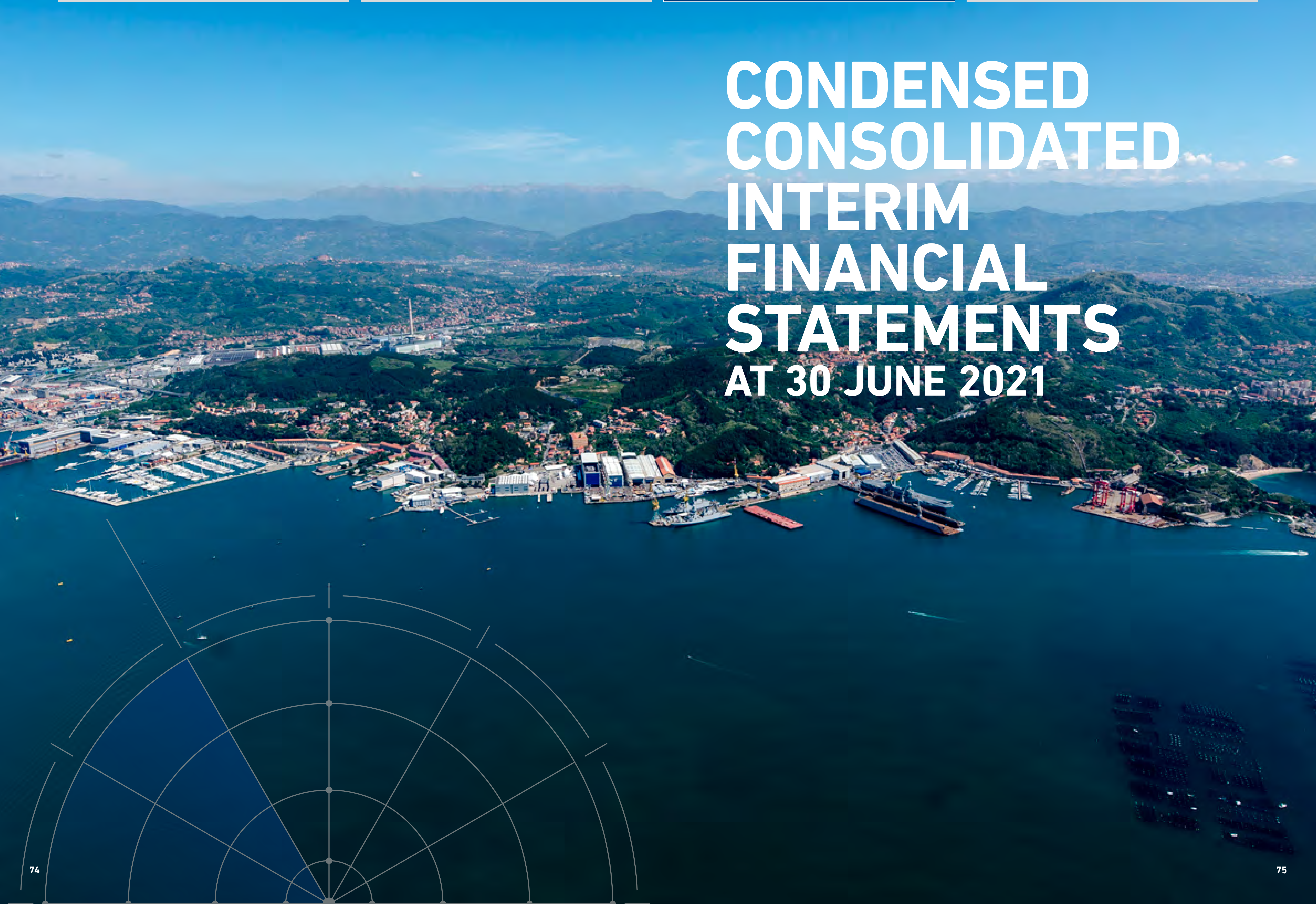
(euro/million)

	30.06.2021		30.06.2020	
	Amounts in IFRS statement	Amounts in reclassified statement	Amounts in IFRS statement	Amounts in reclassified statement
A – Revenue		**3,251**		**2,369**
Operating revenue	3,214		2,323	
Other revenue and income	37		46	
B - Materials, services and other costs		**(2,472)**		**(1,810)**
Materials, services and other costs	(2,493)		(1,863)	
Recl. to I - Extraordinary and non-recurring income and expenses	21		53	
C - Personnel costs		**(546)**		**(432)**
Personnel costs	(551)		(478)	
Recl. to I - Extraordinary and non-recurring income and expenses	5		46	
D - Provisions		**(14)**		**(8)**
Provisions	(41)		(28)	
Recl. to I - Extraordinary and non-recurring income and expenses	27		20	
E – Depreciation, amortization and impairment		**(96)**		**(65)**
Depreciation, amortization and impairment	(96)		(82)	
Recl. to I - Extraordinary and non-recurring income and expenses			17	
F – Finance income/(costs)		**(45)**		**(63)**
Finance income/(costs)	(45)		(66)	
Recl. to I - Extraordinary and non-recurring income and expenses			3	
G - Income/(expense) from investments		**-**		**(3)**
Income/(expense) from investments			(3)	
H - Income taxes		**(29)**		**(17)**
Income taxes	(18)		14	
Recl. to L - Tax effect of extraordinary and non-recurring income and expenses	(11)		(31)	
I - Extraordinary and non-recurring income and expenses		**(53)**		**(139)**
Recl. from B - Materials, services and other costs	(21)		(53)	
Recl. from C - Personnel costs	(5)		(46)	
Recl. from D - Provisions	(27)		(20)	
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		**11**		**31**
Recl. from H – Income taxes	11		31	
M - Profit/(loss) for the period from continuing operations		**7**		**(137)**
N - Net profit/(loss) from discontinued operations				
Net profit/(loss) from discontinued operations				
Profit/(loss) for the period		**7**		**(137)**

Consolidated statement of financial position

(euro/million)

	30.06.2021		31.12.2020	
	Amounts in IFRS statement	Amounts in reclassified statement	Amounts in IFRS statement	Amounts in reclassified statement
A - Intangible assets		**628**		**629**
Intangible assets	628		629	
B - Rights of use		**106**		**85**
Rights of use	106		85	
C - Property, plant and equipment		**1,390**		**1,301**
Property, plant and equipment	1,390		1,301	
D - Investments		**119**		**105**
Investments	119		105	
E - Other non-current assets and liabilities		**(25)**		**(25)**
Derivative assets	8		4	
Other non-current assets	27		27	
Other liabilities	(55)		(39)	
Derivative liabilities	(5)		(17)	
F - Employee benefits		**(60)**		**(60)**
Employee benefits	(60)		(60)	
G - Inventories and advances		**826**		**881**
Inventories and advances	826		881	
H - Construction contracts and client advances		**1,666**		**1,963**
Construction contracts - assets	3,047		3,124	
Construction contracts - liabilities and client advances	(1,381)		(1,161)	
I - Construction loans		**(1,278)**		**(1,325)**
Construction loans	(1,278)		(1,325)	
L - Trade receivables		**1,355**		**602**
Trade receivables and other current assets	1,713		982	
Recl. to O) Other assets	(358)		(380)	
M - Trade payables		**(2,262)**		**(2,361)**
Trade payables and other current liabilities	(2,578)		(2,627)	
Recl. to O) Other liabilities	316		266	
N - Provisions for risks and charges		**(80)**		**(73)**
Provisions for risks and charges	(80)		(73)	
O - Other current assets and liabilities		**36**		**111**
Deferred tax assets	87		78	
Income tax assets	10		12	
Derivative assets	6		10	
Recl. from L) Other current assets	358		380	
Deferred tax liabilities	(51)		(51)	
Income tax liabilities	(14)		(7)	
Derivative liabilities and option fair value	(44)		(45)	
Recl. from M) Other current liabilities	(316)		(266)	
P - Net assets (liabilities) held for sale and discontinued operations		**-**		**6**
NET INVESTED CAPITAL		**2,421**		**1,839**
Q - Equity		**804**		**777**
R - Net financial position		**1,617**		**1,062**
SOURCES OF FUNDING		**2,421**		**1,839**



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2021

Consolidated statement of financial position

(euro/thousand)

	Note	30.06.2021	of which related parties Note 30	31.12.2020	of which related parties Note 30
ASSETS					
NON-CURRENT ASSETS					
Intangible assets	5	628,012		629,043	
Rights of use	6	105,981		85,165	
Property, plant and equipment	7	1,389,834		1,301,024	
Investments accounted for using the equity method	8	91,785		78,590	
Other investments	8	27,027		26,179	
Financial assets	9	138,501	48,109	99,985	52,165
Other assets	10	26,625	653	26,941	628
Deferred tax assets	11	86,825		77,963	
Total non-current assets		2,494,590		2,324,890	
CURRENT ASSETS					
Inventories and advances	12	825,986	140,850	881,499	216,215
Construction contracts - assets	13	3,047,467		3,124,554	
Trade receivables and other current assets	14	1,712,992	134,844	983,390	148,042
Income tax assets	15	10,169		11,901	
Financial assets	16	71,335	3,261	85,391	1,418
Cash and cash equivalents	17	799,453		1,274,642	
Total current assets		6,467,402		6,361,377	
Assets classified as held for sale and discontinued operations	33	-		5,785	
TOTAL ASSETS		8,961,992		8,692,052	
EQUITY AND LIABILITIES					
EQUITY	18				
Equity attributable to owners of the parent					
Share capital		862,981		862,981	
Reserves and retained earnings		(76,378)		(101,513)	
Total Equity attributable to owners of the parent		786,603		761,468	
Attributable to non-controlling interests		17,187		15,100	
Total Equity		803,790		776,568	
NON-CURRENT LIABILITIES					
Provisions for risks and charges	19	64,531		58,288	
Employee benefits	20	59,621		59,675	
Financial liabilities	21	2,112,492	15,952	2,159,651	20,772
Other liabilities	22	46,176		30,251	
Deferred tax liabilities	11	50,804		50,527	
Total non-current liabilities		2,333,624		2,358,392	
CURRENT LIABILITIES					
Provisions for risks and charges	19	15,390		14,264	
Employee benefits	20	15		12	
Construction contracts - liabilities	13	1,381,522		1,161,160	
Trade payables and other current liabilities	23	2,577,805	146,284	2,628,981	309,956
Income tax liabilities		14,287		6,617	
Financial liabilities	24	1,835,559	211,478	1,746,058	111,339
Total current liabilities		5,824,578		5,557,092	
Liabilities directly associated with Assets classified as held for sale and discontinued operations	33	-		-	
TOTAL EQUITY AND LIABILITIES		8,961,992		8,692,052	

Consolidated statement of comprehensive income

(euro/thousand)

	Note	30.06.2021	of which related parties Note 30	30.06.2020	of which related parties Note 30
Operating revenue	25	3,213,805	496,609	2,323,021	75,269
Other revenue and income	25	37,185	5,583	46,394	7,961
Materials, services and other costs	26	(2,492,537)	(357,546)	(1,862,709)	(74,660)
Personnel costs	26	(551,846)		(478,102)	
Depreciation, amortization and impairment	26	(96,406)		(81,183)	
Provisions	26	(40,713)		(27,942)	
Finance income	27	41,474	394	26,636	379
Finance costs	27	(86,941)	(1,230)	(92,593)	(1,340)
Income/(expense) from investments	28	14,430		(89)	
Share of profit/(loss) of investments accounted for using the equity method	28	(14,364)		(2,477)	
PROFIT / (LOSS) FOR THE PERIOD BEFORE TAXES		24,087		(149,044)	
Income taxes	29	(16,870)		12,473	
NET PROFIT / (LOSS) FOR THE PERIOD (A)		7,217		(136,571)	
attributable to owners of the parent from continuing operations		5,737		(134,542)	
		5,737		(134,542)	
attributable to non-controlling interests from continuing operations		1,480		(2,029)	
		1,480		(2,029)	
Net basic earnings/(loss) per share (euro)	30	0.00338		(0.07950)	
Net diluted earnings/(loss) per share (euro)	30	0.00335		(0.07894)	
Other comprehensive income/(losses), net of tax (OCI)					
Gains/(losses) from remeasurement of employee defined benefit plans	18 20	1,257		(25)	
Total gains/(losses) that will not be reclassified to profit or loss, net of tax	18	1,257		(25)	
- attributable to non-controlling interests					
Effective portion of gains/(losses) on cash flow hedging instruments	18	3,194		(19,006)	
Gains/(losses) arising from changes in OCI of investments accounted for using the equity method	18				
Exchange gains/(losses) arising on translation of foreign subsidiaries' financial statements	18	12,544		(9,860)	
Total gains/(losses) that may be subsequently reclassified to profit or loss, net of tax	18	15,738		(28,866)	
- attributable to non-controlling interests		615		(329)	
Total other comprehensive income/(losses), net of tax (B)	18	16,995		(28,891)	
- attributable to non-controlling interests		615		(329)	
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD (A)+(B)		24,212		(165,462)	
Attributable to owners of the parent		22,118		(163,104)	
Attributable to non-controlling interests		2,094		(2,358)	

Consolidated statement of changes in equity

(euro/thousand)

	Note	Share capital	Reserves, retained earnings and profit/(loss)	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total
1.1.2020	18	862,981	155,517	1,018,498	31,351	1,049,849
Business combinations						
Share capital increase						
Share capital increase – non-controlling interests						
Acquisition of non-controlling interests			(19)	(19)		(19)
Dividend distribution						
Reserve for long-term incentive plan			2,345	2,345		2,345
Reserve for purchase of own shares						
Put option on non-controlling interests						
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)
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
1.1.2021	18	862,981	(101,513)	761,468	15,100	776,568
Business combinations						
Share capital increase						
Share capital increase – non-controlling interests						
Acquisition of non-controlling interests			(80)	(80)		(80)
Dividend distribution						
Reserve for long-term incentive plan			3,064	3,064		3,064
Reserve for purchase of own shares						
Put option agreed/exercised on non-controlling interests						
Other changes/roundings			36	36	(10)	26
Total transactions with owners			3,020	3,020	(10)	3,010
Net profit/(loss) for the period			5,737	5,737	1,480	7,217
OCI for the period			16,380	16,380	615	16,995
Total comprehensive income for the period			22,118	22,118	2,094	24,212
30.06.2021	18	862,981	(76,378)	786,603	17,187	803,790

Consolidated statement of cash flows

(euro/thousand)

	Note	30.06.2021	30.06.2020
GROSS CASH FLOWS FROM OPERATING ACTIVITIES	30	200,149	(433)
Changes to working capital			
- inventories		61,531	(51,974)
- construction contracts and client advances		294,901	345,271
- trade receivables		(711,415)	(410,843)
- other current assets and liabilities		44,409	85,069
- other non-current assets and liabilities		13,633	13,167
- trade payables		(171,000)	(274,384)
CASH FLOWS FROM WORKING CAPITAL		(267,792)	(294,127)
Dividends paid			
Interest income received		6,409	2,294
Interest expense paid		(36,514)	(30,780)
Income taxes (paid)/collected		(3,140)	(29,380)
Utilization of provisions for risks and charges and for employee benefits	19-20	(34,034)	(39,784)
NET CASH FLOWS FROM OPERATING ACTIVITIES			
- Continuing operations		(335,071)	(391,777)
NET CASH FLOWS FROM OPERATING ACTIVITIES			
- Discontinued operations			
NET CASH FLOWS FROM OPERATING ACTIVITIES		(335,071)	(391,777)
- of which related parties		(73,855)	(69,042)
Investments in:			
- intangible assets	5	(23,783)	(24,573)
- property, plant and equipment	7	(136,344)	(97,330)
- equity investments	8	(2,286)	(1,372)
- cash out for business combinations, net of cash acquired		3,587	(64)
Disposals of:			
- intangible assets	5	82	
- property, plant and equipment	7	724	107
- equity investments	8	103	
- change in other current financial receivables		16,637	6,433
Change in non-current financial receivables:			
- disbursements			
- repayments		688	
CASH FLOWS FROM INVESTING ACTIVITIES		(140,592)	(116,799)
Change in non-current loans:			
- disbursements		850	245,870
- repayments		(881)	(648)
Change in current bank loans and credit facilities			
- disbursements		934,341	2,344,796
- repayments		(983,438)	(1,638,133)
Change in current bonds/commercial papers			
- disbursements		316,100	616,000
- repayments		(263,600)	(535,000)
Repayment of financial liabilities for leasing		(10,436)	(10,021)
Change in other current financial liabilities		625	5,303
Change in receivables for trading financial instruments			
Change in payables for trading financial instruments			
Acquisition of non-controlling interests in subsidiaries		(81)	(37)
Net capital contributions by non-controlling interests			
Purchase of own shares			
CASH FLOWS FROM FINANCING ACTIVITIES		(6,520)	1,028,130
- of which related parties		94,384	(87,789)
NET CASH FLOWS FOR THE PERIOD		(482,183)	519,554
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		1,274,642	381,790
Effect of exchange rate changes on cash and cash equivalents		6,994	(4,625)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		799,453	896,719

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 2021, 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 0.27% 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"), 82.77% 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 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 2021 (the "Condensed Consolidated Interim Financial Statements") were approved by the Company's Board of Directors on 29 July 2021.
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.
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.

Basis of preparation

The Half-Year Financial Report of the Fincantieri Group as at 30 June 2021 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 2020, prepared in accordance with IFRS (the "Consolidated Financial Statements").

Financial risk management

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 risk of collecting receivables from its customers to have increased significantly, despite the difficulties that some of them have experienced recently 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 2021, the Net financial position monitored by the Group reports a net debt of euro 1,617 million (net debt of euro 1,062 million at 31 December 2020). This net financial position differs from ESMA's configuration, mainly because it does not include construction loans (of euro 1,278 million at 30 June 2021) as they are linked to the operation of shipbuilding contracts. The reconciliation between the two is shown in Note 30. The debt increase is in line with forecasts and is consistent with the trend in production volumes and with the delivery schedule that envisages six cruise vessels in the remaining part of the year (three in July alone with receipts of around euro 1.5 billion). It should also be noted that the Net financial position was impacted by the strategy adopted by the Group of granting payment extensions to clients in order to safeguard the considerable order backlog acquired and to strengthen relations with ship-owner companies. Payment of these amounts granted extensions is expected by the end of 2022. Moreover, 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.
As regards market risks, it should be noted that the Group's production costs are affected by movements in the price of the principal raw materials used, such as steel, copper and fuel. The Parent Company monitors these risks and mitigates them using appropriate contractual arrangements and/or hedges where possible and deemed appropriate.
For further information on the risks described above and methods for managing them, reference should be made to the Consolidated Financial Statements at 31 December 2020.
The following table shows the financial assets and liabilities that are measured at fair value at 30 June 2021 and 31 December 2020 according to their level in the fair value hierarchy:

(euro/thousands)

	30.06.2021			31.12.2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Financial assets at fair value through profit and loss						
Equity instruments	95		4,324	95		3,662
Debt instruments			11,000			11,000
Financial assets at fair value through comprehensive income						
Equity instruments			22,609			22,422
Debt instruments						
Hedging derivatives		14,288			12,977	
Trading derivatives						
Total assets	**95**	**14,288**	**37,933**	**95**	**12,977**	**37,084**
Liabilities						
Financial liabilities at fair value through profit and loss			30,818			30,213
Hedging derivatives		38,481			55,546	
Trading derivatives						
Total liabilities		**38,481**	**30,818**		**55,546**	**30,213**

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

There have no changes in the way that the financial statements are presented with respect to the Consolidated Financial Statements as at 31 December 2020. For the statement of financial position, the Group uses a "non-current/current" distinction, for the statement of comprehensive income it uses a classification that is based on the nature of expenses, and for the statement of cash flows the indirect method is used. 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 accounting standards 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 2021 the following companies included in the scope of consolidation were incorporated:

- On 12 January 2021, the Parent Company incorporated the company Fincantieri Infrastructure USA, Inc., in which it holds 100% of the Share Capital. The company, based in Miami, Florida, is as yet inactive at 30 June 2021 and will focus on maritime and land infrastructure and construction works.
- On 31 March 2021, Fincantieri SI took part in the incorporation of a joint venture, FINMESA S.c.a.r.l., in which it holds a 50% stake. The company, based in Milan, will mainly focus on the design and realization of power generation plants from photovoltaic renewable sources.
- On 27 April 2021, the Parent Company incorporated the company Fincantieri Services Doha LLC, in which it holds 100% of the Share Capital. The company, based in Qatar, is inactive at 30 June 2021 and will focus on maintenance of waterborne transport vessels.
- On 1 June 2021, the Parent Company - through its subsidiary Fincantieri Infrastructure - finalized the acquisition of the business unit of INSO – SOF. More details on the operation can be found in Note 34.
- On 30 June 2021, Fincantieri SI S.p.A. took part in the incorporation of a joint venture, Power4Future S.p.A., in which it holds a 52% stake. The company, based in Calderara di Reno (Bologna), will focus mainly on the design, production and installation of electricity storage products.

The following transactions aimed at reorganizing the Group's shareholding structure should also be noted:

- On 2 February 2021, the 15% stake held by SEAF S.p.A. in the subsidiary CETENA was sold to Fincantieri NexTech S.p.A. The transaction had no impact on the Condensed Consolidated Interim Financial Statements.
- On 4 February 2021, the entire shareholdings held by Fincantieri S.p.A. in the subsidiaries Issel Nord S.r.l. (100%), SEASTEMA S.p.A. (100%), E-PHORS S.p.A. (100%) and CETENA S.p.A. (71.10%) were transferred to Fincantieri NexTech S.p.A. On the same day, the subsidiary Fincantieri NexTech S.p.A., with the Extraordinary Shareholders' Meeting, cancelled its own shares and then increased its share capital from euro 10,791,563 to 12,000,000. The capital increase was paid for through the contribution of the shareholdings. The Parent Company's shareholding in the subsidiary Fincantieri NexTech S.p.A. therefore increased from 92.50% to 100%. The transaction had no impact on the Condensed Consolidated Interim Financial Statements.
- On 12 March 2021, SEAF S.p.A. sold its entire 100% shareholding in Marine Interiors S.p.A. to Fincantieri S.p.A. The transaction had no impact on the Condensed Consolidated Interim Financial Statements.

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

- On 23 February 2021, the company Vard Group AS sold all the shares held in the subsidiary Olympic Challenger KS. This resulted in the company no longer being included within the consolidation.
- On 28 May 2021, Vard Group AS subscribed to a capital increase of 46.90% of the company shares, in the company Island Offshore XII PSV AS (now Island Discoverer AS) with the contribution of a ship previously recorded under Assets under construction. The company is based in Ulsteinvik, Norway, and is the owner of the ship Island Discoverer. As part of the same transaction, Vard Group AS increased its stake in the subsidiary Island Offshore XII Ship AS from 35.66% to 46.90%.

No significant transactions or unusual events have taken place during the first half of 2021, except as reported in these Condensed Consolidated Interim Financial Statements as at and for the six months ended 30 June 2021. 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:

	30.06.2021		31.12.2020		30.06.2020	
	Average rate	Closing rate	Average rate	Closing rate	Average rate	Closing rate
US Dollar (USD)	1.2053	1.1884	1.1422	1.2271	1.1020	1.1198
Australian Dollar (AUD)	1.5626	1.5853	1.6549	1.5896	1.6775	1.6344
UAE Dirham (AED)	4.4266	4.3644	4.1947	4.5065	4.0473	4.1125
Canadian Dollar (CAD)	1.5030	1.4722	1.5300	1.5633	1.5033	1.5324
Brazilian Real (BRL)	6.4902	5.9050	5.8943	6.3735	5.4104	6.1118
Norwegian Krone (NOK)	10.1759	10.1717	10.7228	10.4703	10.7324	10.9120
Indian Rupee (INR)	88.4126	88.3240	84.6392	89.6605	81.7046	84.6235
New Romanian Leu (RON)	4.9016	4.9280	4.8383	4.8683	4.8173	4.8397
Chinese Yuan (CNY)	7.7960	7.6742	7.8747	8.0225	7.7509	7.9219
Swedish Krona (SEK)	10.1308	10.1110	10.4848	10.0343	10.6599	10.4948

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 2021 are the same as those adopted in preparing the Consolidated Financial Statements at 31 December 2020, to which reference is made, except for those listed under the accounting standards, amendments and interpretations applicable with effect from 1 January 2021, 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 2021

On 28 May 2020, the IASB published an amendment called "Covid-19 Related Rent Concessions (Amendment to IFRS 16)". The Amendment allows lessees to account for rent reductions related to Covid-19 without having to assess, through contract analysis, whether those reductions meet the definition of lease modification in IFRS 16. Therefore, lessees who apply this option can account for the effects of the rent reductions directly in profit or loss on the effective date of the reduction.
On 28 May 2020, the IASB published an amendment called "Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)". The amendment extends the temporary exemption from applying IFRS 9 until 1 January 2023. The amendments entered into force on 1 January 2021.
On 27 August 2020, the IASB published amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2, which supplement the requirements already issued in 2019 on the replacement of the benchmark interest rate as a result of the reform introduced previously. The amendments entered into force on 1 January 2021.
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 14 May 2020, the IASB published the following amendments:

- Amendments to IFRS 3 Business Combinations. The amendments are intended to update the reference in IFRS 3 to the Conceptual Framework in its revised version, without resulting in any changes to the requirements of IFRS 3;
- Amendments to IAS 16 Property, Plant and Equipment. The purpose of the amendments is not to allow the amount received from the sale of goods produced in the test phase of the asset to be deducted from the cost of property, plant and equipment. These sales revenues and related costs will therefore be recognized in the income statement;
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The amendment clarifies that all costs directly attributable to the contract must be taken into account when estimating whether a contract is onerous;
- Annual Improvements 2018-2020: amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and to the Illustrative Examples of IFRS 16 Leases.

All the amendments will enter into force on 1 January 2022 but early adoption is permitted; however, the Group has not taken up this option. To date, no significant impact is expected from the application of these amendments.

Accounting standards, amendments and ifrs interpretations not yet approved by the european union

At the date of this document, the relevant bodies of the European Union have not yet concluded the ratification process necessary for the adoption of the amendments and standards described below.
On 31 March 2021, the IASB published an amendment to IFRS 16 – Leases "COVID19-related rent concessions" which extends for one year the amendment published on 28 May 2020 giving 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 2022, 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 April 2021.
On 23 January 2020, the IASB published an amendment called "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The document aims to clarify how to classify debts and other short-term or long-term liabilities. The amendments will enter into force on 1 January 2023.
On 7 May 2021, the IASB published the Amendments to IAS 12 Income Taxes: "Deferred Tax related to Assets and Liabilities arising from a Single Transaction." The aim of the document is to clarify the accounting for deferred tax on certain transactions such as leases and decommissioning obligations. The amendments will enter into force on 1 January 2023.
On 12 February 2021, the IASB published the Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: "Disclosure of Accounting policies". The aim of the document is to help companies decide which accounting policies to use in financial statements. The amendments will enter into force on 1 January 2023.
On 12 February 2021, the IASB published the "Definition of Accounting Estimates (Amendments to IAS 8)." The definition of change in accounting estimates is replaced by a definition of accounting estimate. According to the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty" and a change in accounting estimate is made as a result of new information or new developments and not to correct an error. The amendments will enter into force on 1 January 2023.
On 18 May 2017, the IASB published the standard IFRS 17 – Insurance Contracts (and subsequently, on 28 June 2020, the Amendments to IFRS 17) which will replace IFRS 4 – Insurance Contracts. The standard will apply from 1 January 2023.
Any impact of these new standards, amendments and interpretations is not material to the Group's consolidated financial statements.

Nota 4 - Critical accounting estimates and assumptions

A full description of the use of accounting estimates can be found in the Consolidated Financial Statements at 31 December 2020 (Note 3, section 19 - Subjective accounting estimates and judgements).

Impacts of COVID-19

The impacts of COVID-19 on the Group's activities in the first half of 2021 are mainly attributable to reduced efficiency resulting from the implementation of the preventive measures adopted, the costs for sanitary aids and expenses to ensure employee health and safety. It should be remembered that the first half of 2020 saw the suspension of production activities at Italian shipyards and plants from 16 March to 20 April 2020 due to the spread of COVID-19 which was followed by the effects of the gradual recovery of Italian production activities. 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 and the failure to absorb the fixed production costs during the same period. In the cruise sector, the Group continued to dialogue with shipowners, confirming the payment extensions for some of the instalments relating to ships under construction. It should be noted that the deliveries scheduled for the first half of 2021 have been met, in line with the commitments made with the shipowners.
The cruise business has been severely affected by the spread of the pandemic, however, based on the schedules released by the cruise operators on 13 July, a significant revival of activities is now expected: 141 ships will be in service by the end of July and 50 cruise operators will have restarted operations across the globe at that date[9]. The return of cruises, together with the growth in bookings and the confidence placed in the major shipowners by the financial market, demonstrate yet again the sector's resilience. Most cruise lines have seen an increase in bookings, a trend that is not just back in line with historical trends, but for some operators is actually higher. As regards support to cruise operators, mention should also be made of the debt holiday granted by export credit agencies on export financing granted to shipowners, provided they confirm existing orders. This measure was originally due to expire on 31 March 2021 but has been extended for another 12 months and envisages the suspension of repayment of the capital instalments and the consequent reshaping of the repayment plan over the subsequent four years.
It should be noted that the Group's financial capacity at 30 June 2021 makes it possible for the Group to support the financial requirements expected over the next 12 months. More information on this aspect can be found in Note 1.
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 order to draft these Interim Financial Statements.
In this respect, at Fincantieri Group level, the Company's stock market capitalization at 30 June 2021 is still higher than consolidated equity at that date. Furthermore, the Group's substantial order book, which amounts to euro 37 billion at 30 June 2021, is fully confirmed and ensures visibility until 2029.
With reference to the main CGUs allocated goodwill, there have been no significant impairment indicators, therefore, a new test was not considered necessary since the valuations made at 31 December 2020 were substantially confirmed. More information can be found in Note 5.
In view of the completion of the current vaccination campaign, the safety protocols implemented in all shipyards and plants and provided there are no developments relating to the spread of the COVID-19 virus with currently unforeseeable repercussions, the Group expects to return to pre-COVID-19 growth levels in 2021 thanks to the development of the substantial backlog acquired, confirming the growth paths outlined by the Group before the pandemic and a consequent improvement in margins, as illustrated in detail in the Report on Operations.

[9] Cruise Industry News – Special Report "Cruise Ships in Service – July 2021

Note 5 - Intangible assets

Movements in this line item are as follows:

(euro/thousands)

	Goodwill	Client Relationships and Order Backlog	Development costs	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Contractual costs	Other intangibles	Intangibles in progress and advances	Total
- cost	246,302	197,635	193,396	162,900	26,829	86,834	21,169	102,777	1,037,842
- accumulated amortization and impairment losses	(459)	(95,472)	(128,034)	(124,260)	(8,479)	(34,979)	(17,116)		(408,799)
Net carrying amount at 1.1.2021	**245,843**	**102,163**	**65,362**	**38,640**	**18,350**	**51,855**	**4,053**	**102,777**	**629,043**
Movements in 2021									
- business combinations				364	5,015	1,182	99	32	6,692
- additions			144	2,045	193		162	21,238	23,782
- net disposals			(1)		(5)			(76)	(82)
- reclassifications/ other			8,058	5,217	4		(82)	(19,276)	(6,079)
- amortization		(5,239)	(13,370)	(7,921)	(671)	(8,310)	(522)		(36,033)
- impairment losses			(12)						(12)
- exchange rate differences	7,280	2,514	75	21	584		57	170	10,701
Closing net carrying amount	**253,123**	**99,438**	**60,256**	**38,366**	**23,470**	**44,727**	**3,767**	**104,865**	**628,012**
- cost	253,594	202,863	201,845	173,055	35,503	88,882	19,754	104,865	1,080,361
- accumulated amortization and impairment losses	(471)	(103,425)	(141,589)	(134,689)	(12,033)	(44,155)	(15,987)		(452,349)
Net carrying amount at 30.06.2021	**253,123**	**99,438**	**60,256**	**38,366**	**23,470**	**44,727**	**3,767**	**104,865**	**628,012**

"Concessions, licenses, trademarks and similar rights" include euro 15,567 thousand for trademarks with indefinite useful lives, reflecting the expectation for their use.
Capital expenditure in the first half of 2021, amounting to euro 23,782 thousand (euro 24,638 thousand at 30 June 2020), mainly related to:

- 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 introduction of these systems in the Group's main subsidiaries;
- ongoing work to implement an integrated system for ship design (CAD) and project lifecycle management (PLM), aimed at improving the efficiency and effectiveness of the engineering process;
- the introduction of digitalization aimed at (i) strengthening the introduction of Industry 4.0 principles into shipbuilding (e.g. artificial intelligence, automation, IoT, virtual reality) and (ii) use Robotic Process Automation tools and advanced analysis/reporting systems.

The exchange rate differences chiefly reflect movements in the period by the Norwegian krone and US dollar against the Euro.
Information on movements resulting from business combinations can be found in Note 34.
Goodwill amounts to euro 253,123 thousand at 30 June 2021 and is detailed below by CGU:

(euro/thousands)

CGU	
FMG Group	**66,959**
VARD Offshore and Specialized Vessels	**58,301**
VARD Cruise	**122,908**
NexTech Group	**4,955**

No impairment indicators have been identified in the first half of the year. In addition to confirming the backlog and obtaining new contracts, the CGUs to which goodwill is allocated have achieved results during the period in line with the forecasts used for the impairment tests conducted at 31 December 2020. Therefore, as regards recoverability of the amount recognized, the considerations contained in the consolidated financial statements at 31 December 2020 concerning intangible assets with indefinite useful lives, including goodwill, are confirmed and reference should be made to them.

Notes 6 – Rights of use

Movements in this line item are as follows:

(euro/thousands)

	Buildings ROU	State concessions ROU	Transport and lifting vehicles ROU	Passenger cars ROU	Computer equipment ROU	Other ROU	Total
- cost	74,114	26,444	3,963	4,969	991	356	110,837
- accumulated amortization and impairment losses	(18,161)	(2,229)	(1,843)	(2,723)	(515)	(201)	(25,672)
Net carrying amount at 1.1.2021	**55,953**	**24,215**	**2,120**	**2,246**	**476**	**155**	**85,165**
Movements in 2021							
- business combinations	4,139	58		158	22		4,377
- increases	23,092	2,177	726	173	46	897	27,111
- decreases	(652)	(1,891)		(20)	(12)		(2,575)
- reclassifications/other	1	2		2	2	1	8
- amortization	(6,280)	(698)	(866)	(792)	(154)	(161)	(8,951)
- impairment losses							
- exchange rate differences	742	60	11	7	16	10	846
Closing net carrying amount	**76,995**	**23,923**	**1,991**	**1,774**	**396**	**902**	**105,981**
- cost	100,293	26,734	4,657	4,904	1,050	1,266	138,904
- accumulated amortization and impairment losses	(23,298)	(2,811)	(2,666)	(3,130)	(654)	(364)	(32,923)
Net carrying amount at 30.06.2021	**76,995**	**23,923**	**1,991**	**1,774**	**396**	**902**	**105,981**

Increases in the first half of 2021 amounted to euro 27,111 thousand (euro 1,259 thousand in the first half of 2020) and mainly related to Fincantieri Marine Group, the Infrastructure hub and MI S.p.A. entering into new contracts, while the decreases related to the early termination of contracts.
Information on movements resulting from business combinations can be found in Note 34.
For the value of non-current and current financial liabilities deriving from the application of 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/thousands)

	Land and buildings	Industrial plant, machinery and equipment	Assets under concession	Leasehold improvements	Other assets	Assets under construction and supplier advances	Total
- cost	697,511	1,382,643	211,469	31,435	241,800	316,185	2,881,043
- accumulated amortization and impairment losses	(273,015)	(990,769)	(145,549)	(25,927)	(144,759)		(1,580,019)
Net carrying amount at 1.1.2021	**424,496**	**391,874**	**65,920**	**5,508**	**97,041**	**316,185**	**1,301,024**
Movements in 2021							
- business combinations	1,182	1,240	827	24	46		3,319
- additions	893	6,983	16	231	1,098	127,123	136,344
- net disposals	(7)	(171)	(527)	(43)	(17)	(20,981)	(21,746)
- reclassifications/other	25,687	34,388	2,361	479	6,440	(56,454)	12,901
- amortization	(9,006)	(32,463)	(3,086)	(429)	(6,394)		(51,378)
- impairment losses	(25)						(25)
- finance costs							
- exchange rate differences	5,036	2,199			207	1,953	9,395
Closing net carrying amount	**448,256**	**404,050**	**65,511**	**5,770**	**98,421**	**367,826**	**1,389,834**
- cost	737,217	1,434,510	214,580	28,202	250,062	367,826	3,032,397
- accumulated amortization and impairment losses	(288,961)	(1,030,460)	(149,069)	(22,432)	(151,641)		(1,642,563)
Net carrying amount at 30.06.2021	**448,256**	**404,050**	**65,511**	**5,770**	**98,421**	**367,826**	**1,389,834**

Capital expenditure in the first half of 2021 has resulted in additions of euro 136,344 thousand, mainly related to:

- continuation of activities to improve operating areas and infrastructure in the Monfalcone and Marghera shipyards to enable a more efficient development of the considerable backlog acquired. The investment plan for Marghera is being finalized and it is expected to be closed by the end of the year;
- the launch of an important investment program in the US sites of Marinette Marine and Bay Shipbuilding shared with the US Navy, to increase their efficiency in order to develop the order backlog resulting from the recently acquired FFG(X) program;
- 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 production capacity and raise the efficiency of production processes at the Romanian shipyards of Vard Tulcea and Vard Braila 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;
- continuation of the upgrading of the operating areas and infrastructure of the Fincantieri Infrastructure plant in Valeggio sul Mincio following the award of major contracts for steel structures and for the development of activities to support the core business of Fincantieri S.p.A.;
- implementation of measures to make the production process of Marine Interiors more efficient, particularly with regard to the production of cabins and wet units;
- upgrading and improvement of the safety and energy saving standards of machinery, equipment and buildings.

Net disposals of Intangibles in progress and advances mainly refer to the contribution of a ship in the subsidiary Island Discoverer AS, as part of the transaction described in Note 2. The other changes and reclassifications include euro 5,952 for reclassification of the assets previously classified as held for sale, as better described Note 33.
The exchange rate differences mainly reflect movements in the period by the US dollar and the Norwegian krone against the Euro. Information on movements resulting from business combinations can be found in Note 34.

Note 8 – Investments accounted for using the equity method and other investments

These are analyzed as follows:

(euro/thousands)

	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
1.1.2021	55,680	22,910	78,590	22,422	3,757	26,179	104,769
Business combinations	1,646	152	1,798	1,023		1,023	2,821
Investments	21,002	3,675	24,677	6		6	24,683
Revaluations/ (Impairment losses) through profit or loss	(11,533)	(2,831)	(14,364)		657	657	(13,707)
Revaluations/ (Impairment losses) through equity							
Disposals	(98)		(98)				(98)
Dividends from investments accounted for using the equity method							
Reclassifications/Other				(842)		(842)	(842)
Exchange rate differences	1,182		1,182		4	4	1,186
30.06.2021	67,879	23,906	91,785	22,609	4,418	27,027	118,812

Investments made during the first half of 2021 totalled euro 24,683 thousand. For associates these concerned: i) the contribution, on 28 May 2021, of a vessel previously recorded under Assets under construction in the associate Island Discoverer AS by Vard Group AS for euro 20,557 thousand; ii) the capital contribution in Møkster Supply KS, carried out by a debt waiver, for euro 455 thousand; iii) the capitalization by means of debt waiver of the joint venture Naviris S.p.A. for euro 2,001 thousand. For joint ventures these concerned the incorporation, on 30 June 2021, of the joint venture Power4Future S.p.A. by Fincantieri SI S.p.A. for euro 1,674 thousand.

Revaluations/(Impairment losses) through profit or loss (negative euro 13,707 thousand) refers: i) to the share of comprehensive income of companies accounted for using the equity method (namely associates and joint ventures) for euro 14,364; ii) to the fair value measurement recognized through profit or loss for euro 657 thousand.

Disposals refer to the sale of the associate Olympic Challenger KS by Vard Group AS for euro 98 thousand. This resulted in the company no longer being included within the consolidation.

The item Reclassifications/Other refers to the suspension of the value adjustment of the shares and of the Participating Financial Instruments ("SFP") received from the ongoing insolvency procedure regarding the client Astaldi.

Information on movements resulting from business combinations can be found in Note 34.

The Other investments column includes 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/thousands)

	30.06.2021	31.12.2020
Receivables for loans to joint ventures	22,000	22,000
Derivative assets	7,968	3,703
Other non-current financial receivables	82,424	47,901
Non-current financial receivables from associates	26,109	26,381
NON-CURRENT FINANCIAL ASSETS	**138,501**	**99,985**

"Receivables for loans to joint ventures" relates to the shareholder loan made to the joint venture CSSC – Fincantieri Cruise Industry Development Ltd., due on 30 September 2023 and bearing a market rate of interest.

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

"Other non-current financial receivables" refer to loans to third parties and other investee companies bearing market rates of interest. The change in the item is due to new loans granted during the six-month period for euro 46 million net of impairments for approximately euro 13 million.

"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/thousands)

	30.06.2021	31.12.2020
Other receivables from investee companies	653	628
Government grants receivable	10,911	10,567
Firm commitments	1,907	4,520
Other receivables	13,154	11,226
OTHER NON-CURRENT ASSETS	**26,625**	**26,941**

Other non-current assets are all stated net of the related provision for impairment.
"Firm commitments" of euro 1,907 thousand (euro 4,520 thousand at 31 December 2020) 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 hedge used by the VARD group. For considerations regarding exchange rate risk, reference is made to the section "Basis of Preparation".
"Other receivables" of euro 13,154 thousand (euro 11,226 thousand at 31 December 2020) include the receivable from the Iraqi Ministry of Defence (euro 4,693 thousand). Please refer to the specific section on litigation given in Note 30 for a more detailed explanation. The remaining balance of euro 8,461 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/thousands)

	Provision for impairment of other receivables
1.1.2021	8,188
Business combinations	615
Utilizations	
Increases/(Releases)	
30.06.2021	8,803

Note 11 - Deferred tax assets and liabilities

Movements in deferred tax assets are analyzed as follows:

(euro/thousands)

	Total
1.1.2021	77,963
Changes in 2021	
- business combinations	705
- through profit or loss	8,131
- impairment losses	
- through other comprehensive income	(814)
- tax rate and other changes	
- exchange rate differences	840
30.06.2021	86,825

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 133 million (euro 124 million at 31 December 2020) 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/thousands)

	Total
1.1.2021	50,527
Changes in 2021	
- business combinations	90
- through profit or loss	(1,211)
- impairment losses	
- through other comprehensive income	
- tax rate and other changes	2
- exchange rate differences	1,396
30.06.2021	50,804

Note 12 - Inventories and advances

These are analyzed as follows:

(euro/thousands)

	30.06.2021	31.12.2020
Raw materials and consumables	317,381	322,635
Work in progress and semi-finished goods	29,732	29,092
Finished products	27,782	30,730
Total inventories	**374,895**	**382,457**
Advances to suppliers	451,091	499,042
Total inventories and advances	**825,986**	**881,499**

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 two of the subsidiary VARD's naval vessels, recorded among inventories for euro 30.3 million following the cancellation of orders by ship-owners 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/thousands)

	Provision for impairment - raw materials	Provision for impairment - work in progress and semi-finished goods	Provision for impairment - finished products
1.1.2021	13,933	4,104	11,356
Increases	821		
Utilizations	(491)		
Releases	(1,152)		
Exchange rate differences	10	134	326
30.06.2021	13,121	4,238	11,682

Note 13 - Construction contracts - assets and liabilities

"Construction contracts - assets" are analyzed as follows:

(euro/thousands)

	30.06.2021			31.12.2020		
	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	8,163,645	(5,158,384)	3,005,261	8,875,235	(5,775,191)	3,100,044
Other contracts for third parties	357,098	(314,892)	42,206	289,581	(265,071)	24,510
Total	**8,520,743**	**(5,473,276)**	**3,047,467**	**9,164,816**	**(6,040,262)**	**3,124,554**

"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.
It should be noted some payment extensions were granted to ship-owners for euro 423 million during 2021. Payment of these amounts is expected, based on the extensions agreed with ship-owners, during the second half of 2021 and the first half of 2022.
With reference to the performance obligations still to be met, please refer to the information provided in the Report on Operations on the backlog.
"Construction contracts – liabilities" are analyzed as follows:

(euro/thousands)

	30.06.2021			31.12.2020		
	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	6,861,982	8,087,899	1,225,917	4,696,991	5,830,213	1,133,222
Other contracts for third parties		8,084	8,084			
Advances from Customers		147,521	147,521		27,938	27,938
Total	**6,861,982**	**8,243,504**	**1,381,522**	**4,696,991**	**5,858,151**	**1,161,160**

"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.
During 2021, construction contracts - liabilities at 31 December 2020 developed a volume of production and therefore of operating revenue of euro 506 million.
"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/thousands)

	30.06.2021	31.12.2020
Trade receivables	1,355,406	600,823
Receivables from controlling companies (tax consolidation)	22,428	35,773
Receivables from related parties	339	741
Government grants receivable	3,120	3,116
Other receivables	224,094	211,407
Indirect tax receivables	53,516	57,962
Firm commitments	1,672	10,489
Accrued income	52,237	62,806
Prepayments	180	273
Total trade receivables and other current assets	**1,712,992**	**983,390**

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. It should be noted that Fincantieri is owed amounts by Astaldi which has an arrangement with creditors in progress. The recoverable amount of this credit has been calculated at around euro 18 million, including on the basis of reimbursements received and expected from the Fondo Salva Opere. This claim is disputed and Fincantieri has undertaken legal action to protect it. Based on the opinion of the legal counsel engaged, the Company is confident that its claims will be accepted and on this basis it believes that the value recorded in the accounts is recoverable.
A provision for interest charged on past due trade receivables has been recognized in a "Provision for past due interest".
For considerations regarding credit risk, reference is made to the section "Basis of Preparation".
The amount of and movements in the overall provisions for impairment of current receivables are as follows:

(euro/thousands)

	Provision for impairment of trade receivables	Provision for past due interest	Provision for impairment of other receivables	Total
1.1.2021	**34,045**	**63**	**10,339**	**44,447**
Business combinations	3,545	77	523	4,145
Utilizations	(365)		(102)	(467)
Increases	2,613		1,269	3,882
Releases	(112)			(112)
Exchange rate differences	47		3	50
30.06.2021	**39,773**	**140**	**12,032**	**51,945**

The increase of euro 754,583 thousand in "Trade receivables" is mainly due to recording of the last instalment for two cruise ships, the delivery of which - and consequent collection of receipts - took place in July.
The balance of euro 224,094 thousand in "Other receivables" mainly refers to receivables for ship-owners 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/thousands)

	30.06.2021	31.12.2020
Italian corporate income taxation (IRES)	2,245	1,749
Italian regional tax on productive activities (IRAP)	972	4,309
Foreign tax	6,952	5,843
TOTAL INCOME TAX ASSETS	**10,169**	**11,901**

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

(euro/thousands)

	Provision for impairment of income tax assets
Balance at 1.1.2021	**185**
Increases	
Releases	
Utilizations	
Total at 30.06.2021	**185**

Note 16 – Current financial assets

These are analyzed as follows:

(euro/thousands)

	30.06.2021	31.12.2020
Derivative assets	6,320	9,274
Other receivables	55,773	69,125
Current financial receivables from associates	405	394
Government grants financed by BIIS		131
Accrued interest income	8,254	6,413
Prepaid interest and other financial expense	583	54
Total current financial assets	71,335	85,391

"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 some shipowners bearing market rates of interest. The decrease is due to the repayment of the portion of loans that fell due during the six-month period.
"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. These grants were received in full at the start of 2021.

Note 17 - Cash and cash equivalents

These are analyzed as follows:

(euro/thousands)

	30.06.2021	31.12.2020
Bank and postal deposits	799,294	1,274,487
Checks		
Cash on hand	159	155
Total cash and cash equivalents	799,453	1,274,642

Cash and cash equivalents at period end include euro 5,188 thousand in term bank deposits, for which there is a contractual provision for prompt disposal; the remainder refers to the balances on current accounts held with a number of major national and international banks. The change in cash and cash equivalents compared to 31.12.2020 is mainly attributable to the use of cash to fund normal operating activities.

Note 18 - Equity

Equity attributable to owners of the parent

The composition of equity is analyzed in the following table:

(euro/thousands)

	30.06.2021	31.12.2020
Attributable to owners of the parent		
Share Capital	862,981	862,981
Reserve of own shares	(4,473)	(4,473)
Share premium reserve	110,499	110,499
Legal reserve	58,805	58,757
Cash flow hedge reserve	(6,618)	(9,812)
Financial asset fair value reserve through Other Comprehensive Income	(398)	(398)
Currency translation reserve	(143,113)	(155,043)
Other reserves and retained earnings	(96,817)	138,774
Profit/(loss) for the period	5,737	(240,057)
	786,603	761,468
Attributable to non-controlling interests		
Capital and reserves	8,927	13,393
Financial asset fair value reserve through Other Comprehensive Income	(7)	(7)
Currency translation reserve	6,788	6,177
Profit/(loss) for the period	1,480	(4,463)
	17,187	15,100
Total equity	803,790	776,568

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 4,540,441 own shares in portfolio), with no par value.
On 10 June 2021, the Board of Directors approved the closure of the third cycle of the "Performance Share Plan 2016-2018" incentive plan, allocating 2,787,276 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 were allocated using solely the own shares in portfolio. The delivery of the shares took place on 2 July 2021.
As at 30 June 2021, 71.32% of the Company's share capital of 862,980,725.70 euros is held, through the subsidiary CDP Industria S.p.A., by Cassa Depositi e Prestiti (CDP) S.p.A., a company controlled by the Ministry of Economy and Finance. 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 0.27% of shares representing the share capital).

Reserve of own shares

The reserve is negative for euro 4,473 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 30).
The Shareholders' Meeting held on 8 April 2021, revoking previous resolutions, authorized the Board of Directors to purchase, on one or more occasions, for a period of eighteen months from the date of the Meeting, ordinary shares of FINCANTIERI S.p.A. for the following purposes: (i) to service the share-based incentive plans approved by the Company or by its subsidiaries; (ii) to meet the obligations arising from debt instruments convertible into equity instruments; (iii) to carry out activities to support market liquidity; (iv) to set up a stock of shares to sell, dispose of and/or utilize as own shares, in line with the strategies that the Company intends to pursue, in the context of extraordinary transactions; and (v) to operate on the market in the medium and long term, also with the purpose of establishing long-term equity investments or as part of transactions related to current operations, or to reduce the average cost of the Company's capital or to seize opportunities that may arise from market trends to maximize the value of the share. No purchases were made in the first half of 2021.
As reported in the commentary on the Share Capital, following the Board of Directors' resolution of 10 June 2021 to allocate shares under the third cycle of the "Performance Share Plan 2016-2018", 2,787,276 own shares in portfolio were allocated. The delivery of the shares took place on 2 July 2021.
The number of shares issued is reconciled to the number of outstanding shares in the Parent Company at 30 June 2021.

	N° shares
Ordinary shares issued	1,699,651,360
less: own shares purchased	(4,540,441)
Ordinary shares outstanding at 31.12.2020	**1,695,110,919**
Changes in 2021	
plus: Ordinary shares issued	
plus: own shares allocated	
less: own shares purchased	
Ordinary shares outstanding at 30.06.2021	**1,695,110,919**
Ordinary shares issued	**1,699,651,360**
less: own shares purchased	**(4,540,441)**

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; movements in the cash flow hedge reserve are shown below.

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 8 April 2021 resolved to allocate the net profit for the year 2020 of euro 963 thousand, of which euro 48 thousand to the legal reserve and euro 915 thousand to the extraordinary reserve.
The Reserve to cover the issue of shares amounts to euro 3,842 thousand and 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. For further information, refer to Note 30 – Other information, in the section "Medium/long-term incentive plan".

Non-controlling interests

The change with respect to 31 December 2020 is 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/thousands)

	30.06.2021			30.06.2020		
	Gross amount	Tax (expense)/ benefit	Net amount	Gross amount	Tax (expense)/ benefit	Net amount
Effective portion of profits/(losses) on cash flow hedging instruments	3,610	(416)	3,194	(25,363)	6,357	(19,006)
Gains/(losses) from remeasurement of employee defined benefit plans	1,655	(398)	1,257	(33)	8	(25)
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	12,544		12,544	(4,233)	(5,627)	(9,860)
Total other comprehensive income/ (losses)	**17,809**	**(814)**	**16,995**	**(29,629)**	**738**	**(28,891)**

(euro/thousands)

	30.06.2021	30.06.2020
Effective portion of profits/(losses) arising in period on cash flow hedging instruments	(8,037)	(36,767)
Effective portion of profits/(losses) on cash flow hedging instruments reclassified to profit or loss	11,647	11,404
Effective portion of profits/(losses) on cash flow hedging instruments	**3,610**	**(25,363)**
Tax effect of other components of comprehensive income	**(416)**	**6,357**
Total other comprehensive income/(losses), net of tax	**3,194**	**(19,006)**

Movements in the cash flow hedge reserve and impact of financial instruments on profit or loss

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

(euro/thousands)

	Equity			
	Gross	Income taxes	Net	Effect on profit or loss
1.1.2020	**(11,453)**	**992**	**(10,461)**	**(70,329)**
Change in fair value	(11,696)	1,884	(9,812)	
Utilizations	11,453	(992)	10,461	(10,461)
Other income/(expenses) for risk hedging				5,010
Finance income/(costs) relating to trading derivatives and time-value component of hedging derivatives				(39,865)
31.12.2020	**(11,696)**	**1,884**	**(9,812)**	**(45,316)**
Change in fair value	(8,086)	1,468	(6,618)	
Utilizations	11,696	(1,884)	9,812	(9,812)
Other income/(expenses) for risk hedging				14,430
Finance income/(costs) relating to trading derivatives and time-value component of hedging derivatives				(12,365)
30.06.2021	**(8,086)**	**1,468**	**(6,618)**	**(7,747)**

Note 19 - Provisions for risks and charges

These are analyzed as follows:

(euro/thousands)

	Litigation	Product warranty	Agent indemnity benefit	Business reorganization	Other risks and charges	Total
Non-current portion	14,204	31,505	26	-	12,553	58,288
Current portion	844	7,186		2,026	4,208	14,264
1.1.2021	**15,048**	**38,691**	**26**	**2,026**	**16,761**	**72,552**
Business combinations	653				1,853	2,506
Increases	26,934	12,881			113	39,928
Utilizations	(24,647)	(6,863)		(806)	(100)	(32,416)
Releases	(283)	(1,352)			(1,716)	(3,351)
Other movements		(3)		(1)	224	220
Exchange rate differences	61	257		60	104	482
30.06.2021	**17,766**	**43,611**	**26**	**1,279**	**17,239**	**79,921**
Non-current portion	16,228	33,766	26		14,511	64,531
Current portion	1,538	9,845		1,279	2,728	15,390

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.
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 5,518 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.
More information can be found in Note 30.

Note 20 - Employee benefits

Movements in this line item are as follows:

(euro/thousands)	30.06.2021	31.12.2020
Opening balance	**59,692**	**60,066**
Business combinations	2,697	270
Interest cost	442	540
Actuarial (gains)/losses	(1,655)	575
Utilizations for benefits and advances paid	(1,622)	(2,467)
Staff transfers and other movements	87	708
Exchange rate differences		
Closing balance	**59,641**	**59,692**
Plan assets	(5)	(5)
Closing balance	**59,636**	**59,687**

The balance at 30 June 2021 of euro 59,641 thousand is mainly comprised of the employee severance benefit pertaining to the Group's Italian companies (euro 59,558 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 2020 except for the discount rate, changed to 0.79% at the end of June 2021 (0.34% at 31 December 2020).

Note 21 - Non-current financial liabilities

These are analyzed as follows:

(euro/thousands)	30.06.2021	31.12.2020
Bank loans and credit facilities - non-current portion	1,970,338	2,031,822
Liabilities to other lenders	31,518	20,443
Financial liabilities for leasing IFRS 16 – non-current portion	92,320	72,180
Fair value of options on equity investments	8,772	8,862
Derivative liabilities	9,544	26,344
Total non-current financial liabilities	**2,112,492**	**2,159,651**

At 30 June 2021, a non-current portion of euro 63 million of bank loans maturing in the next 12 months was reclassified to the current portion.
It should be noted that there are no covenant clauses included in the Group's loan agreements.
"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 Fincantieri NexTech Group.
"Derivative liabilities" represent the reporting-date fair value of derivatives with a maturity of more than 12 months (Level 2), of which euro 4,666 thousand for Interest Rate Swaps, to hedge loans, and the remainder for derivatives to hedge against exchange rate risk. The decrease in the balance is mainly due to the strengthening of the Norwegian krone against the euro which positively impacted the value of some derivatives traded by the subsidiary VARD and the fair value improvements of the Interest Rate Swaps hedging the loans, due to the expectations of an increase in interest rates in the Euro zone.
The item "Liabilities to other lenders" is mainly composed of the debt to Esseti – Sistemi e Tecnologie Holding S.r.l. for the payment in instalments of part of the shares of the subsidiary Fincantieri NexTech S.p.A. acquired in 2020 and the residual debt due as a result of the acquisition of the INSO business unit.

Note 22 – Other non-current liabilities

These are analyzed as follows:

(euro/thousands)	30.06.2021	31.12.2020
Capital grants	39,238	23,389
Other liabilities	4,935	4,961
Firm commitments	2,003	1,901
Total other non-current liabilities	**46,176**	**30,251**

"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. This increase is attributable to the subsidiaries Isotta Fraschini Motori and Marinette Marine Corporation.
"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/thousands)

	30.06.2021	31.12.2020
Payables to suppliers	1,666,633	1,894,356
Payables to suppliers for reverse factoring	595,255	466,341
Social security payables	64,123	45,324
Other payables to employees for deferred wages and salaries	126,874	99,096
Other payables	103,428	101,894
Other payables to Parent Company	150	100
Indirect tax payables	11,858	10,566
Firm commitments	443	5,477
Accrued expenses	3,495	1,459
Deferred income	5,546	4,368
Total trade payables and other current liabilities	**2,577,805**	**2,628,981**

The reduction in “Payables to suppliers” compared to 31 December 2020 is mainly due to the payment of the liability recorded at the end of 2020 for the repurchase of two FREMM vessels from the subsidiary Orizzonte Sistemi Navali which were then resold by Fincantieri to the final customer.

“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. With regard to the presentation in the statement of cash flows, it should be noted that the cash flows related to these transactions are included in the Net cash flows from operating activities described in Note 34.

“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 2021 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 hedge used by the VARD group.

Note 24 - Current financial liabilities

These are analyzed as follows:

(euro/thousands)

	30.06.2021	31.12.2020
Bonds issued and commercial papers	152,700	100,200
Bank loans and credit facilities - current portion	127,771	119,176
Loans from BIIS - current portion		131
Bank loans and credit facilities - Construction loans	1,278,106	1,325,342
Other short-term bank debt	188,289	129,681
Liabilities to other lenders - current portion	9,428	1,604
Bank credit facilities repayable on demand	8,631	
Payables to joint ventures	1,829	1,679
Payables to associates		
Financial liabilities for leasing IFRS 16 – current portion	14,939	14,490
Fair value of options on equity investments	22,046	21,351
Derivative liabilities	28,937	29,202
Accrued and prepaid interest expense	2,883	3,202
Total current financial liabilities	**1,835,559**	**1,746,058**

At 30 June 2021, “Bank loans and credit facilities - Construction loans” includes the use of euro 1,090 million in construction loans by FINCANTIERI S.p.A. and euro 188 million by the VARD group. The change compared to 31 December 2020 is mainly due to the typical dynamics of the working capital related to cruise ship construction. As of 30 June 2021, the Group had construction financing facilities of about euro 1,717 million (euro 1,583 million at 31 December 2020).

At 30 June 2021, “Other short-term bank debt” refers to uncommitted lines for euro 188 million, of which euro 100 million was drawn down by the Parent Company. Moreover, euro 153 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 2021. The maximum amount of debt securities that can be issued under this program is euro 500 million.

“Fair value of options on equity investments” (Level 3) amounting to euro 22,046 thousand (euro 21,351 thousand at 31 December 2020) is related to the option held by minority shareholders of the American Group FMG, the increase in which, compared to 2020, is due to the positive effect of translating the balance expressed in foreign currency.

“Derivative liabilities” represent the reporting-date fair value of derivatives and has been calculated considering market parameters and using widely accepted measurement techniques (Level 2). This item includes euro 6,273 thousand for Interest Rate Swaps, to hedge loans, and the remainder for derivatives to hedge against exchange rate risk.

Note 25 - Revenue and income

These are analyzed as follows:

(euro/thousands)

	30.06.2021	30.06.2020
Sales and service revenue	1,812,245	2,254,638
Change in construction contracts	1,401,560	68,383
Operating revenue	**3,213,805**	**2,323,021**
Gains on disposal	321	48
Sundry revenue and income	32,328	42,630
Government grants	4,536	3,716
Other revenue and income	**37,185**	**46,394**
Total revenue and income	**3,250,990**	**2,369,415**

Revenues from operations are mainly those arising from contractual obligations satisfied "over time", i.e. over the gradual progress of activities.
Revenue and income in the first half of 2021 amount to euro 3,251 million, an increase of 37.2% over the same period in 2020. The increase in revenue reflects the full recovery of the production activities in the Group's Italian shipyards, which recovered the volumes lost in 2020 as a result of the production shutdown caused by COVID-19.
More details on segment information can be found in Note 32.

Note 26 - Operating costs

Materials, services and other costs

Materials, services and other costs are analyzed as follows:

(euro/thousands)

	30.06.2021	30.06.2020
Raw materials and consumables	(1,834,274)	(1,215,888)
Services	(610,659)	(704,998)
Leases and rentals	(17,155)	(16,797)
Change in inventories of raw materials and consumables	(8,284)	103,153
Change in work in progress	(5,604)	907
Sundry operating costs	(18,233)	(36,310)
Cost of materials and services capitalized in fixed assets	1,672	7,224
Total materials, services and other costs	**(2,492,537)**	**(1,862,709)**

"Leases and rentals" mainly includes costs relating to short-term lease contracts and the remainder to lease contracts in which the underlying asset is of modest value.
"Sundry operating costs" also include euro 947 thousand in losses on the disposal of non-current assets (euro 544 thousand at 30 June 2020).
The increase in the cost of raw materials reflects the increase in production levels and, to a lesser extent, the price dynamic, which has shown an upward trend, particularly for certain primary materials.

Personnel costs

(euro/thousands)

	30.06.2021	30.06.2020
Personnel costs:		
- wages and salaries	(410,152)	(357,863)
- social security	(109,955)	(92,261)
- costs for defined contribution plans	(20,143)	(18,138)
- costs for defined benefit plans		
- other personnel costs	(15,486)	(12,860)
Personnel costs capitalized in fixed assets	3,890	3,020
Total personnel costs	**(551,846)**	**(478,102)**

"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. In the first half of 2020, these costs were lower thanks to the Group's use of social shock absorbers, due to the COVID-19 health emergency.

Headcount

The Fincantieri Group's headcount at 30 June 2021 can be broken down as follows:

(number)

	30.06.2021	30.06.2020
Employees at period end:		
Total at period end	20,784	19,668
- of whom in Italy	10,336	9,522
- of whom in Parent Company	8,705	8,396
- of whom in VARD	8,127	8,049
Average number of employees	20,589	19,609
- of whom in Italy	9,895	9,353
- of whom in Parent Company	8,572	8,296
- of whom in VARD	8,082	8,199

Depreciation, amortization and impairment and provisions

(euro/thousands)

	30.06.2021	30.06.2020
Depreciation and amortization:		
- amortization of intangible assets	(36,034)	(28,644)
- depreciation of rights of use	(8,952)	(8,140)
- depreciation of property, plant and equipment	(51,383)	(44,302)
Impairment:		
- impairment of goodwill		(65)
- impairment of intangible assets	(12)	(11)
- impairment of property, plant and equipment	(25)	(21)
- closure of lease contracts		
- absorption of impairment of tangible assets		
Total depreciation, amortization and impairment	**(96,406)**	**(81,183)**
Provisions:		
- impairment of receivables	(3,825)	(173)
- increases in provisions for risks and charges	(40,236)	(28,486)
- release of provisions and impairment reversals	3,348	717
Total provisions	**(40,713)**	**(27,942)**

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/thousands)

	30.06.2021	30.06.2020
FINANCE INCOME		
Interest and fees from joint ventures and associates	394	379
Bank interest and fees and other income	7,229	2,718
Income from derivative financial instruments	90	
Interest and other income from financial assets	1,990	
Foreign exchange gains	31,771	23,539
Total finance income	**41,474**	**26,636**
FINANCE COSTS		
Interest and fees charged by joint ventures	(13)	(7)
Interest and fees charged by controlling companies	(9)	(99)
Expenses from derivative financial instruments	(14,364)	(22,981)
Unrealized finance costs - delta fair value	-	-
Interest on employee benefit plans	(88)	(198)
Interest and fees on bonds and commercial papers	(1,141)	(163)
Interest and fees on construction loans	(9,317)	(8,225)
Bank interest and fees and other expense	(27,785)	(23,003)
Interest and fees paid by related parties	(1,217)	(1,261)
Interest paid on leases IFRS 16	(1,260)	(1,561)
Impairment of financial receivables IFRS 9	(14,651)	(5,116)
Foreign exchange losses	(17,096)	(29,979)
Total finance costs	**(86,941)**	**(92,593)**
Total finance income and costs	**(45,467)**	**(65,957)**

"Expenses from derivative financial instruments" mainly includes the finance costs related to the derivatives negotiated to hedge the Parent Company's construction contracts, in US dollars (accounted for in cash flow hedge and reversed in the income statement as the hedge transaction progresses) and the subsidiary VARD's contracts in Euros, as well as the finance costs relating to the hedging of the interest rate risk on medium/long-term loans.
Foreign exchange gains and losses mainly include the effects on profit and loss of movements by the Brazilian real against the US dollar and the Norwegian krone against the Euro.
Finance costs include impairment of existing financial receivables determined on the basis of the expected credit loss model introduced by IFRS 9.

Note 28 - Income and expense from investments

These are analyzed as follows:

euro/000

	30.06.2021	30.06.2020
INCOME		
Dividends from associates		
Dividends from other companies		732
Income from acquisition	13,833	
Fair value measurement gains	657	
Total income	**14,490**	**732**
EXPENSE		
Investment impairment losses	60	
Losses from sale of investments		821
Total expense	**60**	**821**
Income/(expense) from investments	**14,430**	**(89)**
Profit/(loss) of investments accounted for using the equity method		
Profit		151
Loss	(14,364)	(2,628)
Share of profit/(loss) of investments accounted for using the equity method	**(14,364)**	**(2,477)**
Total income and expense from investments	**66**	**(2,566)**

"Income from acquisition" of euro 13,833 thousand refers to income arising from the acquisition of the INSO Group (see Note 34). This gain is the result of the difference between the contractual amount and the value of assets and liabilities valued at their carrying amount, after having aligned the data with the accounting standards of the Fincantieri Group. It should be noted that, at the date of drafting these Condensed Consolidated Interim Financial Statements, the process of allocating the consideration paid is still ongoing and therefore must be considered provisional; this process will be completed in the next few months as permitted by IFRS 3.
The loss from investments accounted for using the equity method, of euro 14,364 thousand, reflects the Group's share of the results for the year of some associates and joint ventures.
For more details on the changes to investments, see Note 8.

Note 29 - Income taxes

Income taxes have been calculated on the basis of the result for the period. The balance at 30 June 2021 comprises euro 26,215 thousand for the balance of current taxes mainly linked to the increase in the group's taxable income and, consequently, the taxable amount for calculating IRAP, and euro 9,345 thousand for the positive balance related to deferred income taxes.
Deferred income taxes are analyzed in Note 11.

Note 30 - 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. The tables and information provided below have been adjusted to reflect the updates in the document ESMA 32-382-1138 dated 4 March 2021.

(euro/thousands)

	30.06.2021	31.12.2020
A. Cash	799,453	1,274,642
B. Cash equivalents	-	-
C. Other current financial assets	65,015	75,986
- of which related parties	3,439	1,418
D. Cash and cash equivalents (A)+(B)+(C)	**864,468**	**1,350,628**
E. Current financial liabilities (including debt instruments, but excluding current portion of non-current financial liabilities)	(1,652,014)	(1,576,692)
- of which related parties	(204,068)	(111,391)
- of which construction loans	(1,278,106)	(1,325,342)
- of which current portion of debt instruments	(152,700)	(100,200)
F. Current portion of non-current financial liabilities	(138,835)	(123,437)
- of which related parties	(9,636)	(9,636)
G. Current debt (E)+(F)	**(1,790,849)**	**(1,700,399)**
H. Net current debt (D)+(G)	**(926,381)**	**(349,771)**
I. Non-current financial liabilities (excluding current portion of debt instruments)	(2,098,880)	(2,133,802)
- of which related parties	(15,947)	(20,772)
J. Debt instruments	-	-
K. Trade payables and other non-current liabilities	-	-
L. Non-current debt (I)+(J)+(K)	**(2,098,880)**	**(2,133,802)**
M. Total net debt (H)+(L)	**(3,025,261)**	**(2,483,573)**

Current and non-current financial liabilities include only derivatives related to the hedging of these items (respectively euro 6,273 thousand and euro 4,666 thousand at 30 June 2021 and euro 5,025 thousand and euro 9,357 thousand at 31 December 2020). For derivative liabilities not included in the above table, see Notes 21 and 24.
For indirect debt and/or conditional debt non reflected in the table, reference should be made: i) for the provisions recognized in the financial statements to Note 19 and Note 20; ii) to Note 25 for payables for reverse factoring (of euro 595,255 thousand at 30 June 2021); iii) to Notes 21 and 24 for the fair value for options on equity investments (of euro 22,046 thousand recorded under Current financial liabilities and euro 8,734 thousand under Non-current financial liabilities). Lastly, commitments related to lease agreements not recognized as liabilities in the financial statements since they do not fall under IFRS 16 amount to euro 7 million at 30 June 2021.
The following table reconciles the Net financial position as per ESMA recommendation and the Net financial position monitored by the Group.

(euro/thousands)

	30.06.2021	31.12.2020
Net financial position as per ESMA recommendation	**(3,025,261)**	**(2,483,573)**
Non-current financial assets	130,533	96,282
Construction loans	1,278,106	1,325,342
Net financial position monitored by the Group	**(1,616,622)**	**(1,061,949)**

Significant non-recurring events and transactions

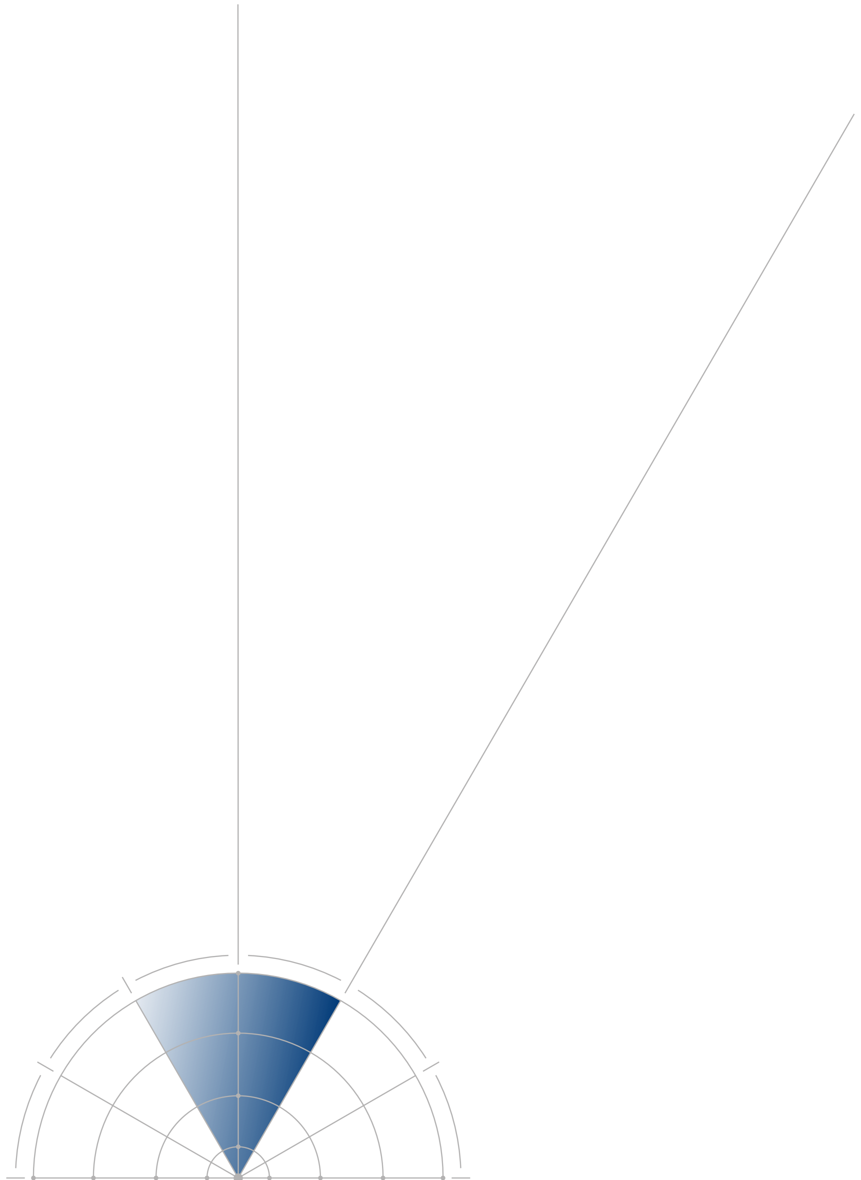
With reference to the provisions of Consob Resolution no. 15519 of 27 July 2006, there were no significant non-recurring events and/or transactions at 30 June 2021.

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 2021.

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/thousands)

30.06.2021	Non-current financial assets	Current financial assets	Advances*	Trade receivables and other non-current assets	Trade receivables and other current assets	Non-current financial liabilities	Current financial liabilities	Trade payables and other current liabilities
CASSA DEPOSITI E PRESTITI S.p.A.					22,428	(15,952)	(209,636)	(150)
TOTAL PARENT COMPANIES					**22,428**	**(15,952)**	**(209,636)**	**(150)**
ORIZZONTE SISTEMI NAVALI S.p.A.					56,343		(1,825)	(24,064)
UNIFER NAVALE S.r.l.					1,491			(5)
CSSC - FINCANTIERI CRUISE INDUSTRY DEVELOPMENT Ltd.	22,000	1,356			1,763			(153)
ETIHAD SHIP BUILDING LLC					6,124			(252)
CONSORZIO F.S.B.					(32)			
BUSBAR4F S.c.a.r.l.			956		597			(1,246)
FINCANTIERI CLEA BUILDING S.c.a.r.l.					1,315			(41)
PERGENOVA S.c.p.a.					17,449			(9,793)
ISSEL MIDDLE EAST INFORMATION TECNOLOGY CONSULTANCY LLC		4					(17)	
NAVIRIS S.p.A.		1,500			186			
4TCC1 S.c.a.r.l.			1,324		61			(394)
NUOVO SANTA CHIARA HOSPITAL S.c.a.r.l					4,161			(2,492)
VIMERCATE SALUTE GESTIONI S.c.a.r.l					6,962			(8,308)
ENERGETIKA S.c.a.r.l.					1			(17)
TOTAL JOINT VENTURES	**22,000**	**2,860**	**2,280**	**-**	**96,421**	**-**	**(1,842)**	**(46,765)**
PSC GROUP			4,874		148			(10,092)
CENTRO SERVIZI NAVALI S.p.A.					(14)			(156)
OLYMPIC CHALLENGER KS								
BREVIK TECHNOLOGY AS	172							
MØKSTER SUPPLY KS					2			
DOF ICEMAN AS	146							
CSS DESIGN				653				
ISLAND DILIGENCE AS	5,070							
DECOMAR S.p.A.	5,179							
CASTOR DRILLING SOLUTION AS		401						
OLYMPIC GREEN ENERGY KS								
ISLAND OFFSHORE XII SHIP AS	12,107							
BRIDGE EIENDOM AS								(1)
ISLAND VICTORY AS	3,424							
CITTA' SALUTE RICERCA MILANO S.p.A.					20			
BIOTECA S.c.a.r.l	7							37
N.O.T.E GESTIONI S.c.a.r.l					4,705			(6,203)
NORD OVEST TOSCANA ENERGIA S.r.l.					4,928			(221)
S.ENE.CA GESTIONE S.c.a.r.l.					1,021			(1,175)
HOSPITAL BUILDING TECHNOLOGIES S.c.a.r.l.	4				3,440			(76)
TOTAL ASSOCIATES	**26,109**	**401**	**4,874**	**653**	**14,250**	**-**	**-**	**(17,887)**
SACE FCT								
SACE S.p.A.								(11)
TERNA RETE ITALIA S.p.A.								(38)
VALVITALIA S.p.A.			1,660		7			(741)
SUPPLEMENTARY PENSION FUND FOR SENIOR MANAGERS OF FINCANTIERI S.p.A.								(2,758)
COMETA NATIONAL SUPPLEMENTARY PENSION FUND								(4,022)
SOLIDARIETÀ VENETO - PENSION FUND								(106)
ACAM CLIENTI S.p.A.								
SNAM S.p.A.								
SIA S.p.A.								
TOTAL CDP GROUP	**-**	**-**	**1,660**	**-**	**7**	**-**	**-**	**(7,676)**
LEONARDO GROUP			132,036		1,296			(73,580)
ENI GROUP					452			(142)
ENEL GROUP					3			2
COMPANIES CONTROLLED BY MEF					(13)			(86)
TOTAL RELATED PARTIES	**48,109**	**3,261**	**140,850**	**653**	**134,844**	**(15,952)**	**(211,478)**	**(146,284)**
TOTAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION	**138,501**	**71,335**	**451,091**	**26,625**	**1,712,993**	**(2,112,492)**	**(1,835,559)**	**(2,577,805)**
% on consolidated statement of financial position	35%	5%	31%	2%	8%	1%	12%	6%

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

Consolidated statement of financial position

(euro/thousands)

31.12.2020	Non-current financial assets	Current financial assets	Advances*	Trade receivables and other non-current assets	Trade receivables and other current assets	Non-current financial liabilities	Current financial liabilities	Trade payables and other current liabilities
CASSA DEPOSITI E PRESTITI S.p.A.					35,915	(20,772)	(109,636)	(143)
TOTAL PARENT COMPANIES	**-**	**-**	**-**	**-**	**35,915**	**(20,772)**	**(109,636)**	**(143)**
ORIZZONTE SISTEMI NAVALI S.p.A.			49,500		56,805		(1,686)	(265,145)
UNIFER NAVALE S.r.l.					1,491			(587)
CSSC - FINCANTIERI CRUISE INDUSTRY DEVELOPMENT Ltd.	22,000	1,024			2,466			(383)
ETIHAD SHIP BUILDING LLC					6,344			(240)
CONSORZIO F.S.B.					19			(51)
BUSBAR4F S.c.a.r.l.			1,547		602			(1,155)
FINCANTIERI CLEA BUILDING S.c.a.r.l.					2,451			(2,169)
PERGENOVA S.c.p.a.					34,288			(3,511)
ISSEL MIDDLE EAST INFORMATION TECNOLOGY CONSULTANCY LLC		4					(17)	
NAVIRIS S.p.A.					3,507			
4TCC1 S.c.a.r.l.			1,596		76			(290)
TOTAL JOINT VENTURES	**22,000**	**1,028**	**52,643**	**-**	**108,049**	**-**	**(1,703)**	**(273,531)**
PSC GROUP			7,336		132			(9,054)
CENTRO SERVIZI NAVALI S.p.A.					1,447			(1,040)
OLYMPIC CHALLENGER KS	669				1			
BREVIK TECHNOLOGY AS	165							
MØKSTER SUPPLY KS								
DOF ICEMAN AS	3,784				(10)			
CSS DESIGN				628				
ISLAND DILIGENCE AS	4,881							
DECOMAR S.p.A.	5,117							
CASTOR DRILLING SOLUTION AS		390						
OLYMPIC GREEN ENERGY KS					2			
ISLAND OFFSHORE XII SHIP AS	12,121							
BRIDGE EIENDOM AS								(1)
ISLAND VICTORY AS	3,428							
TOTAL ASSOCIATES	**30,165**	**390**	**7,336**	**628**	**1,572**	**-**	**-**	**(10,095)**
SACE FCT								
SACE S.p.A.								(11)
TERNA RETE ITALIA S.p.A.								(14)
VALVITALIA S.p.A.			1,083		6			(2,008)
SUPPLEMENTARY PENSION FUND FOR SENIOR MANAGERS OF FINCANTIERI S.p.A.								(1,408)
COMETA NATIONAL SUPPLEMENTARY PENSION FUND								(4,067)
SOLIDARIETÀ VENETO - PENSION FUND								(106)
ACAM CLIENTI S.p.A.								
HORIZON S.a.S.								(1)
TOTAL CDP GROUP	**-**	**-**	**1,083**	**-**	**6**	**-**	**-**	**(7,615)**
LEONARDO GROUP			155,153		2,217			(18,427)
ENI GROUP					99			(68)
ENEL GROUP					141			
COMPANIES CONTROLLED BY MEF					43			(77)
TOTAL RELATED PARTIES	**52,165**	**1,418**	**216,215**	**628**	**148,042**	**(20,772)**	**(111,339)**	**(309,956)**
TOTAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION	**99,985**	**85,391**	**499,042**	**26,941**	**983,390**	**(2,159,651)**	**(1,746,058)**	**(2,628,980)**
% on consolidated statement of financial position	52%	2%	43%	2%	15%	1%	6%	12%

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

Consolidated statement of comprehensive income

(euro/thousands)

	30.06.2021				
	Operating revenue	Other revenue and income	Materials, services and other costs	Finance income	Finance costs
CASSA DEPOSITI E PRESTITI S.p.A.		77	(50)		
TOTAL PARENT COMPANIES	**-**	**77**	**(50)**	**-**	**-**
ORIZZONTE SISTEMI NAVALI S.p.A.	488,675	401	(226,518)		(13)
UNIFER NAVALE S.r.l.			(2,173)		
CSSC - FINCANTIERI CRUISE INDUSTRY DEVELOPMENT Ltd.	1,329	1,851		332	
ETIHAD SHIP BUILDING LLC		99	(22)		
CONSORZIO F.S.B.	23	118	(138)		
BUSBAR4F S.c.a.r.l.		166	(962)		
FINCANTIERI CLEA BUILDING S.c.a.r.l.					
PERGENOVA S.c.p.a.	5,846	40	(8,618)		
ISSEL MIDDLE EAST INFORMATION TECNOLOGY CONSULTANCY LLC					
NAVIRIS S.p.A.	611	(290)			
4TCC1 S.c.a.r.l.		68	(602)		
TOTAL JOINT VENTURES	**496,484**	**2,453**	**(239,033)**	**332**	**(13)**
PSC GROUP		257	(18,175)		
CENTRO SERVIZI NAVALI S.p.A.		986	(4,246)		
ISLAND DILIGENCE AS					
DECOMAR S.p.A.			(7)	62	
TOTAL ASSOCIATES	**-**	**1,243**	**(22,428)**	**62**	**-**
SACE FCT		51			(69)
SACE S.p.A.					(1,148)
TERNA GROUP			(52)		
VALVITALIA S.p.A.	6	68	(5,394)		
ACAM CLIENTI S.p.A.					
SIA S.p.A.					
SNAM S.p.A.		33			
TOTAL CDP GROUP	**6**	**152**	**(5,446)**	**-**	**(1,217)**
LEONARDO GROUP	28	1,553	(89,712)		
ENI GROUP	91	37	(854)		
ENEL GROUP		40	(14)		
COMPANIES CONTROLLED BY MEF		28	(9)		
TOTAL RELATED PARTIES	**496,609**	**5,583**	**(357,546)**	**394**	**(1,230)**
TOTAL CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	**3,213,805**	**37,185**	**(2,492,537)**	**41,474**	**(86,941)**
% on consolidated statement of comprehensive income	15%	15%	14%	1%	1%

Consolidated statement of comprehensive income

(euro/thousands)

	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			
4TCC1 S.c.a.r.l.					
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)		
ISLAND DILIGENCE AS					(72)
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)**
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 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%

Costs for contributions incurred in the first half of 2021 and included in the item "Personnel costs" totalled euro 1,307 thousand for the Supplementary Pension Fund for Senior Managers of FINCANTIERI S.p.A. and euro 1,121 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 2021 relate to its current account with Fincantieri under a centralized treasury management arrangement. A contract was finalized during the fourth quarter of 2020 for the sale of two FREMM vessels, one of which was delivered in December 2020 and the other to be delivered in 2021, to the Egyptian Navy. The sale, carried out by Fincantieri S.p.A., saw the transfer of two vessels in the FREMM program that Orizzonte Sistemi Navali S.p.A. had purchased as prime contractor for the Italian Navy under agreements with OCCAR (Organisation for Joint Armament Cooperation). As part of the operation, Orizzonte Sistemi Navali S.p.A. has ordered two more platforms for the construction of two new FREMM vessels for the Italian Navy under the above program;
- the Group's relations with the company PERGENOVA, a joint venture between Salini Impregilo and Fincantieri Infrastructure, are aimed at rebuilding the bridge over the Polcevera river in Genoa;
- the Group's relations with the company Naviris arose in the context of the study of the Middle Life upgrade for the Orizzonte class. The financial liabilities relate to the loan granted by the Parent Company;
- 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;
- the FINSO group's relations with the joint venture NUOVO SANTA CHIARA HOSPITAL S.c.a.r.l., arise chiefly from participation in the temporary grouping of enterprises, of which FINSO is a member with a share of 50%. The company was incorporated in order to carry out the construction works of the new hospital assigned by the Azienda Ospedaliera-Universitaria Pisana. It carries out the services and works on its own and/or by entrusting them to its members and/or by subcontracting them to third parties. NSCH S.c.a.r.l., while acting in its own name, operates in the interest of its members and, given its consortium nature and as laid down in its Articles of Association, it allocates costs to its members, in proportion to their interest held;
- the FINSO group's relations with Vimercate Salute Gestioni S.c.a.r.l. arise mainly from the contract awarded by Vimercate Salute S.p.A., in compliance with the concession to design, build and manage the new Vimercate hospital complex concluded between Vimercate Salute S.p.A. and Infrastrutture Lombarde S.p.A. The purpose of this agreement is to coordinate the activity of the members to provide non-medical support services, manage the retail spaces and all other technical economic and functional activities;
- the FINSO group's relations with its associates arise mainly from the contract awarded by the special purpose vehicle, in compliance with the Concession to design, build and manage the new hospital complex;
- relations with the subsidiary Centro Servizi Navali mainly relate to shipyard and prefabrication activities;
- 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 LEONARDO group, in connection with agreements to supply and install combat systems for naval vessels under construction;
- 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 2021 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 an exporter indemnity agreement with SIMEST S.p.A., as a standard transaction 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 delivered in July 2021. The transaction was classified as a standard transaction of major importance. At 30 June, this loan had been fully drawn down.

Among the standard transactions of major importance, it should be noted that in June 2021 the subsidiary Seanergy signed an offer with Fincantieri S.p.A. for the turnkey supply of the catering area for a total of ten constructions for the ship-owner Viking with a total value of euro 78.6 million.
In the context of standard transactions of lesser importance, Fincantieri S.p.A. was granted a five-year revolving credit line by Mediocredito Centrale in June 2019 to cover financial needs for ordinary activities.
Furthermore, during the period, Directors, Statutory Auditors, General Managers and other Key Management Personnel were paid a total of euro 5,106 thousand in remuneration by the Parent company, of which euro 2,484 thousand classified in personnel costs and euro 2,622 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:

		30.06.2021	30.06.2020
Basic/Diluted Earnings/(Loss) Per Share			
Earnings/(loss) attributable to owners of the parent	euro/thousands	5,737	(134,542)
Weighted average number of shares outstanding to calculate the basic earnings/(loss) per share	number	1,695,110,919	1,692,425,057
Weighted average number of shares outstanding to calculate the diluted earnings/(loss) per share	number	1,713,080,126	1,704,344,303
Basic earnings/(loss) per share	**euro**	**0.00338**	**(0.07950)**
Diluted earnings/(loss) per share	**euro**	**0.00335**	**(0.07894)**

Basic earnings per share have been calculated by dividing the profit for the period attributable to owners of the parent by the weighted average number of FINCANTIERI S.p.A. shares outstanding during the period, excluding own shares.
Diluted earnings per share have been calculated by dividing the profit for the period attributable to the Group by the weighted average number of FINCANTIERI S.p.A. shares in circulation during the period, excluding own shares, plus the number of shares that could potentially be issued. At 30 June 2021, 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") 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 were allotted and delivered to beneficiaries by 31 July 2019, while those vesting for the second and third cycles were 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 "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;
- 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.
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:

- 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;
- 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 through the use of own shares in portfolio. The net shares actually allocated amounted to 2,685,862 shares (net of those withheld to meet the tax obligations of the assignees). The delivery of the shares took place on 3 July 2020.
- on 10 June 2021, the Board of Directors approved the closure of the third cycle of the "Performance Share Plan 2016-2018" incentive plan, allocating free of charge to the recipients 2,787,276 ordinary Fincantieri shares. The allocation of shares took place, using solely own shares in portfolio, on 2 July 2021.

The Plan's features, outlined above, are described in detail in the special document prepared by the 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".

Performance Share Plan 2019-2021

On 11 May 2018, the Shareholders' Meeting of FINCANTIERI S.p.A. approved the medium/long-term share-based incentive plan for management, the Performance Share Plan 2019-2021 (the "Plan"), 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.
With reference to the Plan's second cycle, 11,133,829 ordinary shares in FINCANTIERI S.p.A. were awarded to the beneficiaries identified by the Board of Directors on 30 July 2020.
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
Second cycle of the Plan	30 July 2020	11,133,829	5,958,937

The Plan's 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 2018".

Performance Share Plan 2022-2024

On 8 April 2021, the Shareholders' Meeting of FINCANTIERI S.p.A. approved the medium/long-term share-based incentive plan for management, the Performance Share Plan 2022-2024 (the "Plan"), and the related Terms and Conditions, the structure of which was defined and approved by the Board of Directors on 25 February 2021.
The Plan, consistent with the previous plan 2019-2021, is structured in three-year cycles and provides for the free grant, to the beneficiaries identified by the Board of Directors, of entitlements to receive a maximum of 64,000,000 ordinary shares in FINCANTIERI S.p.A. without nominal value, based on the achievement of specific performance targets for the three-year periods 2022-2024 (first cycle), 2023-2025 (second cycle) and 2024-2026 (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 2025, while those vesting for the second and third cycles will be allotted and delivered by 31 July 2026 and 31 July 2027 respectively.
In particular, the beneficiaries for the first cycle will be identified by the grant date for the first cycle, namely by 31 July 2022; the beneficiaries for the second cycle will be identified by the grant date for the second cycle, namely by 31 July 2023; and the beneficiaries for the third cycle will be identified by the grant date for the third cycle, namely by 31 July 2024.
Among the Plan's targets and in particular as regards the first cycle, as already included in the Performance Share Plan 2019-2021, in addition to the EBITDA and TRS, the Group defined 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 based on the percentage of achievement of the Sustainability Plan targets that the Company has set itself during the reference period. In addition, an access gate has been included which has to be achieved in order to receive the bonus. This gate is linked to the rating targets that the Company has set itself and are: obtaining at least a B rating in the "Carbon Disclosure Project" (CDP) and inclusion in the Advanced band of the "Vigeo Eiris" ranking.

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 Plan's 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 2021".

Litigation

The following is an update on the status of litigation described in the Notes to the 2020 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. Before the Italian courts, Fincantieri's recovery of its credit from the Iraqi state continued.
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 brought an 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 reference to the claim brought by the Brazilian subsidiary Vard Promar S.A. against Petrobas Transpetro S.A., after the losses incurred on eight shipbuilding contracts, on 22 June 2021 the Court of the State of Rio de Janeiro ordered Transpetro to pay BRL 240 million (approximately euro 40 million) to Vard Promar in compensation for damages and related interest. In addition, the same Court ordered Transpetro to pay back BRL 29 million (approximately euro 4.9 million) to Vard Promar in relation to the penalties applied by Transpetro for an amount above that agreed in the contract.
With regard to the above litigation where the Group 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.
It should also be noted that Fincantieri is owned amounts by Astaldi, a company operating in the infrastructure sector and currently in an arrangement with creditors. Fincantieri's claim is disputed and the Company has undertaken legal action to protect it. Based on the opinion of the legal counsel engaged, the Company is confident that its claims will be accepted by the relevant courts.
The 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 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 two negative assessment actions against such alleged claims.
A provision for risks and charges has been recognized for those disputes thought to probably not be settled in the Group's favour.

Employment litigation

This refers to cases brought by employees and former employees of contractors and subcontractors, which involve the Company under the "customer co-liability" principle (art. 1676 of the Italian Civil Code and art. 29 of Legislative Decree 276/2003).
Litigation relating to asbestos continues to be settled both in and out of court in 2021. 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 cannot be reliably estimated based on the information currently available and therefore is not reported in the notes to the financial statements.

Other litigation

Other litigation includes: i) 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; ii) compensation for direct and indirect damages arising from the production process; iii) civil actions for injury compensation claims.
The disputes pending against government bodies for environmental expenses have been settled during the first half of 2021. In particular, in the dispute with the City of Ancona, the Council of State rejected Fincantieri's appeal requesting annulment of the Mayor of Ancona's order no. 4 dated 12 January 2012.
Whenever the outcome of such litigation is thought probable 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 eight 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. At the hearing held on 15 July 2020, the sentence was given to dismiss the proceeding against the former Plant Manager, who had been in the position since 1 July 2013, owing to the expiry of the statute of limitations (as regards the facts established in February 2015). The next hearing in the proceeding, in which the Company is still involved (as regards the facts established in February 2015), initially scheduled for 25 June 2021, has been adjourned until 20 October 2021 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. At the hearing held on 11 September 2020, the Judge for the Preliminary Hearing issued the decree ordering the defendants, including the Company, to stand trial. At the hearing on 21 April 2021, the court appointed an expert to transcribe the telephone intercepts for the case records; the transcriptions will be examined at the next hearing set for 14 September 2021;
- in September 2019, notices of conclusion of preliminary investigation were served on the hull pre-assembly foreman, 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. The writ of summons to appear in court was served in 2021. At the first hearing, held on 4 May 2021, the Judge ruled that the statute of limitations had expired for the offence alleged against the Company;
- 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 quattuordecies, 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). A writ of summons to appear in court was served in 2021 and the first hearing was held on 13 April 2021, at the end of which the Judge ordered that the writ of summons to appear in court be served again on certain parties, adjourning the proceeding until 28 September 2021;
- 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. The order scheduling the preliminary hearing was served in 2021 and the first hearing is set for 22 September 2021;
- in November 2020, notices of conclusion of preliminary investigation were served on the Manager of the hull manufacturing centre area, 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 13 April 2018 at the Monfalcone shipyard involving an employee with bruising and contusions on the elbow and right knee that healed in over two months days.

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 June 2021, the company received a communication from the Italian Revenue Service concerning alleged irregularities related to tax losses recorded in the 2017 tax return for an amount of approximately euro 14 million. An initial examination showed that the reduction of the losses indicated by the Revenue Service dates back to the 2012 tax period. The risk of being unsuccessful is currently considered possible since investigations are being carried out to check the issue raised by the Italian Revenue Service. Should the adjustment prove justified, it would result in a charge estimated at around euro 4 million.

Fincantieri SI S.p.A.

The audit launched in 2020 by the Financial Police on the tax period 2018 resumed in May 2021 after it had been suspended due to the pandemic emergency and the audit ended with no significant findings.

Marine Interiors Cabins S.p.A.

In 2017, the Italian Revenue Service conducted a tax audit on the tax periods 2014 and 2015; the assessment notices were challenged and an appeal is currently pending; the assessment notice issued on the tax period 2017 has also been challenged since it is dependent on the previous ones.

The proceedings on the adjustment of the value of the business unit transfer for the purposes of stamp duty was dismissed after the Revenue Service dropped its appeal (it had been previously unsuccessful in the court of first instance).

The claims raised by the Norwegian Tax Authority regarding the treatment of certain items related to the permanent establishment there are currently being settled.

Antitrust

Following the signing of the agreements for the acquisition of 50% of Chantiers de l'Atlantique (formerly STX France) and the simultaneous loan of 1% of the same company by the French State, Fincantieri started the procedure to obtain approval from the competent antitrust authorities for this acquisition.

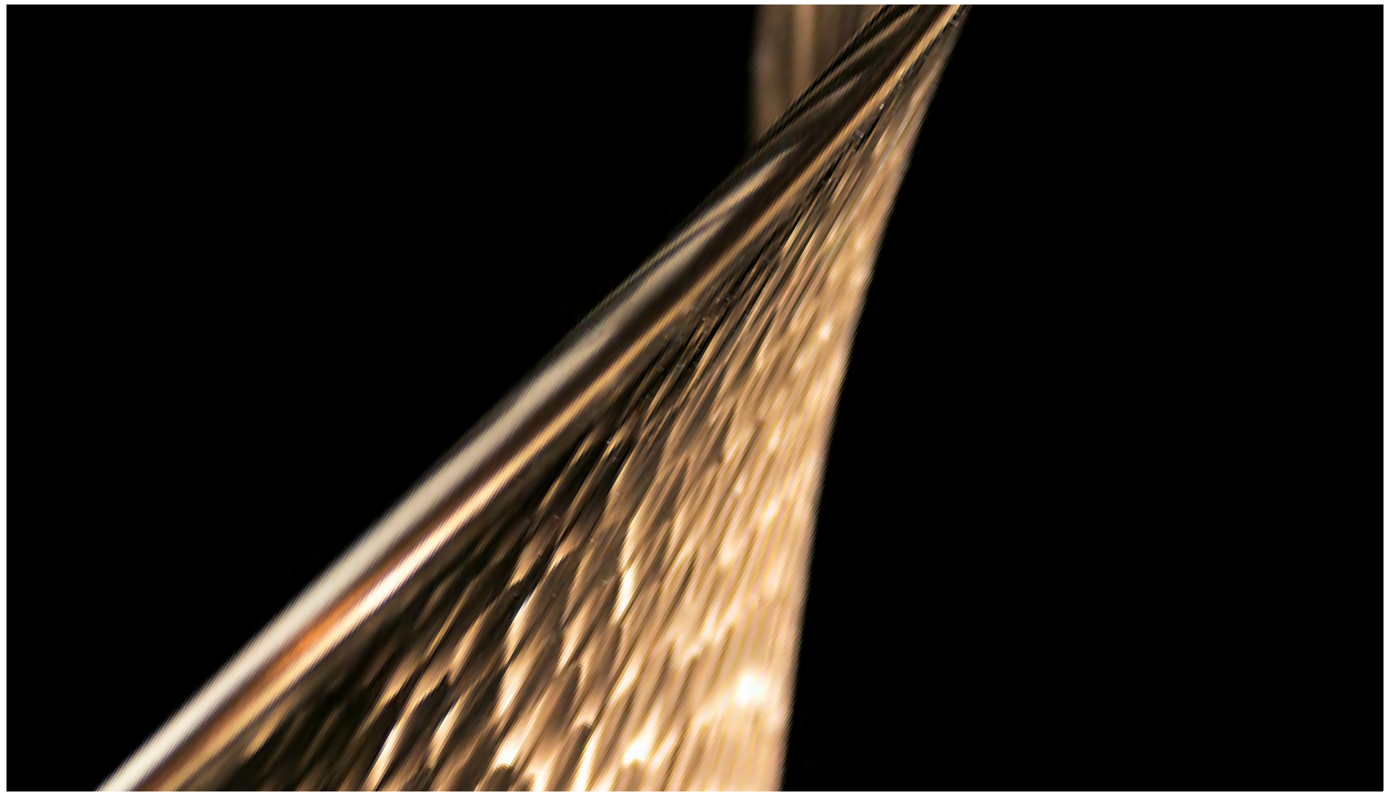
In particular, on 3 May 2019, the Company formally notified the European Commission of the transaction. Following this notification, Fincantieri provided the European antitrust authorities with a considerable number of documents and information, answered the European Commission's numerous questions and requests and met with the Commission on several occasions.

The final decision was originally scheduled for spring 2020 but the procedure has been suspended pending the COVID-19 emergency. The contract for the acquisition of the shares of Chantiers de l'Atlantique provided for a final deadline of 31 January 2021 for the completion of this transaction and was then automatically terminated on that date. Consequently, the antitrust proceedings before the European Commission have been discontinued.

Note 31 – Cash flows from operating activities

These are analyzed as follows:

(euro/thousands)	30.06.2021	30.06.2020
Profit/(loss) for the period	7,217	(136,571)
Depreciation and amortization	96,362	81,072
(Gains)/losses from disposal of property, plant and equipment	626	1,316
(Revaluation)/impairment of property, plant and equipment, intangible assets and equity investments	13,744	2,576
(Revaluation)/impairment of working capital		
(Revaluation)/impairment of financial assets	14,651	5,188
Increases/(releases) of provisions for risks and charges	36,577	26,985
Interest expenses capitalized		
Interest on employee benefits	524	532
Interest income	(9,613)	(3,097)
Interest expense	40,742	33,768
Income taxes	16,870	(12,473)
Long-term share-based incentive plan	3,064	2,345
Non-monetary operating income and expenses		
Impact of unrealized exchange rate changes	(6,782)	(2,074)
Finance income and costs from derivatives		
Income from acquisition	(13,833)	
Gross cash flows from operating activities	**200,149**	**(433)**



Note 32 – 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, 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 drill ships and semi-submersible drilling rigs.
Equipment, Systems and Services includes the following business areas: i) Services, which includes ship repairs and conversions, logistic support, refitting, training and after-sales services, ii) Complete Accommodation, which includes the fitting out of cabins, public areas, catering, wet units and windows, iii) Electronics, Systems and Software, which focuses on advanced technological solutions, from the design and integration of complex systems (system integration) to telecommunications and critical infrastructure, iv) Energy, which includes the design and construction of energy generation and storage systems, and v) Infrastructure, which includes the design, construction and assembly of steel structures for large civil and maritime projects.
Other activities primarily refer to the cost of corporate activities which have not been allocated to other operating segments.
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 31 December 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, in the configuration monitored by the Group, 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 deriving from the spread of COVID-19 mainly refer to the failure to absorb fixed production costs during the production shutdown in 2020, the impact of reduced efficiency resulting from the implementation of the preventive measures adopted, and the costs for sanitary aids and expenses to ensure employee health and safety, (x) Other extraordinary income and expenses and (xi) Net result from discontinued operations.

The results of the operating segments at 30 June 2021 and 30 June 2020 are reported in the following pages.

(euro/thousands)

	30.06.2021				
	Shipbuilding	Offshore and Specialized Vessels	Equipment, Systems and Services	Other Activities	Group
Segment revenue	2,915,923	219,829	480,818	1,081	3,617,651
Intersegment elimination	(172,107)	(4,488)	(189,207)	(859)	(366,661)
Revenue *	2,743,816	215,341	291,611	222	3,250,990
EBITDA	205,961	4,137	31,925	(22,739)	219,284
EBITDA margin	7.1%	1.9%	6.6%		6.7%
Depreciation, amortization and impairment					(96,375)
Finance income					41,474
Finance costs					(86,941)
Income/(expense) from investments					14,430
Share of profit/(loss) of investments accounted for using the equity method					(14,364)
Income taxes					(16,870)
Costs not included in EBITDA					(53,421)
Profit/(loss) for the period					7,217

* 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 11,664 thousand) are given in the following table.

(euro/thousands)

	30.06.2021
Costs relating to reorganization plans and other non-recurring personnel costs	-
Provisions for costs and legal expenses associated with asbestos-related lawsuits [1]	28,807
Costs relating to the impacts deriving from the spread of COVID-19 [2]	21,941
Other extraordinary income and expenses [3]	317
Costs not included in EBITDA	53,421

[1] Of which euro 2.0 million included in "Materials, services and other costs" and euro 26.8 million in "Provisions".
[2] Of which euro 18.9 million included in "Materials, services and other costs" and euro 3.0 million in "Personnel costs".
[3] Amount included in "Materials, services and other costs".

(euro/thousands)

	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/(loss) of investments accounted for using the equity method					(2,477)
Income taxes					12,473
Costs not included in EBITDA					(118,071)
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/thousands)

	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 non-recurring income and expenses	(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.

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

(euro/million)

	30.06.2021	31.12.2020
Italy	932	896
Other countries	458	405
Total Property, plant and equipment	**1,390**	**1,301**

(euro/million)

Capital expenditure	30.06.2021	31.12.2020
Shipbuilding	135	92
Offshore and Specialized Vessels	2	2
Equipment, Systems and Services	12	12
Other Activities	11	16
Total	**160**	**122**

Capital expenditure in the first half of 2021 on Intangible assets and Property, plant and equipment amounted to euro 136 million, of which euro 63 million relating to Italy and the remainder to other countries.
The following table shows a breakdown of revenue and income between Italy and other countries, according to client country of residence:

(euro/million)

	30.06.2021		30.06.2020	
	Revenue and income	%	Revenue and income	%
Italy	370	11	390	16
Other countries	2,881	89	1,979	84
Total Revenue and income	**3,251**		**2,369**	

The following table shows those clients whose revenue (defined as revenue plus change in inventories) accounted for more than 10% of the Group's revenue and income in each reporting period:

(euro/million)

	30.06.2021		30.06.2020	
	Revenue and income	%	Revenue and income	%
Client 1	382	12	450	19
Client 2	339	10	188	8
Total Revenue and income	**3,251**		**2,369**	

Note 33 - Discontinued operations

In 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, Vard Group AS signed a letter of intent with a potential purchaser which envisaged the completion of the sale by 2020. The letter of intent expired definitively in March 2021 without the sale of the shipyard. Consequently the assets and liabilities previously classified as held for sale were classified again as non-current assets and measured at their carrying amount before they were classified as held for sale, adjusted for all the depreciation and amortization that would otherwise have been recognized had the assets not been classified as held for sale. The table below shows the values as assets held for sale at 31 December 2020.

(euro/thousands)	31.12.2020
Non-current assets	5,785
Current assets	
Total assets	**5,785**

(euro/thousands)	31.12.2020
Non-current liabilities	
Current liabilities	
Total liabilities	**-**

Note 34 - Acquisition of INSO-SOF

Description of the operation

On 1 June 2021, the Group finalized the acquisition of the business unit of INSO – Sistemi per le Infrastrutture Sociali S.p.A., representing the company's main activities, and of its subsidiary SOF, formerly part of the Condotte group, under special administration since 2018. Finalization of the transaction was subject to certain contractual conditions in addition to the Ministry of Economic Development giving the relevant authorization to the special administrators appointed to sell the company's business units. As part of the operation, the Group also acquired the 99% stake in Ergon Project Ltd from Hospital Building & Technologies S.c.a.r.l.
The acquisition was conducted through the subsidiary Fincantieri Infrastructure S.p.A. with the aim of further strengthening its position in the large infrastructure segment. It involved the transfer of the business unit, and some controlling interests, to the newly formed company "FINSO – Fincantieri INfrastrutture SOciali S.p.A." (FINSO for short). Fincantieri Infrastructure S.p.A. holds 90% of the capital in FINSO and the remaining part is held by Sviluppo Imprese Centro Italia SGR S.p.A. ("SICI"), representing the Tuscany Region.
INSO was founded in the 1960s and became part of the Condotte group in 2012. It is specialized in the development of construction projects and supply of technologies in the healthcare, industrial and service sectors. Its areas of activities include: construction, where it operates as general contractor in the realization of infrastructure for the healthcare and other sectors; concessions and management, where it operates directly or via the subsidiary SOF by providing facility management services; supply of instrumentation, as system integrator, in the supply of medical equipment and technologies.
The consideration contractually agreed for the acquisition of the business unit is euro 30 million, to be paid as follows: euro 7,576 thousand at the date of execution and then in 3 annual instalments of euro 7,476 thousand each starting from 31 May 2022. Based on the contractual provisions and the carrying amounts at the date the business unit is transferred, compared to those identified at the time of the offer, the consideration is also subject to adjustment upwards or downwards up to a maximum of 35% of that defined in the contract. This adjustment has been preliminarily estimated as a reduction in the consideration of euro 4,931 thousand.
This acquisition was entirely financed using the Company's own funds.
As regards certain contracts transferred under this acquisition, at the date of execution of the contract, there are still some formalities to be undertaken in order for FINSO to take over their management. If the required authorizations are not obtained, the perimeter of the business unit will be redefined, as will, consequently, the contractual consideration.

Accounting for the acquisition

The acquisition of the INSO business unit is a business combination, in accordance with the provisions of IFRS 3 – Business combinations. The assets and liabilities acquired, duly aligned with the Fincantieri Group's accounting standards, will be valued at fair value based on the facts and circumstances on the date of acquisition (1 June 2021) (the so-called "purchase price allocation"). It should be noted that, at the date of drafting these Condensed Consolidated Interim Financial Statements, the process of allocating the consideration paid is still ongoing and therefore must be considered provisional; this process will be completed in the next few months as required by IFRS 3.
The table below shows the assets and liabilities valued at their carrying amount and aligned with the accounting standards of the Fincantieri Group. As explained below, comparing these values with the consideration, adjusted for the estimated price adjustment, results in an income of euro 13,833 thousand, recorded under the item "Income from investments". This income may be subject to adjustment when the allocation process has been concluded.

(euro/thousands)	
Consideration for 100% of the business unit INSO+SOF	30,000
Consideration for price adjustment estimate	(4,931)
(a) Total estimated consideration	**25,069**
Provisional carrying amount of the net assets acquired	
Intangible assets	6,692
Rights of use	4,377
Plant and machinery	3,319
Investments	2,820
Other non-current financial assets	11
Other non-current assets	208
Deferred taxes	615
Inventory	2,945
Other current financial assets	263
Construction contracts net of instalment invoices	3,609
Trade receivables and other current assets	90,485
Cash and cash equivalents	11,162
Employee severance fund and provisions for risks and charges	(5,203)
Other non-current liabilities	
Trade payables and other current liabilities	(74,797)
Non-current financial liabilities	(3,786)
Current financial liabilities	(3,818)
Total	**38,902**
Non-controlling interests	-
(b) Total net assets acquired	**38,902**
(c) Pro-rata equity = (b) x 100%	**38,902**
Gains from acquisition = (a-c)	**(13,833)**

The costs incurred for the acquisition amount to a total of euro 1,470 thousand and have been charged to profit and loss as follows: euro 132 thousand in the financial year ending 31 December 2020 and euro 1,338 thousand in these interim financial statements.

Note 35 – Events after 30 June 2021

On 2 July 2021, "Valiant Lady" was delivered at the Sestri Ponente shipyard and the "Resilient Lady" was launched, the second and third of four cruise ships commissioned from Fincantieri by Virgin Voyages, a new operator in the cruise industry and brand of Sir Richard Branson's Virgin Group.

On 19 July 2021, Fincantieri topped the list of Most Attractive Employers in the Manufacturing, Mechanical and Industrial Engineering sector by Universum, a Swedish company that ranks the most attractive companies for Italian university students using a detailed questionnaire.

On 26 July 2021, the Cruise Division of the MSC Group, the third largest cruise group in the world, Fincantieri, one of the largest shipbuilding groups in the world, and SNAM, one of the world's leading energy infrastructure operators, signed a Memorandum of Understanding (MoU) to jointly assess the conditions for the design and construction of the world's first hydrogen powered cruise ship, which would enable zero-emission operations in specific navigation areas, as well as the development of the related infrastructure for hydrogen storage.

The MSC Seashore was delivered at the Monfalcone shipyard on 26 July 2021, the third of four ships in the innovative Seaside class. The ship will be the company's longest and the largest ever built in Italy.

Companies included in the scope of consolidation

Principal activity	Registered office	Countries in which they operate		Share capital	% interest held		% consolidate 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	86.10	Fincantieri NexTech 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 Bahrain	USD	501,000.00	100.00	Fincantieri USA Inc.	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 NexTech 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 NexTech S.p.A.	100.00
FINCANTIERI AUSTRALIA Pty Ltd Dormant	Australia	Australia	AUD	2,400,100.00	100.00	Fincantieri S.p.A.	100.00
FINCANTIERI Services Middle East LLC Project management services	Qàtar	Qàtar	EUR	200,000.00	100.00	Fincantieri S.p.A.	100.00
FINCANTIERI USA Inc. Holding company	USA	USA	USD	1,029.75	65.00 35.00	Fincantieri S.p.A. Fincantieri USA Holding Inc.	100.00
FINCANTIERI USA HOLDING Inc. Holding company	USA	USA	USD	-	100.00	Fincantieri S.p.A.	100.00
FINCANTIERI Services USA LLC After-sales services	USA	USA	USD	300,001.00	100.00	Fincantieri USA Inc.	100.00
FINCANTIERI MARINE GROUP HOLDINGS Inc. Holding company	USA	USA	USD	1,027.97	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

Principal activity	Registered office	Countries in which they operate		Share capital	% interest held		% consolidate by Group
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 Dormant	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	Marine Interiors 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	Fincantieri S.p.A.	100.00
MI S.p.A. Ship interiors	Trieste	Italy	EUR	50,000.00	100.00	Marine Interiors S.p.A.	100.00
SEAENERGY A MARINE INTERIORS COMPANY S.r.l. Manufacture of furniture	Pordenone	Italy Romania Norway	EUR	50.000,00	85,00	Marine Interiors S.p.A.	85,00
FINCANTIERI SI S.p.A. Manufacture of furniture	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 USA Inc. Holding company	USA	USA	USD	100.00	100.00	Fincantieri Infrastructure S.p.A.	100.00
FINCANTIERI INFRASTRUCTURE FLORIDA Inc. Legal activities	USA	USA	USD	100.00	100.00	Fincantieri Infrastructure USA Inc.	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 INFRASTRUTTURE SOCIALI S.r.l. Dormant	Rome	Italy	EUR	200,000.00	90.00	Fincantieri Infrastructure S.p.A.	90.00
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	35,250,000.00	100.00	Fincantieri S.p.A.	100.00
FINCANTIERI INFRASTRUCTURE WISCONSIN Inc. Construction of maritime, land and building works	USA	USA	USD	100.00	100.00	Fincantieri Infrastructure USA Inc.	100.00
FINCANTIERI EUROPE S.P.A. Holding company	Trieste	Italy	EUR	50,000.00	100.00	Fincantieri S.p.A.	100.00
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 NexTech S.p.A.	100.00

Principal activity	Registered office	Countries in which they operate		Share capital	% interest held		% consolidate by Group
FINCANTIERI NEXTECH S.p.A. Automation systems	Milan	Italy	EUR	12,000,000.00	100.00	Fincantieri S.p.A.	100.00
REICOM S.r.l. Design and engineering	Milan	Italy	EUR	600,000.00	100.00	Fincantieri NexTech S.p.A.	100.00
SÉCURITÉ DES ENVIRONNEMENTS COMPLEXES Design and engineering	Milan	Italy	EUR	10,000.00	100.00	Fincantieri NexTech S.p.A.	100.00
C.S.I. CONSORZIO STABILE IMPIANTI S.r.l. System installation	Milan	Italy	EUR	40,000.00	75.65	Fincantieri NexTech S.p.A.	75.65
HMS IT S.p.A. Design and engineering	Rome	Italy	EUR	1,500,000.00	60.00	Fincantieri NexTech S.p.A.	60.00
ESSETI SISTEMI E TECNOLOGIE S.r.l. ICT consulting and services	Milan	Italy	EUR	100,000.00	51.00	Fincantieri NexTech S.p.A.	51.00
MARINA BAY S.A. Dormant	Luxembourg	Luxembourg	EUR	31,000.00	100.00	Fincantieri NexTech S.p.A.	100.00
S.L.S. - SUPPORT LOGISTIC SERVICES S.r.l. Design and construction of electronic and telecommunication systems	Guidonia Montecelio (Rome)	Italy	EUR	131,519.00	60.00	Fincantieri NexTech S.p.A.	60.00
FINCANTIERI DRAGAGGI ECOLOGICI S.p.A. Eco-dredging, construction and maintenance of river, lake and maritime works	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	98.33	Fincantieri Oil & Gas S.p.A.	98.33
VARD GROUP AS Shipbuilding	Norway	Norway	NOK	26,795,600.00	100.00	Vard Holdings Ltd.	98.33
VARD SHIPHOLDING SINGAPORE Pte. Ltd. Charter of boats, ships and barges	Singapore	Singapore	USD	1.00	100.00	Vard Holdings Ltd.	98.33
VARD ELECTRO AS Electrical/automation installation	Norway	Norway UK	NOK	1,000,000.00	100.00	Vard Group AS	98.33
VARD ELECTRO ITALY S.r.l. Installation, production, sale and assistance for electrical equipment and parts	Trieste	Italy	EUR	200,000.00	100.00	Vard Electro AS	98.33
VARD RO HOLDING S.r.l. Holding company	Romania	Romania	RON	82,573,830.00	100.00	Vard Group AS	98.33
VARD NITERÓI Ltda. Dormant	Brazil	Brazil	BRL	354,883,790.00	99.99 0.01	Vard Group AS Vard Electro Brazil Ltda	98.33
VARD PROMAR SA Shipbuilding	Brazil	Brazil	BRL	1,109,108,180.00	99.999 0.001	Vard Group AS Vard Electro Brazil Ltda.	98.33
VARD INFRAESTRUTURA Ltda. Dormant	Brazil	Brazil	BRL	10,000.00	99.99 0.01	Vard Promar SA Vard Group AS	98.33
ESTALEIRO QUISSAMÃ Ltda. Dormant	Brazil	Brazil	BRL	400,000.00	50.50 49.50	Vard Group AS Vard Promar SA	98.33
VARD SINGAPORE Pte. Ltd. Sales and holding company	Singapore	Singapore	USD	6,000,000.00	100.00	Vard Group AS	98.33
VARD DESIGN AS Design and engineering	Norway	Norway	NOK	4,000,000.00	100.00	Vard Group AS	98.33

Principal activity	Registered office	Countries in which they operate		Share capital	% interest held		% consolidate by Group
VARD ACCOMMODATION AS Accommodation installation	Norway	Norway	NOK	500,000.00	100.00	Vard Group AS	98.33
VARD PIPING AS Pipe installation	Norway	Norway	NOK	100,000.00	100.00	Vard Group AS	98.33
SEAONICS AS Offshore handling systems	Norway	Norway	NOK	46,639,721.00	56.40	Vard Group AS	55.46
VARD SEAONICS HOLDING AS Dormant	Norway	Norway	NOK	30,000.00	100.00	Vard Group AS	98.33
SEAONICS POLSKA SP. Z O.O. Engineering services	Poland	Poland	PLN	400,000.00	100.00	Seaonics AS	55.46
VARD DESIGN LIBURNA Ltd. Design and engineering	Croatia	Croatia	HRK	20,000.00	51.00	Vard Design AS	50.15
VARD ELECTRO TULCEA S.r.l. Electrical installation	Romania	Romania	RON	4,149,525.00	100.00	Vard Electro AS	98.33
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	98.33
VARD ELECTRO BRAILA S.r.l. Electrical installation	Romania	Romania	RON	45,000.00	100.00	Vard Electro AS	98.33
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.	98.33
VARD TULCEA SA Shipbuilding	Romania	Romania	RON	151,606,459.00	99.996 0.004	Vard RO Holding S.r.l. Vard Group AS	98.33
VARD BRAILA SA Shipbuilding	Romania	Romania Italy	RON	165,862,177.50	94.12 5.88	Vard RO Holding S.r.l. Vard Group AS	98.33
VARD INTERNATIONAL SERVICES S.r.l. Dormant	Romania	Romania	RON	100.000.00	100.00	Vard Braila S.A.	98.33
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.	98.33
VARD VUNG TAU Ltd. Shipbuilding	Vietnam	Vietnam	USD	8,000,000.00	100.00	Vard Singapore Pte. Ltd.	98.33
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.	98.33
VARD ENGINEERING BREVIK AS Design and engineering	Norway	Norway	NOK	105,000.00	100.00	Vard Group AS	98.33
VARD MARINE INC. Design and engineering	Canada	Canada	CAD	9,783,700.00	100.00	Vard Group AS	98.33
VARD MARINE US INC. Design and engineering	USA	USA	USD	1,010,000.00	100.00	Vard Marine Inc.	98.33
VARD ENGINEERING GDANSK Sp. Z.o.o. Offshore design and engineering activities	Poland	Poland	PLN	50,000.00	100.00	Vard Engineering Brevik AS	98.33

Principal activity	Registered office	Countries in which they operate		Share capital	% interest held		% consolidate by Group
VBD1 AS Dormant	Norway	Norway	NOK	500,000.00	100.00	Vard Group AS	98.33
VBD2 AS Self-managed ships	Norway	Norway	NOK	30,000.00	100.00	Vard Group AS	98.33
VARD CONTRACTING AS Dormant	Norway	Norway	NOK	30,000.00	100.00	Vard Group AS	98.33
CDP TECHNOLOGIES AS Research and development of technology	Norway	Norway	NOK	500,000.00	100.00	Seaonics AS	55.46
CDP TECHNOLOGIES ESTONIA OÜ Automation and control system software	Estonia	Estonia	EUR	5,200.00	100.00	CDP Technologies AS	55.46
VARD ELECTRO CANADA Inc. Installation and integration of electrical systems	Canada	Canada	CAD	100,000.00	100.00	Vard Electro AS	98.33
VARD ELECTRO US Inc. Installation and integration of electrical systems	USA	USA	USD	10.00	100.00	Vard Electro Canada Inc.	98.33
VARD AQUA SUNNDAL AS Supplier of aquaculture equipment	Norway	Norway	NOK	1,100,000.00	100.00	Vard Group AS	98.33
VARD AQUA CHILE SA Supplier of aquaculture equipment	Chile	Chile	CLP	106,000,000.00	95.00	Vard Aqua Sunndal AS	93.41
VARD AQUA SCOTLAND Ltd Supplier of aquaculture equipment	UK	UK	GBP	10,000.00	100.00	Vard Aqua Sunndal AS	98.33
ERGON PROJECTS LTD Construction	Gzira-Malta	Malta	EUR	500,000.00	99.00 1.00	Fincantieri INfrastrutture SOciali S.r.l. SOF S.p.A.	89.00 1.00
INSO ALBANIA S.H.P.K. Design and construction of buildings and infrastructure, with special focus on the health sector	Tirana	Albania	LEK	4,000,000.00	100.00	Fincantieri INfrastrutture SOciali S.r.l	90.00
CONSTRUCTORA INSO CHILE S.P.A. Administrative and management activities for civil infrastructures – hospitals	Santiago de Chile	Chile	CLP	10,000,000.00	100.00	Fincantieri INfrastrutture SOciali S.r.l	90.00
EMPOLI SALUTE GESTIONE S.c.a.r.l. Non-medical support services, management of retail space and other technical economic and functional activities	Florence	Italy	EUR	50,000.00	95.00 5.00	Fincantieri INfrastrutture SOciali S.r.l. SOF S.p.A.	86.00 5.00
SOF S.p.A. Installation, transformation, maintenance and management of systems	Florence	Italy	EUR	5,000,000.00	100.00	Fincantieri INfrastrutture SOciali S.r.l	90.00
FINCANTIERI SERVICES DOHA LLC Maintenance of waterborne transport vessels	Qatar	Qatar	QUR	2,400,000.00	100.00	Fincantieri S.p.A.	100.00

Principal activity	Registered office	Countries in which they operate		Share capital	% interest held		% consolidate 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 (SHANGAI) 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
4TCC1 - società consortile a r.l. ITER project	Trieste	Italy France	EUR	100,000.00	5.00 75.00	Fincantieri S.p.A. Fincantieri SI S.p.A.	80.00
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	Marghera (Venice)	Italy	EUR	15,000.00	58.36	Fincantieri S.p.A.	58.36
FINMESA S.c.a.r.l. Design and realization of power generation plants from photovoltaic renewable sources	Milan	Italy	EUR	20,000.00	50.00	Fincantieri SI S.p.A.	50.00
POWER4FUTURE S.p.A. Design, production and installation of electricity storage products	Calderara di Reno (Bologna)	Italy	EUR	3,200,000.00	52.00	Fincantieri SI S.p.A.	52.00
NUOVO SANTA CHIARA HOSPITAL S.c.a.r.l. Construction of hospital buildings	Florence	Italy	EUR	30,000.00	50.00	Fincantieri INfrastrutture SOciali S.r.l.	50.00
VIMERCATE SALUTE GESTIONI S.c.a.r.l. Other business support service activities n.e.c.	Milan	Italy	EUR	10,000.00	3.65 49.10	SOF S.p.A. Fincantieri INfrastrutture SOciali S.r.l.	3.65 49.10
ENERGETIKA S.C.A.R.L. Provision of integrated energy service and related services for government bodies	Florence	Italy	EUR	10,000.00	41.00	SOF S.p.A	41.00

Principal activity	Registered office	Countries in which they operate		Share capital	% interest held		% consolidate 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	18.93
BREVIK TECHNOLOGY AS Holding of technology licenses and patents	Norway	Norway	NOK	1,050,000.00	34.00	Vard Group AS	33.43
MOKSTER SUPPLY AS Ship-owner	Norway	Norway	NOK	13,296,000.00	40.00	Vard Group AS	39.33
MOKSTER SUPPLY KS Ship-owner	Norway	Norway	NOK	131,950,000.00	36.00	Vard Group AS	35.40
REM SUPPLY AS Ship-owner	Norway	Norway	NOK	345,003,000.00	26.66	Vard Group AS	26.21
OLYMPIC GREEN ENERGY KS Ship-owner	Norway	Norway	NOK	4,841,028.00	29.50	Vard Group AS	29.01
DOF ICEMAN AS Ship-owner	Norway	Norway	NOK	23,600,000.00	50.00	Vard Group AS	49.17
CSS DESIGN LIMITED Design and engineering	British Virgin Islands	British Virgin Islands	GBP	100.00	31.00	Vard Marine Inc.	30.48
ISLAND OFFSHORE XII SHIP AS Ship-owner	Norway	Norway	NOK	404,097,000.00	46.90	Vard Group AS	46.90
ISLAND DILIGENCE AS Ship-owner	Norway	Norway	NOK	17,012,500.00	39.38	Vard Group AS	38.72
UNIFER NAVALE S.r.l. in liquidazione Production of pipes for the shipping and petrochemical sectors	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)	Italia, Qatar Romania, Colombia, Spain	EUR	1,431,112.00	10.00	Fincantieri S.p.A.	10.00
GENOVA INDUSTRIE NAVALI S.p.A. Ship building and repair	Italy	Italy	EUR	20,000,000.00	15.00	Fincantieri S.p.A.	15.00
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	Fincantieri NexTech S.p.A.	49.00
LEONARDO SISTEMI INTEGRATI S.r.l. Engineering	Genoa	Italy	EUR	65,000.00	14.58	Fincantieri NexTech S.p.A.	14.58
MC4COM - MISSION CRITICAL FOR COMMUNICATIONS S.c.a.r.l. Engineering	Milan	Italy	EUR	10,000.00	50.00	HMS IT S.p.A.	30.00
CITTÀ SALUTE RICERCA MILANO S.p.A Construction activities and other civil engineering works n.e.c.	Milan	Italy	EUR	5,000,000.00	30.00	Fincantieri INfrastrutture SOciali S.r.l.	30.00
CISAR COSTRUZIONI S.c.a.r.l. Design and execution activities	Milan	Italy	EUR	100,000.00	30.00	Fincantieri INfrastrutture SOciali S.r.l.	30.00
ISLAND DISCOVERER AS Ship owning company	Ulsteinvik	Norway	NOK	400,000.00	46.90	Vard Group AS	46.90
NOTE GESTIONE S.c.a.r.l. Installation of plumbing, heating and air conditioning systems	Reggio Emilia	Italy	EUR	20,000.00	34.00	SOF S.p.A.	34.00

Principal activity	Registered office	Countries in which they operate		Share capital	% interest held		% consolidate by Group
NORD OVEST TOSCANA ENERGIA S.r.l Other business support service activities n.e.c.	Vicopisano (Pisa)	Italy	EUR	1,000,000.00	34.00	SOF S.p.A.	34.00
S.Ene.Ca Gestioni S.c.a.r.l. Other business support service activities n.e.c.	Florence	Italy	EUR	10,000.00	49.00	SOF S.p.A.	49.00
HOSPITAL BUILDING TECHNOLOGIES S.c.a.r.l. Sale and purchase of real estate on own properties	Florence	Italy	EUR	10,000.00	20.00	SOF S.p.A.	20.00
BIOTECA SOC. CONS. a r.l. Performance of services covered by contracts for the supply and installation of furniture and furnishings	Carpi (Modena)	Italy	EUR	100,000.00	33.33	SOF S.p.A.	33.33

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 2021, during the first half of 2021.

2. The adequacy of the administrative and accounting processes for preparing the condensed consolidated half-year financial statements at 30 June 2021 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 2021:

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 half-year 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 consolidated half-year financial statements, together with a description of the principal risks and uncertainties to which they are exposed. The half-year management report also includes a reliable analysis of the information on significant related party transactions.

29 July 2021

CHIEF EXECUTIVE OFFICER

Giuseppe Bono

MANAGER RESPONSIBLE
FOR PREPARING FINANCIAL REPORTS

Felice Bonavolontà

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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 (the "Fincantieri Group"), which comprise the consolidated statement of financial position as of June 30, 2021, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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, 2021 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.

DELOITTE & TOUCHE S.p.A.

Signed by
Barbara Moscardi
Partner

Udine, Italy
July 30, 2021

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

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FINCANTIERI