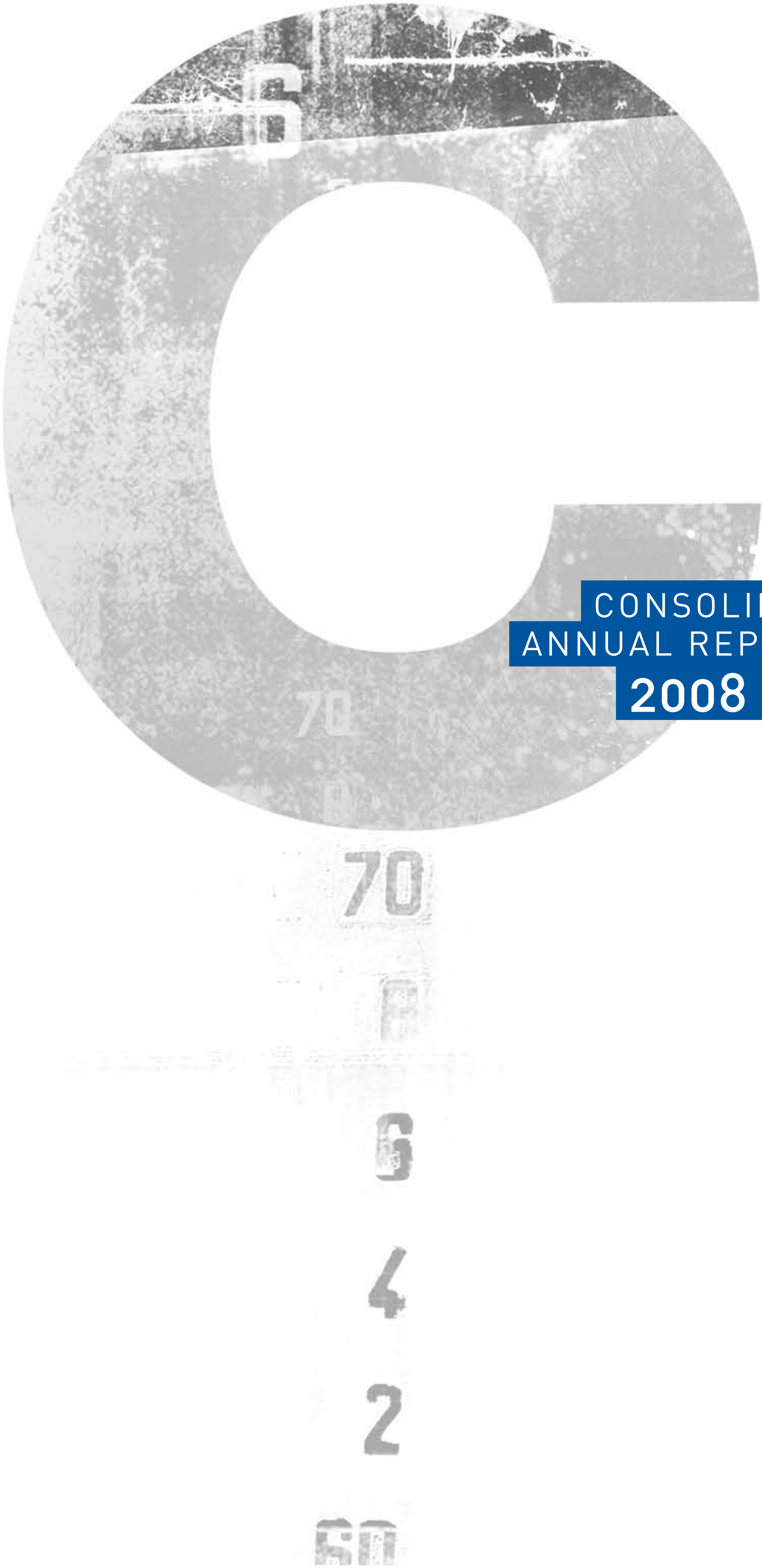
CONSOLIDATED ANNUAL REPORT 2008

FINCANTIERI



CONSOLIDATED ANNUAL REPORT 2008

FINCANTIERI

CORRADO ANTONINI

CHAIRMAN OF FINCANTIERI

The economic crisis that originally seemed to be limited to the financial market in North America, has turned out to have a worldwide impact, spreading to the industrial sector much faster than expected. The crisis has impacted also the shipbuilding industry that has recorded a dramatic contraction of the business.

Over the past few years, the shipping sector has been characterized by a remarkable expansion of the fleet, with very strong growth rates and a record high level of orders in 2006 and 2007, which is far from likely to be reached again. Even before the crisis, as a consequence of the high demand for new vessels, new orders had already shrunk following the expected cyclical slowdown of the sector. The economic downturn resulted in a considerable reduction in trade and, as a consequence, demand has plummeted both for charters and for construction of new vessels. This situation has also been exacerbated by the cancellation of existing orders. The overall global demand for new vessels showed in 2008 a reduction of more than 50% if compared with 2007, and of 90% in the first months of 2009.

Within this context, the shipbuilding companies in the Far East, especially in Korea and China, that had made significant investments in the past years to increase their production capacity in order to take advantage from the strong growth of the merchant fleet, are now highly exposed and therefore negatively impacted by the sudden market downturn.

The European shipbuilding industry, that since a few years had exited the common merchant ship business in order to focus on high value added vessels (passenger ships, special ships in the off-shore sector, etc.), has not been affected by the crisis as much as the players in the Far East. However, not even the niche markets, where most European shipbuilders operate, have been spared from the effects of the current economic slowdown.

The present scenario and its consequences on the market make it absolutely necessary for European Authorities to constantly monitor the situation in order to avoid any type of market distortion. Local shipbuilding industries, especially in the Far East, received Government support in the past years to overcome difficult situations, that were not even comparable with the current one, and to gain competitive advantages and considerable market shares at the expense of other players, especially those in Europe.

The introduction by European Authorities of special measures to boost the economy is highly desirable. Specifically in the shipping field, the European Commission should promote initiatives aimed at replacing Europe's obsolete fleet with a new generation of environment-friendly ships and encourage the implementation of programmes, like "Motorways of the Sea", to reduce land traffic congestion and promote marine trade.

Hoping that European Institutions will commit themselves to those objectives, an effort in this direction is required also by Italian Authorities given the importance of the shipbuilding industry in Italy.

Despite the downturn impacting the market segments in which the Group operates, the economic fundamentals of those segments remain substantially sound.

As far as the cruise sector is concerned, recent results show that – after a considerable decrease in demand in the third quarter of 2008 – fill-factors have remained substantially unchanged, despite a general reduction in overall spending that has negatively impacted the holiday segment. The cruise sector has been less affected than other business segment within the tourism industry because customers perceive the cruise as a holiday experience that offers the "best value for money". Mid-term growth forecasts are positive, though slightly lower if compared with the levels of recent years. The current stagnation in new ships orders is therefore largely caused by financial constraints.

In the ferry segment, the main drivers for a recovery in the demand of new vessels are related to the obsolescence of part of the fleet and to the increasing political awareness of the advantages of using maritime means of transport, especially in the extended Mediterranean area.

Regarding naval vessels, export markets are showing significant - but still very selective - growth opportunities, that the Group is capturing already. That being the result of the enlargement of the Group's production network through a direct presence in the large US market and through the expansion of the customer base and the establishment of trade relations with international partners. From a national perspective, the Italian Navy has started significant fleet renovation programmes and, taking into account budget limitations, a substantial increase of the orders already awarded is not foreseen.

The top end and high-value niche sector of mega-yachts has been characterized in the past few years by significant growth rates, that have attracted new players to the marketplace. Due to the present

downturn, the sector was at a standstill in the last quarter of 2008, a situation that should lead to a considerable reduction in competition, given that the weakest competitors will have to leave the market. Apart from the financial crisis and the current uncertainties, which are perhaps of a psychological nature, the market is nevertheless limited to a small number of selected customers, which means that only few companies have the necessary know-how and stability to compete successfully in the long term, especially in the very large yacht segment in which the Group operates.
The duration of the crisis affecting the market and its consequences are still unknown. Uncertainty and lack of confidence will undoubtedly last for some time and will have some unavoidable implications for our Group as well. However, the outlook for the future gives confidence in the strategic choices taken by Company.
Those players who will leverage the opportunity generated by the crisis' situation to make processes more efficient, streamline structures, optimize resources' utilization and innovate, will have a real chance to survive the downturn and moreover to strengthen their competitive position on the market. We are determined to follow this path and we are confident that our strategy will be supported by all the people contributing to our business system, both inside and outside the Group.

CORRADO ANTONINI
Chairman of Fincantieri

GIUSEPPE BONO

CHIEF EXECUTIVE OFFICER OF FINCANTIERI

The year 2008, in the shipbuilding industry will be remembered for two extraordinary events that radically changed the scenario in which Fincantieri operates. On one hand, the entrance of the Korean Group STX into the European shipbuilding market through the takeover of Aker Yards has resulted in a tougher competitive environment that has led the French Government to decide to step in and buy a direct stake in the capital of the company that controls the former Chantiers de l'Atlantique shipyard. On the other hand, the world financial crisis impacted also the shipbuilding sector, thus causing new orders to come to a standstill. The orders awarded in 2008 have been in fact the results of agreements already under discussion in late 2007.

However, despite the increased competition and the financial crisis and thanks to orders already acquired, the value of production in 2008 achieved a new record high of 2.9 Euro/billion while net income – despite being lower than in the previous years - amounted to 10 Euro/million. The postponement of the share capital increase – already envisaged in the 2007–2011 Business Plan –, combined with the increase in capital expenditure and with the increase in working capital due to the growth of the activity generated by the higher order volumes, have determined for the first time after many years, a negative net financial position.

In the cruise ship segment, as a result of the downturn, the Company has been awarded with only one order, signed at the beginning of the year with the French Company Compagnie des Iles du Ponant for the construction of two medium-small sized vessels targeted to the high end of the market.

Regarding ship conversions and repairs, Fincantieri has continued to be actively present on the market leveraging the increasing preference of shipowners' to refurbish and modernize their vessels instead of placing new orders.

With reference to the military sector, in late 2008 the Company completed the takeover of the American Manitowoc Marine Group, thus entering the US military market, the most relevant on a worldwide scale for the defence industry. At national level, orders were placed for the construction of four additional FREMMs and two U212 submarines. Within the framework of its strategy to expand the customer portfolio, Fincantieri reached an agreement with the Indian Navy for the construction of one fleet tanker, while another contract was signed with SOGIN for a special vessel tailored to the transport of toxic radioactive waste for the Russian Navy and a third agreement was reached between Fincantieri and the Kenyan Defence Ministry for the refitting of two fast-attack crafts.

Despite the challenging economic environment, the Company invested over 100 Euro/million to complete projects started in the previous years. Nevertheless the postponement of the share capital increase requested in 2007 has caused an overall delay in new projects, with the exception of capital expenditure related to the safety and maintenance of existing plants.

To overcome the present economic situation and to emerge even stronger in the future, an adequate response is necessary in order to maintain our market positioning. A capital increase of at least 300 Euro/million is even more required than before to satisfy the needs arising from growth and to provide the Company with the necessary resources to successfully compete in a depressed market.

Despite the worsening of the downturn, Fincantieri is confident that its strong market position will be maintained and that the present situation can be managed through the adoption of ordinary measures, without having to downsize its production structure. In order to do so, Fincantieri needs to focus on reinforcing its competitiveness through increasing the productivity of its shipyards, extending cost-cutting programmes - which have already been in place for several years - at all levels and selectively seeking for new opportunities in the Company's core business. The Company has reaffirmed the importance of increased productivity and improved performance as base of the discussion with trade unions for the renewal of the national collective employment agreement. Only achieving a substantial improvement in terms of productivity and efficiency and thus reducing the cost of the product, the conditions for additional remuneration can be met.

Furthermore, equally important is also the action that needs to be implemented at all levels in order to increase the product quality and that will be strengthened in the coming years.

These important challenges can be won only when all the stakeholders concerned, both inside and outside the Company, become fully aware of the importance that have objectives such as production efficiency and business effectiveness. This will enable Fincantieri to take full advantage of all the opportunities lying ahead as soon as the recovery of its market takes place.

It goes without saying that despite constant strategies for containing overheads, the decrease in production volumes will cause under absorption costs which are still being assessed.

GIUSEPPE BONO
Chief Executive Officer of Fincantieri

Contents

The Consolidated Annual Report issued in Italian has been translated into English solely for the convenience of international readers.

Corporate boards of the parent Company

BOARD OF DIRECTORS

(2006-2008)

Chairman	ANTONINI Corrado
Chief Executive Officer	BONO Giuseppe
	GIORGI Giorgio
	OSTILIO Massimo
	PARLATO Francesco
	PRATO Maurizio (*)
	REBULLA Luciano
	DOMINEDÒ Pierpaolo (**)
Secretary	CASTALDO Maurizio

(*) until 7 February 2008
(**) as of 28 March 2008

BOARD OF STATUTORY AUDITORS

(2008-2010)

Chairman	PUCCI Bruno
Auditors	ALEMANNI Pierluigi
	TRAUNER Sergio
Alternate auditors	GENTILE Giancarlo
	MANCINI Alberto

INDEPENDENT AUDITORS

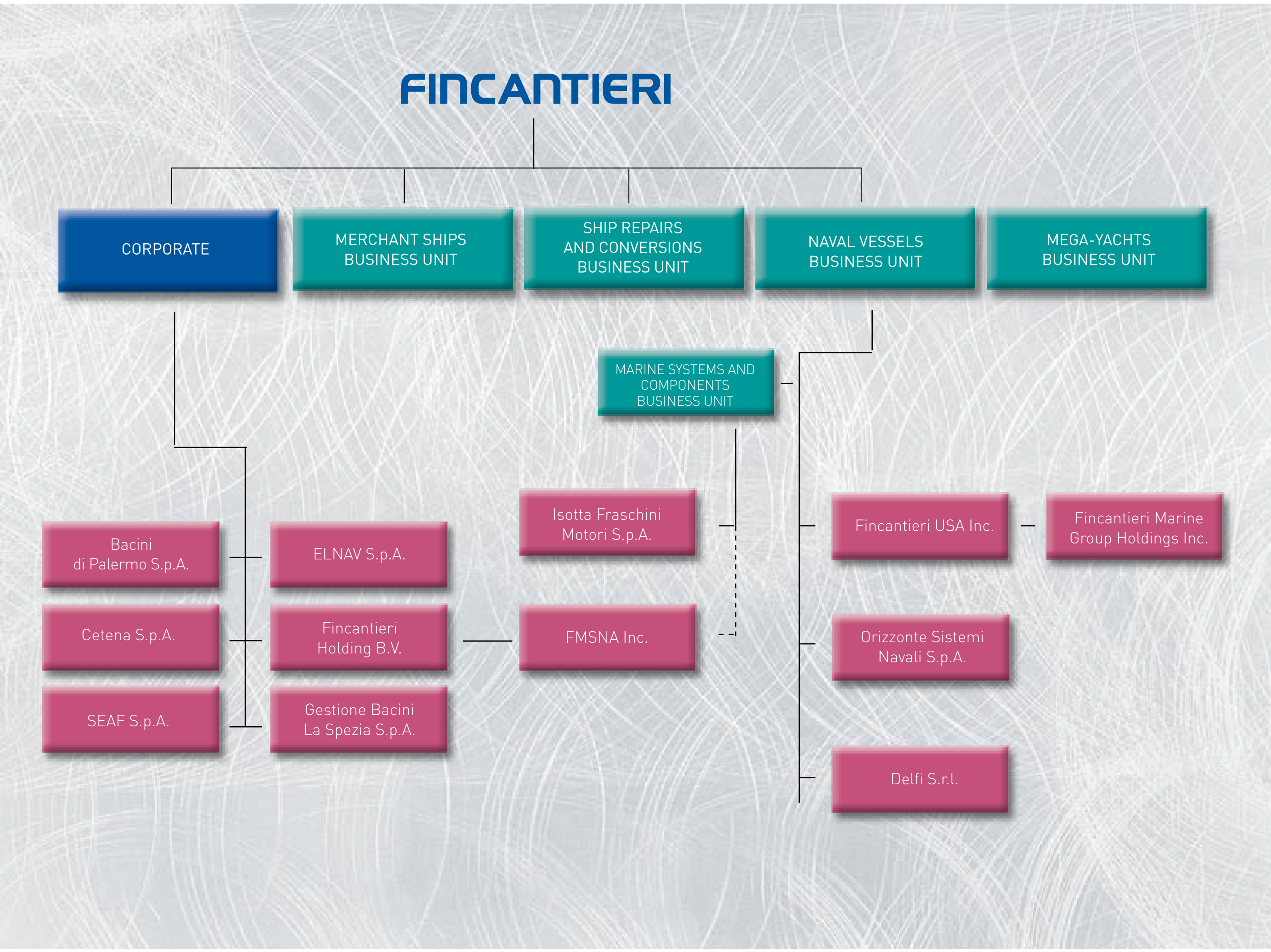
(2006-2008)

PricewaterhouseCoopers S.p.A.

THE GROUP IN REVIEW

At the close of the 2008 financial year, 98.789% of the company's share capital (337.1 Euro/million) was held by Fintecna– Finanziaria per i Settori Industriali e dei Servizi S.p.A. The remaining part of the share capital was held by various private investors including the financial institution Citibank, holding 1.210%.

The macrostructure of the Fincantieri Group and a short description of the companies included in its consolidated financial statements follow below.



CORPORATE STRUCTURE OF

MARINETTE MARINE CORP.

LLOYD WERFT

TRIESTE (ATSM)

MONFALCONE

ACE MARINE LLC

BAY SHIPBUILDING CO.

CLEVELAND SHIPREPAIR CO.

ITALY

TRIESTE
- HEAD OFFICE
- MERCHANT SHIPS
- SHIP REPAIRS AND CONVERSIONS
- ATSM SHIPYARD - DOCK

GENOVA
- NAVAL VESSELS
- MARINE SYSTEMS
- CETENA
- ORIZZONTE SISTEMI NAVALI

MONFALCONE
- SHIPYARD

MARGHERA
- SHIPYARD

ANCONA
- SHIPYARD

BARI
- ISOTTA FRASCHINI MOTORI

PALERMO
- SHIPYARD-DOCK

CASTELLAMMARE DI STABIA
- SHIPYARD

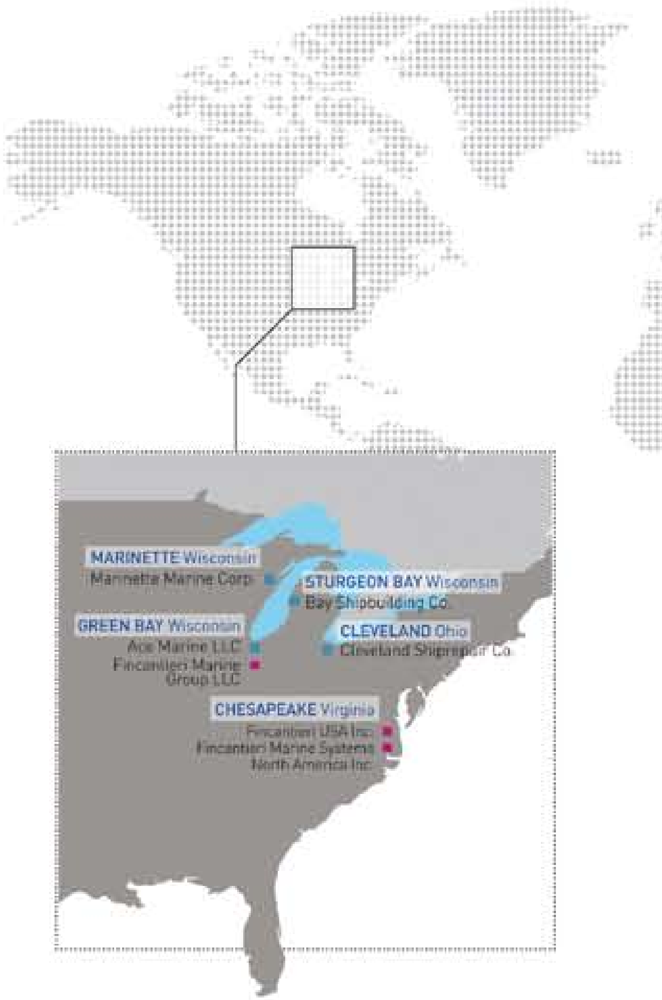
MUGGIANO
- MEGA YACHTS
- SHIPYARD-DOCK

RIVA TRIGOSO
- SHIPYARD

SESTRI PONENTE
- SHIPYARD

GERMANY
- LLOYD WERFT

USA
- FINCANTIERI USA INC
- FINCANTIERI MARINE SYSTEMS NORTH AMERICA INC.
- FINCANTIERI MARINE GROUP LLC
- MMC MARINETTE MARINE CORP.
- ACE MARINE LLC
- BSC BAY SHIPBUILDING CO.
- CSC CLEVELAND SHIPREPAIR CO.



THE FINCANTIERI GROUP

MARGHERA

SESTRI PONENTE

RIVA TRIGOSO

MUGGIANO

ANCONA

CASTELLAMMARE DI STABIA

PALERMO

- subsidiaries
- shipyards
- business units
- docks

CONSOLIDATED COMPANIES

Company Name/ Main activity	Registered office	Share capital		(%) held	
Companies consolidated using the line-by-line method					
BACINI DI PALERMO S.p.A. Dry-dock management	Palermo	Euro	1,032,000.00	100.00	Fincantieri
CENTRO PER GLI STUDI DI TECNICA NAVALE CETENA S.p.A. Naval research and testing	Genova	Euro	1,000,000.00	71.10	Fincantieri
ELNAV ESERCIZIO E LOCAZIONE NAVI S.p.A. Ship-owning company	Trieste	Euro	2,580,000.00 (paid up 1,135,200.00)	49.00	Fincantieri
FINCANTIERI HOLDING B.V. Management of investments in foreign companies	Amsterdam (NL)	Euro	9,529,387.54	100.00	Fincantieri
FINCANTIERI MARINE SYSTEMS NORTH AMERICA INC. Sales and assistance services of mechanical constructions	Delaware Corporation based in Chesapeake (VA - USA)	USD	501,000.00	100.00	Fincantieri Holding
GESTIONE BACINI LA SPEZIA S.p.A. Dry-dock management	Muggiano (La Spezia)	Euro	260,000.00	99.90	Fincantieri
ISOTTA FRASCHINI MOTORI S.p.A. Design, construction, sales and assistance services for fast-medium power diesel engines	Bari	Euro	12,546,000.00	100.00	Fincantieri
SOCIETÀ PER L'ESERCIZIO DI ATTIVITÀ FINANZIARIE SEAF S.p.A. Financial support to Group companies	Roma	Euro	1,032,000.00	100.00	Fincantieri
DELFI S.r.l. Technical and logistic engineering	Follo (La Spezia)	Euro	400,000.00 (paid up 100,000.00)	49.00	Fincantieri
FINCANTIERI USA INC. Management of FMGH holding	Delaware Corporation based in Wilmington (DE - USA)	USD	1,000.00	85.60 14.40	Fincantieri Simest
FINCANTIERI MARINE GROUP HOLDINGS INC. Management of the FMG holding	Delaware Corporation based in Green Bay (WI - USA)	USD	1,000.00	87.34 12.66	Fincantieri USA Lockheed Martin
Company consolidated using the equity method					
ORIZZONTE SISTEMI NAVALI S.p.A. Management of contracts for the supply of large naval vessels	Genova	Euro	20,000,000.00	51.00 49.00	Fincantieri Finmeccanica

Fincantieri Group
Report on operations

OPERATING HIGHLIGHTS

Dear Shareholders,

despite increased competitiveness and the present financial crisis, your Company has reached a positive result in 2008, thus preserving its sound financial standing.

		2008	2007
Orders (*)	in millions of Euro	2,528	4,238
Order portfolio (*)	in millions of Euro	10,848	12,013
Order backlog (*)	in millions of Euro	7,944	8,067
Capital expenditure	in millions of Euro	111	116
R&D	in millions of Euro	53	51
Employees at year end	Nr.	9,185	9,358
Revenues	in millions of Euro	2,932	2,714
EBITDA	in millions of Euro	134	194
Operating income (EBIT)	in millions of Euro	55	129
Adjusted operating income (**) (EBIT *adjusted*)	in millions of Euro	73	134
Net income before income tax expenses	in millions of Euro	43	87
Net income	in millions of Euro	10	36
Net invested capital	in millions of Euro	899	712
Equity	in millions of Euro	835	835
Net financial position	in millions of Euro	-64	123
Free cash flow	in millions of Euro	-179	-22
Ships delivered	Nr.	10	11

(*) Net of eliminations and consolidations; (**) Excluding non-recurring income and expenses

RESULTS

Net income exceeded 10 Euro/million, despite the extremely unfavourable and radically changed market situation in comparison with the previous financial years.
The difficult market and economic situation the Group had to face in 2008, due to the complex situation in the market of raw materials, had a negative impact on the main economic and financial indicators:

- Revenues amounted to 2,932 Euro/million, an increase by over 8% compared with 2007 and a new record level for the Company. This result was not affected by the financial crisis, which has caused the order book to be frozen since September 2008.
- Operating income amounted to 55 Euro/million and was mainly affected by (i) the economic downturn, relating to the rising cost of raw materials (steel, oil, etc.) in the first nine months of 2008 and only partially decreased over the last quarter; (ii) negative consequences triggered by the economic and financial crisis which started in September 2008; (iii) increased labour costs due to the renewal of the national collective employment agreement.
- Net debt equalled 64 Euro/million, the first negative result in years, due to the working capital situation and to an extraordinary financial operation which led to the acquisition of the US M.M.G., Manitowoc Marine Group.

ORDERS AND BACKLOG

New orders worth 2,528 Euro/million were placed, down from the record level of 4,238 Euro/million in 2007. This decrease was the consequence of the first signs of downturn in the demand for new ferries and cruise ships. Orders were received for two cruise ships, four multi-mission FREMM frigates for the Italian Navy, two U212 submarines, a fleet tanker for the Indian Navy, a vessel for transporting nuclear waste for the Russian Navy, the refitting of two fast attack crafts for the Kenyan Navy, several cruise ships refitting requests and orders worth 141 Euro/million for the marine systems and components area.

The Group received orders worth 10.8 Euro/billion. The average backlog was 7.9 Euro/billion, which is certainly remarkable, but – considering the nature of the production cycle – cannot fill the production capacity of all the Group's plants in the mid-term. For this reason, use of wages guarantee fund will be made in 2009 in those plants where there will be a partial work shortage.

INVESTMENTS – R&D AND INNOVATION

Capital expenditure amounted to 111 Euro/million and mirrored the continuation of projects started in the previous years aimed at improving production and logistic efficiency in the Group's plants, to manage the intensive production expected. At the same time, however, the postponement of share capital increase – differently from what was requested in 2007 – forced the Company to freeze all new projects, with the exception of investments connected with safety and maintenance of production plants.
Despite present economic difficulties, the Company is well aware of the importance of research and Innovation, two key elements for success and future competitiveness. This is why 53 Euro/million were invested for the development of tens of projects connected with product and process innovation, an increase of 2 Euro/million compared with 2007.

DIVIDENDS

For the fifth year in a row, the Parent company proposed to distribute dividends for a total amount of 10.1 Euro/million, equivalent to a remuneration of 3% of share capital per year. Dividends will be distributed by using the available share of net income and a portion of the reserves available.

MARKET SCENARIO

The financial crisis which started in the USA in 2008 has produced dramatic consequences on the real economy which Fincantieri is trying to face. This situation appears even more difficult due to an unattained capital increase, as opposed to what was envisaged in the 2007-2011 Business Plan. Capital increase would actually have ensured considerable capital strengthening and the possibility to support the Company's considerable production growth (+20% in the 2006-2008 period), a necessary step to meet the market demand for new orders until mid 2008.

Production growth certainly strengthened the Company's position in the market, but also meant a considerable increase in invested capital, both in terms of investments and of increased working capital. For the first time in years, this situation caused Fincantieri to end 2008 in a net debt position, which is going to affect the next financial year. There may be considerable improvement after the capital increase referred to above has been approved, an issue to be discussed at the convened Shareholders' Extraordinary Meeting.

On top of that, the entrance of the Korean STX Group into the European shipbuilding market through the takeover of Aker Yards - Fincantieri's main competitor - has noticeably soared competitiveness. Within this context, the decision of the French Government to become a direct shareholder in STX Europe (former Aker Yards) with a 33.34% share is worth noticing. Furthermore, considering the 16.65% Alstom share, the capital share held by the French Government in the former Chantiers de l'Atlantique and Leroux Naval reaches the 49.99%. The French Government committed itself to begin construction of naval vessels earlier than scheduled to make up for the work shortage in shipyards.

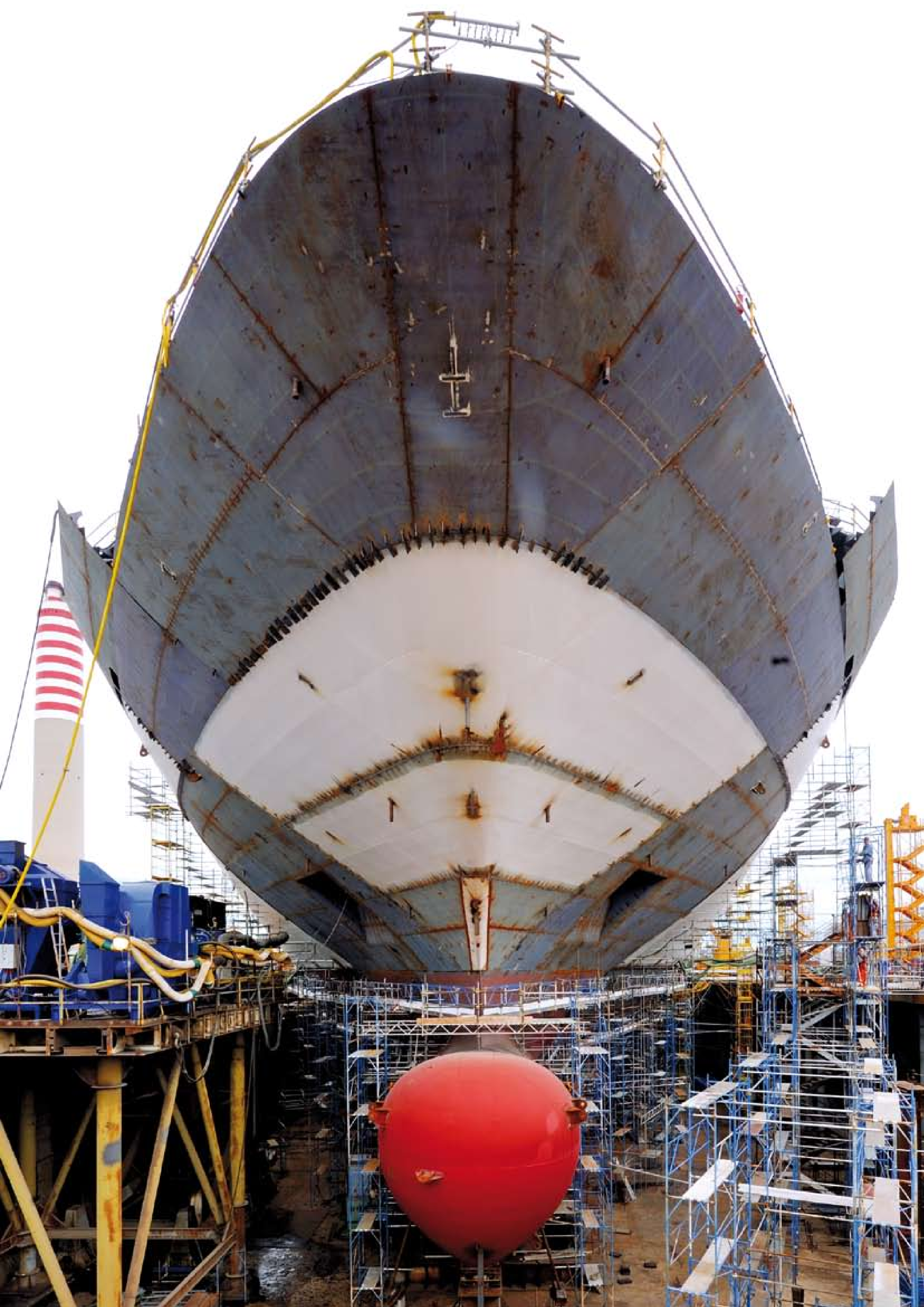
In order to overcome this unfavourable period, Fincantieri needs to further enhance competitiveness through increased productivity in shipyards and to search for new competitive scenarios, as demonstrated by the recent acquisition of three shipyards in the United States.

The Company has emphasized the importance of increased productivity and improved performance as key points in talks with Trade Unions for the renewal of the national collective employment agreement which, in spite of all the present difficulties, Fincantieri is more than willing to discuss. At the same time, however, the Company stressed that, due to the critical situation on the market and more complex operability, real returns have to be obtained in the face of additional costs. Therefore, only after recovering a significant part of productivity and efficiency and attaining product cost reduction, will Fincantieri be in the position to ensure additional remuneration.
It is therefore necessary to cooperate to ensure the technological excellence achieved over years of hard work at Fincantieri and within its supply network. Against this backdrop, the importance of new financial resources to be gained through capital strengthening becomes even clearer.

The soaring financial crisis in late 2008 outlined even more difficult prospects than has so far been the case. The Company suffered the first signs of the present economic crisis due to a client's cancellation of an order placed in early 2008 for the construction of a 90-metre mega-yacht. Other events have contributed to weaken ship-owning companies, thus outlining the possibility of other potential risks occurring in the financial years to come, like order cancellations, late delivery requests and new, slow-developing ship-building plans.

Fincantieri is confident that its consolidated market position will be maintained on the relevant market and, therefore, that its capital will remain solid and its company structure unchanged. For this goal to be achieved, all and every effort needs to be made to contain costs and absorb additional costs which may arise when facing up to the new challenges in the market.

Failure to do so would entail radical changes within the Company structure which would undermine its position on the relevant market when economic recovery takes place. Apart from having an impact on direct workers, this situation would be devastating for the whole "Fincantieri system" and its huge network of suppliers and subcontractors working throughout Italy and securing over 30,000 jobs.



BUSINESS AREAS

MERCHANT VESSELS

MARKETS

General shipping

The present financial crisis started in the US in 2008 and has now spread worldwide. The credit crunch, together with increasing lack of confidence and reduction in consumption, has caused worldwide economic recession. Within this framework, the ship-owning sector has become dormant compared with other ones, like car manufacturing, which showed the first signs of decline in early 2008. Orders for new ships did not lose steam until September 2008, while they plummeted in the last quarter. Analysts did expect a downturn, but not that the economic crisis would produce such a rapid deterioration of fundamental economic indicators, like maritime traffic volume and charters. Preliminary figures for 2008 indicate a significant reduction in the global demand for new ships (-52% compared to 2007), decreasing from 86 million compensated gross tons (CGT) in 2007 to 41 million CGT in 2008. This slowdown involved all types of vessels. Against this backdrop, the European shipbuilding industry recorded an order volume of 2 million CGT, thus holding a market share of 5%, a decrease by 2% compared to 2007. The Korean and

Chinese shipbuilding industries, with 15 and 13 million CGT respectively, saw a slight decrease in their market shares from 38% and 34% down to 36% and 32% respectively compared with 2007. The Japanese shipbuilding industry recorded higher order volumes compared with 2007 (over 6 million CGT) and an increase in its market share from 12% in 2007 to 16% in 2008. The world backlog reached a record level of 196 million CGT. The amount of backlog, however, does not mirror the market situation: almost 50% has not been financed yet, which means several orders may be cancelled. The shipyards mostly exposed to the crisis are those which have recently entered into the market, having unamortized or incomplete investments and depending more on orders for the construction of low-tech ships, like bulk carriers, and on the demand from secondary shipowners. The financial crisis is expected to bring about a considerable reduction of the weakest competitors, who will have to leave the market. Just like in the past, Governments may decide to support their national shipbuilding industries, which play a fundamental role for small and medium-sized enterprises and have a considerable influence in the areas concerned.

Cruise ships

The overall situation of the cruise ship market became less favourable in 2008: the economic crisis will inevitably cause a reduction in expenditure for cruises and holidays, even if the former – largely driven by the concept of "better value for money", differently from traditional package holidays – may be less affected by the crisis than other tourism sectors. At the same time, the main cruise operators, like Carnival and Royal Caribbean, decided to suspend profit distribution in 2009, unless the market situation changes. This decision resulted from their wanting a prudent cash management and a reduction of the need to turn to the credit system. The downturn in orders for new vessels was partially due to the record levels attained in the two previous financial years. In 2009, this sector will have to manage the entry into the fleet of 11 new vessels. Orders were placed in 2008 for the construction of three cruise ships, two of which are going to be built by Fincantieri, thus concluding the contract with the French Company Compagnie des Iles du Ponant to build two small and medium-sized luxury cruise vessels to be completed in 2010. The third ship, the fifth one in the Solstice class, was ordered by Royal Caribbean for the Celebrity Cruises brand at the German shipyard Meyer Werft.
In 2008, the company's order portfolio stood at 15, out of a total world order book of 33.

Ferries

Orders were placed for the construction of nine large ferries (over 150 metres long), a downturn compared to the 15 ordered in 2007. The main consequence of the economic crisis on this segment is the increased difficulty in finding the necessary funds to modernise fleets.
From a competitiveness point of view, the main feature of this sector is its fragmented nature and the presence of shipyards working on an occasional basis.
The world order book for large ferries stood at 33.
After completing the Roma and Barcellona cruise ferries for the Grimaldi group at the Shipyard in Castellamare di Stabia, near Naples, and the Superstar cruise ferry for the Estonian Group Tallink, the Company's order book stood at 2.

Repairs and conversions

The demand for ship repairs and conversions was satisfactory in all sectors and was mainly connected with fleet expansion, especially in the large-sized ship segment. The need for maintenance of these vessels pushed well-known ship owners – both in the merchant ships and in the passenger ships sectors – to enhance repair production capacity.
Extraordinary maintenance and refitting activities of several cruise ships were also carried out. This segment is expected to uphold positive results in the years to come, due to the number of ships built back in the 90s needing "mid-life" maintenance operations. Moreover, waiting for an increased market visibility, shipowners now prefer having their vessels refurbished and refitted, rather than having new ones built.
In line with its trend to increase supply capacity in the sector, Fincantieri reopened its shipyard in Trieste and opened a sales office in Miami: the Company intends to provide a worldwide service either through its shipyards or through third-parties facilities based on the highest possible flexibility.
Fincantieri has decided not to use its call option to become the majority shareholder of the German shipyard Lloyd Werft Bremerhaven (LWB). This decision was the result of shareholders and stakeholders not accepting the proposal put forward by Fincantieri for the revival and capital strengthening of the shipyard. The main goal was to ensure the necessary financial resources to face the present crisis

and improve its performance, which is now not in line with the Business Plan agreed upon when Fincantieri became one of LWB's shareholders.
Fincantieri holding of LWB stands at 21.5%. In accordance with the shareholders agreement, however, Bremer Investitions-Gesellschaft (BIG) has a call option to acquire Fincantieri's shares at the same price as the shares held by Fincantieri plus interest rate (Euribor + 50 bps) by 31 December 2009. Should BIG not exercise this right, the Call Option will be transferred to shareholder LPS, which can exercise it until 31 December 2010.

OPERATIONS

(in millions of Euro)	2008	2007
Orders	313	3,691
Order portfolio	6,307	8,009
Order backlog	4,547	6,226
Capital expenditure	82	88
Ships delivered (Nr)	7	8

Orders

Orders were placed in 2008 for the construction of two ultra-luxury 10,700 GT vessels by the French Company Compagnie des Iles du Ponant, a new addition to Fincantieri's customer portfolio. Compagnie des Iles du Ponant (CMA-CGM Group) is the world's third biggest ship owner and France's first container transportation company.
Orders for ship repairs stood at 75 Euro/million in 2008, most of which were allocated for the conversion of the cruise ship World Discoverer, owned by Silversea Cruises. Fincantieri's order book also included the conversion of the Sputnik tugboat, owned by Belmer Systems Inc. C&P Corporation, and necessary, additional repairs on the Scarabeo 8 drilling rig, owned by Saipem Portugal.

Backlog

At the end of the year, Fincantieri saw its backlog drop from 6,226 Euro/million in 2007 to 4,547 Euro/million in 2008. Despite being considerable, the current order book is insufficient to fill its production capacity over the next two financial years.
The Company's backlog includes the construction of four AHTS supply vessels at the Palermo yard for the Naval Vessels Business Unit.
The total value of undelivered orders amounted to 6,307 Euro/million, compared to 8,009 Euro/million at the end of 2007.

Capital expenditure

The most important activities were carried out at the following yards:

- Monfalcone: completion of a new, technologically advanced flat-block panel line, completion of a hull preassembly area, modernisation of service infrastructures and development of logistics for internal handling;
- Marghera: continuation of logistic and productive structural improvement of outfitting areas and operations connected with safety, statutory compliance and modernisation of lighting systems in the plant to cut energy costs;
- Sestri: continuation of the programme aimed at making hull assembly halls more efficient to build medium-sized luxury ships, modernisation of fixtures and fittings and of production service infrastructures, operations connected with safety and statutory compliance;
- Ancona: continuation of activities for the structural improvement of production areas, buildings and plants and operations connected with safety and environment;
- Castellammare: continuation of works to extend workshops, development of logistics for sub-assembly handling systems, modernisation and upgrading of production and service plants;

- Palermo: continuation of upgrading works at production and service plants, upgrading of existing equipment, refitting of plasma cutting system and operations relating to safety and statutory compliance.

Production

Highlights of 2008 production:

(number)	Keel laying	Launches	Deliveries
Cruise ships	5	4	4
Cruise Ferries	1	1	3
Repairs and conversions			43 (*)

(*) completions

The following ships were delivered:

- Ventura, a 113,500 GT cruise ship, a new flagship of P&O Cruises (Carnival Group) delivered at the Monfalcone yard;
- Carnival Splendor, a 113,500 GT cruise ship, delivered to Carnival Cruise Lines at the Sestri yard;
- Eurodam, a 86,000 GT cruise ship, delivered to H.A.L Antillen N.V. (Carnival Group) at the Marghera yard;
- Ruby Princess, a 113,500 GT cruise ship, delivered to Princess Cruise (Carnival Group) at the Monfalcone yard;
- Tallink Superstar, a 36,000 GT cruise ferry delivered to Tallink Superfast at the Ancona yard;
- Cruise Roma, a 55,000 GT cruise ferry delivered to IN.AR.ME. (Grimaldi Group, Naples) at the Castellammare yard;
- Cruise Barcellona, Cruise Barcellona, a 55,000 GT cruise ferry delivered to IN.AR.ME. (Grimaldi Group, Naples) at the Castellammare yard.

The Palermo yard managed the repairs of 39 ships and the conversion of 4 ships.

NAVAL VESSELS, SPECIAL VESSELS AND MEGA-YACHT

MARKETS

Naval vessels

On a global level, 16 contracts were signed in 2008 for the construction of 29 new vessels, equalling 12 Euro/billion, a 25% reduction in terms of value compared with 2007. This reduction is mainly related to the freezing of commercial orders by Navies of ship-building countries amounting to about 9 Euro/billion, two thirds of which are ascribable to the USA, the world leader in the defence industry.
As for the domestic market, Fincantieri completed the acquisition of four vessels to conclude the second stage of the FREMM programme and of two U212 submarines within the framework of the cooperation programme with the German Submarine Consortium.
At the international market level, Fincantieri gained orders to build a supply vessel for the Indian Navy and to refit two fast attack crafts for the Ministry of Defence of Kenya.
Fincantieri also formed a major alliance with the British Northwestern Shiprepairs & Shipbuilding Ltd to participate in the MARS programme (Military Afloat Reach and Sustainability) for the construction of six supply vessels for the Royal Navy.
As detailed below, on 1 January 2009 Fincantieri also sealed the takeover of Manitowoc Marine Group (renamed Fincantieri Marine Group), one of the main shipbuilders specialised in the construction of medium-sized vessels for private and governmental bodies, like the US Navy. The US Company Lockheed Martin Corporation participated as a minority shareholder. From a competitiveness point of view, the

consolidation of the British industry was carried out successfully, thus making it possible to complete a joint venture between BAE Systems (55%) and VT Group (45%) to form BVT Surface Fleet Limited. The German ThyssenKrupp Technologies bought back a 25% stake of ThyssenKrupp Marine Systems AG from the US investment company One Equity Partners (OEP). With this acquisition, ThyssenKrupp Technologies regained full control of Germany's naval shipbuilding segment. In France the debated issue relating to the reunification of the civil (formerly known as Chantiers de l'Atlantique) and military (DCNS) shipbuilding industries is still ongoing. At the same time, some naval programmes may be implemented in advance in order to secure sufficient workload for shipyards and to support the economy.
At the European level, initiatives of the European Development Agency (EDA) are being carried out with the aim of ensuring higher harmonisation of demand made by EU Member States and better efficiency of their industrial basis. To this purpose, the European Parliament has recently approved two directives on procedures for the acquisition of goods and services within the framework of the Defence Package for defence, security and simplification of terms and conditions of intra-Community circulation of defence-related products.

Special vessels

In 2008, new orders for Anchor Handling Tug Supply vessels (AHTS) stood at 58, totalling 388,000 GT, a decrease by 26% compared with 68 orders received in 2007. About 70% of new orders were received from countries in the Far East, namely China, Indonesia and Singapore, thus strengthening their market position.
A downturn in demand was partially expected because, before new directives came into force making construction of special vessels more complex and expensive, several shipowning companies decided to start their investment programmes in advance. Due to the decrease of oil prices from the 130$ record level in early 2008 down to 40$ a barrel, the situation of the offshore sector has changed. The economic crisis may therefore cause some research and extraction projects to be cancelled or delayed, whose economic feasibility was supported by high oil prices.
At the end of 2008, the order portfolio stood at 172 vessels, i.e. 1,260 million GT and about 9.1 Dollar/billion in terms of value. STX Europe (former Aker Yards) is the market leader in this sector, followed by Kleven Verft.
Including the delivery of two ships, Fincantieri's order book stood at 12 vessels.

Mega-yachts

Fincantieri's target segment, i.e. vessels longer than 70 metres, received 21 new orders in 2008, a decrease compared with the 29 received in 2007.
Despite analysts believing that the segment of smaller-sized yachts will be the most affected one by the present economic crisis, even the exclusive market segment of mega-yachts will suffer its consequences. However, medium and long-term prospects remain positive.
Considerable expansion characterised this segment for years, so much so that new companies entered the market and consolidated firms attempted to widen their range of products by offering bigger vessels or gaining particularly challenging workloads from both a technical and an economic point of view. The number of competitors on the market is certainly on the increase. However, we are confident that, despite present difficulties, only few companies can remain stable and be successful in this sector.
In December 2008, the order portfolio for yachts longer than 70 metres stood at 75, equalling 6,483 linear metres. There is now one vessel in the Company's backlog.

OPERATIONS

(in millions of Euro)	2008	2007
Orders	2,211	546
Order portfolio	4,540	4,003
Order backlog	3,396	1,841
Capital expenditure	21	18
Ships delivered (Nr)	3	3

Orders

The naval shipbuilding business area secured a number of important orders in 2008, namely:

- 4 multi-mission FREMM frigates for the Italian Navy. This order fell within the French-Italian FREMM cooperation programme for the construction of 27 frigates by the French and Italian shipbuilding industries, ten of which are going to be built for the Italian Navy, using Fincantieri's production plants until 2020. This order adds up to the first part of the contract, providing for the construction of two frigates and which became effective in May 2006;
- Two U212 submarines for the Italian Navy. This order fell within the cooperation programme with the German Submarine Consortium and was received after the Todaro and Scirè submarines which have recently become part of the Italian Navy;
- One supply vessel for the Indian Navy;
- Supply of components and know-how for the construction of four patrol vessels for the Turkish Coast Guard. This order marks a great business success not only for Fincantieri, but for the country as a whole, since Turkey's naval business area used to be based on the American and German shipbuilding industries, which have provided the Turkish Navy with almost all their surface and underwater vessels. This contract provides for the designing of vessels, the supply of naval components, the transfer of technology and know-how, logistic support, crew and staff training working at the Turkish RMK Marine shipyard (part of KOC Group), one of Fincantieri's business partners;
- Refitting of two fast attack crafts for the Ministry of Defence of Kenya.

The following acquisitions were also completed:

- one special vessel for the Ministry of Economic Development following a cooperation agreement between the Italian Government and the Government of the Russian Federation to convey spent nuclear fuel and toxic waste deriving from the dismantling of Russian nuclear submarines to the processing and storage sites;
- new orders amounting to 140.6 Euro/million for the components and systems area. 34.5 Euro/million were earmarked for the manufacturing of products for the Group, while 106.1 for third parties.

Backlog

At the end of 2008, the order backlog of the Naval Vessels Business Unit was sufficient to fill the production capacity of the Group's plants in the long term. It amounted to 3,396 Euro/million, as opposed to 1,841 Euro/million at the end of 2007.
The order portfolio (total value of undelivered orders) was 4,540 Euro/million, as opposed to 4,003 Euro/million at year-end 2007.

Capital expenditure

The most important activities were carried out at the following yards:

- Riva Trigoso: development of assembly workshop and external areas for unit prefabrication and ships assembly, development of facilities and logistic infrastructures for mechanical productions;
- Muggiano: continuation of works to build new offices, a new shed and new facilities to build mega-yachts as well as the upgrading of shipyard equipment;
- Isotta Fraschini Motori, Bari: building of a new shed, generator-testing rooms and of a new work centre for 1700-series engines. Facilities and systems were upgraded and modernised in connection with statutory and environmental compliance.

Production

The most significant production activities carried out in 2008 were:

(Number)	Keel laying	Launches	Deliveries
Naval vessels	6		1
Special vessels	5	3	2
Mega-yachts		1	
Motors			96 (*)
After sale support (millions of Euro)			24 (**)

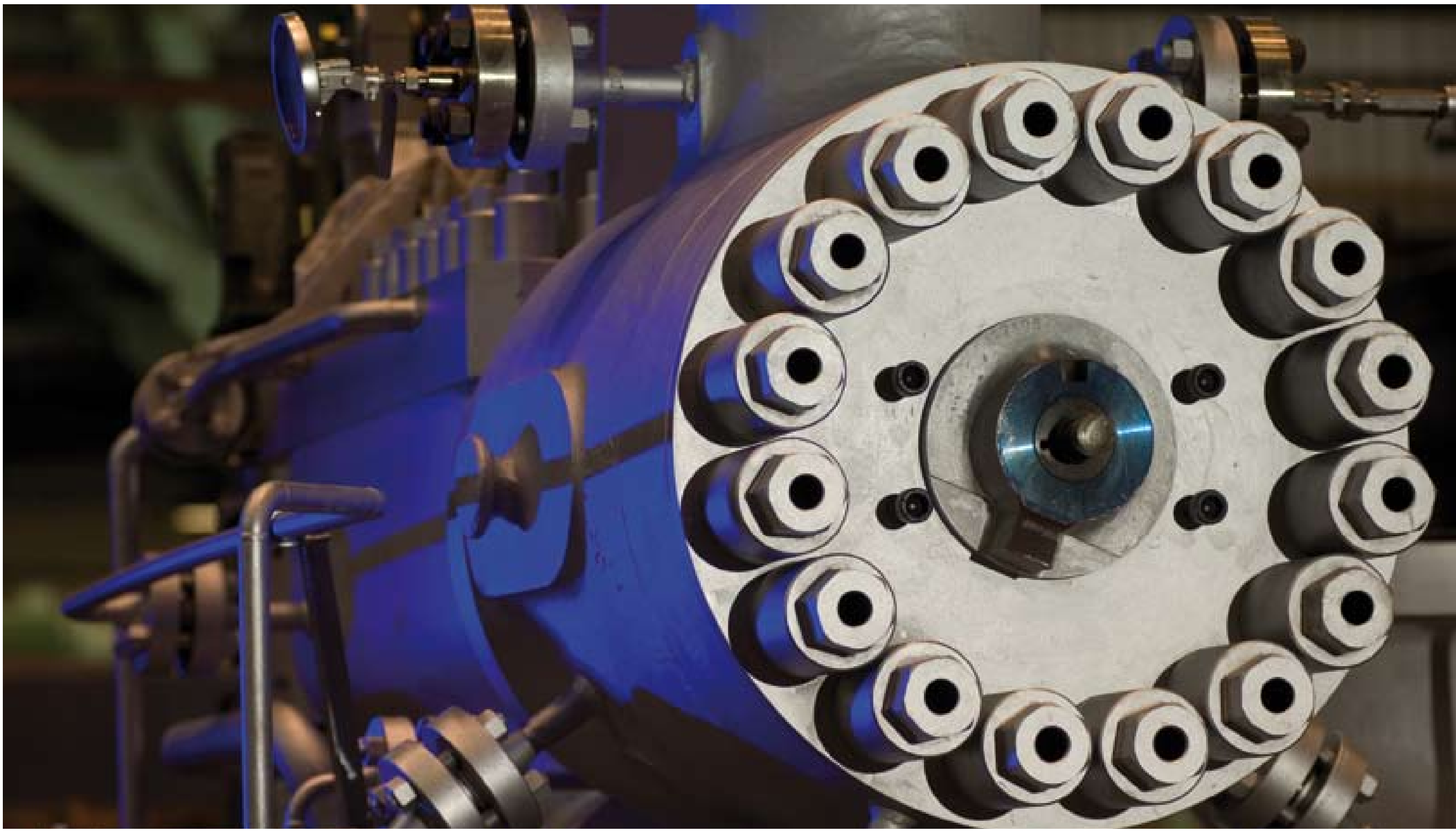
(*) Number of engines produced on site; (**) Invoiced to third parties

Delivered ships:

- the aircraft carrier "Cavour" for the Italian Navy;
- two power tugboats, AH Liguria and AH Camogli for Finarge (Gruppo Rimorchiatori Riuniti) that will be used to support Brazilian offshore platforms.

The acceptance of the submarine Scirè (the second of the two U212 submarines commissioned) and of the destroyer Andrea Doria, the first vessel of the Orizzonte programme, has been formalized. Both were made available to the Italian Navy last year.

OTHER ASSETS



In addition to its "Merchant Vessels" and "Naval vessels, special vessels and mega-yachts" business areas, the Group include a third one, comprising of companies working at group-wide level:

- Research centre CETENA;
- Dry-dock management companies Bacini di Palermo and Gestione Bacini La Spezia;
- Ship-owning company ELNAV;
- Fincantieri Holding, managing investments in foreign companies;
- Investment company SEAF;
- Institutional and coordination activities of the Parent company.

OPERATIONS

(in millions of Euro)	2008	2007
Orders	12	12
Orders portfolio	1	1
Order backlog	1	1
Capital expenditure	9	9

Capital expenditure

The most important initiatives include:

- Technical and managerial upgrading of EDP products, licences and laboratory equipment at CETENA;
- Drainage of the 400,000-tons basin, statutory compliance, maintenance of cranes and securing of water-tight doors at Bacini di Palermo.

Capital expenditure included investments connected with group-wide, institutional activities of the parent company.

Production

- CETENA carried out and promoted basic and applied research activities in the shipbuilding, propulsion and marine sectors on behalf of the parent company. It acted as an operator and a partner within European research consortia and cooperated with both Italian and international universities, scientific institutes and research centres. It also performed testing of ships under construction as well as laboratory tests for small and medium enterprises, as authorised by the Italian Ministry for Research. Activities were also carried out aimed at developing applied and pre-competitive research and providing the marine and maritime industries with a wider range of products. The Naples, Palermo, Muggiano and Trieste offices ensured CETENA's participation in the activities organised by "Technology Districts";
- The two dry-dock management companies supported activities at the Palermo shipyard, especially in terms of repairs and conversions, and at the Muggiano shipyard;
- ELNAV continued with the management of a fleet consisting of two bulk carriers under a bareboat charter contract with the shipping company Bottiglieri;
- Fincantieri Holding continued managing 100% investments in Fincantieri Marine Systems North America and 21.05%, including shares and other rights, in the German company Lloyd Werft Bremerhaven, dealing with repairs and conversions;
- SEAF performed technical and financial support activities only and exclusively in the interest of the parent company.

FINANCIAL RESULTS

CONSOLIDATED INCOME STATEMENT

(in millions of Euro)	2008	2007
Revenues	**2,932**	**2,714**
Materials and services costs	-2,281	-2,074
Personnel costs	-467	-431
Accruals and impairments	-60	-17
Capitalisation of internal costs	10	2
EBITDA	**134**	**194**
Depreciation and amortisation	-61	-60
Adjusted operating income	**73**	**134**
Non-recurring income and expense	-18	-5
Operating income	**55**	**129**
Finance income and expense	-14	-43
Income and expense on investments	2	1
Net income before income tax expense	**43**	**87**
Income tax expense	-33	-51
NET INCOME	**10**	**36**

Bearing in mind that the consolidated financial statements were drawn up in compliance with IAS/IFRS, the remarks below resulted from a comparison between the 2008 and 2007 financial years.

- **Revenues:** including revenues from operations and other revenues and income, total revenues amounted to 2,932 Euro/million in 2008, up 8% in comparison with 2007. This increase was ascribable to increased production activity developed in all the Group's business areas.
- **EBITDA:** it stood at 134 Euro/million and had a 4.6% impact on revenues (EBITDA Margin), as opposed to 7.1% in 2007. This negative effect was caused by tension on the raw materials market (especially steel, oil and services). There was a sharp increase in the price of steel plates (up 27%) between 2006 and 2008, when most orders were confirmed for ships now under construction. The increase in labour costs, up 8.4% in comparison with 2007, was affected by the increase in the employee benefit liability calculated using the actuarial method. If the contract-based method had been adopted, there would only have been a 4% increase, connected with the renewal of the collective employment agreement and, in part, with the variation in the average workforce.
- **Operating income (EBIT):** it stood at 55 Euro/million (as opposed to 129 Euro/million in 2007) having a 1.9% impact on revenues, as opposed to 4.8% in 2007. The adjusted operating income (adjusted EBIT), which excluded non-recurring income and expenses to reflect income from ordinary operations, amounted to 73 Euro/million, a decrease compared with 134 Euro/million in 2007.
- **Finance income and expenses:** a net debt was recorded amounting to 12 Euro/million. Finance income and expenses equalled 14 Euro/million and mainly originated from financial derivatives operations (27 Euro/million), partially covered by finance income deriving from short-term investments (10 Euro/million) and by the balance of other items (3 Euro/million). Income and expense on investments were positive (2 Euro/million) and related to the profit share of the subsidiary Orizzonte Sistemi Navali and to the transfer of participation in Ansaldo Fuel Cells.

- **Income tax expense:** it stood at 33 Euro/million in 2008 and included both current and deferred taxes, namely 15 Euro/million for corporate income tax (IRES) and 14 Euro/million for income tax on productive activities (IRAP). This figure mirrors the company's lower taxable income compared with 2007.
- **Net income:** due to the results referred to above, net income stood at 10 Euro/million, a decrease compared with 2007.

As a conclusion to the report, a prospect was outlined to reconcile the reclassified consolidated income statement with the mandatory schemes described in the notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

(in millions of Euro)	31.12.2008	31.12.2007	Variazione
Intangible assets	17	18	-1
Property, plant and equipment	489	437	52
Financial assets	189	106	83
Invested capital	**695**	**561**	**134**
Inventories - deposits	348	274	74
Construction contracts – assets	713	521	192
Trade receivables	184	290	-106
Other assets	189	450	-261
Advances from customers	-87	-39	-48
Trade payables	-784	-799	15
Provisions for risks and charges	-102	-106	4
Other liabilities	-173	-350	177
Working capital	**288**	**241**	**47**
Employee indemnity benefit	**-84**	**-90**	**6**
NET INVESTED CAPITAL	**899**	**712**	**187**
Total shareholders' equity	**835**	**835**	**-**
Net financial position	**64**	**-123**	**187**
Net assets/liabilities (-/+) held for sale	-	-	-

The amount of net invested capital reported in the consolidated balance sheet increased by 187 Euro million, due to the following factors:

- **Intangible assets:** slight decrease (+ 1 Euro/million);
- **Property, plant and equipment:** they increased (+ 52 Euro/million) thanks to new investments higher than depreciation and proceeds from disposals;
- **Financial assets:** they soared by Euro/million 83 referable to the payment in acquisition account of Manitowoc Marine Group LLC (now Fincantieri Marine Group LLC);
- **Working capital:** increased by 47 Euro/million due to the soaring construction contracts (192 Euro/million) and inventories (74 Euro/million), only partially offset by a reduction in trade receivables (106 Euro/million) and an increase in deposits and advances from customers (48 Euro/million). The significant variation in other assets/liabilities resulted from the cancellation of entries connected with the Iraq dispute (for details, please see relevant note to the consolidated financial statements);

- **Employee indemnity benefit:** decreased by 6 Euro/million as a consequence of utilization and actuarial assessment at the balance sheet date.

These elements resulted in a considerable decrease in the Company's net financial position (187 Euro/million), with a net debt of 64 Euro/million.

CONSOLIDATED NET FINANCIAL POSITION

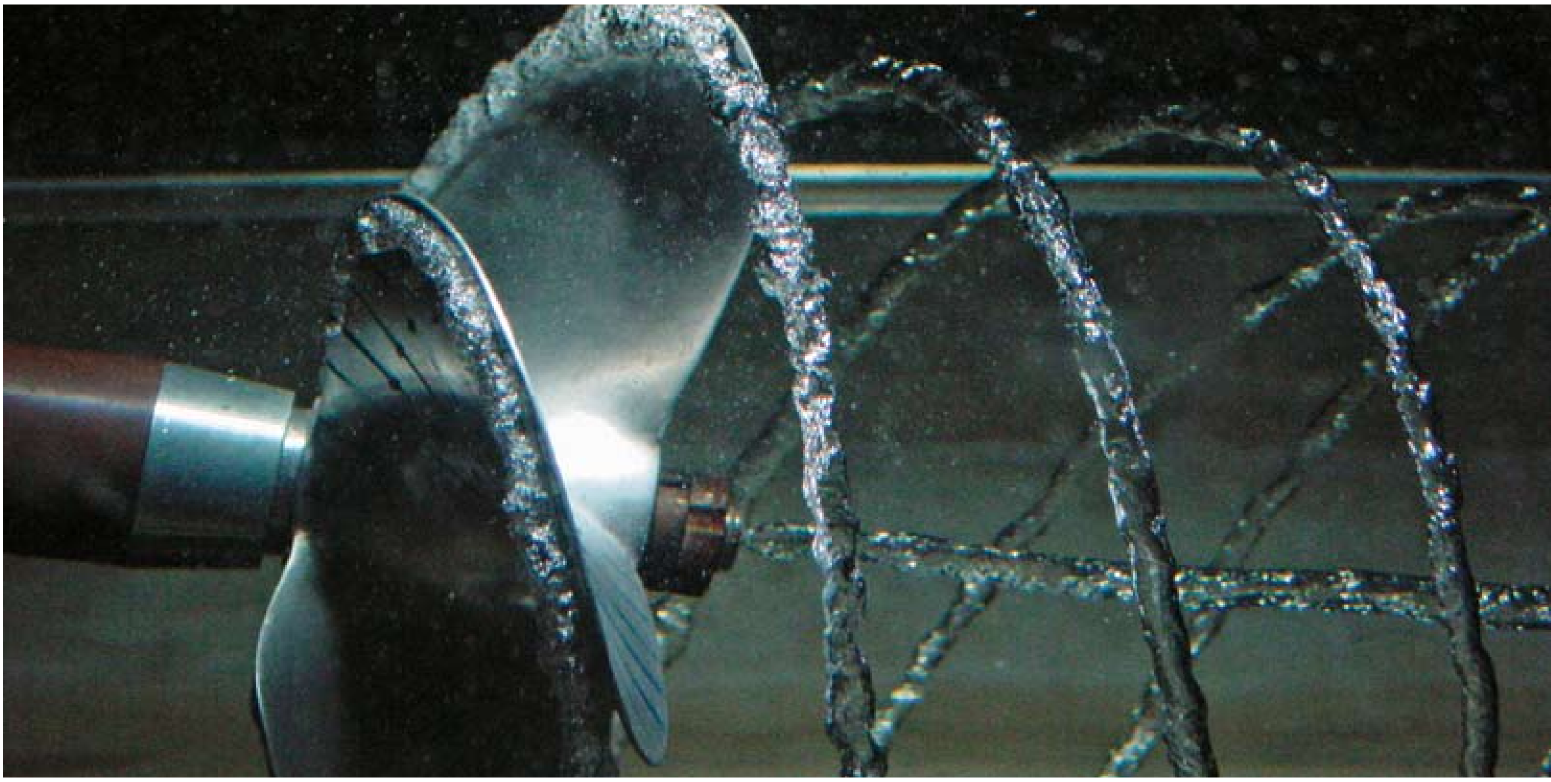
(in millions of Euro)	2008	2007
Cash and cash equivalent	57	199
Liquidity	**57**	**199**
Current financial receivables	**13**	**20**
Current payables to banks	-89	-2
Current portion of bank loans	-12	-10
Other current borrowings	-7	-54
Current borrowings	**-108**	**-66**
Net current borrowings	**-38**	**153**
Non-current financial receivables	**68**	**73**
Loans from banks	-88	-96
Other long-term borrowings	-6	-7
Long term borrowings	**-94**	**-103**
NET LONG-TERM BORROWINGS	**-26**	**-30**
Net financial position	**-64**	**123**

CONSOLIDATED CASH FLOW STATEMENT

(in millions of Euro)	2008	2007
Net income	10	36
Depreciation, amortisation and other non-monetary items	87	57
Gains, losses, impairments and revaluations	2	-1
Dividends, interest, income taxes and other changes	25	57
Cash flow from operating activities	**124**	**149**
Changes in working capital	-86	-3
Dividend income, taxes, interest (paid) received	2	-51
Utilisation of provision for risks and charges and provision for employee benefit liability	-35	-22
Net cash flow from operating activities	**5**	**73**
Cash flow provided by (used in) intangibile assets	-9	-9
Tangible assets	-104	-106
Equity investments	-76	4
Financial receivables	5	16
Free cash flow	**-179**	**-22**
Dividends paid	-10	-10
Net cash provided by (used in) financing activities	47	54
Net cash and cash equivalent for the year	**-142**	**22**
Cash and cash equivalent at the beginning of the year	**199**	**177**
Cash and cash equivalent at the end of the year	**57**	**199**

The **free cash flow** amounted to -179 Euro/million. The difference compared to 2007 was mainly ascribable to a decrease in the cash flow from operating activities before change in net working capital (25 Euro/million), an increase in the resources used by the working capital (83 Euro/million) and an increase in the demand for equity investments (80 Euro/million).
As partial free cash flow hedges, financing activities generated slightly lower resources than in the previous year (47 Euro/million as opposed to 54 Euro/million).

RESEARCH, DEVELOPMENT AND INNOVATION



With the aim of ensuring and improving its competitiveness in a particularly challenging market, in 2008 the Fincantieri Group focused on research, development and innovation, three key strategic areas.
The Group companies most heavily committed to such activities invested 53 Euro/million as opposed to the 51 Euro/million invested over the previous financial year. The major projects, developed by the parent company and its subsidiaries Cetena and Isotta Fraschini Motori, received, on some occasions, both domestic and European funding. Their main features are provided below.

PROGRAMMES AT EUROPEAN LEVEL

- Within the framework of Euroyards, a new "collaborative project" ("BESST" - Breakthrough in European Ship and Shipbuilding Technologies) was approved and presented within the 7th European Framework Programme for technological development and improved competitiveness of ships. Fincantieri leads and coordinates this partnership, consisting of 70 members, including shipyards, suppliers, classification societies, universities and research institutes. Particular attention was devoted to issues relating to the "life cycle cost" of a vessel, which appeared to arouse much interest not only among shipbuilders, but also among shipowning companies, as energy saving, better use and contribution to business of hotel areas and comfort in adverse weather conditions.
- The SAFEDOR Programme – aiming at outlining a new set of international regulations based on risk analysis and included within the 6th European Framework Programme – is about to be concluded. New methods to assess maritime safety performance have been developed.

DOMESTIC PROGRAMMES

- The EOLON Project, relating to "advanced criteria for extension and maximisation of ships operability" was successfully concluded last year. A maintenance monitoring, analysis and maximisation system was created which was first applied on a prototype ship at the Muggiano yard.
- The SIS-PRECODE project, whose goal was the development of new protective products and trimmings for ships, went through an experimentation stage at the Monfalcone and Muggiano shipyards.
- Within the framework of the "Sustainable mobility" programme, the Italian Ministry for Economic Development approved the "New Generation Naval Systems" initiative for the modernisation of systems on boards and having Fincantieri as programme leader, together with a large network of suppliers.

INNOVATION

Thanks to the 2007 Financial Law, some EU provisions were implemented to support innovation activities, allocating the necessary resources to cover 20% of costs. Ten projects were defined in 2008 and three applications approved, so that eligible costs totalled 120 Euro/million.

TECHNOLOGY DISTRICTS

Technology districts serve the growth of the entire network of the shipbuilding industry. The Company plays an active role in the initiatives carried out in technology districts, considered as networks facilitating both technology and know-how transfer. They also contribute to spread a culture based on innovation which, together with research and training, is the driving force behind industry, science hubs (universities, excellence centres and research institutes, including CETENA) and funders, with the support of regional authorities.
The following districts are worth mentioning:

- the naval technology district in the Friuli Venezia Giulia region, whose organisational, operational and governance programme agreement was approved on 25 March 2008;
- the Technology District of Liguria working on integrated intelligent systems and where CETENA creates advanced automation and on-board control systems;
- the Technology District of Liguria for marine technology, for which a Memorandum of Understanding was underwritten last March between the Ministry for Research and the regional authorities of the Liguria region. Together with this, a programme agreement between the Ministry for Economic Development, the Ministry for Research and the regional authorities of the Liguria region was signed last December for the allocation of 21 Euro/million for research projects to be carried out in this Technology District;
- the Technology District of Sicily for naval and commercial transport and pleasure boating, where Fincantieri intends to develop issues related to the refitting and the offshore vessel construction;
- the Technology District of Campania for structures, polymeric and composite materials, where research activities are carried out on non-metal structures in the shipbuilding field.

Apart from participating in activities at the local level, the Company played an active role in the "National Marine Technology Platform", which was identified as a reference agency thanks to the credible activities it carried out, the most noteworthy of which were:

- The outlining of the "Strategic Agenda for National Maritime Research", a document summarising and integrating the needs of all the areas included in the marine economy;
- The coordination of industrial participation in projects dealing with sustainable mobility, which is part of the "Industria 2015" programme promoted by the Ministry for Economic Development.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

EMPLOYMENT

(Nr)	2008	2007
Employees at year end		
- Managers	211	208
- Middle managers	298	275
- White collars	3,678	3,618
- Blue collars	4,998	5,257
Total employees at year end	9,185	9,358
- of which Parent company	8,889	9,055
Average workforce employed	9,146	9,115
- of which Parent company	8,855	8,840

The Fincantieri Group comprised of 9,185 employees in 2008, i.e. a 1.8% reduction compared with 2007. This decrease did not concern the average paid workforce, which was lower in 2007 following the use of wages guarantee funds for about 40 full time equivalent. Considering only average registered workers, however, compared to 2007 a decrease equal to 6 equivalent units is registered.
265 new employees were recruited in 2008, 47 of which were workers and 218 white collars, executives and managers. 438 employees left the company.

INDUSTRIAL RELATIONS

The most important event concerning industrial relations in the first part of 2008 was the renewal of the collective employment agreement, while the commencement of talks for the renewal of the complementary agreement was the highlight of the last months. The latter issue turned into a more and more complex dispute not only because Trade Unions decided to put forward three different types of contract separately, but above all because of the international financial crisis, which made a lot of their requests not relevant any more. Within this context, Fincantieri emphasised the need for higher efficiency to be ensured for the Company as a whole. This was a necessary requirement to reinforce the Company's competitiveness in relevant markets, being the complementary agreement a unique opportunity to secure the widest possible agreement to achieve these important goals.
As for other aspects, no relevant events occurred, as shown by the reduction in strikes, on the decrease compared with 2007.

TRAINING AND DEVELOPMENT

In 2008, staff training and development were mainly focused on institutional activities.
620 training courses were organised within the Group which involved about 6,500 employees, for a total number of 92,000 hours.
The most relevant initiatives included:

- The first "High Flyers" project, designed for young graduates with high managerial skills;
- workshops on managerial competences for middle managers;
- training courses for recently appointed production coordinators.

From a technical point of view, the intensive programme concerning the commencement and running of systems in the engine room were of particular importance, as were safety courses involving staff of both Fincantieri and third companies.
In 2008, important initiatives were also undertaken concerning internal communication, such as the renewal of the company website and, above all, a new publishing project for employees, *Fincantieri News*, a monthly magazine to inform about facts and events concerning the company.

SAFETY

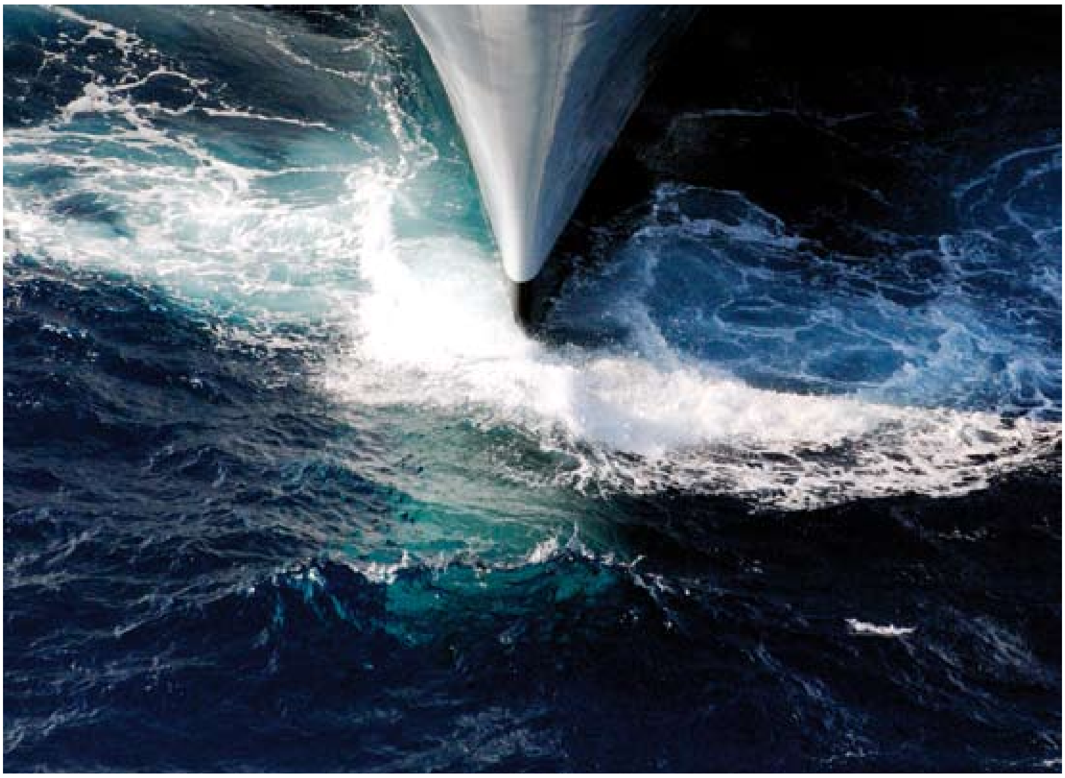
Despite an improvement of the data relating to the number of work accidents in 2008, the two fatal accidents at the Monfalcone yard thwarted all the efforts made in terms of prevention, but they also encouraged the Company to work with greater commitment and utmost determination for better accident prevention. We are confident that there is still a lot to do for a culture of safety to be widespread and rooted in the way each one of us works and operates.
As decided by the Board of Directors and proposed by Fincantieri's Chief Executive Officer, an expert Committee was set up and, with the cooperation of the Ministry of Labour, Health and Social Policies, the Italian Advanced Institute for Prevention and Safety at Work (Ispesl) and Inail (National Institution for Insurance against Accidents at Work) an important operational agreement was signed relating to Safety and Health of workers within the Fincantieri Group. This agreement thus fully implements the consolidated act for health and safety at work and sets forth the implementation of new procedures in all of the Company's plants which can be applied to other companies of the naval engineering sector. This was the first agreement promoted by supervisory boards and underwritten by an Italian Company. It will enhance the importance of prevention and cooperation to safeguard health and ensure safety at work by involving direct and indirect employees. The shipbuilding industry is largely based on activities carried out by third companies. Through this agreement, Fincantieri, the Ministry for Welfare, Ispesl, Inail and the workers' representatives will endeavour to better manage contracts and improve safety for workers of third companies.

The Company has always been committed to promoting training, research, technological and scientific innovation to improve health and safety conditions for workers. Fincantieri will ensure experts of Inail and Ispels free access to production sites and to updated monitoring information about all the other companies contributing to Fincantieri's production activities. Data concerning accidents at work and work accident rates will also be made completely accessible. Through this agreement, legal, financial and production requirements of suppliers will be implemented, together with prevention of risk factors, updated training, staff specialization, and modernisation of environmental protection systems to make them more efficient.
These activities will be planned and coordinated by a Management Committee consisting of representatives of Fincantieri, Inail and Ispesl.
The choices made by the Company clearly show that protection and safeguard of workers cannot be achieved by merely abiding by the law, but need to be experienced and widespread at all levels, within a corporate culture considering safety at work a key element for the company's success and growth.
Apart from training programmes, risk assessment was updated by monitoring work activities like those giving rise to processing interferences or concerning welding, and the continuation of the programme for fire prevention on board, through which higher safety standards were achieved in 2008 at the Castellamare, Ancona and Monfalcone yards.
882 cases of injury leaves for more than 3 days were reported, a decrease by 11% compared with 2007, while injury leaves for less than 3 days slightly increased to nearly 4%. Compared with 2007, in 2008 there were 90 accidents less.

DISPUTES AND PRIVACY

Disputes relating to the asbestos problem were settled both in judicial and extrajudicial contexts. Within this framework, precautionary provisions were adopted for pending cases. As far as privacy regulations are concerned, specific IT measures were taken to ensure adequate protection for personal data processing operations.

RESPECT FOR THE ENVIRONMENT



Respect for the environment has always been a fundamental value for Fincantieri, one which does not clash with its goals. The "green" component is in fact considered as an opportunity in both the processing and in the production stages.

INITIATIVES CONCERNING THE INDUSTRIAL CYCLE

Fincantieri's company policy has always been environment-oriented, in compliance with legal regulations and taking both the acquired know-how and technical progress into account.
In 2008, measures were taken to improve/maximise collection of processing residues. They involved logistics of plants built for this purpose and the separation of useful material from waste to increase the amount of recycled material and reduce material to be disposed of.
With reference to the recent regulation concerning the evaluation and restriction of chemicals (EC Regulation No 1907/06), incorporated into the Italian law on 22 November 2007 (Ministerial Decree 22/11/2007), the company policy aims at banning or replacing dangerous substances with others having a lower environmental impact within production cycles. At the same time, measures were undertaken to improve systems for the reduction of emissions in the atmosphere, especially those relating to painting and sandblasting.

PRODUCT-RELATED INITIATIVES

The key elements in ships and in the production process are reduction of polluting emissions and energy saving by using better performing machinery and materials and making a better use thereof.
Fincantieri is at the forefront in the search for new solutions. There is the intention to introduce the concepts of combustion, structure and plant engineering efficiency by Classification Bodies.
In this context, the Company can boast significant competences and references appreciated at the international level.
As far as the reduction of air pollutants is concerned, Fincantieri invested in the development of technologies for low or zero emission power generation, like fuel cells for conventional submarines or alternative energy sources.
Thanks to the use of non-toxic, leading-edge paints, the emission of pollutants into the sea is close to zero. As for noise pollution, Fincantieri is in the van of anti-noise technology, consisting in creating a "counter noise" to offset and cancel the noise produced by machinery on board.
Fincantieri's commitment to environment protection is constantly on the rise, as demonstrated by its increasingly "greener" ships. The Company has also been focussing on other additional aspects, like the management of ships in ports and harbours or in urban and monumental places having a high environmental value.
With this in mind, Fincantieri has offered its contribution for the elaboration of a pilot project in Civitavecchia allowing cruise ships to switch off power generators on board when in the harbour and use energy from renewable energy sources through the High Voltage Shore Connection Technology, thus bringing polluting emissions close to zero. This project, drafted by the Port Authority of Civitavecchia, Fiumicino, Gaeta and ENEL, is the first to be launched in the whole Mediterranean area.

RELATIONSHIPS WITH THE PARENT COMPANY AND WITH OTHER GROUP COMPANIES

During 2008, Fincantieri maintained relations with Fintecna, controlling the Parent company, and with companies of the Fintecna group.
Relations were also maintained with affiliated companies which, in accordance with the consolidation criterion adopted, are not subject to elimination.
The relations mentioned above – analysed in detail in the "Note to the financial statements" section – are always carried out at arm's length.

RESULTS OF FINCANTIERI GROUP COMPANIES

(in millions of Euro)	2008	2007
Fincantieri	8.2	37.0
Bacini Palermo	-	-
CETENA	-	0.1
ELNAV	-	-0.1
Fincantieri Holding	-0.1	-
Fincantieri Marine Systems	0.9	0.4
Gestione Bacini La Spezia	-	-
Isotta Fraschini Motori	-3.8	-7.4
Orizzonte Sistemi Navali (*)	-	-
SEAF	-	-
Delfi (**)	-	-
Consolidations and cancellations	5.0	6.3
CONSOLIDATED	**10.2**	**36.3**

(*) Consolidated using the equity method; (**) Incorporated in 2008

CORPORATE RISK MANAGEMENT

RISKS CONNECTED WITH THE GENERAL CONDITIONS OF THE ECONOMY AND FUTURE BACKLOG MAINTENANCE

The economic, financial and asset situation of the Fincantieri Group is influenced by the various factors forming the macro-economic framework of the European and North American markets – where the Company and its main client operate – like the decrease in the domestic GDP, lower consumer and enterprises confidence, liquidity crisis of the bank system and the cost of raw materials.
The shipping industry maintained a significant inertia compared with other sectors, where a slowdown was already apparent in the first part of the year. Until September 2008, the demand for the construction of new ships was high, but this scenario abruptly changed between late September and October, when economic indicators started to show the first signs of the financial crisis and its consequences on the shipbuilding industry, which are difficult to be assessed.
The credit crunch, the slowdown in consumption and in the real economy have had a remarkable backlash on the shipping sector due to the possible cancellation of orders placed, but not yet financed. Should Fincantieri not receive any order or should they be placed considerably later than expected, some consequences may arise in terms of production capacity and its related costs which may have a negative impact on the financial year results as well as on the financial and asset situations.

RISKS CONNECTED WITH MAINTENANCE OF COMPETITIVENESS IN RELEVANT MARKETS

Asian ship building companies now run production of standard vessels. Competitiveness can therefore only be maintained through the specialisation of high added-value market segments. In the sector of civil vessels, Fincantieri has focussed on the cruise-ship and ferry-boat segments, where it has always operated.
Efforts have been made to develop the naval vessels segment at international level, through an active presence in the US naval vessels sector and in other countries like India, where there are no domestic shipbuilders and, if there is any, do not have the technical skills, know-how and adequate infrastructures.

RISKS CONNECTED WITH MARKET STRUCTURE

Fincantieri can boast a multiannual experience in the cruise ship building segment in cooperation with US shipowner Carnival, a major player in the cruise ship sector including other prestigious brands like P&O Princess, Holland American Lines, Cunard, Costa Crociere. Relations with Carnival are certainly a strong point for Fincantieri, because they can ensure a constant workload and excellent planning of the Company's activities. Cooperating with Carnival does not hinder client diversification, as demonstrated by diversification with other shipowning companies throughout 2008.
In the naval vessels sector, the main turnover percentage is historically connected with production for the Italian Navy, whose demand is considerably affected by the financing policies of the military expenses. The lack of financial resources in this sector may influence both the financial and economic performance of the Company.
The recent participation in international projects – as for instance the FREMM programme between France and Italy – mainly originated from the need to share or reduce design costs, contributed to securing some programmes concerning the renewal of the Italian fleet on the basis of agreements signed with another European country.

FINANCIAL RISKS

Fincantieri is facing the consequences on the real economy of the global financial crisis which started in the USA in 2008. This situation appears even more difficult due to the postponement of share capital increase, differently from what was envisaged in the 2007-2011 Business Plan. Capital increase would actually have ensured considerable equity strengthening and the possibility to support the Company's strong production growth. The present situation will have a more profound impact on the next financial year which, as envisaged in the 2007-2011 Business Plan, will require increased financing of invested capital. Within this framework, the planned capital increase would translate into a better financial position for the Company.

Exposure to currency risk arises in connection with the signing of shipbuilding contracts denominated in foreign currencies and, to a lesser degree, by procurement of supplies in currencies other than the Euro. According to the results at 31 December 2008, the Fincantieri Group is not exposed to currency risks connected with naval construction contracts because, as of and for the year ended 31 December 2008, no contracts were signed denominated in foreign currencies.

The Group has financial liabilities whose value is subject to fluctuations of interest rates. Such variations are mainly offset by variations in the value of financial assets. Variations in financial liabilities, unmatched by similar variations in assets, however, may produce a positive impact due to higher rates – subsidized rates – than was negotiated by contract.

RISKS CONNECTED WITH PRODUCTION OUTSOURCING AND RELATIONS WITH SUPPLIERS

Due to strategic needs, Fincantieri decided to outsource some of its production activities based on two criteria: i) outsourcing activities lacking adequate financing, despite having adequate competences: ii) outsourcing activities requiring specific competences whose in-house development would be too expensive and inefficient.

Since outsourced activities are a considerable portion of ships as end products, the Group attentively monitors assembling of ships internal systems and production subsets by means of dedicated structures. Moreover, the Fincantieri Group carefully selects its "strategic suppliers", who need to ensure the highest possible performance and form a network of strategic importance enriched with high integration with the company processes.

RISKS RELATING TO KNOWLEDGE MANAGEMENT

Being historically rooted within the Italian shipbuilding context, Fincantieri has developed remarkable experiences, business knowledge and know-how. The inadequacy of domestic labour market to meet the Company needs may have a negative impact on its overall performance.

As far as labour force is concerned, the Italian domestic labour market cannot always meet the needs required in the production segment, both in terms of number and competence.

The HR Department constantly monitors the labour market situation and maintains relations with universities, professional schools and vocational training institutes. The staff turnover is another issue which is constantly monitored in order to keep key personnel and create future managers.

RISKS CONNECTED WITH RELEVANT LEGAL FRAMEWORK – SPECIAL FOCUS ON ENVIRONMENTAL REGULATIONS AND SAFETY AT WORK

The Fincantieri Group is requested to abide by the rules and regulations in force in the countries where it operates. Violations thereof may result into civil, administrative or criminal sanctions. The

Group also has the obligation to perform regularisation activities, whose costs may have a negative consequence on the Group activity and results.
The Company activities need to be carried out in compliance with environmental regulations and safety at work. Any change in safety standards or environmental restrictions, as well we the arising of exceptional or unexpected circumstances may cause the Company having to bear extra costs in terms of respect for the environment and safety at work.

As the Parent company, Fincantieri-Cantieri Navali S.p.A. is exposed to the same risks and uncertainties described above and referring to the Group.

ADDITIONAL INFORMATION

EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Production and trade activity

During the first months of 2009, several commercial negotiations were continued which were developed over the previous year and in the first months of 2009, and involved all the segments in which Fincantieri operates. This is an undoubtedly interesting element, despite the economic crisis affecting the shipbuilding sector.
The production programme included the delivery of the first of twelve AHTS supply vessels, being built at the Riva Trigoso, Muggiano and Palermo yards for the German shipowner Hartmann Logistik GmbH (Hartmann Reederei Group). The remaining 11 vessels are going to be delivered by mid 2010.

Acquisition of Fincantieri Marine Group

On 2 January 2009, Fincantieri concluded a contract for the acquisition of the American Manitowoc Marine Group of the controlling Manitowoc Company Inc. The American Lockheed Martin Co., one the world's major players in the defence sector, participated in the acquisition as minority shareholder. The overall counter value of this transaction was 120 USD/million.
In terms of company structure, two new companies were set up in 2008 in Delaware (USA): Fincantieri USA Inc., controlled by Fincantieri Cantieri Navali Italiani S.p.A. and Fincantieri Marine Group Holdings Inc., whose majority shareholder is Fincantieri USA Inc. - Lockheed Martin participated with a 12.66% share.
At the closing of the financial year, both companies decided to approve a capital increase proportional to how much funding was needed to conclude the contract. Fincantieri Marine Group Holdings Inc. then acquired 100% of Manitowoc Marine Group LLC. The latter was renamed Fincantieri Marine Group LLC (FMG) on 5 January 2009.
From a financial point of view, Fincantieri used short-term credit lines provided by banks to ensure the funding necessary for the acquisition. With the purpose of rebalancing the financial structure of the company, a medium/long-term financing was agreed upon last February equalling the total cost of the acquisition.
FMG is now a key player in the American market of mid-sized ships and works for both private clients and governmental bodies, including the US Navy and Coast Guard. FMG directly controls Bay Shipbuilding Company's shipyards in Sturgeon Bay (Wisconsin) working on the building and repair of merchant vessels, and another shipyard in Cleveland, Ohio, working on repairs. FMG also controls 100% of Marinette Marine Corporation, owner of a shipyard based in Marinette, Wisconsin, specialised in the construction of naval vessels and belonging to a consortium headed by Lockheed Martin, participating in the Littoral Combat Ship (LCS) programme for the construction of 55 ships for the US Navy. FMG has recently opened a new shipyard in Green Bay, Wisconsin, controlled through the ACE Marine LLC (100% held) and specialised in the construction of small and medium sized aluminium boats.

Management outlook

As highlighted above, the continuation of important negotiations in all the segments of interest for the company makes it possible to predict a potentially positive development in terms of order backlog for shipyards, despite the soaring economic crisis and a much slower acquisition of new orders than in the previous years.

In the constant search for top cost efficiency and through an extraordinary commercial effort, the Company is laying the foundations to ensure a stable economic performance for the next financial year.

As mentioned earlier, the slowdown in new orders has led to an extension of negotiations which would have ensured a constant workload in all shipyards.

Such negotiations, initiated in 2008, have not been concluded yet.

The Company has recently been informed about situations which may cause some orders to be cancelled or some ships to be delivered later than scheduled.

Adequate measures have therefore to be adopted in some shipyards to slow down production volumes through the existing legal framework.

A situation will be produced which may not only involve the present financial year, but also the next one, which will cause – together with a slump in volumes – an under absorption and a consequent increase in costs. The present situation and its possible financial consequences are being assessed and analysed.

RECONCILIATION OF THE RESTATED FINANCIAL STATEMENTS WITH THE MANDATORY STATEMENTS

CONSOLIDATED INCOME STATEMENT

(Euro/milioni)	2008 Amounts as per mandatory statements	2008 Amounts as per restated financial statements	2007 Amounts as per mandatory statements	2007 Amounts as per restated financial statements
A) Revenues	**-**	**2,932**	**-**	**2,714**
Revenues and income	2,936	-	2,679	-
Restated to H – Other non-recurring income	-4	-	-13	-
Restated - Revenues	-	-	48	-
B) Materials and services costs	**-**	**-2,281**	**-**	**-2,074**
Operating costs	-2,288	-	-2,074	-
Restated - Services costs	7	-	-	-
C) Personnel costs	**-**	**-467**	**-**	**-431**
Personnel costs	-467	-	-431	-
D) Accruals and impairments	**-**	**-60**	**-**	**-17**
Accruals and impairments	-60	-	-17	-
E) Capitalization of internal costs	**-**	**10**	**-**	**2**
Capitalization of internal costs	10	-	2	-
F) Other costs	**-**	**-**	**-**	**-**
Other costs	-15	-	-18	-
Restated to H – Extraordinary expenses	25	-	21	-
Restated to H – Utilization of provision for risks and charges	-2	-	-2	-
Restated to H – Utilization of legal provision	-8	-	-1	-
G) Depreciation and amortization	**-**	**-61**	**-**	**-60**
Depreciation and amortization	-61	-	-60	-
H) Non-recurring income and expenses	**-**	**-18**	**-**	**-5**
Restated from A - Other non-recurring income	4	-	13	-
Restated from F - Other non-recurring expenses	-25	-	-21	-
Restated from F - Utilization of provision for risks and charges	2	-	2	-
Restated from F - Utilization of legal provision	8	-	1	-
Restated – Non recurring expenses	-7	-	-	-
I) Finance income and expense	**-**	**-14**	**-**	**-43**
Finance income and expense	-14	-	5	-
Restated – Finance expense	-	-	-48	-
L) Income and expense on investments	**-**	**2**	**-**	**1**
Income and expense on investments	2	-	1	-
M) Taxes for the year	**-**	**-33**	**-**	**-51**
Income tax expense	-33	-	-51	-
NET INCOME	**10**	**10**	**36**	**36**

CONSOLIDATED BALANCE SHEET

(in millions of Euro)	31.12.2008 Partial amounts as per mandatory statements	31.12.2008 Amounts as per restated financial statements	31.12.2007 Partial amounts as per mandatory statements	31.12.2007 Amounts as per restated financial statements
A) Intangible assets	**-**	**17**	**-**	**18**
Note 6 - Intangible assets	17	-	18	-
B) Property, plant and equipment	**-**	**489**	**-**	**437**
Note 7 - Property, plant and equipment	489	-	437	-
C) Financial assets	**-**	**189**	**-**	**106**
Note 8 – Financial assets	262	-	389	-
Restated to P) Financial receivables restated to net financial position	-68	-	-73	-
Restated to G) Non/current receivables (restated to other assets)	-5	-	-210	-
Restated to P) Non-current derivative assets	-	-	-	-
D) Inventories - deposits	**-**	**348**	**-**	**274**
Note 10 - Inventories and advances	348	-	274	-
E) Construction contracts	**-**	**713**	**-**	**521**
Note 11 - Construction contracts - assets	1.291	-	1.157	-
Restated to H) Construction contracts - net liabilities	-578	-	-636	-
F) Trade receivables	**-**	**184**	**-**	**290**
Note 12 - Trade receivables and other current assets	296	-	444	-
Restated to G) Receivables from joint ventures (e.g. Prepayments)	-14	-	-53	-
Restated to G) Other receivables	-49	-	-55	-
Restated to G) Receivables from other funders and grants receivable from State and public bodies	-17	-	-11	-
Restated to G) Other accruals	-32	-	-35	-
Restated to G) Other deferrals	-	-	-	-
Restated to G) Receivables from subsidiaries	-	-	-	-
Restated to G) Receivables from associates	-	-	-	-
Restated to G) Receivables from parent companies	-	-	-	-

(in millions of Euro)	31.12.2008 Partial amounts as per mandatory statements	31.12.2008 Amounts as per restated financial statements	31.12.2007 Partial amounts as per mandatory statements	31.12.2007 Amounts as per restated financial statements
G) Other assets	**-**	**189**	**-**	**450**
Note 9 - Deferred tax assets	34	-	31	-
Restated from C) Receivables from non-current assets (restated to other assets)	5	-	210	-
Restated from F) Receivables from other funders and grants receivable from State and other public bodies	17	-	11	-
Restated from F) Receivables from subsidiaries	-	-	-	-
Restated from F) Receivables from associates	-	-	-	-
Restated from F) Receivables from parent companies	-	-	-	-
Restated from Note 12) Current tax receivables	19	-	42	-
Restated from F) Receivables from joint ventures (e.g. Accruals)	14	-	53	-
Restated from F) Other receivables	49	-	55	-
Restated from F) Other accruals	32	-	35	-
Restated from F) Other deferrals	-	-	-	-
Restated from Note 13) Current financial assets (Current portion of non-current receivables)	19	-	13	-
Restated to P) Long-term financial receivables, current portion	-	-	-	-
Restated to P) Receivables for leases	2	-	2	-
Restated from Note 13) Current financial assets (Accruals)	-2	-	-2	-
H) Advances from customers (-)	**-**	**-87**	**-**	**-39**
Note 22 - Construction contracts - liabilities	-665	-	-675	-
Restated from E) Construction contracts - net liabilities	578	-	636	-
I) Trade payables	**-**	**-784**	**-**	**-799**
Note 21 - Trade payables and other current liabilities	-900	-	-919	-
Restated to M) Balance of other liabilities	116	-	120	-
L) Provision for risks and charges	**-**	**-102**	**-**	**-106**
Note 17 - Provision for risks and charges	-102	-	-106	-
M) Other liabilities	**-**	**-173**	**-**	**-350**
Restated from I) Balance of other liabilities	-116	-	-120	-
Restated from Note 21) Tax liabilities	-5	-	-	-
Restated from Note 19) Non-current liabilities	-52	-	-230	-
Restated from deferred taxes	-	-	-	-
N) Employee indemnity benefit	**-**	**-84**	**-**	**-90**
Note 18 - Employee indemnity benefit	-84	-	-90	-
NET INVESTED CAPITAL	**-**	**899**	**-**	**712**
O) Shareholders' equity	**-**	**835**	**-**	**835**
P) Net financial position	**-**	**64**	**-**	**-123**
HEDGES	**-**	**899**	**-**	**712**
Q) Net (Assets)/Liabilities held for sale	**-**	**-**	**-**	**-**

Consolidated financial statements 2008

CONSOLIDATED BALANCE SHEET

(Euro/000)	Note	31.12.2008	31.12.2007
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	6	17,402	17,560
Property, plant and equipment	7	488,826	437,352
Equity investments	8	20,090	22,247
Other investments	8	91,453	2,882
Financial assets - receivables	8	150,106	363,798
Financial assets – other securities	8	-	-
Deferred tax assets	9	34,449	31,483
Total non-current assets		**802,326**	**875,322**
CURRENT ASSETS			
Inventories	10	348,057	273,349
Construction contracts - assets	11	1,291,406	1,157,322
Trade receivables and other current assets	12	296,346	444,339
Current tax receivables	12	18,597	41,414
Current financial assets	13	32,511	32,565
Cash and cash equivalents	14	56,966	199,106
Total current assets		**2,043,883**	**2,148,095**
ASSETS HELD FOR SALE	15	**-**	**-**
TOTAL ASSETS		**2,846,209**	**3,023,417**
LIABILITIES AND SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY			
Attributable to the Company	16	-	-
Share capital		337,112	337,112
Reserves and retained earnings		476,760	461,410
Net income for the period		10,224	36,264
		824,096	834,786
Minority interest	16	10,995	165
Total Shareholders' Equity		**835,091**	**834,951**
NON-CURRENT LIABILITIES			
Provision for risks and charges	17	102,128	105,519
Employee indemnity benefit	18	84,452	90,330
Non-current financial liabilities	19	116,788	103,192
Other non-current liabilities	19	29,057	229,336
Deferred tax liabilities		-	-
Total non-current liabilities		**332,425**	**528,377**
CURRENT LIABILITIES			
Current financial liabilities	20	108,020	65,484
Trade payables and other current liabilities	21	900,194	919,252
Current tax liabilities	21	5,233	45
Construction contracts - liabilities	22	665,246	675,308
Total current liabilities		**1,678,693**	**1,660,089**
LIABILITIES HELD FOR SALE		**-**	**-**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,846,209**	**3,023,417**

CONSOLIDATED INCOME STATEMENT

(Euro/000)	Note	2008	2007
REVENUES AND INCOME	23		
Revenues		2,805,756	2,572,870
Other revenues and income		130,646	105,693
Total revenues and income		**2,936,402**	**2,678,563**
OPERATING COSTS	24		
Operating costs		2,287,404	2,073,879
Personnel costs		467,325	431,290
Depreciation and amortization		61,160	59,930
Accruals and impairments		59,796	16,758
Capitalization of internal costs		-10,064	-2,387
Other costs		15,475	18,361
Total operating costs		**2,881,096**	**2,597,831**
OPERATING INCOME		**55,306**	**80,732**
FINANCE INCOME AND EXPENSE	25		
Finance income		62,617	98,236
Finance expense		-76,788	-93,077
Total finance income and expense		-14,171	5,159
INCOME AND EXPENSE ON INVESTMENTS	26		
Income		483	3,580
Expense		-9	-3,506
Share of profit/(loss) from equity investments		1,203	916
Total income and expense on investments		**1,677**	**990**
NET INCOME BEFORE INCOME TAX EXPENSE		42,812	86,881
Income tax expense	27	-32,588	-50,606
Income/expense from assets held for sale		**-**	**-**
NET INCOME		**10,224**	**36,275**
Attributable to the Company		10,224	36,264
Attributable to minority interest		-	11
Earnings per share (Euro)	28	0.01547	0.05486

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Euro/000)	Share capital	Retained earnings	Net income	Total Parent Company Equity	Minority interest	Total
31.12.2007	**337,112**	**461,410**	**36,264**	**834,786**	**165**	**834,951**
Transfer of previous year net income		36,264	-36,264			
Dividend allocation		-10,113		-10,113		-10,113
Currency translation adjustments (*)		798		798		798
Change in cash flow hedge reserve (*)		-488		-488		-488
Capital increase minority interest					10,830	10,830
Other movements		-11,111		-11,111		-11,111
Net income for the period attributable to the Group			10,224	10,224		10,224
Net income for the period attributable to minority interest						
31.12.2008	**337,112**	**476,760**	**10,224**	**824,096**	**10,995**	**835,091**

(*) Movements not related to the income statement.

CONSOLIDATED CASH FLOW STATEMENT

(Euro/000)	31.12.2008	31.12.2007
Net income	10,224	36,275
Depreciation and amortization	61,160	59,930
(Gains)/ losses from the disposal of non-current assets	-652	-3,420
(Revaluation)/ impairment of financial assets	2,165	2,589
Accruals for provisions for risks and charges	19,087	4,124
Accruals for employee indemnity benefit	7,054	-7,489
Interest income	-19,587	-23,570
Interest expense	7,688	5,205
Income tax expense	32,588	50,606
Impact of changes in exchange rates on construction contracts	4,756	40,508
Financial income and expenses from financial derivatives operations	-396	-15,456
Cash flow from operating activities (gross)	**124,087**	**149,302**
CHANGE IN NET WORKING CAPITAL		
- inventories	-74,307	-68,670
- construction contracts	-192,510	-94,061
- trade receivables	105,772	151,831
- other current assets	35,072	-37,341

(Euro/000)	31.12.2008	31.12.2007
- other non-current assets	205,150	-
- prepayments from customers	48,364	-30,708
- trade payables	-14,857	68,380
- other current liabilities	-1,657	9,729
- other non-current liabilities	-200,279	546
- receivables from hedging instruments	3,190	-3,190
- payables due to hedging instruments	-	-
Cash flow from operating activities	**38,025**	**145,818**
Dividend income	-	160
Interest received	19,635	23,445
Interest paid	-7,550	-5,165
Income tax paid	-10,167	-69,444
Utilization of provision for risks and charges	-22,478	-10,977
Utilization of provision for employee indemnity benefit	-12,932	-10,655
NET CASH FLOW FROM OPERATING ACTIVITIES	**4,533**	**73,182**
INVESTMENTS:		
- intangible assets	-8,861	-9,238
- property, plant and equipment	-104,191	-106,516
- receivables and other financial assets	-16,700	-8,623
- equity investments	-78,145	-196
DISPOSALS:		
- intangible assets	4	-
- property, plant and equipment	842	424
- receivables and other financial assets	21,346	25,408
- equity investments	1,740	4,001
NET CASH USED IN INVESTING ACTIVITIES	**-183,965**	**-94,740**
CHANGE IN MEDIUM/LONG TERM BORROWINGS:		
- proceeds	3,841	8,454
- repayments	-3,625	-1,050
CHANGE IN FINANCE LEASE OBLIGATIONS:		
- repayments	-1,381	-1,328
Change in other financial liabilities/receivables	46,925	38,683
Movement in assets for derivative instruments held for trading	-5,209	3,953
Movement in liabilities for derivative instruments held for trading	-3,994	5,340
Dividends paid	-10,113	-10,113
Change in minority interest	10,830	2
NET CASH FROM FINANCING ACTIVITIES	**37,274**	**43,941**
NET INCREASE/ DECREASE (+/-) IN CASH AND CASH EQUIVALENTS	**-142,158**	**22,383**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**199,106**	**176,785**
Exchange rate movements	18	-62
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**56,966**	**199,106**


-0.32
-0.30
-0.32
-0.30

Notes to the Consolidated Financial Statements

NOTE 1 - GENERAL INFORMATION

THE PARENT COMPANY

The Parent Company Fincantieri – Cantieri Navali Italiani SpA is an Italian legal entity.
As of 31 December 2008 the share capital of the Parent Company amounted to 337,111,530 Euro, of which 98.789% was held by Fintecna – Finanziaria per i Settori Industriali e dei Servizi SpA and 1.21% by Citibank International Plc.
The registered office of Fincantieri is based in Trieste (Italy), in Via Genova, 1.
Appendix 1 includes a summary of the financial statements of Fintecna as of and for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES OF THE GROUP

The Fincantieri Group operates primarily in the design and construction of merchant and military vessels.
The Company also operates in ship repair and large ship conversion services, the production of mechanical systems and components as well as with the construction of mega-yachts.
The Group's activities are performed from 9 locations in Italy, as well as through a presence in the United States relating to trading and after sale services. The Group is also an important shareholder of a German shipyard.
As highlighted in Note 29, in the United States, Fincantieri completed the takeover of Manitowoc Marine Group, renamed Fincantieri Marine Group.

BASIS OF PREPARATION

Fincantieri has exercised its right under a law directive enforced in Italy (D. Lgs 28 February 2005, n.38), which sets forth the guidelines for exercising the options set forth in article 5 of the European Regulation No. 1606/2002 regarding international accounting standards.

Starting from 2007, the consolidated financial statements of the Fincantieri Group have therefore been prepared in compliance with the International Financial Reporting Standards ("IFRS") adopted by the European Commission for use in the European Union.
PricewaterhouseCoopers S.p.A. were entrusted with the task of auditing the consolidated financial statements of the Group and auditing the financial statements of the Parent Company and its main subsidiaries.

APPLICATION OF IFRS

IFRS refers to the International Financial Reporting Standards, the International Accounting Standards ("IAS"), the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and the interpretations of the Standing Interpretations Committee ("SIC"), as adopted by the European Commission for use in the European Union and stated in the corresponding Directives published as of 31 December 2008.
The IFRS have been consistently applied to all of the years presented in this document. The IFRS has recently been applied for the first time in Italy and in other countries. There have been several new IFRS publications and updates, for which there are no precedents, and consequently no references can be made when interpreting the standards. The consolidated financial statements have been prepared by the Directors of the Company based on their best knowledge of the standards and of their interpretations. Any future approaches and new interpretations will be reflected in subsequent financial years, according to the methods set forth from time to time by the specific accounting standards.

INTERPRETATIONS APPLICABLE FROM 1 JANUARY 2008 WHICH HAVE NOT BEEN APPLIED

The following interpretations, which entered into force from 1 January 2008 govern cases not present within the Group or not applicable:
- IFRS 8 – Operating Segments;
- IFRIC 12 – Service Concession Arrangements;
- IFRIC 14-IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction;
- Amendments to IAS 28 – Investments in Associates connected with IAS 31 – Interests in Joint Ventures;
- Amendments to IAS 29 – Financial Reporting in Hyperinflationary Economies;
- Amendments to IAS 40 – Investment Property;
- IFRIC 13 – Customer Loyalty Programmes;
- IFRIC 15 – Agreements for the Construction of Real Estate.

NEW ACCOUNTING STANDARDS APPLIED IN 2008

On 13 October 2008 the IASB issued an amendment to IAS 39 (Financial Instruments: Recognition and Measurement) and to IFRS 7 (Financial Instruments: Disclosures) allowing – under particular circumstances – the reclassification of specific financial assets different from the ones derived from the accounting category "measured at fair value through profit and loss." This amendment also allows for transferring loans and receivables from the accounting category "available for sale" to "held to maturity", if the company is to hold these instruments for a certain time in the future. This amendment entered into force on 1 July 2008, but its adoption did not affect this year's financial statements, since the Group did not carry out any reclassification set forth therein.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED BY THE EU BUT NOT BY THE GROUP IN THE CURRENT FINANCIAL YEAR

In the upcoming financial years, the following standards and interpretations – adopted by the EU and published in the Official Journal of the Italian Republic on 26 March 2009 – will be applied:
- IAS 1 Revised "Presentation of Financial Statements", to be applied as of 1 January 2009. According to the new version of the standard each and every change generated by transactions with shareholders are to be presented in a statement of changes in shareholders' equity. Transactions generated with third parties (comprehensive income) need to be included in a single statement of comprehensive income or in two separate statements (a separate income statement followed by a statement of comprehensive income). In any case, changes generated from transactions with third parties cannot be recognised in the statement of change in shareholders' equity . The adoption of this standard will not have any impact on the measurement of financial statement items.
- IAS 23 Revised Capitalisation of Borrowing Costs borne for assets requiring a certain period of time in order to be used or sold. It is applicable prospectively from 1 January 2009. The Group is assessing the effects originating from the adoption of such amendment.

On 17 January 2008, the IASB issued an amendment to IFRS 2 – Vesting Conditions and Cancellations establishing that in measuring share-based payments only the service conditions and performance conditions can be considered as plan vesting conditions. The amendment also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment will be applied prospectively by the Group from 1 January 2009.

On 22 May 2008, the IASB issued some amendments (improvements) to the IFRSs. Here follows a list of amendments that the IASB defined as variations bringing about a change in the presentation, identification and assessment of financial statement items. Those only producing terminological or editorial variations having irrelevant accounting effects will, on the contrary, be ignored, as will those relating to issues that do not exist within the Group.
- IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations. This amendment shall be applied on or after 1 January 2010 and establishes that if a company is committed to a plan to sell which results in the loss of control of a subsidiary, the assets and liabilities of that former subsidiary have to be reclassified among the assets held for sale, even if, after the sale, the parent company still retains a minority share in the subsidiary.
- IAS 1 – Presentation of Financial Statements (revised in 2007). This amendment shall be applied on or after 1 January 2009. It establishes that assets and liabilities originating from financial derivatives and not held for trading must be classified in the financial statements by distinguishing between current and non-current assets and liabilities.
- IAS 19 – Employee Benefits. This amendment shall be applied on or after 1 January 2009 to the changes in benefits arising after such date. It clarifies the definition of cost/income relating to past professional service and establishes that, in case of plan reduction, the effect to be immediately recognised to the income statement has to include only the benefit reduction for future periods, while the effect caused by possible reductions connected with previous service has to be considered a liability relating to past professional service. The Board has provided a new definition of short-term and long-term benefits and has changed the definition of return on plan assets explaining that this item has to be shown net of administration costs included in the value of the obligation.
- IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance. This amendment shall be applied on or after 1 January 2009. It establishes that the benefit of a government loan at a below-market rate of interest must be treated as a government grant and shall therefore be subject to the recognition rules set forth in IAS 20.
- IAS 23 – Borrowing Costs. This amendment became effective on 1 January 2009 and revised the definition of borrowing costs.
- IAS 28 – Investments in Associates. This amendment shall be effective from 1 January 2009, and may also be applied only prospectively. It establishes that, in the event of investments accounted for using the equity method, any impairment shall not be recorded at the level of the single assets

(especially goodwill) making up the carrying value of the equity investments, but at the level of the investee company as a whole. If the conditions for write-backs of value exist, such write-backs must be fully recognised.
- IAS 36 – Impairment of Assets. This amendment shall be applied on 1 January 2009. It establishes that additional disclosure must be provided should the company determine the recoverable value of cash generating units by using the discounted cash flow method.
- Amendment to IAS 32 – Puttable instruments: Presentation and to IAS 1 – Presentation of Financial Statements - New Disclosure Requirements for Puttable Instruments and Obligations arising on Liquidation. This amendment establishes that the Company shall classify as equity instruments all puttable instruments and financial instruments imposing an obligation to deliver an investment in the company's assets to a third party. The amendment must be applied for years commencing on or after 1 January 2009.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPROVED BY THE EU AND NOT ADOPTED IN ADVANCE BY THE GROUP

The following standards and interpretations have not been implemented in that the competent bodies of the European Union have not completed the approval process:
On 10 January 2008 the IASB issued an updated version of IFRS 3 – Business Combinations and amended IAS 27 – Consolidated and Separate Financial Statements.
The main changes to IFRS 3 concern, in the case of step acquisitions of subsidiary companies, the cancellation of the obligation to measure the individual assets and liabilities of subsidiary companies at fair value in each subsequent acquisition. In this case goodwill is measured as the difference between the value of the investment in the business held immediately prior to the acquisition, the consideration for the transaction and the net assets acquired. Should the company not acquire 100% of the holding, the minority interest can be assessed measured both at fair value and by using the method applied in IFRS 3. The revised version of this standard envisages the inclusion of all the costs connected with business combinations in the income statement, and the recording of liabilities for contingent payments at the acquisition date. In amending the IAS 27, the IASB established that changes in a parent's ownership interest in a subsidiary that do not result in a loss of control must be accounted for as equity transactions and thus, must have an offsetting entry in shareholders' equity. If control of a subsidiary is transferred, but the parent company retains an ownership interest, such ownership interest has to be presented at fair value in the financial statements, while any profit or loss deriving from loss of control loss should be presented in the income statement. IAS 27 establishes that any loss attributable to minority shareholders should be allocated to minority interest, even when said loss exceeds their minority interest in the subsidiary company. The new regulations shall be applied for annual periods beginning on or after 1 January 2010. At the date of the present balance sheet, the competent bodies of the EU have not yet concluded the approval process required for the implementation of the standard and the amendment.
- IAS 39 – Financial Instruments: Recognition and Measurement. This amendment shall be applied on or after 1 January 2009. It explains how the new actual rate of return of a financial instrument should be calculated at the end of a fair value hedge. It also clarifies that the ban on reclassification to the category of financial instruments with adjustment of fair value through profit or loss does

not apply to financial derivatives that cannot be classified as hedging derivatives or which become hedging derivatives. To avoid conflicts with IFRS 8 – Operating Segments, no reference is made to the identification of a hedging instrument in this sector. At the date of issue of these financial statements, the Group is assessing the effects deriving from the adoption of this amendment.

BALANCE SHEET PRESENTATION

The Group has elected the "non-current/current" presentation for the balance sheet, the presentation of costs in decreasing order by nature for the income statement and the indirect method for the preparation of the cash flow statement.

CURRENCY OF PREPARATION

The financial statements of the Parent Company – Fincantieri and the other group entities are prepared in Euro, with the exception of the subsidiaries located in the United States of America, which prepare their financial statements in US Dollars.
The consolidated financial statements are prepared in Euro, the currency of the primary economic environment in which the Fincantieri Group operates.
The consolidated financial statements, as well as the notes thereto, are presented in thousands of Euro.
In specific instances where amounts are stated in currencies other than Euro, this is expressly stated.

NOTE 2 – SCOPE AND BASIS OF CONSOLIDATION

SCOPE OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Parent Company and the subsidiaries over which the Company exercises direct or indirect control. Subsidiaries are consolidated from the date that control is obtained until the date control ceases. Control is determined when the Company directly or indirectly holds the majority of the voting rights or the ability to exercise dominant influence, which is the power to determine, also indirectly, by virtue of contractual or legal agreements, the financial and operating decisions of the entity, and to profit from the resulting benefits, regardless of shareholdings. When assessing whether the Group controls another entity, the existence of potential exercisable voting rights at the balance sheet date is considered.

BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are consolidated on a line-by-line basis. The criteria used for line-by-line consolidation are as follows:

- In the year where a company is included in the consolidated financial statements for the first time, the cost of the acquisition is measured as the fair value of the assets given, financial instruments issued and liabilities incurred or assumed by the group in exchange for control of the acquired company, plus costs directly attributable to the acquisition. The identifiable assets, liabilities and contingent liabilities of the acquired company which meet the recognition criteria are measured initially at their fair value at the date of acquisition, in accordance with IFRS 3. Acquired non-current assets (or disposal groups), that are classified as held for sale in compliance with IFRS 5 are stated at fair value less selling costs.
- Goodwill resulting from an acquisition is recorded as an asset and initially valued at cost, representing the excess of acquisition consideration over the Group's share of the fair value of identifiable net assets recorded. If, after the reassessment, the cost of acquisition is less than the Group's share of the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement. Any minority interest in an acquired subsidiary is measured initially at the minority interest's proportionate share of the acquired subsidiary's net assets. IFRS 3 does not permit the recognition of negative goodwill, therefore, the excess of the acquirer's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquired company over the cost of acquisition is recognized directly in the income statement, after the reassessment of the fair value of the acquired identifiable assets, liabilities and contingent liabilities.
- Inter-company debit and credit items, costs and revenues, and all transactions of significant amounts, including unrealized gains and capital gains and losses, are eliminated.
- The portion of shareholders' equity and income/loss for the year of subsidiaries, attributable to any minority shareholders is stated under specific consolidated balance sheet and income statement headings.

The Report on Operations, in the section "Consolidated companies" sets forth the list of subsidiaries with the details of their business activities, registered office location, share capital, and shareholding structure.
ELNAV Esercizio e Locazione Navi SpA, whose company purpose is mainly facilitating the order of new vessels, has been consolidated on a line-by-line basis in consideration of the dominant influence exercised as a result of an agreement for the Group to acquire an additional 35% shareholding in the entity, which is currently held by Friulia SpA. The Group currently holds a shareholding of 49%.

Associates

Associates are those entities over which the Group has significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights. Investments in associates are initially recorded at cost and subsequently accounted for using the equity method of accounting as follows:

- The carrying value of these investments reflect the Group's share of the shareholders' equity of the associate, adjusted, if necessary, to reflect the application of IFRS, as well as the greater values attributed to assets and liabilities and any goodwill identified on acquisition.
- The Group's share of profits or losses is recognized from the date significant influence is acquired until the date it is no longer present. Where investments in associates valued as above record negative shareholders' equity specific provisions for the losses are recorded if the Group has a legal or constructive obligation to cover such losses. The changes in the shareholders' equity of associates valued at equity which are not directly represented by the gains(losses) in the income statement are recognized directly as an adjustment to shareholder's equity reserves.
- Unrealised gains and losses arising from the transactions between associates valued at equity and the Parent Company/subsidiaries are eliminated to the extent of the Group's interest in the associate. Unrealised losses are not eliminated if they present an impairment.

Joint Ventures

A joint venture is a company featuring a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Investments in joint ventures are consolidated using the equity method.

Potential voting rights

Should the Fincantieri Group have any call options or receive any put options exercised by third parties, or any equity instruments convertible into common shares, or any other similar instruments which, if exercised or converted, may provide the Group with potential voting rights or reduce voting rights of third parties. Potential voting rights are taken into account to assess whether or not the Group has the power to guide or influence financial and managerial policies of another company.

Translation of the financial statements of foreign subsidiaries, associates and joint ventures

The financial statements of the subsidiaries and associates are prepared in the currency of the primary economic environment in which they operate (the "functional currency"). The consolidated financial statements are presented in Euro which is the functional currency of the Company and the presentation currency of the Group.
The financial statements of foreign entities which are presented in foreign currencies are translated into Euro as follows:

- Assets and liabilities are translated into Euro using the year-end exchange rate;
- Income and expenses are translated using the average exchange rate of the period;
- The difference between the exchange rate applied to the income statement items and the balance sheet items, different to that applied at closing, as well as the differences from the different exchange rate applied to the opening balances versus the closing exchange rate are recorded in the currency translation reserve;
- Goodwill and fair value adjustments arising from an acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rate.

The exchange rates applied for the translation of the financial statements of the companies with a "functional currency" other than Euro are as follows:

	2008		2007	
	Average for the year ended 31 December	On 31 December	Average for the year ended 31 December	On 31 December
US Dollar	1.47076	1.3917	1.37048	1.4721

Companies included in the scope of consolidation

Companies consolidated on a line-by-line basis
Fincantieri - Cantieri Navali Italiani S.p.A., Parent Company
Bacini di Palermo S.p.A.
CETENA S.p.A.
Fincantieri Holding BV (The Netherlands)
Fincantieri Marine Systems North America Inc. (USA)
Gestione Bacini La Spezia S.p.A.
Isotta Fraschini Motori S.p.A.
SEAF S.p.A.
ELNAV S.p.A.
DELFI S.r.l.
Fincantieri USA Inc.
Fincantieri Marine Group Holdings Inc.

Companies consolidated following the equity method
Orizzonte Sistemi Navali S.p.A.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. INTANGIBLE ASSETS

Intangible assets are non-monetary assets which are distinctly identifiable and lack physical substance, are controllable and able to generate future economic benefits. These items are recognized at purchase cost and/or internal production costs, including the expenses directly attributable to prepare assets for use, net of accumulated amortization and impairment, if any. Any interest expense accrued during and for the development of the intangible asset are expensed to the income statement. Amortization starts when the asset is available for use and is calculated on a straight-line basis over its estimated useful life.

1.1 Research and development costs

Research costs are recognized in the income statement as incurred. Costs incurred on development projects are capitalised and recognized among intangible assets when the following criteria are met:

- the project is clearly identifiable and the costs can be reliably identified and measured;
- the technical feasibility of the project can be demonstrated;
- the intention to complete the project and sell the intangible assets generated can be demonstrated;
- the existence of a potential market for the intangible asset, or in case of internal use, the use of the asset can be demonstrated;
- adequate technical and financial resources to complete the project are available;

Development costs that have been capitalized are amortized from the date the results generated by the product can be marketed and sold.

1.2 Industrial patents and intellectual property rights, concessions, licenses, trademarks and similar rights

Amortization is calculated using the straight-line method to allocate the cost of acquisition of the rights over the lesser of the estimated useful life and the duration of the underlying contracts. Amortization is calculated from the moment the patents and rights acquired become effective.

2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost of acquisition or production less accumulated depreciation and impairment. The cost includes expenditure that is directly attributable to the development of the assets for their use, including any costs of dismantling and removing the assets which will be incurred as a result of contractual obligations to restore the asset to the original condition. Any interest expense incurred on loans directly associated with the acquisition or construction of property, plant and equipment are expensed to the income statement.
Assets under concession are stated at cost, including estimated dismantling and removal costs, arising as a consequence of contractual obligations to restore an asset to the original condition, net

of accumulated depreciation related to the duration of each separate concession arrangement, and net of dismantling removal costs of the asset.
Ordinary and/or cyclical repair and maintenance costs are charged directly to the income statement during the financial period in which they are incurred. Expenses relating to improvements, modernization or enlargement of property owned or used by third parties is only included in the carrying amount of the asset if they can be recognized as a separate asset or part of an asset using the component approach, where each component subject to separate valuation of useful life and value must be treated separately.
Depreciation is charged to each component on a straight-line basis over the estimated useful life. When assets to be depreciated are composed of distinctly identifiable components whose useful lives differ significantly, each component is depreciated separately applying the component approach. The following useful lives estimated by the Company for the various categories of property, plant and equipment are as follows:

Industrial buildings and dry docks	33 years
Plant and machinery	7 - 10 years
Equipment	4 years
Assets under concession	Duration of the concession arrangements
Improvements on leased assets	Duration of the lease contracts
Other assets	4 - 33 years

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at least at each balance sheet date.
Property, plant and equipment acquired through finance lease where the benefits and risks of the assets are substantially transferred to the Company are recorded as assets and accounted for at the lower of the asset's fair value or the present value of the minimum lease payments, including any purchase option cost. The corresponding lease liability is included in financial liabilities. The assets are depreciated according to the criteria and rates indicated, except when the lease term is shorter than the assets useful life and there is no reasonable certainty that the Company will obtain ownership at the end of the lease term, in which case the asset is depreciated over the lease term. Gains on sale of assets sold and subsequently acquired through finance lease are recognized among deferred income and released to the income statement over the term of the lease contract.
Leases where the lessor substantially retains all the risks and rewards of ownership are recorded as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the term of the lease.
Property, plant and equipment leased out under finance lease agreements (or under a contract with the same treatment as a finance lease) where all the risks and rewards of ownership are substantially transferred to the user are recorded in financial assets. At the moment of the transfer of the assets to the lessee, the Group recognizes a gain on disposal of the relevant asset which is determined as the difference between i) the fair value of the asset at the date of signing the contract or, if lower, the present value of the minimum lease payments owing by the Group, calculated at the market interest rate, and ii) production costs of the assets subject to lease including legal expenses and internal expenses directly associated with the negotiation and stipulation of the finance lease contract. Subsequent to the recognition of the financial asset, finance income is recognized based on a pattern reflecting the constant periodic rate of return on the receivable outstanding and is released in the income statement over the period of the lease contract using systematic, rational criteria.

3. IMPAIRMENT OF NON-FINANCIAL ASSETS

At each balance sheet date property, plant and equipment and intangible assets are reviewed in order to identify indicators of impairment. If such indicators are identified, an estimate of the recoverable value is made and impairment is charged to the income statement. The recoverable amount is the higher of an asset's fair value less selling costs and its value in use. Value in use is the present value of the future cash flows that the asset is expected to generate. The value in use of an asset which does not generate independent cash flows is determined in relation to the cash generating unit to which the asset belongs. In calculating an asset's value in use, the expected cash flows are discounted using a discount rate reflecting the current market value of the cost of money compared to the period of investment and the specific risks associated with the asset.
An impairment loss is recognized in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. When circumstances causing impairment cease to exist, the Group restores the carrying value of the asset, in full or in part, to the net carrying value that the asset would have had if the write-down had not been performed and amortization had been carried out.

4. OTHER INVESTMENTS

Investments, other than investments in subsidiaries, associates and joint ventures (generally where the Group has less than 20% shareholding) are classified within non-current financial assets.

5. INVENTORIES AND ADVANCES

Inventories are recorded at the lower of cost of acquisition or production and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less selling costs. Cost of inventories of raw materials, supplies and consumables, and finished products and goods is determined using the weighted average cost method.
The cost of production includes raw materials, direct labour costs and other costs of production (attributed on the basis of normal operating capacity). Borrowing costs are not included in the value of inventories.
Slow moving and obsolete inventories are suitably written down to align their values with realizable value.

6. CONSTRUCTION CONTRACTS

Construction contracts are recorded at contract value increased by the amount of the grants provided for by the specific legal regulations which have reasonably accrued as at the balance sheet date, using the percentage of completion method, taking into account the stage of the project and expected contractual risks. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract.

Construction contracts are reported net of an allowance for future losses and progress billings issued. This analysis is performed on a contract by contract basis. When this difference is positive, it is shown as an asset within "construction contracts – assets" and when it is negative, the difference is shown as a liability within "construction contracts – liabilities".
Naval construction contracts are closed three months after delivery of the vessel. The delivery of military vessels is recognized upon release of the acceptance report, if issued later.

7. FINANCIAL ASSETS AND LIABILITIES – DERIVATIVES

Financial assets not represented by derivatives are measured at amortized cost on the basis of the effective interest rate method. In case there is objective evidence of impairment, the value of assets is then reduced. Impairments resulting from impairment tests are recorded in the income statement.
These assets are considered current assets, with the exception of assets whose maturity date exceeds twelve months and which are thus included in non-current assets.
Financial liabilities relating to financing and other obligations to be paid different to derivatives are measured at amortized cost, net of the repayments of principal previously effected.
Debts and other liabilities are classified as current liabilities, unless the Group has the contractual right to extinguish its obligations at least twelve months later than the balance sheet date.
Derivatives concluded by the Fincantieri Group are aimed at covering exchange risk exposure mainly connected with sale contracts and, to a lesser extent, with supply contracts denominated in currencies other than the Euro.
Derivative instruments are initially recognized at fair value on the date a derivative contract is entered into. Following initial recognition, changes in the fair value of derivative instruments that cannot be recognized as hedging instruments are recognized as financial income/loss for the period. For instruments that meet the criteria to be classified as hedging instruments, any subsequent variations to fair value are accounted according to the specific criteria identified below. For each derivative classified as a hedging instrument, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives, hedging strategy and methods for verifying hedge effectiveness. The Group also assesses the effectiveness of each hedge, both at hedge inception and on an ongoing basis. A hedging transaction is considered highly "effective" if at inception and during its life, the change in fair value, in the case of fair value hedge, and the expected future cash flows, in the cash flow hedge, of the hedged element are substantially compensated by the change in fair value of the hedging instrument.
Changes in the fair value of derivatives that qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability. When the hedge is not fully effective, or differences between the above changes are recorded, the gain or loss relating to the non-effective portion of hedges represents a net effect recognized in the income for the period.
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized, following initial recognition, as "reserves" in shareholders' equity, when the gain or loss deriving from the hedged item arises. When amounts accumulated in equity are recycled, the reserve is restored to the income statement, among operating components. When the hedge is not fully effective, the changes in fair value of the derivative referring to the ineffective portion are recognized immediately in the income statement. If, during the life of a derivative, the expected cash flows being hedged are no longer considered highly probable, the portion of the "reserves" relating to this instrument is immediately restored to the income statement for the period.

When a hedging instrument is transferred or is sold, or can no longer be qualified as an effective hedge, the portion of the item "reserves" representing the changes in the instrument's fair value recorded up to that moment remains in equity and is recognized in the income statement, according to the classification criteria described above, when the originally hedged transaction occurs.

8. RECEIVABLES AND OTHER CURRENT ASSETS

Receivables are non-derivative financial instruments that mainly include receivables from customers, with fixed or determinable payments that are not quoted on an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Receivables are valued at amortized cost using the effective interest rate method.
If there is objective evidence of impairment, receivables are written down to be equal to the amount of discounted cash flow which may be obtained in the future. Any impairment is recognized in the income statement. If in subsequent periods the reasons for such impairments are no longer valid, the value of the asset is reinstated up to its amortized cost as if the impairment had never occurred.

9. GRANTS FROM THE GOVERNMENT AND OTHER PUBLIC AUTHORITIES

When the right to receive them is deemed certain, government grants are recognized on an accruals basis to directly match them with the costs incurred when there is reasonable certainty that the Company will comply with all attached conditions and there is reasonable certainty that the grant will be received.

9.1 Capital grants

Government grants on property, plant and equipment are recorded in the balance sheet as deferred income within "other payables" in non-current liabilities and "trade and other payables" in current liabilities according to the maturity. The deferred income is recognized as income in the income statement on a straight-line basis in relation to the useful life of the asset for which the grant is received.

9.2 Grants related to income

Grants other than capital grants are recorded in "Other revenues and income" in the income statement.

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand and at banks, on demand deposits with banks and other highly liquid short term investments which can be readily converted into cash and are not subject to significant risk of variation in value. Cash and cash equivalents are stated net of bank overdrafts, if these do not exceed available cash.

11. EMPLOYEE BENEFIT LIABILITY

The Fincantieri Group operates both defined contribution pension plans and defined benefit plans.
A defined contribution plan is a pension plan under which the Group pays fixed contributions into a fund managed by a third party. The Group has no legal or other obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans, the Group pays contributions to publicly and privately administered pension insurance plans on a mandatory contractual or voluntary basis. The contributions are recognized in personnel costs on an accrual basis.
A defined benefit plan is a pension plan that cannot be classified as a contribution plan. Typically, defined benefit plans include the employee indemnity benefit, owed to Italian employees in compliance with Article 2120 of the Italian Civil Code and considering the reform of this instrument implemented in 2007.
The defined benefit plans are based, among other things, on the period of employment of the employee. The defined benefit obligation is calculated by independent actuaries using the Projected Unit Credit Method. The costs relating to the increase in present value of the obligation arising from the plan, which represent both the remuneration of the employee for the services rendered during the year and the financial obligation originating from nearing the time of benefit payments, are included in personnel costs. Any actuarial gains and losses are recognized in the income statement in the period in which they occur.

12. PROVISIONS FOR RISKS AND CHARGES

Provisions are recognized for determined losses and liabilities whose existence is certain or probable but the timing or amount of the obligation is uncertain as of the balance sheet date. A provision is recognized only upon the existence of a present legal or constructive obligation as a result of past events that is expected to result in a future outflow of economic resources to fulfil said obligation. The amount of provision accrued represents the best estimate of the expenditure required to settle the obligation.
When there is a significant financial effect of time, and the obligation payment dates are reliably estimated, provisions are measured at the present value of the expenditures expected using a rate that reflects current market conditions, the change in the time value of money and the risks specific to the obligation. The increase in provision due to changes in the time value of money is recognized as interest expense.
The risks for which a contingent liability is only possible are disclosed in the section on commitments and risks. No provision is recognized for these risks.

13. REVENUES

Revenues from construction contracts are recognized using the percentage of completion method. When it is probable that the total contract costs will exceed total contract revenue, the potential loss on the construction contract is immediately recognized in the income statement.
For contracts denominated in foreign currencies, the revenues matured at the balance sheet date are translated into Euro using the spot exchange rate of the derivative for revenues hedged using forward contracts and intrinsic value component for hedging techniques through complex derivative instruments.
Retentions or other repeating amounts which can be reclaimed by the customer based on contractual conditions are not considered as they are conditional on performance of obligations subsequent to delivery.

14. INCOME TAX

Current income tax is accounted for on the basis of taxable income. The rates applied are those in force at the balance sheet date.
Deferred income tax is calculated on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, and those relating to differences arising on investments in subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred income tax assets (also called "prepaid taxes"), including those relating to previous tax losses, are recognized to the extent that it is probable that future taxable income will be available against which the temporary differences can be recovered. Deferred income tax is determined using tax rates that are expected to apply when the related differences are realized or settled.
Current and deferred income taxes are recognized in the income statement with the exception of the items which are directly debited or credited to shareholders' equity, in which case the tax effect is directly recognised in shareholders' equity. Deferred tax assets and liabilities are offset when income tax is applied by the same tax authorities, there is a legal entitlement to offset and the outstanding net balance is expected to be settled.
Taxes not related to income, such as property tax, are included in the item "other costs".

15. EARNINGS PER SHARE

15.1 Basic earnings per share

Basic earnings per share are calculated by dividing the net income attributable to Group shareholders' by the weighted average number of common shares outstanding during the year.

15.2 Diluted earnings per share

Diluted earnings per share are calculated by dividing the income attributable to Group shareholders by the weighted average number of common shares outstanding during the period. The weight average number of shares outstanding is adjusted, assuming that all holders of rights which have a potential dilutive effect are exercised, whilst the net income attributed to Group shareholders is adjusted to account for the effect of the exercise of these rights, net of taxes.

16. SUBJECTIVE ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements requires that the directors apply standards and accounting methodologies that, in some circumstances, are based on difficult, subjective estimates and judgments based on historical experience and other assumptions from time to time that are believed to be reasonable and realistic under the circumstances.
The application of these estimates and assumptions impacts the amounts included in the financial statements, such as the balance sheet, income statement, the statement of changes in shareholders' equity and the cash flow statement and the disclosure provided. The final results of the financial statement items for which the above estimates and assumptions were used could differ from those reported in the financial statements reporting the effects of the event being estimated because of the uncertainty influencing the assumptions and the conditions on which the estimates are based.

The specific characteristics which, in relation to the business segments where the Fincantieri Group operates, require a greater use of estimates and assumptions, and for which a change in the conditions underlying the assumptions could have a significant impact on the consolidated financial data are discussed below.

16.1 Revenue recognition for construction contracts

As with other large, long-term contracts, almost all of the finalization dates of the vessel construction contracts precede, by a long period, the commencement of the work. In accordance with the current market practice, amendments to the contract price or the possibility to receive additional estimates for additions or changes seldom occurs, unless the scope of work is changed.
The margins expected to be achieved for the entire project upon completion are recognised in the income statement for the related years are based on the stage of the contract. The correct recognition of construction contracts in progress and margins relating to works in progress requires correct estimates by management of costs to completion, probable incremental costs, as well as delays, additional costs and penalties that could shrink the expected margin. To support the estimates, management applies a system of risk analysis to monitor and quantify the risks related to these contracts.
The amounts included in the financial statements represent management's best estimate using said supporting procedures.

16.2 Provisions for risks and charges

The Group accrues provisions for legal and tax risks. The value of the provisions related to said risks recorded in the financial statements represent the best estimate by management, on the basis of assumptions deriving from current knowledge of factors which could change with time, and could result in significant differences in relation to the estimates performed in drawing up these consolidated financial statements.

17. DEFERRED TAXES

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available. The valuation of future taxable income depends on assumptions that can change over time with the possibility of causing significant effects on the recoverability of the deferred tax assets.

NOTE 4 - FINANCIAL RISK MANAGEMENT

Financial risk management is performed by the Parent Company, which identifies, evaluates and implements financial risk management strategies in close collaboration with the operating units and the other companies of the Fincantieri Group and in compliance with the guidelines set down by the top management.

CREDIT RISK

Financial receivables of the Fincantieri Group are essentially related to receivables due from private shipowners, for construction contracts, and from agencies of the Italian Government, for both grants to be collected and supplies to military entities.

With specific regard to financial receivables due from private shipowners, the Company constantly monitors the creditworthiness of counterparts, and exposures and ensures that receivables are collected in due time. The amount of financial receivables due from private shipowners is very low, as these receivables are short-term in nature and payment terms applied in the shipping sector require settlement of the most significant portion of the payment upon the delivery of vessels.

The following tables provide a breakdown of the maximum exposure by risk class as of 31 December 2008 and 31 December 2007 based on the nominal value of the receivable prior to considering any writedown of the receivable for amounts which are not considered recoverable:

	31.12.2008					
		Overdue (days)				
(Euro/000)	Current	0 - 30	31 - 60	61 - 90	Over 90	Total
TRADE RECEIVABLES:						
- due from Government agencies	83,426	1,727	1,221	275	4,951	91,600
- due from private shipowners	56,218	9,828	36,448	18,676	35,078	156,248
TOTAL TRADE RECEIVABLES	**139,644**	**11,555**	**37,669**	**18,951**	**40,029**	**247,848**
Government grants financed by Banca BIIS	76,050					76,050
Government grants others	60,701					60,701
Finance lease receivables	35,070					35,070
Receivables due from joint ventures	13,562					13,562
Other receivables	54,570				14,329	68,899
TOTAL GROSS	**379,597**	**11,555**	**37,669**	**18,951**	**54,358**	**502,130**
Allowance for doubtful receivables						-61,171
TOTAL NET						**440,959**
Accruals and prepayments						51,373
TOTAL						**492,332**

(Euro/000)	31.12.2007 Current	Overdue (days) 0 - 30	31 - 60	61 - 90	Over 90	Total
TRADE RECEIVABLES:						
- due from Government agencies	206,952	1,573	173	174	2,029	210,901
- due from private shipowners	69,852	5,463	2,085	1,136	32,582	111,118
TOTAL TRADE RECEIVABLES	**276,804**	**7,036**	**2,258**	**1,310**	**34,611**	**322,019**
Government grants financed by Banca OPI	81,200					81,200
Government grants others	64,698					64,698
Finance lease receivables	36,614					36,614
Receivables due from joint ventures	52,961					52,961
Other receivables	80,195				6,284	86,479
TOTAL GROSS	**592,472**	**7,036**	**2,258**	**1,310**	**40,895**	**643,971**
Allowance for doubtful receivables						-37,303
TOTAL NET						**606,668**
Receivables from the Iraqi Ministry of Defence						209,843
Accruals and prepayments						54,214
TOTAL						**870,725**

Allowance for doubtful receivables due to presumed impairment amounted to a total of 61,171 Euro/thousand as of 31 December 2008 (37,303 Euro/thousand as of 31 December 2007). No allowance for doubtful receivables was provided for the remaining overdue receivables as, based on experience and knowledge of the individual positions, the Group deems that it will be able to collect all amounts due.

LIQUIDITY RISK

Liquidity risk is associated with the ability to fulfil the commitments deriving from financial liabilities. The operating activities of the Fincantieri Group, despite the unfavourable payment conditions in the shipping industry, provided sufficient liquid resources for self-financing, allowing only a very limited use of available credit lines.

However, the considerable requirements originating from the progress of the production programme now running and the slowdown in demand for new vessels by private shipowners have produced a decrease in self-financing sources and, as a consequence, in the need to resort to capital market to a greater extent.

The liquidity management policy includes investment of liquidity exceeding the ordinary requirements of the Company in short-term financial instruments issued by leading financial institutions. Investments are distributed among a considerable number of banks, at the best rates on the money market.

Most medium and long-term financial commitments are covered by receivables from the State for government grants. In particular, these include production grants in compliance with Law no. 431/91, whose allocation was performed by granting specific loans from Banca BIIS, (see Note 19), which are repaid directly by the Government, through irrevocable mandate for collection granted to Banca BIIS.

The following tables provide a breakdown of ageing of financial liabilities other than derivative instruments, gross of interest owing at each maturity date. Interest was calculated based on either the floating interest rate plus the spread as at the balance sheet date, or on the fixed interest rate, in compliance with the contract terms:

	31.12.2008							
(Euro/000)	Current	within 1 Month	between 2 and 3 months	between 4 and 12 months	between 1 and 5 years	between 1 and 5 years	Financial payables including interesti	Carrying value
Payables to Parent Company	-275						-275	-275
Payables to joint ventures	-3,824						-3,824	-3,824
Bank borrowings	-88,564	-788		-3,990	-15,844	-6,721	-115,907	-113,463
Payables to BIIS		-4,074		-8,147	-32,590	-49,679	-94,490	-76,050
Payables to suppliers		-151,925	-431,481	-200,869			-784,275	-784,275
Finance lease obligations		-140	-280	-1,260	-5,740		-7,420	-6,913
Other non-current liabilities	-77,706	-16,260	-5,529	-5,146	-834	-22,478	-127,953	-127,953
TOTAL	**-170,369**	**-173,187**	**-437,290**	**-219,412**	**-55,008**	**-78,878**	**-1,134,144**	**-1,112,753**
Accrued liabilities and deferred income								-43,966
TOTAL								**-1,156,719**

	31.12.2007							
(Euro/000)	Current	within 1 Month	between 2 and 3 months	between 4 and 12 months	between 1 and 5 years	between 1 and 5 years	Financial payables including interesti	Carrying value
Payables to Parent Company	-225						-225	-225
Payables to joint ventures		-39,048					-39,048	-39,048
Bank borrowings	-1,500	-532		-1,843	-15,341	-9,774	-28,990	-26,182
Payables due to Banca OPI		-4,072		-8,147	-32,590	-57,827	-102,636	-81,200
Payables to suppliers		-156,285	-478,088	-164,460			-798,833	-798,833
Finance lease obligations		-140	-280	-1,260	-6,720	-827	-9,227	-8,294
Other non-current liabilities	-8,468	-74,420		-15,501		-73	-98,462	-98,462
TOTAL	**-10,193**	**-274,497**	**-478,368**	**-191,211**	**-54,651**	**-68,501**	**-1,077,421**	**-1,052,244**
Payables to the Iraq Ministry of Defence								-209,843
Accrued liabilities and deferred income								-45,550
TOTAL								**-1,307,637**

MARKET RISK

Exchange rate risk

Exchange rate risk exposure relates to the execution of shipbuilding contracts denominated in foreign currency and, to a lesser extent, exposure to suppliers denominated in currencies other than the Euro.
Exchange rate risk management, for which forward contracts or optional structures are used, is performed according to the trends in currency markets and to the expected time horizon for cash flows in foreign currencies to occur. When possible, payments and proceeds in the same currency are compensated.
The management aims at achieving total coverage of collection flows, and coverage of only the largest amounts for payments.
At year ended as of 31 December 2008, the Fincantieri Group was not exposed to exchange rate risk deriving from orders of new vessels in that the order portfolio did not include orders denominated in foreign currencies.
Purchase transactions are mainly denominated in Swedish Kronas, Norwegian Krones and in Canadian Dollars.

Interest rate risk

The Group has liabilities whose value is subject to fluctuations linked to changes in interest rates. These changes are largely offset by changes in interest rates on financial assets. Other changes in interest rates not offset by the corresponding changes in interest rates on financial assets are however expected to have a positive impact due to the fact that current interest rates are higher than that contractually negotiated.

Other market risks

The Group's production costs are affected by movements in the prices of the main raw materials used, such as steel. The Fincantieri Group adopts a policy, where possible, of entering into long-term contracts, and adding specific clauses which attenuate over the short-term the risk connected with an increase in the price of procurement of goods and services.

CAPITAL MANAGEMENT

The objective of the Fincantieri Group is the creation of value for shareholders and the support to future development by maintaining an adequate level of capitalization allowing inexpensive accessibility to external financing sources.

DERIVATIVE INSTRUMENTS AT FAIR VALUE

Other current and non-current financial assets and other current and non-current financial liabilities include the measurement of derivative financial instruments at fair value, as follows:

(Euro/000)	31.12.2008				31.12.2007			
	Positive fair value (Euro)	Notional Amount in reported currency	Negative fair value (Euro)	Notional Amount in reported currency	Fair Value positivo (Euro)	Notional Amount in reported currency	Negative fair value (Euro)	Notional Amount in reported currency
CASH FLOW HEDGE								
Options (revenue, USD)					6,539	55,621		
Forward contracts (revenue, USD)					1,655	14,700		
Forward contracts (purchases, USD)	6	497						
Forward contracts (purchases, CAD)			85	4,336				
Forward contracts (purchases, GBP)			4	306			16	477
Forward contracts (purchases, NOK)	13	6,960	389	18,560	7	2,424	107	27,840
Forward contracts (purchases, SEK)			155	48,767				
DERIVATIVES THAT DO NOT QUALIFY FOR HEDGE ACCOUNTING								
Options (USD)					3,190	25,500		
DERIVATIVES HELD FOR TRADING								
Options (USD)							9,549	831,673
Forward contracts (USD)	5,209	90,000	1,940	90,000				

The following tables provide a breakdown of the expiry of derivative contracts. The amounts included in the tables represent gross future cash flow. Therefore, the amounts shown represent the non-discounted intrinsic value. In 2007 no flows were reported relating to derivatives hedging purchases because they were not considered significant compared with of derivatives hedging revenue.

(Euro/000)	31.12.2008						
	within 1 month	between 2 and 3 months	between 4 and 12 months	between 1 and 2 years	between 2 and 5 years	beyond 5 years	Total
FORWARD CONTRACTS SOLD (PURCHASES)							
Outflow	1,074	1,360	3,160	4,375	1,086		**11,055**
Inflow	1,058	1,225	2,867	4,173	1,010		**10,333**
FORWARD							
Outflow	59,515						**59,515**
Inflow	62,760						**62,760**

(Euro/000)	31.12.2007 within 1 month	between 2 and 3 months	between 4 and 12 months	between 1 and 2 years	between 2 and 5 years	beyond 5 years	Total
EURO CALL OPTIONS (REVENUE)							
Outflow			37,783				**37,783**
Inflow			44,524				**44,524**
FORWARD CONTRACTS PURCHASED (REVENUE)							
Outflow			9,986				**9,986**
Inflow			11,691				**11,691**
KI FORWARD CONTRACTS PURCHASED (REVENUE)							
Outflow			17,322				**17,322**
Inflow			20,515				**20,515**

The fair value of derivative financial instruments was calculated considering the market parameters at the balance sheet date and using commonly applied measurement models. In particular, the fair value of forward contracts was calculated considering exchange and interest rates in the two currencies at the balance sheet date.

MOVEMENTS IN CASH FLOW HEDGES

The following table provides the reconciliation of the movement in cash flow hedges:

	Shareholders' Equity			
(Euro/000)	Gross	Taxes	Net	Income Statement
31.12.2007	**-167**	**53**	**-114**	
Change in Fair Value	-852			852
Utilization	139			-139
Other income/expenses (+/-) related to hedging derivatives				6,752
Financial income/expenses (+/-) related to derivatives held for trading and time value portion of hedging derivatives				-27,131
31.12.2008	**-880**	**278**	**-602**	**-19,666**

FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The following table provides a breakdown of financial assets and liabilities by category together with the fair value at the balance sheet date:

(Euro/000)	A	B	C	D	E	F	G	TOTAL	Fair value
					31.12.2008				
Financial receivables – Derivatives	5,209		19					5,228	5,228
Financial receivables – Others					177,389			177,389	176,516
Financial receivables – Others					296,346			296,346	296,346
Current tax receivables					18,597			18,597	18,597
Cash and cash equivalents					56,966			56,966	56,966
Financial liabilities – Derivatives	-1,940		-633					-2,573	-2,573
Financial liabilities – Others							-222,235	-222,235	-222,500
Other non-current liabilities							-29,057	-29,057	-29,057
Trade payables and other current liabilities							-900,194	-900,194	-900,194
Current tax liabilities							-5,233	-5,233	-5,233
Total	**3,269**		**-614**		**549,298**		**-1,156,719**	**-604,766**	**-605,904**
					31.12.2007				
Financial receivables – Derivatives	3,190	8,194	7					11,391	11,391
Financial receivables – Others					384,972			384,972	380,063
Trade receivables and other current assets					444,339			444,339	444,339
Current tax receivables					41,414			41,414	41,414
Cash and cash equivalents					199,106			199,106	199,106
Financial liabilities – Derivatives	-9,549		-123					-9,672	-9,672
Financial liabilities – Others							-159,004	-159,004	-153,296
Other non-current liabilities							-229,336	-229,336	-229,336
Trade payables and other current liabilities							-919,252	-919,252	-919,252
Current tax liabilities							-45	-45	-45
Total	**-6,359**	**8,194**	**-116**		**1,069,831**		**-1,307,637**	**-241,569**	**-235,288**

Key
A = Financial assets and liabilities at fair value recognized directly in the income statement (including derivatives held for trading and derivatives that do not qualify for hedge accounting)
B = Financial assets and liabilities at fair value recognized directly in the income statement after initial recognition at equity (including hedging derivatives)
C = Financial assets and liabilities at fair value recognized at net equity (including hedging derivatives)
D = Investments held until maturity
E = Financial receivables (including cash and cash equivalents)
F = Assets held for sale
G = Financial liabilities at amortized cost

NOTE 5 - SENSITIVITY ANALYSIS OF EXCHANGE RATE RISK

The following information illustrates the effect on the net assets and net income as of 31 December 2007 of a negative (the appreciation of the US Dollar relative to the Euro) and a positive (the depreciation of the US Dollar relative to the Euro) 10% change in the exchange rates of the US Dollar against the Euro.
The analysis does not consider fluctuations in other exchange rates, in which the Group operates (in particular, the GBP and Norwegian Krone), on the basis that such movements would not have a significant impact on the Group's net assets and net income.
The sensitivity analysis at 31 December 2008 is not included in the present note in that there were no significant exposures in currencies other than the Euro. The only two positions in USD were closed in early 2009.

	2007			
	Exchange rate risk			
	+10%		-10%	
(Euro/000)	Income Statement	Other movements Shareholders' Equity	Income Statement	Other movements Shareholders' Equity
ASSETS				
Construction contracts	-37,282		46,493	
Derivatives	5,770		-6,682	
Impact on Total Assets	**-31,512**		**39,811**	
LIABILITIES				
Construction contracts				
Derivatives	1,798		-19,435	
Impact on Total Liabilities	**1,798**		**-19,435**	
Impact on Shareholders' Equity, net of tax effect	**-22,851**		**13,978**	

NOTE 6 - INTANGIBLE ASSETS

The changes in this item are set forth below:

(Euro/000)	**31.12.2007**	Investments	Amortization	Disposals	Exchange rate differences	Reclassifications / Other	**31.12.2008**
Development costs	4,825	457	1,725			365	3,922
Industrial patents and intellectual property rights	9,186	5,733	7,033		1	1,348	9,235
Concessions, licenses, trademarks and similar rights	200	204	239			102	267
Other intangibles	194		23	1			170
Intangibles in progress and advances to suppliers	3,155	2,472				-1,819	3,808
TOTAL INTANGIBLE ASSETS	**17,560**	**8,866**	**9,020**	**1**	**1**	**-4**	**17,402**
Historical cost of acquisition	70,017						78,972
Accumulated amortization	52,457						61,570
NET VALUE	**17,560**						**17,402**

Investments, which include capitalization of internal costs, amounting to 961 Euro/thousand, mainly relate to:

- development costs for new applications of diesel engines and generating sets of the Isotta Fraschini Motori (456 Euro/thousand);
- software costs (5,733 Euro/thousand) mainly relating to the office automation license, the launch of new technical programs and the completion of various SAP/R3 modules.

Reclassifications/other include the effects of transfers from intangibles in progress to the relevant asset category and, for a lesser portion, currency translation differences relating to foreign subsidiaries.

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

The changes in this item are set forth below:

(Euro/000)	31.12.2007	Investments	Depreciation	Disposals	Exchange rate differences	Reclassifications / Other	31.12.2008
Land and buildings	124,033	7,163	5,457	117		9,540	135,162
Plant and machinery	152,230	34,674	30,596	239		13,617	169,686
Industrial and commercial equipment	9,761	9,209	5,421	2	9	1,268	14,824
Assets under concession	50,675	5,954	2,683			4,023	57,969
Leasehold assets	15,729	259	419				15,569
Other assets	41,834	4,938	5,513	235	5	2,591	43,620
Extraordinary maintenance on third party assets	7,694	424	2,051	1	5	215	6,286
Assets under construction	29,694	34,678				-27,048	37,324
Advances to suppliers	5,702	4,982				-2,298	8,386
TOTAL PROPERTY, PLANT AND EQUIPMENT	**437,352**	**102,281**	**52,140**	**594**	**19**	**1,908**	**488,826**
Historical cost of acquisition	1,172,360						1,256,361
Accumulated depreciation	735,008						767,535
NET VALUE	**437,352**						**488,826**

The main additions to property, plant and equipment in the Fincantieri Group's shipyards during the year were as follows:

- Marghera shipyard – purchase of new machinery and equipment to replace the ones damaged during the flood in September 2007; purchase of new assets for setting up the "Alutekna" area. Investments for this shipyard totalled 8,826 Euro/thousand.
- Monfalcone shipyard – completion of renovation of buildings to be used as changing rooms and a new panel line; purchase of a new, 400-tonne, self-moving crane and the start of construction of two 1,000-tonne mobile cranes. Investments for this shipyard equalled 43,811 Euro/thousand.
- Sestri shipyard – construction of a milling and polishing line in the shipbuilding workshop. Investments for this shipyard equalled 9,525 Euro/thousand.
- Ancona shipyard – continuation of the programme for the logistics reorganisation of the shipyard and the construction of equipped towers for provisional systems on board. Investments for this shipyard equalled 6,592 Euro/thousand.
- Castellammare shipyard – completion of the plasma cutting plant and continuation of the safety improvement programmes. Investments for this shipyard equalled 6,003 Euro/thousand;

- Palermo shipyard – continuation of the works to improve the efficiency of the dock workshops and construction of the new watertight door to the building dock. Investments for this shipyard equalled 5,340 Euro/thousand;
- Muggiano shipyard – completion of the construction of the hangar to be used for the mega-yacht production line. Investments for this shipyard equalled 10,368 Euro/thousand;
- Riva Trigoso shipyard – continuation of the works for the construction of the new testing station for offshore supporting units and completion of the expansion of the assembly workshop. Investments for this shipyard equalled 4,921 Euro/thousand;
- Bari plant (of the subsidiary Isotta Fraschini Motori) – completion of the enhancement of plants and areas in order to meet legal requirements, as well as the construction of plants for the hangar to be used for the FREMM Programme construction contracts. Investments for this shipyard equalled 3,147 Euro/thousand.

Included in property, plant and equipment are assets amounting to 400 Euro/thousand, owned by the Parent Company, which do not qualify as assets under concession, but - under the deed of concession for the area where they are located -, must be relinquished to the concessionaire on the expiry of the term of concession. These assets are recorded as: i) Land and buildings (292 Euro/thousand); ii) Other assets (108 Euro/thousand).
Investments include capitalization of internal costs amounting to 9,103 Euro/thousand.
The column Reclassifications/Other shows the effects of the alignment of depreciation of assets under concession as the final change regarding the reversal of the tax-driven adjustments performed in previous years, in addition to transfers from assets under construction to the relative property, plant and equipment category.

Disclosure regarding finance lease obligations

The reconciliation of total future finance lease payments owing and the relevant finance lease obligations is shown below:

(Euro/000)

1) Present value of future minimum lease payments	31.12.2008	31.12.2007
Total future minimum finance lease payments	7,547	9,227
Future finance charges (-)	-634	-933
Present value of the future minimum lease payments	6,913	8,294

(Euro/000)

2) Due date of the future minimum lease payments	31.12.2008			31.12.2007		
	Within 1 year	Between 1 and 5 years	Beyond 5 years	Within 1 year	Between 1 and 5 years	Beyond 5 years
Minimum finance lease payments	1,680	5,867		1,680	6,720	827
Present value of the future minimum lease payments	1,436	5,477		1,381	6,095	818

The present value of minimum finance lease payments as of 31 December 2008 is 6,913 Euro/thousand (8,294 Euro/thousand as of 31 December 2007), which represents 1,436 Euro/thousand (1,381 Euro/thousand as of 31 December 2007) included in current financial liabilities and 5,477 Euro/thousand (6,913 Euro/thousand as of 31 December 2007) included in non-current liabilities.

NOTE 8 - FINANCIAL ASSETS

EQUITY INVESTMENTS

The following tables provide a breakdown of equity investments:

(Euro/000)	31.12.2007	Investments	Revaluations / impairments (+/-)	Disposals	Reclassifications / Other	31.12.2008
EQUITY ACCOUNTED INVESTMENTS						
Associates	10,752		-3,360			7,392
Joint ventures	11,495		1,203			12,698
	22,247		**-2,157**			**20,090**
OTHER EQUITY INVESTMENTS						
Other companies	2,882	40	-8	1,336		1,578
Payments for equity investments		89,875				89,875
	2,882	**89,915**	**-8**	**1,336**		**91,453**
TOTAL EQUITY INVESTMENTS	**25,129**	**89,915**	**-2,165**	**1,336**		**111,543**

All equity investments are in companies which are not listed on an active market.
The column "Investments" represents the purchases of shareholdings in 2008, totalling 89,915 Euro/thousand. This amount is mainly attributable to the item "Payments for equity investments", for the payment of advances relating to the takeover of the American Manitowoc Marine Group, now Fincantieri Marine Group, for a total of 89.875 Euro/thousand, including the related acquisition costs, which can be capitalized according to the IAS/IFRS. This acquisition was officially performed on 1 January 2009, the date when Fincantieri Marine Group Holding (a Group company 100%-controlled by Fincantieri USA Inc., in turn, controlled by the Parent Company Fincantieri S.p.a.) obtained control of the company.
The column "Revaluations/Other" represents the changes in the value of the equity investment in the German company Lloyd Werft Bremerhaven (LWB) of -3,360 Euro/thousand, following the impairment of a receivable recorded at the time of acquisition by the Fincantieri Holding B.V. Group. The value of Orizzonte Sistemi Navali was adjusted to the net carrying value, for 1,203 Euro/thousand.
The column "Disposals" relates to the disposal of the equity investment in Ansaldo Fuel Cells S.p.A to Ansaldo Energia S.p.A.

Equity Investments as of 31 December 2008

Legal name	Office	% Ownership	Carrying value
EQUITY ACCOUNTED INVESTMENTS			
Lloyd Werft Bremerhaven GmbH	Bremerhaven	21.05	7,392
Orizzonte Sistemi Navali S.p.A.	Genoa	51.00	12,698
			20,090
OTHER EQUITY INVESTMENTS			
Centro Sviluppo Materiali S.p.A.	Rome	8.33	698
EEIG Euroyards	Brussels	16.67	10
CRIV Scarl	Venezia	3.45	3
Accademia Italiana Marina Mercantile Scarl	Genoa	4.00	5
Consorzio La Spezia Energia	La Spezia	(*)	2
Consorzio CONAI	Roma	(*)	1
Consorzio EVIMAR	Copenhagen	9.10	6
Consorzio IMAST Scarl	Naples	3.50	22
SIIT- Distretto Tecnologico Ligure sui Sistemi Intelligenti Integrati S.c.p.a	Genoa	2.30	14
Consorzio Cals Italia	Rome	6.67	10
Consorzio Formazione Internazionale	Rome	5.26	10
Consorzio MIB	Trieste	(*)	3
Consorzio Rinave	Trieste	20.00	4
Venezia Logistics Scarl	Venice	7.14	3
Consorzio Aeroporto FVG S.p.A.	Ronchi	1.90	3
Consorzio ISICT	Genoa	(*)	2
Friulia S.p.A.	Trieste	1.44	740
Cons.Ric.Innov.Tec.Sicilia Trasp. Navali Scarl	Messina	6.00	30
International Business Science Company Scarl	Trieste	18.18	10
EOS European Org. Sec.	Brussels	(*)	2
			1,578
PAYMENTS FOR EQUITY INVESTMENTS AND ACCESSORY COSTS			
Manitowoc Marine Group LLC	Marinette (USA)		89,875
			89,875

(*) % of ownership not shown, as consortium provisions are subject to continuous changes

Disclosure on equity accounted investments

The following table provides summary financial information relating to equity accounted investments as of and for the year ended 31 December 2008:

(Euro/000)	Total Assets	Total Liabilities	Revenues	Net income/(Loss) for the period
Lloyd Werft Bremerhaven Gmbh	126,128	72,002	218,157	8,505
Orizzonte Sistemi Navali S.p.A.	714,011	689,112	204,994	2,359

The following table provides summary of financial information relating to equity accounted investments as of and for the year ended 31 December 2007:

(Euro/000)	Total Assets	Total Liabilities	Revenues	Net income/(Loss) for the period
Lloyd Werft Bremerhaven Gmbh	100,619	54,998	280,961	1,202
Orizzonte Sistemi Navali S.p.A.	420,727	398,187	128,069	1,300

NON-CURRENT RECEIVABLES

The following tables provide a breakdown of this item:

(Euro/000)	31.12.2008	31.12.2007
Finance lease receivables	32,926	34,513
Government grants	103,087	117,341
Other	14,093	211,944
TOTAL FINANCIAL ASSETS - RECEIVABLES	**150,106**	**363,798**

Finance leases amounting to 32,926 Euro/thousand as of 31 December 2008 (34,513 Euro/thousand as of 31 December 2007) represent the amounts due after one year from customers for bareboat charters with an Italian ship-owner. In representing "bare boat charter" contracts in the financial statements, they are considered similar to finance leases.
For receivables for contracts considered similar to finance leases, the reconciliation of the Fincantieri Group's receivable and the amount of future lease payments due by the customers is as follows:

(Euro/000)

1) Present value of future minimum lease payments receivable	**31.12.2008**	**31.12.2007**
Total future minimum lease payments receivable	39,179	42,107
Future finance charges (-)	-4,109	-5,493
Present value of the future minimum lease payments	35,070	36,614

(Euro/000)

2) Due date of the future minimum lease payments	**31.12.2008**			**31.12.2007**		
	Within 1 year	Between 1 and 5 years	Beyond 5 years	Within 1 year	Between 1 and 5 years	Beyond 5 years
Minimum lease payments receivable	2,928	36,251		2,928	39,179	
Present value of the future minimum lease payments	2,144	32,926		2,101	34,513	

Government grants amounting to 103,087 Euro/thousand (117,341 Euro/thousand as of 31 December 2007) include:

- the portion of grants due to shipyards which are due after more than one year. These receivables are stated at nominal value, as interest is collected on maturity;
- the value of grants assigned by the shipowner to the Company as part of the contract price and currently in the process of being collected. These grants are stated at present value, discounted by a fixed rate of 4.15%.

These items include an amount of 67,959 Euro/thousand (73,403 Euro/thousand as of 31 December 2007) due after one year relating to grants paid to the Company through the drawdown of specific loans recorded for the same amounts among payables, which are repaid directly by the Government. Changes in the item mainly relate to the gradual repayment of these receivables according to the repayment plans which has resulted in the progressive reclassification of the current portion of receivables to current assets amounting to 8,092 Euro/thousand (7,797 Euro/thousand as of 31 December 2007).

The maturity profile of the government grants receivable is as follows:

	31.12.2008			31.12.2007		
(Euro/000)	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
- between one and two years	14,855		14,855	14,254		14,254
- between two and three years	15,468		15,468	14,854		14,854
- between three and four years	16,096		16,096	15,468		15,468
- between four and five years	11,834		11,834	16,096		16,096
- beyond five years	44,834		44,834	56,669		56,669
TOTAL	**103,087**		**103,087**	**117,341**		**117,341**

Other receivables, amounting to 14,093 Euro/thousand (211,944 Euro/thousand as of 31 December 2007) include the Parent Company's residual receivable of 12,881 Euro/thousand, due from the Iraq Ministry of Defence. This amount reflects the receivable recognized by the ruling of the Court of Genoa, which was called to rule on the case, cancelling the portion of the receivables previously allocated (209,843 Euro/thousand as of 31 December 2007).
Payables of 4,693 Euro/thousand were recorded concurrently, for the portion not directly attributable to the Parent Company.
As a precautionary measure, for the portion attributable directly to the Parent Company, an equal amount was allocated to the allowance for doubtful receivables.
For a detailed illustration of the case, refer to the specific section on legal provision in Note 28.
Other receivables also include 21,700 Euro/thousand (15,330 Euro/thousand as of 31 December 2007) mainly related to trade receivables, and, to a lesser extent, to security deposits and sundry receivables.
Other receivables are shown net of the allowance for doubtful receivables amounting to 20,488 Euro/thousand (13,229 Euro/thousand as of 31 December 2007).

NOTE 9 - DEFERRED TAX ASSETS

The following table provides a breakdown of deferred tax assets:

(Euro/000)	Allowance for obsolescence of inventories and work in progress	Off-balance sheet deductions for construction contracts	Product warranty	Other risks and charges	Fair value derivatives	Losses carried forward	Other temporary differences	Total
31.12.2007	**28,980**	**-8,234**	**7,253**	**8,151**	**53**	**3,232**	**-7,952**	**31,483**
Movements								
- credited / charged (+/-) to income statement	-3,299	8,234	-233	-199		-2,995	1,212	**2,720**
- impairments								
- credited / charged (+/-) to equity and other causes	-2				225		23	**246**
31.12.2008	**25,679**		**7,020**	**7,952**	**278**	**237**	**-6,717**	**34,449**

Deferred tax assets were determined relating to items whose tax recovery is foreseeable with reasonable certainty, in consideration of the planning implemented. These assets refer to allowances made to cover future losses on several construction contracts, allowances for obsolescence of in-

ventories, warranty obligations and several types of risk, in addition to several minor temporary differences. Deferred tax liabilities were recorded on taxable temporary differences.
No deferred taxes were recognized on accruals to legal provision, on deductible temporary differences relating to write-downs, or on tax losses which were not expected to be used within the reporting period. Unrecognized deferred tax assets amounted to 27,185 Euro/thousand (19,234 Euro/thousand as of 31 December 2007).

NOTE 10 – INVENTORIES AND ADVANCES

The following table provides a breakdown of inventories and advances:

(Euro/000)	31.12.2008	31.12.2007
Raw materials and consumables	184,806	142,290
Work in progress and semi-finished goods	486	452
Finished goods	9,721	8,577
Total Inventories	**195,013**	**151,319**
Advances to suppliers	153,044	122,030
TOTAL INVENTORIES AND ADVANCES	**348,057**	**273,349**

Raw materials and consumables relate to the amount of stock considered to be sufficient for normal production activities.
Work in progress and semi-finished goods and finished goods mainly relate to motor manufacturing and spare parts manufacturing of Isotta Fraschini Motori and Fincantieri Marine Systems.
Slow-moving and obsolete inventory at the end of the year was written down to the estimated realizable value. The amounts and movements in the allowance for obsolescence represented by these adjustments are as follows:

(Euro/000)	31.12.2007	Accruals	Utilization	Exchange rate differences	31.12.2008
Allowance for obsolescence – raw materials	6,543	3,149	-1,206		8,486
Allowance for obsolescence – finished goods	221			13	234

NOTE 11 - CONSTRUCTION CONTRACTS

The following table provides a breakdown of construction contracts:

	31.12.2008			31.12.2007		
(Euro/000)	Construction contracts - gross	Invoices issued and provision for future losses	Construction contracts - net	Construction contracts - gross	Invoices issued and provision for future losses	Construction contracts - net
Contracts for vessel construction	1,813,279	546,799	1,266,480	2,263,909	1,133,400	1,130,509
Other contracts for third parties	122,219	97,293	24,926	84,936	58,123	26,813
TOTAL	**1,935,498**	**644,092**	**1,291,406**	**2,348,845**	**1,191,523**	**1,157,322**

This item includes individual contracts where the value of the percentage of completion of the contract is higher than the invoices issued to the customer in accordance with the contract.
Construction contracts – gross reflects the valuation of construction contracts in progress, and show a decrease on the previous year.
The values are net of the specific allowances to cover future losses on several construction contracts, including those deriving from currency issues, and technical and contractual production risks, based on current valuations.
These provisions, including those relating to the construction contracts shown in the item "Construction Contracts – Liabilities" under liabilities, amounted to 75,936 Euro/thousand (89,261 Euro/thousand as of 31 December 2007). The reduction is related to the completed contracts and/or progress made on some loss-making contracts, foreseen and charged to previous years, and other contracts in relation to which final expenses were to be determined at the time of delivery.

NOTE 12 - TRADE RECEIVABLES AND OTHER CURRENT ASSETS

The following table provides a breakdown of trade receivables and other current assets:

(Euro/000)	31.12.2008	31.12.2007
Trade receivables	184,782	289,887
Receivables due from joint ventures	13,562	52,961
Government grants receivable	16,763	11,627
Other receivables	49,431	54,938
Other accrued income	33	
Other prepayments	31,775	34,926
TOTAL TRADE RECEIVABLES AND OTHER CURRENT ASSETS	**296,346**	**444,339**
Current tax receivables	18,597	41,414

The above receivables are shown net of the allowance for doubtful receivables. The allowance for doubtful receivables relates to receivables that are no longer considered fully recoverable, including those under legal dispute, judicial and out-of-court proceedings and where the customer is subject to insolvency. The allowance for overdue interest relates to the provision for interest charged on the late payment of trade receivables. The amounts and movements in the allowances for doubtful receivables are as follows:

(Euro/000)	31.12.2007	Direct and other movements	Accruals / utilizations (+/-)	Exchange rate differences	31.12.2008
Allowance for doubtful trade receivables	17,061	-299	17,646	4	34,412
Allowance for overdue interest	63				63
Allowance for tax receivables	39				39
Allowance for other doubtful receivables	6,911	-1,609	867		6,169
TOTAL	**24,074**	**-1,908**	**18,513**	**4**	**40,683**

Trade receivables, including the allowance for doubtful receivables, decreased by 105,105 Euro/thousand as of 31 December 2008 compared to 31 December 2007. The decrease is mainly attributable to the considerable collection of receivables related to contracts with the Italian Navy, which comprise the most significant part of trade receivables.
Receivables from joint ventures relate exclusively to amounts due from Orizzonte Sistemi Navali.
Government grants receivable relate to technological innovation assistance provided to the Parent Company pursuant to Law 296 of 27 December 2006. This item increased by 5,136 Euro/thousand compared to 2007.
Other receivables can be broken down as follows:

- VAT to be reimbursed or offset, amounting to 4,996 Euro/thousand (9,827 Euro/thousand as of 31 December 2007);
- stamp duty amounting to 3,399 Euro/thousand (unchanged as compared to 31 December 2007) for which reimbursement was claimed and challenged;
- excise duties amounting to 6,038 Euro/thousand (4,789 Euro/thousand as of 31 December 2007), limited to the undisputed portion, based on the determinations of the Customs Office;
- sundry advances and reimbursements from INAIL amounting to Euro 1,786 Euro/thousand (2,937 Euro/thousand as of 31 December 2007);
- sundry advances to staff amounting to 838 Euro/thousand (1,294 Euro/thousand as of 31 December 2007);
- sundry receivables amounting to 32,374 Euro/thousand (32,692 Euro/thousand as of 31 December 2007), which mainly include insurance compensation claims, research grants and advances to suppliers by the Parent Company.

Prepaid expenses mainly include insurance premiums relating to future years.
Current tax receivables, net of allowance for tax receivables amounting to 18,597 Euro/thousand (41,414 Euro/thousand as of 31 December 2007) relate to:

- IRES amounting to 18,433 Euro/thousand (34,966 Euro/thousand as of 31 December 2007) relating to excess payments;
- IRAP amounting to 148 Euro/thousand (6,152 Euro/thousand as of 31 December 2007) relating to excess payments;
- sundry taxes and duties amounting to 16 Euro/thousand (296 Euro/thousand as of 31 December 2007) less the allowance for tax receivables.

NOTE 13 - CURRENT FINANCIAL ASSETS

The following table provides a breakdown of current financial assets:

(Euro/000)	31.12.2008	31.12.2007
Derivatives	5,228	11,391
Finance lease receivables	2,144	2,101
Other receivables	24,992	18,878
Accrued interest income	147	195
TOTAL FINANCIAL ASSETS	**32,511**	**32,565**

Derivatives decreased by 6,163 Euro/thousand as of 31 December 2008 compared to 31 December 2007, mainly due to changes in the related fair values.
Other receivables include amounts due from the Government and other public authorities representing the portions of receivables for shipbuilders' grants and shipowners' grants assigned as a portion of the price which are due within one year. As regards the changes in this item, see the information provided in Note 8, which comments on the trend in the portion of said receivables due beyond one year.

NOTE 14 - CASH AND CASH EQUIVALENTS

The following table provides a breakdown of cash and cash equivalents:

(Euro/000)	31.12.2008	31.12.2007
Bank and postal deposits	56,545	203,664
Temporary bank overdrafts		-5,323
Cheques	314	632
Cash in hand	107	133
TOTAL CASH AND CASH EQUIVALENTS	**56,966**	**199,106**

NOTE 15 - ASSETS HELD FOR SALE

There were no amounts recognized under this item in 2008 or 2007.

NOTE 16 - SHAREHOLDERS' EQUITY

SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE GROUP

During 2008, the Ordinary Shareholders' Meeting of the Company resolved the following: i) distribution of the net income under Italian GAAP amounting to 44,459 Euro/thousand for the year ended 31 December 2007, allocating an amount of 2,223 Euro/thousand, representing 5% the net income under Italian GAAP to the legal reserve; ii) distribution of a dividend of 0.0153 Euro per share, totalling 10,113 Euro/thousand; iii) to allocate the remaining net income, amounting to 32,123 Euro/thousand, to the extraordinary reserve. Comments on the movements in the other reserves and non-distributable earnings are provided further below.

The following table provides a breakdown of Shareholders' equity

(Euro/000)	31.12.2008	31.12.2007
ATTRIBUTABLE TO THE PARENT COMPANY		
Share capital	337,112	337,112
Share premium reserve	71	71
Legal reserve	28,045	25,822
Cash flow hedge reserve	-602	-114
Currency translation reserve	-1,912	-2,710
IFRS transition reserves	29,085	32,386
Other IFRS application reserves (of the Parent Company)	-7,505	-3,302
Other reserves and non-distributable earnings	429,578	409,257
Net income for the period	10,224	36,264
	824,096	**834,786**
MINORITY INTEREST		
Capital and reserves	10,995	154
Net income for the period		11
	10,995	**165**
TOTAL SHAREHOLDERS' EQUITY	**835,091**	**834,951**

SHARE CAPITAL

The share capital of the Parent Company as of 31 December 2008, fully subscribed and paid-in, amounts to 337,112 Euro/thousand, divided into 661,003,000 common shares. Following the resolution passed by the Extraordinary Shareholders' Meeting of 30 April 2004, the shares have no nominal value. There were no changes in the share capital compared to 31 December 2007.

CASH FLOW HEDGE RESERVE

The cash flow hedge reserve includes the change in the effective portion of derivative hedging instruments. The movements in the cash flow hedge reserve are shown in Note 4.

CURRENCY TRANSLATION RESERVE

The currency translation reserve relates to the translation of the shareholders' equity of Fincantieri Marine Systems and Fincantieri USA, which use the US Dollar, at end-2008 exchange rates. The reserve increased by 798 Euro/thousand compared to 2007.

IFRS TRANSITION RESERVE

The IFRS transition reserve relates to the adjustments as related to Italian GAAP, on the transition to IFRS on 1 January 2005.

OTHER IFRS APPLICATION RESERVES

These reserves comprise the differences in results between the Italian GAAP and IFRS as of 31 December for the years prior to the year in question.

OTHER RESERVES AND NON-DISTRIBUTABLE EARNINGS

Other reserves and non-distributable earnings mainly relate to the extraordinary reserve. The remaining net income, after appropriation of net income to the legal reserve and dividends to shareholders, is allocated to the extraordinary reserve. This item is broken down as follows:

	Accounting standards		(Euro/000)	
31.12.2007	**IFRS**		**405,955**	
Net income of the Parent Company in 2007	Italian GAAP	44,459		
Allocations by the Parent Company:				
- to legal reserve		-2,223		
- dividends to Shareholders		-10,113		
- to extraordinary reserve		32,123	32,123	
Other changes:				
- Parent Company	Italian GAAP/ IFRS		-7,505	Note A
- Other Group entities	IFRS		2,279	Note B
- FMGH minority reserve			-10,778	Note C
31.12.2008	**IFRS**		**422,074**	

Note A: difference between the Parent Company's net income for the period under Italian GAAP compared to IFRS
Note B: income/loss of the other Group entities in accordance with IFRS and consolidation adjustments
Note C: result of the application of the two credit approach to the minority share of Lockheed Martin in Fincantieri Marine Group Holding.

MINORITY INTEREST

Minority interest amounted to 10,995 Euro/thousand (165 Euro/thousand as of 31 December 2007), mainly due to the minority interest in Fincantieri Marine Group Holdings.

NOTE 17 - PROVISION FOR RISKS AND CHARGES

The following table provides a breakdown of the provision for risks and charges:

(Euro/000)	31.12.2007	Accruals	Utilization	Release	Exchange rate differences	31.12.2008
Legal provision	47,245	8,388	8,022	2,356		45,255
Product warranty	26,619	13,430	10,131	4,099		25,819
Client indemnity	286	9	117			178
Other risks and charges	31,369	20,717	4,208	17,002		30,876
TOTAL PROVISIONS FOR RISKS AND CHARGES	**105,519**	**42,544**	**22,478**	**23,457**		**102,128**

During 2008 the movements in the provision for risks and charges were as follows:

- The decrease in the legal provision of 1,990 Euro/thousand is linked with the adjustment of provisions made in the previous period. The legal provision mainly includes provisions for specific labour, contractual and non-contractual disputes that are still ongoing at the year-end;
- A decrease in the warranty provision related to contractual guarantees for delivered vessels of 800 Euro/thousand resulting from utilizations and releases amounting to 14,230 Euro/thousand, which were partially offset by accruals to the provision of 13,430 Euro/thousand;
- A net decrease in other provisions of 493 Euro/thousand, as a result of utilizations and releases of 21,210 Euro/thousand, for charges resulting from the settlement of several disputes or for the reconsideration of the risks for which the provisions were allocated. This was partially offset by accruals of 20,717 Euro/thousand. Other provisions relate to various disputes which are mainly contractual, technical and financial in nature, for which the Company may be required to make a settlement (for both court and out-of-court settlements).

NOTE 18 - EMPLOYEE INDEMNITY BENEFIT

The following table provides a breakdown of the employee indemnity benefit:

(Euro/000)	2007	2008
Balance as of 1 January	**108,474**	**90,330**
Current service cost	1,678	
Interest cost	4,538	4,922
Actuarial gains/losses	-5,577	1,804
New legislation effect	-9,805	
Other	1,677	328
Utilizations for benefits and advances paid	-8,983	-11,198
Withholdings according to Law 297/1982 and substitute tax	-1,672	-1,734
Balance as of 31 December	**90,330**	**84,452**

Employee indemnity benefit relates to only the Italian companies of the Fincantieri Group and, as illustrated above, decreased by 5,878 Euro/thousand.
As of 31 December 2008, there are no other defined benefit pension plans.
The employee indemnity benefit is calculated with the assistance of actuaries, using the projected unit credit method as follows:

- Based on financial assumptions (increase in the cost of living, salary increases, etc.), the future benefits that may be provided to each employee in the event of retirement, death, invalidity, termination, etc. have been estimated. The estimated future benefits take account of possible increases due to the seniority of service;
- The average present value of future benefits has been determined at the date of the valuation, based on the annual interest rate adopted and on the probability that each benefit may actually be provided;
- The liability has been calculated for each relevant company, identifying the portion of average present value of future benefits that relates to the services already rendered by the employee to the company at the date of valuation.

It is noted that due to the effect of the new legislation which came into force in 2007, the fund showed a decrease as a result of the transfer of benefits matured since 2007 to third parties – INPS or other funds.

The assumptions used were as follows:

	31.12.2008	31.12.2007
ECONOMIC ASSUMPTIONS		
Cost of living increase (annual)	2.0%	2.0%
Discount rate (annual)	5.0%	5.45%
Annual increase in employee indemnity benefit	3.0%	3.0%
DEMOGRAPHIC ASSUMPTIONS		
Expected mortality rate	2002 ISTAT data on Italian population split by gender	2002 ISTAT data on Italian population split by gender
Expected invalidity rate	Data driven by the INPS model and projected to 2010	Data driven by the INPS model and projected to 2010
Expected termination rate (annual)	3.0%	3.0%
Expected rate of advances on employee indemnity benefit (annual)	3.0%	3.0%

As regards the foreign subsidiary Fincantieri Marine Systems (USA), at the year-end 2008 and 2007, no pension funds were recorded, as the subsidiary's pension funds are considered as defined contribution plans.
The total paid in 2008 and 2007 to these plans amounted to 43 Euro/thousand and 40 Euro/thousand, respectively.
Regarding Italian companies, during 2008 and 2007 payments of 21,951 Euro/thousand and 17,699 Euro/thousand were made, respectively, to defined contribution plans.

NOTE 19 – NON-CURRENT LIABILITIES

The following table provides a breakdown of non-current liabilities:

(Euro/000)	31.12.2008	31.12.2007
Bank borrowings	88,591	96,226
Finance lease obligations	5,477	6,913
Derivatives	172	53
Financial liabilities	22,548	
Total financial liabilities	**116,788**	**103,192**
Other non-current liabilities	29,057	229,336
TOTAL NON-CURRENT LIABILITIES	**145,845**	**332,528**

Bank borrowings include the instalments due beyond one year of the borrowings related to the following operations:

(Euro/000)

Financial institution	Date drawn down	Amount drawn down	Interest rate	Repayment Profile Beyond 1 year	Within 1 year	Outstanding borrowing	Maturity	Company
Intesa San Paolo	23/12/03	10,130	1.012%	6,821	1,663	8,484	05/05/13	Fincantieri
M C C	15/01/04	4,747	1.012%	1,614	795	2,409	05/08/11	Fincantieri
Medio Credito Friuli Venezia Giulia	20/09/06	5,600	4.15% Floating rate	4,480	560	5,040	01/07/17	Fincantieri
Medio Credito Friuli Venezia Giulia	12/03/08	3,500	4.15% Floating rate	3,150	350	3,500	01/07/18	Fincantieri
BIIS C. 6077	31/12/04	11,744	3.808%	8,534	1,027	9,561	31/12/19	Fincantieri
BIIS C. 6078 – 1st tranche	31/12/04	25,302	3.808%	18,387	2,212	20,599	31/12/19	Fincantieri
BIIS C. 6078 – 2nd tranche	25/07/05	2,972	3.518%	2,323	254	2,577	31/12/20	Fincantieri
BIIS C. 6078 – 3rd tranche	17/11/05	124	3.768%	98	10	108	31/12/20	Fincantieri
BIIS C. 6082 – 1st tranche	31/12/04	40,620	3.808%	29,517	3,551	33,068	31/12/19	Fincantieri
BIIS C. 6082 – 2nd tranche	28/04/05	12,051	3.719%	9,100	1,038	10,138	30/06/20	Fincantieri
Intesa San Paolo	24/12/04	1,246	0.886%	1,043	203	1,246	27/05/14	Fincantieri
Banca Carispe	21/5/2007	3,000	4.75%	2,533	304	2,837	31/12/20	Gestione Bacini SP
Banca Carige	28/06/00	2,479	5.30% Floating rate	155	299	454	30/06/10	CETENA
M C C	10/03/05	413	0.5%	311	34	345	01/01/14	Isotta Fraschini Motori
M C C	28/05/07	106	0.5%	81	9	90	01/01/14	Isotta Fraschini Motori
M C C	14/5/07	158	0.5%	119	13	132	01/01/14	Isotta Fraschini Motori
M C C	05/07/06	93	0.5%	70	8	78	01/01/14	Isotta Fraschini Motori
M C C	01/07/08	310	0.5%	232	25	257	01/01/14	Isotta Fraschini Motori
M C C	01/07/08	32	0.5%	23	3	26	01/01/14	Isotta Fraschini Motori
TOTAL				**88,591**	**12,358**	**100,949**		

Borrowings which have been provided to the Parent Company are mostly associated with the payment of production grants through the drawdown of loans which, although formally repaid by Fincantieri, are actually repaid by the Government (See Note 8). The movement in the period is consistent with the relevant amount recognized as a receivable.
Borrowings from Mediocredito Friuli Venezia Giulia, as above, are secured against equipment of the Parent Company located in the Monfalcone shipyard.
Other non-current liabilities mainly relate to grants for property, plant and equipment and grants for innovation to the Parent Company which shall be released to the income statement in future years (excluding 2009) in line with the depreciation/amortization of the related assets.
The portion relating to advances received with respect to the Iraq construction contract of the Parent Company, amounting to 209,843 Euro/thousand as of 31 December 2007, was written off, as discussed in Note 8.

NOTE 20 - CURRENT FINANCIAL LIABILITIES

The following table provides a breakdown of current financial liabilities:

(Euro/000)	31.12.2008	31.12.2007
Payables to shareholders	275	225
Bank borrowings	100,922	11,156
Finance lease obligations	1,436	1,381
Payables to joint ventures	1,785	38,708
Other current liabilities	790	4,122
Derivatives	2,401	9,619
Accrued interest expense	411	273
TOTAL CURRENT FINANCIAL LIABILITIES	**108,020**	**65,484**

Payables to shareholders relate to amounts due to Fintecna S.p.A. that did not change substantially compared to 31 December 2007.
Bank borrowings increased by 89,766 Euro/thousand compared to 31 December 2007, and mainly relate to the use of current account credit lines, as well as to the current portions of medium/long-term liabilities described in Note 19.
Derivatives represent the fair value of derivatives with maturity dates within one year as of the balance sheet date.
Payables to joint ventures relate to excess liquidity that the subsidiary Orizzonte Sistemi Navali deposited with the Parent Company.

NOTE 21 - TRADE PAYABLES AND OTHER CURRENT LIABILITIES

The following table provides a breakdown of trade payables and other current liabilities:

(Euro/000)	31.12.2008	31.12.2007
Payables to suppliers	784,275	798,833
Payables to joint ventures	2,039	340
Social security payables	28,282	25,125
Other liabilities	80,797	90,962
Other accrued expenses	567	478
Other deferred income	9	8
Grants for property, plant and equipment	4,225	3,506
TOTAL TRADE PAYABLES AND OTHER CURRENT LIABILITIES	**900,194**	**919,252**
Current tax liabilities	5,233	45

In relation to the amounts as of 31 December 2008:
Payables to suppliers decreased by 14,558 Euro/thousand compared to the previous period, due to ordinary production dynamics. This item includes invoices received but not yet paid as of 31 December, and invoices not yet received but recorded on an accrual basis.
Social security payables include: i) the amounts due by the Company and the employees to INPS for remuneration paid in December; ii) the amounts due to INAIL as an adjustment for the entire year to be paid in February 2009; and iii) adjustments to the year-end accruals.
Other payables mainly include:

- 28,645 Euro/thousand (25,403 Euro/thousand as of 31 December 2007) due to employees for fees and accrued unused holidays;
- 10,096 Euro/thousand (10,267 Euro/thousand as of 31 December 2007) of IRPEF withholdings to be paid;
- 41,701 Euro/thousand (54,836 Euro/thousand as of 31 December 2007) to sundry creditors, referring almost exclusively to the Parent Company, for insurance premiums, research grants and capital grants by way of advances and security deposits.

Grants for property, plant and equipment include the deferred income which will be released to the income statement in the next year in line with the depreciation/amortization of the related assets.
Tax liabilities include IRES (3 Euro/thousand), IRAP (2,558 Euro/thousand) and the residual instalments (2,672 Euro/thousand) due for substitute tax pursuant to Law 244/2007 (for the settlement of off-balance sheet deductions).

NOTE 22 - CONSTRUCTION CONTRACTS - LIABILITIES

The following table provides a breakdown of construction contracts - liabilities:

	31.12.2008			31.12.2007		
(Euro/000)	Construction contracts - gross	Invoices issued and provision for future losses	Construction contracts - net	Construction contracts - gross	Invoices issued and provision for future losses	Construction contracts - net
Contracts for vessel construction	1,408,608	1,971,101	562,493	2,078,663	2,708,088	629,425
Other contracts for third parties	12,305	28,148	15,843	8,247	15,584	7,337
Prepayments from customers		86,910	86,910		38,546	38,546
TOTAL	**1,420,913**	**2,086,159**	**665,246**	**2,086,910**	**2,762,218**	**675,308**

This item includes contracts where the value of the percentage of completion of the contract is lower than the invoices issued to the customer in accordance with the contract.
Construction contracts – net are shown net of advances invoiced to customers and the value of provision for future losses related to certain contracts. The total amount of the provision for future losses is included in Note 11.
Construction contracts – gross decreased compared to 31 December 2007. Invoices issued decreased due to accounting closure of some contracts.
Prepayments from customers increased due to the prepayments from the Italian Navy relating to the Parent Company's FREMM vessels.

NOTE 23 - REVENUES AND INCOME

The following table provides a breakdown of revenues and other income:

(Euro/000)	2008	2007
REVENUES	**2,805,756**	**2,572,870**
Other revenues and income		
Gains on disposal	347	153
Provision release	21,077	11,017
Other revenues and income	105,048	81,342
Non-recurring income	4,174	13,181
Total other revenues and income	**130,646**	**105,693**
TOTAL REVENUES AND INCOME	**2,936,402**	**2,678,563**

The increase in revenues (+8.9%) is linked to the increased production levels of the Parent Company.

Other revenues and include:

- Provision release, mainly relating to the release of provisions for product warranty;
- Other revenues and income amounting to 105,048 Euro/thousand (81,342 Euro/thousand as of 31 December 2007), as follows:

(Euro/000)	2008	2007
Reimbursement of expenses (from suppliers operating primarily in the shipyards)	17,075	15,751
Grants for property, plant and equipment and research grants	18,783	31,713
Penalties charged to suppliers	3,242	9,745
Insurance indemnities	7,341	11,352
Others	58,607	12,781
TOTAL	**105,048**	**81,342**

The item Others, amounting to 58,607 Euro/thousand, includes the following, relating to the Parent Company: acquisition of a security deposit of 7,500 Euro/thousand for a contract which was not finalized, income of 24,037 Euro/thousand relating to a contract completed in the previous periods, the economic effect of the ruling in relation to the former Iraq contract, totalling 8,188 Euro/thousand, and other minor revenues.

- Non-recurring income, which decreased by 9,007 Euro/thousand, mainly comprises the release of provisions (provision for other risks and charges and legal provision).

NOTE 24 – OPERATING COSTS

The following table provides a breakdown of operating costs:

(Euro/000)	2008	2007
Raw materials and consumables	1,684,055	1,460,372
Services costs	622,681	597,825
Rental and leasing costs	22,072	21,650
Changes in raw materials and consumables	-42,515	-16,743
Changes in work in progress	-8,671	1,355
Other operating costs	9,782	9,420
Total materials and services costs	**2,287,404**	**2,073,879**
Personnel costs:		
- Wages and salaries	315,842	304,506
- Social security	116,456	109,832
- Employee indemnity benefit	7,054	-7,489
- Defined contribution plan costs	21,994	17,739
- Other costs	5,979	6,702
Total personnel costs	**467,325**	**431,290**
Depreciation and amortization:		
- Amortization of intangible assets	9,020	9,410
- Depreciation of property, plant and equipment	52,140	50,520
Total depreciation and amortization	**61,160**	**59,930**
Accruals and impairments:		
- Other write-downs of non-current assets other than financial assets	8,188	
- Write-down of current receivables	18,545	1,351
- Accruals for risks and charges	33,063	15,407
Total accruals and impairments	**59,796**	**16,758**
Capitalization of internal costs	**-10,064**	**-2,387**
Other costs:		
- Taxes related to previous periods	7	130
- Non-recurring expenses	15,468	18,231
Total other costs	**15,475**	**18,361**
TOTAL OPERATING COSTS	**2,881,096**	**2,597,831**

The following table provides a breakdown of raw materials and consumables:

(Euro/000)	2008	2007
Materials costs	887,436	790,415
Components	768,453	645,049
Utilities	28,166	24,908
Total	**1,684,055**	**1,460,372**

The following table provides a breakdown of services costs:

(Euro/000)	2008	2007
Outsourced services	328,005	298,461
Insurance	48,124	58,734
Other personnel costs	20,801	21,172
Maintenance costs	21,208	18,788
Testing	5,270	5,055
Outsourced design	21,258	14,593
Licences	1,133	928
Transportation and logistics	11,965	11,977
Technical services	13,472	10,789
Cleaning services	30,641	27,966
Other services	133,085	136,694
Utilization of provisions for product warranty and others	-12,281	-7,332
Total	**622,681**	**597,825**

Rental and leasing costs amounting to 22,072 Euro/thousand (21,650 Euro/thousand as of 31 December 2007), include rental and operating lease costs of 15,347 Euro/thousand (15,301 Euro/thousand in 2007), sundry lease costs of 5,205 Euro/thousand (4,715 Euro/thousand in 2007), and concession and similar fees of 1,520 Euro/thousand (1,634 Euro/thousand in 2007).

Changes in inventories of raw materials and consumables relate to the quantities of the inventories in the warehouses supplying production.

Changes in work in progress relate to lot productions of Isotta Fraschini Motori.

Other operating costs mainly relate to membership fees, sundry taxes and duties and directors' and statutory auditors' fees.

Personnel costs represent the total cost of employees, including remuneration, social security contributions paid by the Group, employee indemnity benefits accrued for the period, donations and travel allowances.

A breakdown of depreciation and amortization expense is provided in Notes 6 and 7.

Allowance for doubtful receivables relates to prudential accruals in order to align receivables to their expected realizable values.

Provisions for risks and charges substantially include provisions for product warranty of 12,845 Euro/thousand (12,738 Euro/thousand 2007) accrued by the Parent Company, and of 585 Euro/thousand accrued by Isotta Fraschini Motori (154 Euro/thousand in 2007), as well as accruals of 18,385 Euro/thousand made by the Parent Company for sundry risks and charges, mainly deriving from a contract that was cancelled as of the end of the period.

Non-recurring expenses include:

- Accruals to the provision for risks and charges amounting to 9,452 Euro/thousand (2,417 Euro/thousand in 2007), to cover additional financial and legal risks;
- Sundry personnel costs amounting to 4,937 Euro/thousand (4,676 Euro/thousand in 2007), in addition to charges for amounts not accrued or under accrued amounting to 1,079 Euro/thousand (1,970 Euro/thousand in 2007).
- Repair costs for damaged equipment, present only in 2007 (9,168 Euro/thousand).

NOTE 25 - FINANCE INCOME AND EXPENSE

(Euro/000)	2008	2007
FINANCE INCOME		
Interest from other customers (non-current receivables)	4,466	4,472
Interest from others (non-current receivables)	2,907	3,126
Income from financial derivatives operations	29,057	22,970
Other interest and commissions	13,348	16,401
Exchange rate gains	12,839	51,267
Total finance income	**62,617**	**98,236**
FINANCE EXPENSE		
Interest and commissions to subsidiaries	-2,803	-845
Interest and commissions to Parent Companies	-13	-10
Expenses from financial derivatives operations	-56,188	-33,089
Other interest and commissions	-7,551	-7,398
Exchange rate losses	-10,233	-51,735
Total finance expense	**-76,788**	**-93,077**
TOTAL FINANCE INCOME AND EXPENSE	**-14,171**	**5,159**

Financial income includes income officially received by the Parent Company from the Government, but actually paid to Banca BIIS (an equal amount is recognized as finance expense), related to the operations performed for payment of Government grants.
Financial income and expense include significant items mainly deriving from exchange gains and losses and income and expense on derivative transactions connected with foreign currency hedges.

NOTE 26 - INCOME AND EXPENSE ON INVESTMENTS

The following table provides a breakdown of income and expense on investments:

(Euro/000)	2008	2007
INCOME		
Dividends from other companies	78	160
Other income from equity investments	405	3,420
Total income	**483**	**3,580**
Impairment of investments	**-9**	**-3,506**
PROFIT / LOSS FROM EQUITY INVESTMENTS		
Profit	1,203	916
Loss		
Profit/(loss) from equity investments	**1,203**	**916**
TOTAL INCOME AND EXPENSE ON INVESTMENTS	**1,677**	**990**

Other income from investments mainly derives from the disposal of the investment in Ansaldo Fuel Cells S.p.A., amounting to 376 Euro/thousand.

Note 8 provides details on equity accounted investments. Profit from equity investments in 2008 relates to the share of profit attributable to the Group of Orizzonte Sistemi Navali (1,203 Euro/thousand).

NOTE 27 - INCOME TAX EXPENSE

The following table provides a breakdown of income tax expense:

(Euro/000)	2008		2007	
Current tax expenses		**35,308**		**9,507**
Deferred tax assets:				
- allowance for obsolescence of inventories and work in progress	3,299		34,131	
- product warranty	233		2,421	
- other risks and charges	199		4,469	
- losses carried forward	2,995		-2,932	
- other	207	**6,933**	70	**38,159**
Deferred tax liabilities:				
- off-balance sheet deductions for construction contracts	-8,234		369	
- other	-1,419	**-9,653**	2,571	**2,940**
Total deferred taxes		**-2,720**		**41,099**
TOTAL INCOME TAX EXPENSE		**32,588**		**50,606**

Notes:
The "+" sign indicates accruals for deferred tax liabilities or absorption of deferred tax assets.
The "-" sign indicates the use of deferred tax liabilities or accruals of deferred tax assets.

The following table provides a reconciliation of the theoretical and effective tax rates:

(Euro/000)	2008	2007
Theoretical tax rate – corporate income tax (IRES)	**27.5%**	**33.0%**
Net income before income tax expense	42,812	86,881
Theoretical tax – corporate income tax (IRES)	**11,773**	**28,671**
Impact of previous year income tax expenses	-144	-3,138
Impact of tax losses	37	40
Effect of permanent differences and unrecorded temporary differences	10,559	3,384
Effect of change in IRES tax rate		5,809
Net impact of settlement of off-balance sheet deductions	-3,302	
Effect of different tax rate applicable to foreign entities	182	44
IRAP charged/(credited) to income statement	**13,483**	**15,796**
Total income tax expense charged to income statement.	32,588	50,606
Effective tax rate	**76%**	**58%**
Current tax expenses	35,308	9,507
Deferred taxes	-2,720	41,099

NOTE 28 – OTHER INFORMATION

NET FINANCIAL POSITION

(Euro/000)	31.12.2008	31.12.2007
Cash and cash equivalents	56,966	199,106
Cash	**56,966**	**199,106**
Current financial receivables	**13,552**	**19,533**
Current bank borrowings	-88,564	-1,500
Current portion of non-current bank loans	-12,358	-9,656
Other current financial debt	-7,098	-54,328
Current financial debt	**-108,020**	**-65,484**
Net current financial position	**-37,502**	**153,155**
Non-current financial receivables	**67,958**	**73,403**
Non-current bank loans	-88,591	-96,226
Other non-current loans	-5,649	-6,966
Non-current financial debt	**-94,240**	**-103,192**
Net non-current financial debt	**-26,282**	**-29,789**
Net financial position	**-63,784**	**123,366**

RELATED PARTY TRANSACTIONS

Transactions with related parties and with Fintecna and its subsidiaries are not considered atypical or unusual, as they fall within the normal course of business of the Fincantieri Group companies and are conducted at arm's length.
The following table provides a summary of the Parent Company's related party transactions with associates and joint ventures which in accordance with accounting criteria are not eliminated on consolidation:

	Balance Sheet		Income Statement	
(Euro/000)	Assets	Liabilities	Costs	Revenues
ORIZZONTE SISTEMI NAVALI (*)	13,562	88,528	3,040	99,127
HORIZON (**)	20,818	1	41	55,232
LLOYD WERFT (***)				161
TOTAL	**34,380**	**88,529**	**3,081**	**154,520**

(*) Consolidated following the equity method.
(**) Investment held by Orizzonte Sistemi Navali.
(***) Investment held by Fincantieri Holding BV.

The following table provides a summary of the related party transactions between the Fincantieri Group, Fintecna and the Fintecna Group:

(Euro/000)	Balance Sheet		Income Statement	
	Assets	Liabilities	Costs	Revenues
FINTECNA		275	14	
FINTECNA IMMOBILIARE	3,000			
TIRRENIA	350		6	503
SIREMAR	293			1,783
TOREMAR	14			63
SAREMAR	13			14
TOTAL	**3,670**	**275**	**20**	**2,363**

The main income statement, balance sheet and financial effects of the above transactions are illustrated below:

The Fincantieri Group

The most significant related party transactions relate to:

- Financial liabilities to Orizzonte Sistemi Navali relating to excess liquidity deposited with the Parent Company;
- Trade receivables from Orizzonte Sistemi Navali relating to an agreement signed in 2006 with MMI for the production of the FREMM Programme, which relates to the construction of ten vessels for the Italian Navy.

The transactions recognized in the income statement originate from those described above.

The Fintecna Group

The most significant related party transactions are as follows:

- Receivables from Fintecna Immobiliare relating to the disposal of tax credits paid by the Parent Company on its behalf.
- Ship repair works on vessels of Tirrenia and its regional companies.

REMUNERATION OF THE BOARD OF DIRECTORS, BOARD OF STATUTORY AUDITORS AND KEY MANAGEMENT OF THE COMPANY

(Euro/000)	Remuneration(1)	Non-monetary benefits	Bonuses and other incentives	Other remuneration
	2008			
Parent Company Board of Directors	434	17	380	660
Parent Company Board of Statutory Auditors	110			36
General Directors and Key Managers		51	1,038	3,165
	2007			
Parent Company Board of Directors	430	17	380	649
Parent Company Board of Statutory Auditors	128			35
General Directors and Key Managers		39	834	2,439

(1) Excluding amounts paid on behalf of subsidiaries

Directors, Statutory Auditors, General Directors and key management with strategic responsibilities do not have any equity interest in Fincantieri Cantieri Navali Italiani S.p.A. or in any Group companies.

Earnings per share

Basic and diluted earnings per share are calculated as follows:

		31.12.2008	31.12.2007
Consolidated net income	(Euro/000)	10,224	36,275
Income attributable to the Parent Company	(Euro/000)	10,224	36,264
Shares outstanding	Number	661,003,000	661,003,000
Earnings per share	Euro	**0.01547**	**0.05486**

There were no differences between basic and diluted earnings per share as there were no potential shares having a dilutive effect at the balance sheet date.

OPERATING LEASES

The following table provides a breakdown of future minimum lease payments under operating leases as of 31 December 2008:

(Euro/000)	2008	2007
FUTURE AGGREGATE MINIMUM OPERATING LEASE PAYMENTS:		
Within 1 year	11,199	13,585
Between 1 and 5 years	33,650	37,394
Beyond 5 years	17,056	9,559
TOTAL	**61,905**	**60,538**

GUARANTEES

Guarantees relate exclusively to those provided by the Parent Company, broken down as follows:

(Euro/000)	2008	2007
Bank guarantees	10	10
Other guarantees	28,620	28,620
TOTAL	**28,630**	**28,630**

Bank guarantees as of 31 December 2008 relate to a guarantee provided to Intesa San Paolo on behalf of Consorzio CALS Italia, in which the Company holds an investment.
Other guarantees relate to releases issued on behalf of Horizon to the French Ministry of Defence.

LEGAL DISPUTES

The Group has accrued legal provisions amounting to 45,255 Euro/thousand (47,245 Euro/thousand as of 31 December 2007) relating to the expected costs arising from disputes involving Fincantieri Group companies, which are mostly related to the Parent Company. Receivables which are related to disputes have been written down to the amount that is expected to be recovered.
The most important disputes are as follows:

Iraq dispute

The Iraq dispute is a complicated and longstanding issue regarding contracts concluded with the Iraq Government that were only partially executed following customer default. In addition, the UN, through specific EU regulations, imposed an embargo on Iraq.
Fincantieri together with the other co-suppliers brought a case before the Court of Genoa to obtain compensation for the incurred damages. The first-instance sentence regarding the merit for compensation and, the ruling in 2006 regarding the amount of the damages, were both in favour of the Company.
In 2007 several co-suppliers – demanding greater safeguarding of their interests relating to one of the three contracts comprising the entire supply, a contract in which Fincantieri did not participate – filed an appeal against the above judgement. Therefore, in 2008, there were significant changes in the legal framework of this case.
Neither the appeal of the co-suppliers, nor the resulting "late cross appeal" by Iraq referred to the two contracts in which the Parent Company participated. Moreover, in the initial hearings, held on 9 and 16 October 2008, the cross examination phase was declared completed, and this phase did not cite the contracts involving Fincantieri.
Therefore, though it is not possible to affirm that, in the technical-judicial sense, the sentences regarding the merit for compensation and the ruling regarding the amount of the damages have become final, the Parent Company's defence attorneys consider it highly unlikely that the dispute could be reopened ex officio, as both the Italian and Iraqi parties are forbidden to take any further measures, as their overall conduct constitutes reciprocal acceptance of the first-instance ruling.
As a result, the judge's ruling on the two contracts in which Fincantieri is the main contractor can be considered final.
This situation impacts the financial statements of the Parent Company, with the resulting writing off of previously recorded payables and receivables, retaining only the receivable exceeding the offsetting of the advances.
Moreover, due to the international regulatory measures implemented, which continue to impede any enforcement action against Iraq, including the financial settlement deriving from one of the sentences, it is necessary to proceed with caution regarding the residual receivable.

Collection of customer receivables and insolvency proceedings

These disputes comprise pending suits against insolvent customers, customers under bankruptcy and other insolvency proceedings.
The recoverability of each receivable has been carefully assessed and, if necessary, the receivable has been suitably written down.

Disputes with suppliers

These are disputes regarding suppliers' and contractors' claims that the Parent Company considers as unjustified, or concerning the recovery of the significant costs incurred by the company following defaults by suppliers/contractors.

A provision for risks and charges is accrued where the Group believes that they may be required to make a settlement.

Labour disputes

During the period some labour disputes were settled, primarily out-of-court, regarding contractual issues and the "asbestos problem". A provision has been accrued by the Parent Company for any disputes which have not been settled.

Other disputes

Other disputes include disputes: i) against factoring companies; ii) against arbitration awards; iii) for revocation suits; iv) for joint responsibilities with insurance companies; v) for indirect claims arising from production phases; vi) for cases regarding trademarks and patents; and vii) for compensation claims; etc.
These disputes comprise numerous disputes regarding claims for damages deriving from painting, exclusively relating to the shipyard of Castellammare di Stabia. Several claims resulted in proceedings before the Justice of the Peace, for which, given the unfounded nature of the claims, the company is raising a considerable defence.
A provision for risks and charges is also accrued for these disputes where the Group believes that the result of the disputes may comprise charges.
The Parent Company is also engaged in managing disputes with the Ministry of the Environment, concerning the shipyards of Marghera and Castellammare di Stabia. These disputes regard accusations of pollution, which are absolutely contested by Fincantieri.
Fincantieri has filed administrative appeals. The company has been summoned before the Civil Court of Venice by the Ministry of the Environment, who is claiming compensation for alleged environmental damages.

TAX POSITION

Defined tax periods

The Parent Company and the Italian companies in the Group have settled their taxes for the tax periods up to 31 December 2003, for direct taxes and VAT.

National tax consolidation

In 2008, the composition of national tax consolidation remained unchanged. This process was implemented in 2007 for the 2007-2009 period, and includes, in addition to the Parent Company, the subsidiaries Cetena, Isotta Fraschini and Seaf.

Tax disputes and tax claims

- Fincantieri
  The Company has some pending disputes at various levels of instance. They mainly relate to local property taxes (ICI), claims for reimbursement of registration taxes, excise duties and other rights. During 2007 some sentences were issued regarding excise duties and other rights (with non-uniform results) and the final hearing regarding the reimbursement of registration taxes was held (the sentence has not yet been filed).

- CETENA
  There were no developments in the dispute relating to tax year 1987, as the tax appeal has not yet been processed.
- Isotta Fraschini Motori
  A tax dispute has been initiated against the tax inspection for 2004, notified in 2007.
- The other companies have no pending cases or disputes which, at the balance sheet date, involved tax auditors or inspections.

EMPLOYEES

As of 31 December 2008 the Fincantieri Group had 9,185 employees compared to 9,358 employees as of 31 December 2007, broken down as follows:

	2008		2007	
	31.12	**Average**	**31.12**	**Average**
Top level management	211	211	208	213
Medium level management	298	291	275	261
Employees	3,678	3,605	3,618	3,469
Manual labourers	4,998	5,039	5,257	5,172
TOTAL	**9,185**	**9,146**	**9,358**	**9,115**

	31.12.2008	31.12.2007
Fincantieri (Parent Company)	8,889	9,055
CETENA	74	73
Fincantieri Marine Systems	50	55
Isotta Fraschini Motori	162	175
Delfi Srl	10	
TOTAL	**9,185**	**9,358**

Orizzonte Sistemi Navali had 96 employees as of 31 December 2008 and 92 employees as of 31 December 2007.
As of 31 December 2008 Lloyd Werft had 496 employees, compared to 486 employees as of 31 December 2007.
The other companies do not have any permanent employees.

NOTE 29 – EVENTS SUBSEQUENT TO 31 DECEMBER 2008

Acquisition of MMG

Fincantieri S.p.A. finalized the acquisition of the American shipbuilding group Manitowoc Marine Group from The Manitowoc Company, Inc. on 1 January 2009. Therefore, the American Group was not consolidated as of 31 December 2008.
The consolidation involved the companies incorporated in 2008 for the purpose of the acquisition: Fincantieri USA Inc., controlled by Fincantieri - Cantieri Navali Italiani S.p.A., and Fincantieri Marine

Group Holdings Inc., whose majority share is held by Fincantieri USA Inc. and in which Lockheed Martin has invested as a minority shareholder.

Statement regarding the acquisition of MMG

(Euro/000)	Fair value	Carrying value at the acquisition date of 1.1.2009
NET ASSETS ACQUIRED		
NON-CURRENT ASSETS		
Intangible assets	38,622	
Plant and machinery	38,910	18,454
Deferred tax assets	756	756
Total non-current assets	**78,288**	**19,210**
CURRENT ASSETS		
Inventories	3,407	3,267
Work in progress net of invoices issued - assets	1,428	1,428
Trade receivables and other current assets	10,887	10,887
Cash and cash equivalents	13	13
Total current assets	**15,735**	**15,595**
NON-CURRENT LIABILITIES		
Other non-current liabilities	-4,320	-1,827
Deferred tax liabilities	-19,220	-2,281
Total non-current liabilities	**-23,540**	**-4,108**
CURRENT LIABILITIES		
Trade payables and other current liabilities	-16,159	-16,159
Work in progress net of invoices issued - liabilities	-17,401	-17,401
Total current liabilities	**-33,560**	**-33,560**
TOTAL NET ASSETS	**36,923**	**-2,863**
Pre-acquisition goodwill	33,891	33,891
NET ASSETS ACQUIRED	**70,814**	**31,028**
Acquisition goodwill	20,130	
ACQUISITION COSTS	**90,944**	
TOTAL GOODWILL	**54,021**	
BREAKDOWN OF ACQUISITION COSTS		
Acquisition price	86,225	
Accessory acquisition charges	4,719	
	90,944	

The amounts in the table above are not definitive, as the work of the consultants assigned to perform the price allocation is still in progress, and should be finished by the first half of April 2009.

KEY FIGURES FROM THE FINANCIAL STATEMENTS OF FINTECNA

Finanziaria per i Settori Industriale e dei Servizi S.p.A.

The key figures from the Parent Company FINTECNA – Finanziaria per i Settori Industriale e dei Servizi S.p.A. shown in the summary table required by article 2497 bis of the Italian Civil Code, have been taken from the financial statements for the year ended as of 31 December 2007. For adequate, complete understanding of the equity and financial situation of FINTECNA as of 31 December 2007, as well as the income results achieved by the company for the year ended as of that date, refer to the financial statements which, comprising the independent auditors' report, are available in the forms and according to the methods provided by law.

(Euro/000)

BALANCE SHEET	31.12.2007
ASSETS	
Fixed assets	1,808,759
Current assets	2,990,340
Accrued income and prepaid expenses	3,106
TOTAL ASSETS	**4,802,205**
LIABILITIES	
Shareholders' Equity	2,645,737
Provisions for risks and charges	1,893,754
Employee indemnity benefit	7,739
Payables	249,331
Accrued liabilities and deferred income	5,644
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**4,802,205**
MEMORANDUM ACCOUNTS	**7,437,905**
INCOME STATEMENT	**2007**
Value of production	92,187
Cost of production	-61,205
Finance income and expenses	161,952
Adjustment to financial assets	-4,943
Non-recurring income and expenses	105,944
NET INCOME BEFORE INCOME TAX EXPENSE	**293,935**
Income tax expense	-53,201
NET INCOME FOR THE PERIOD	**240,734**


CARNIVAL DREAM

Report of the Board of Statutory Auditors

Dear Shareholders,

The Fincantieri Group, which draws up the consolidated financial statements on a voluntary basis, has prepared the related document and the Report on Operations.
We have carried out our checks according to the specific principles of conduct which control our function, and with explicit reference to the laws governing the preparation of the document.
The PricewaterhouseCoopers company has audited the consolidated financial statements of the Parent Company Fincantieri Cantieri Navali Italiani S.p.A.. The subsidiaries' financial statements have been audited both by the respective Statutory Auditors and by the Independent Auditors to whom the specific task has been assigned. Therefore, the Board of Statutory Auditors has not performed direct control activity on the subsidiaries.
The result of our audit on the Fincantieri Group's Consolidated Financial Statements points out that:

- the companies included in the scope of consolidation have been properly and analytically identified.
- the information delivered by the companies included in the scope of consolidation is consistent with the assessment criteria, the structure and the contents defined by the consolidating company: this is certified by the legal representatives of each company included in the scope of consolidation.
- with regard to the formation of the consolidated financial statements, the consolidating company has appropriately used the data received, as well as those resulting from its accounting entries.
- the assessment criteria and the consolidation principles comply with the reference regulation.

The assets and liabilities elements, costs and revenues of the consolidated companies have been fully included in the consolidated financial statements, except for the company Orizzonte Sistemi Navali, for which the equity method has been adopted.
The debt and credit entries and economic operations carried out among the consolidated companies have been sterilized.
The assets acquired through finance lease, as provided for by the financial method, have been included in property, plant and equipment.
The Notes to the Consolidated Financial Statements contain the information required by the reference regulation.
In the opinion of the Board of Statutory Auditors, the consolidated financial statements, on the whole, give a true and fair view of the assets and liabilities, the financial positions, and the results of operations of the Fincantieri Group for the period ended as of 31 December 2008.
The Board of Statutory Auditors has also verified that the Report on Operations corresponds in substance to that shown in the Consolidated Financial Statements.

Trieste, 7 April 2009

THE BOARD OF STATUTORY AUDITORS

Auditors report

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 2409-TER OF THE CIVIL CODE

To the Shareholders of
FINCANTIERI – Cantieri Navali Italiani SpA

1 We have audited the consolidated financial statements of FINCANTIERI – Cantieri Navali Italiani SpA and its subsidiaries ("FINCANTIERI Group") as of 31 December 2008, which comprise the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and related notes. The directors of FINCANTIERI – Cantieri Navali Italiani SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with Italian standards on auditing. Those standards require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 11 April 2008.

3 In our opinion, the consolidated financial statements of FINCANTIERI – Cantieri Navali Italiani SpA as of 31 December 2008 comply with the International Financial Reporting Standards as adopted by the European Union; accordingly, they have been drawn up clearly and give a true and fair view of the consolidated financial position, results of operations, changes in equity and cash flows of FINCANTIERI – Cantieri Navali Italiani SpA for the period then ended.

4 The directors of FINCANTIERI – Cantieri Navali Italiani SpA are responsible for the preparation of the Report on Operations in accordance with the

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PRICEWATERHOUSECOOPERS

applicable laws. Our responsibility is to express an opinion on the consistency of the Report on Operations with the financial statements, as required by article 2409-ter, paragraph 2, letter e), of the Italian Civil Code. For this purpose, we have performed the procedures required under Auditing Standard n° 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Report on Operations is consistent with the consolidated financial statements of FINCANTIERI – Cantieri Navali Italiani SpA as of 31 December 2008.

Trieste, 14 April 2009

PricewaterhouseCoopers SpA
Signed by
Maria Cristina Landro
(Partner)

This report has been translated from the original which was issued in accordance with Italian legislation. We have not examined the translation of the financial statements referred to in this report.

New Corporate Boards Of The Parent Company

Following the resolutions of the Shareholders' Meeting

BOARD OF DIRECTORS

(2009-2011)

Chairman	ANTONINI Corrado
Chief Executive Officer	BONO Giuseppe
	BELSITO Francesco
	CUCCURULLO Olga
	DOMINEDO' Pierpaolo
	VIO Giovanni
	WALKER MEGHNAGI Alfonso
Secretary	CASTALDO Maurizio

REMUNERATION COMMITTEE

Chairman	DOMINEDÒ Pierpaolo
	CUCCURULLO Olga
	VIO Giovanni

BOARD OF STATUTORY AUDITORS

(2008-2010)

Chairman	PUCCI Bruno
Auditors	ALEMANNI Pierluigi
	TRAUNER Sergio
Alternate auditors	GENTILE Giancarlo
	MANCINI Alberto

MANAGER RESPONSIBLE FOR DRAFTING COMPANY FINANCIAL REPORTS

ROSSO Francesco

INDEPENDENT AUDITORS

(2009-2011)

PricewaterhouseCoopers S.p.A.
assigned also to the Accounting control

CONSOLIDATED ANNUAL REPORT 2008

FINCANTIERI