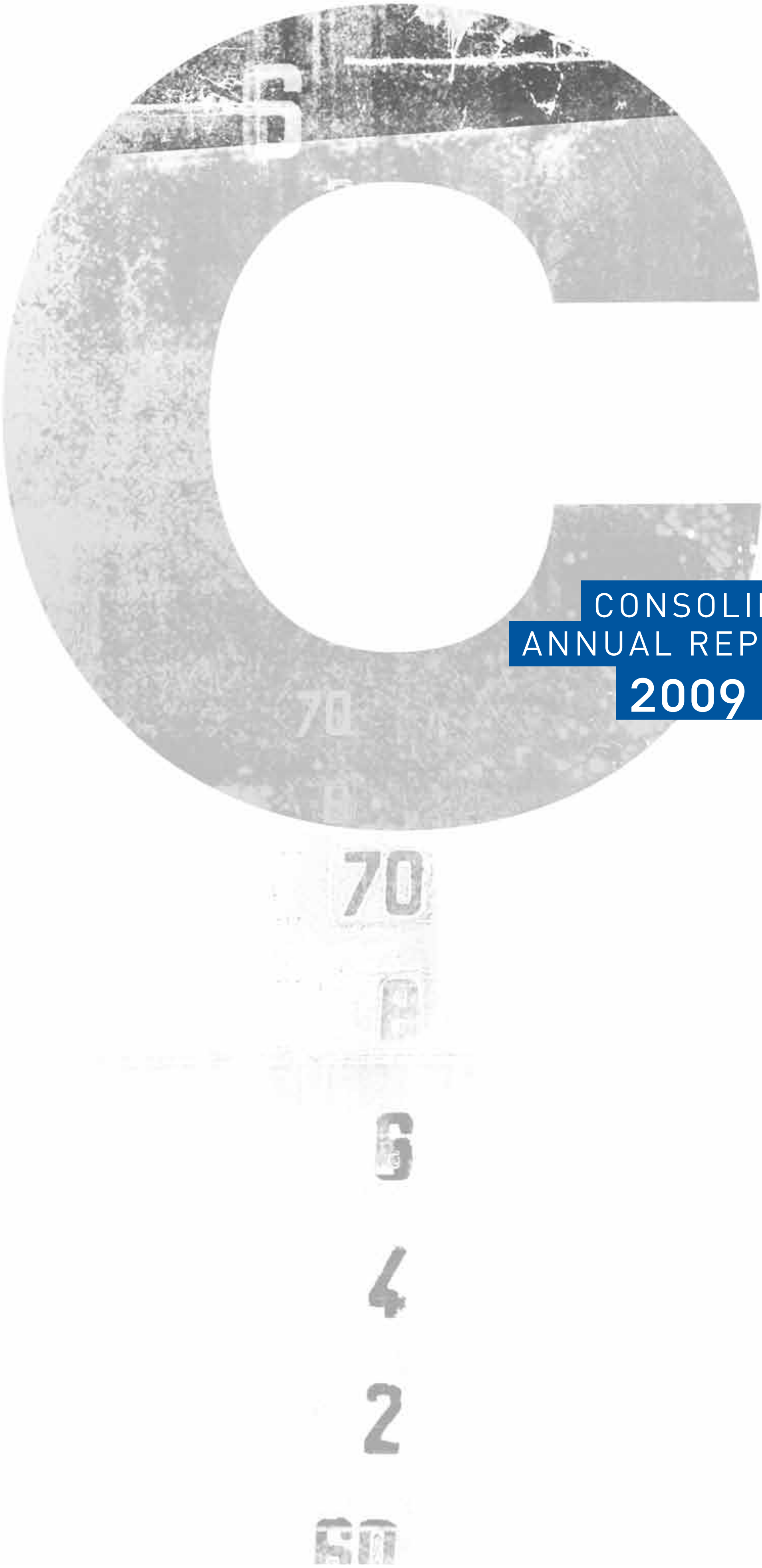
CONSOLIDATED ANNUAL REPORT 2009

FINCANTIERI



CONSOLIDATED ANNUAL REPORT 2009

FINCANTIERI

CORRADO ANTONINI

CHAIRMAN OF FINCANTIERI

The primary observation that needs to be made when introducing this year's annual financial report is that the current economic and financial crisis is proving to be the toughest faced by the shipbuilding industry in the last thirty years.

The market is practically immobile and, at the moment, the faint signs of economic recovery shown by the industrialized nations are not strong enough to stimulate significant demand for new builds. Worldwide demand in 2009 reached around 14 million CGT, just one third of the CGT ordered in 2008. The reduction in value terms is even more striking if we consider that shipowners invested only USD 18 billion against USD 154 billion in the previous year. This marked an abrupt end to a golden period for global shipping, which had seen massive investment in new builds but also significant speculation that went well beyond normal demands for fleet renewal.

Shipping companies are now having to face several challenges, from excess cargo-carrying capacity – due to the drop in global traffic - to the absence of credit to fund investment programs already commenced. All these factors have resulted in order cancellations - luckily not as many as had been forecast at the start of the crisis – as well as requests to postpone delivery schedules and to renegotiate agreed prices.

For shipbuilding companies, the collapse in demand means significant underutilization of capacity, that is particularly widespread following the Far East's massive investment in new production capacity in the past few years. The gap between demand and supply is consequently widening, making corrective action imperative. In China, the construction of several new shipyards has been frozen, and mid/small-size shipbuilders in Korea have started rationalizing, while in Europe we are witnessing cuts in the workforce and the first closures. The long crisis of the 1980s, causing the European shipbuilding industry to undergo painful restructuring, is therefore reoccurring, with job losses estimated at 20% of the overall 180,000 workforce.

This scenario makes close collaboration between the industry and the various players from the political and financial worlds both urgent and incumbent, with the common goal of stimulating investment and recovery by the real economy, while seeking to overcome this difficult moment without irreversible damage.

The damage does not just apply to the shipbuilding industry, but also to the entire world of subcontractors that revolve around it. These businesses are also facing a severe downturn that could result in the loss of valuable know-how developed around the shipyards, which will be more difficult to recreate when the upturn comes.

Within such a generalized crisis scenario, the niches of excellence in which your Company operates show sound fundamentals, despite slowdown or stagnation in market demand.

In this regard, the cruise sector maintains a general balance between demand and supply of capacity and an optimal ships' occupancy rate; the sector witnessed a fourth-quarter increase in cruise prices after large discounts in previous months. Such a trend, confirmed at the start of the current year, points to an appreciable recovery in business.

With regard to ferries, discussions have started within the EU for devising incentive plans to encourage the scrapping of obsolete vessels and their replacement with technologically advanced, more eco-friendly ones: however these measures will not deliver immediate results.

Even the luxury market of mega-yachts has witnessed a slowdown in demand although there are already some signs of recovery.

The offshore oil drilling and renewable energy sectors are both offering positive prospects thanks to rapidly expanding markets able to foster value creation and offer shipbuilders interesting business opportunities.

In the naval vessels segment, export demand has been mainly driven by the navies of countries without a domestic shipbuilding industry. Recently started fleet renewal programs for major navies are moving ahead. In order to operate in this sector, it is essential to have adequate government support and increasing willingness to transfer know-how. It is in this context that your Company has entered the otherwise inaccessible but technologically important and valuable US defense market through its recent acquisition of "domestic" shipyards.

In the merchant vessel sector, the priority for shipping companies is to find adequate financial support for new investments in a much more conservative and selective credit environment. This is also being seen in Fincantieri's sectors of interest.

In fact, shipowners are delaying their investments until credit conditions and operating margins improve: it is therefore essential to offer not only competitive prices, but also particularly attractive financial schemes for innovative projects. In the cruise sector, only the Carnival Group, our long-time customer, has invested in new ships, although on a smaller scale than in the past, placing its orders exclusively with Fincantieri. This is a very important sign that could lead to further developments.

The competitive environment at the end of this crisis will indeed be different; weaker players will not easily manage to survive or retain their current size, whereas stronger ones will become even tougher and more competitive. We are convinced that we can be part of the latter group thanks to streamlining already carried out and to our stronger ability to diversify, placing us in a better position than our competitors to confront the shipbuilding industry's cyclical swings.

The Company is determined to come out of this crisis even stronger through an increased focus on costs, efficiency and innovation with the goal of consistently "producing excellence" over the years.

CORRADO ANTONINI
Chairman of Fincantieri

GIUSEPPE BONO

CHIEF EXECUTIVE OFFICER OF FINCANTIERI

2009 was a very difficult year for the shipbuilding industry; the reduction in demand affected civilian production, ranging from every type of cargo-carrying vessel to passenger ships (cruise ships and ferries) and yachts. The defense market also contracted, with only programs that could no longer be delayed going ahead.

The difficulty in Europe is evident: historical shipyards such as Denmark's Odense Shipyard, controlled by the AP Moller group, have taken the painful decision to shut down, while others, including many German companies, are conducting a tough battle to survive, by searching for new markets to serve with their substantially downsized structures or by switching to non-naval production.

STX France and STX Finland, primary competitors of Fincantieri in the cruise ship sector, emptied their order portfolios in the year, while the loss-making Cruise & Ferries business unit contributed to the STX Europe group's aggregate deficit of Euro 90 million.

Market leaders in the Far East (Daewoo, Samsung) also reported lower profit margins despite higher turnover due to work on important offshore contracts.

2010 has opened with faint signs of an upturn in demand, but the effects of the crisis will still be felt for at least the next two years in terms of volumes, which are insufficient and well below pre-crisis levels, and in terms of the costs faced by businesses due to workload shortfalls or lower profitability because of the drop in ship prices, which in the past eighteen months have come down by between 10% and 35%, depending on the type of ship.

Our Company's financial statements for 2009 present both positive and negative notes; they still reflect the benefits of the huge orders acquired before onset of the international crisis and, in fact, close with a slight increase in revenues to Euro 3.2 billion, and a positive result from ordinary operations of Euro 20 million. However, this year we also had to face the materialization of non-recurring expenses, whose potential occurrence was disclosed in the prior year financial report. These expenses originate from periods of no work, partly during the past financial year and partly during future ones, in certain operating units of the Merchant business unit, resulting in temporary lay-offs and consequent recourse to state-funded unemployment allowance. Such expenses, together with the efforts made to acquire the few orders offered by the market, have arisen solely because of the market crisis and so should be viewed as non-recurring. Their impact on the 2009 results amounted to Euro 110 million, less Euro 35 million for the recognition of associated deferred tax assets. Therefore, the net impact on the income statement was Euro 75 million which, when deducted from profit before non-recurring items of Euro 11 million, has produced a net loss for the year of Euro 64 million. It should be noted that, in terms of the statement of financial position, such expenses are covered by provisions set up in the past.

The net financial position reports net debt of Euro 151 million, net of the capital increase during the year, and reflects the higher amount of cash absorbed by working capital as well as longer payment terms granted to certain customers for ships under construction.

On the commercial front, our Company has been awarded contracts to build a 130,000 GT cruise ship for the Carnival Group and a 140 meter mega-yacht. Such contracts confirm the Company's competitiveness in a year when only one cruise ship and two mega-yachts were ordered in the world, but are nonetheless not enough to restore the order backlog to an adequate level. Furthermore, at the beginning of 2010 an agreement was reached for the construction of two new ships for Princess Cruises, also part of the Carnival Group, confirming the confidence of this traditional customer.

Orders for ferries failed to materialize worldwide even though the traditional drivers of demand still apply, namely the fleet's progressive ageing and expected development of "marine highways". The Company is a promoter of actions in Europe to incentivize the scrapping of ferries that are over 30 years old and their consequent replacement with state-of-the-art vessels.

In the defense market, Fincantieri was awarded two important new orders in 2009 by foreign navies that will be fulfilled by its Italian shipyards:

- one fleet tanker for the Indian Navy, following on from the other contracts won in this particular market in the past few years;
- one corvette for the United Arab Emirates Navy; in the first few months of 2010, the same customer ordered two stealth patrol vessels (Falaj 2 class).

Again in the defense sector, the US subsidiary Manitowoc Marine Group obtained confirmation for the construction of a second Littoral Combat Ship (LCS) for the US Navy and of an oceanographic research vessel for the University of Alaska (ARRV - Alaska Region Research Vessel).

Given the current difficulties, these commercial successes are to be applauded, even if they are not sufficient to guarantee saturation of shipyard production capacity, a situation that is forcing us to make temporary lay-offs with a consequent recourse to state-funded unemployment allowance.

The market scenario demands an extraordinary and unanimous effort by the Company and by the financial and political institutions. For Fincantieri this is a dual commitment:

- to manage the emergency, in particular by mitigating the effects of work shortages by recourse to temporary lay-offs, by improving the Company's competitiveness and rationalizing costs, by improving quality to ensure customer satisfaction, by continuing with process and product innovation in view of the emerging issues of energy saving and environmental respect;
- to diversify in order to tackle the slowdown in demand in our traditional business, while retaining our niches of excellence. The policy of diversification will lead to more defense-sector work, the development of offshore production, and growing internationalization by entering promising markets, under a strategy that is no longer product but country-oriented.

However, activating the market demands strong support from private and public financial institutions since industrial commitment, in the sense of having an excellent product at an attractive price, is not enough to compete; it is also essential to have an acceptable financial plan (export conditions and warranties), giving continuity to the initiatives started during the year by SACE, an export credit agency, and Cassa Depositi e Prestiti.

With regard to the political institutions, the Ministry for Economic Development's Shipbuilding Industry Plan has not produced any immediately bankable contracts but has at least drawn the shipbuilding industry to the government's attention causing it to adopt certain measures that, if realized, could alleviate the severity of the crisis. The Company for its part is capable of realizing any kind of civilian or military craft with guaranteed costs and delivery schedules. For example, it has proposed a solution to prison over-crowding by building floating, moored platforms for custodial purposes.

Fincantieri is facing an important challenge: it must preserve itself and the unforsakeable asset of its subcontractor network while simultaneously building for the future in order to be ready for the first signs of market upturn. Aware of the strategic importance and intrinsic weakness of most of the supply sector, the Company has recently entered two agreements with prime banks that facilitate access to credit for companies working with Fincantieri, thus helping finance the production cycle and assisting its subcontractors.

Despite the length and severity of the crisis, the Company remains firm in the belief that the conditions exist to protect its current structure provided a serious effort is made by all: workers, suppliers and institutions.

Giuseppe Bono

GIUSEPPE BONO
Chief Executive Officer of Fincantieri

Contents

Parent Company Directors and Officers

BOARD OF DIRECTORS (2009-2011)

Chairman	ANTONINI Corrado
Chief Executive Officer	BONO Giuseppe
	BELSITO Francesco (**)
	CUCCURULLO Olga (*)
	DOMINEDÒ Pierpaolo (*)
	WALKER MEGHNAGI Alfonso
	VIO Giovanni (*)
Secretary	CASTALDO Maurizio

(*) Members of the Compensation Committee

(**) Francesco Belsito was appointed Deputy Chairman during the Board meeting on 29 January 2010.

BOARD OF STATUTORY AUDITORS (2008-2010)

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

MANAGER RESPONSIBLE FOR PREPARING FINANCIAL REPORTS

ROSSO Francesco

INDEPENDENT AUDITORS (2009-2011)

PricewaterhouseCoopers S.p.A.

OVERSIGHT BOARD (Legislative Decree 231/01)

Chairman	ZANARDI Guido
Members	DENTILLI Stefano
	SARDINA Giacomo
	TADDEO Anna Maria (***)

(***) appointed on 29 January 2010

THE GROUP IN REVIEW

At the close of the 2009 financial year, 99.355% of the Company's share capital (Euro 633.48 million) was held by Fintecna– Finanziaria per i Settori Industriali e dei Servizi S.p.A. The remainder of share capital was held by various private investors including Citibank, which held 0.644%.
The structure of the Fincantieri Group and a short description of the companies included in its consolidation will now be presented.

	MERCHANT VESSELS			NAVAL VESSELS AND MEGA-YACHT			
BUSINESS AREAS	MERCHANT VESSELS		SHIP REPAIRS AND CONVERSIONS	NAVAL VESSELS		MEGA-YACHTS	OTHER ACTIVITIES
							
	Cruise ships	Ferries	Ship repairs and conversions	Naval Vessels	Marine Systems	Mega-Yachts	Other Activities
PRODUCT PORTFOLIO	▪ Post Panamax ▪ Panamax ▪ Mini cruise	▪ Fast ferries ▪ Cruise ferries ▪ Ro-Pax	▪ Dry-docking ▪ Special surveys ▪ Refurbishment ▪ Refitting	▪ Aircraft carrier ▪ Submarines ▪ Frigates ▪ Corvettes ▪ Patrol vessels ▪ Auxiliary vessels ▪ Destroyers ▪ Special vessels: - Oceanografics - Barges(1) - AHTS	▪ Systems - Propulsion - Stabilization - Dinamic positioning - Power generation ▪ Components - Steam turbines - Diesel engines	▪ Luxury yachts >70m	▪ Research ▪ Technical logistic engineering ▪ Drydocks management ▪ Naval location ▪ Equity investment holding ▪ Financial support to group companies ▪ Coordination
COMPANIES AND OPERATING UNITS	Fincantieri S.p.A. ▪ Monfalcone ▪ Marghera ▪ Sestri Ponente ▪ Ancona	Fincantieri S.p.A. ▪ Castellammare di Stabia ▪ Ancona	Fincantieri S.p.A. ▪ Palermo ▪ Bacini di Trieste Lloyd Werft Bremerhaven G.M.B.H	Fincantieri S.p.A. ▪ Muggiano ▪ Riva Trigoso FMG LLC ▪ Sturgeon Bay ▪ Cleveland Marinette Marine Corporation LLC ACE Marine LLC Delfi S.r.l. Orizzonte Sistemi Navali	Fincantieri S.p.A. ▪ Riva Trigoso Isotta Fraschini Motori S.p.A. FMSNA Inc. Seastema S.p.A.	Fincantieri S.p.A. ▪ Muggiano	Fincantieri S.p.A. ▪ Corporate Fincantieri USA Inc. Fincantieri Marine Group Holdings Inc. Fincantieri Holding BV Cetena S.p.A. Seaf S.p.A. Enlav S.p.A. Bacini La Spezia S.p.A. Bacini Palermo S.p.A.

(1) Includes production and repair of barges at Great area (US)

STRUCTURE OF THE

WORKING TOGETHER AS ONE

MARINETTE MARINE CORP.

TRIESTE (ATSM)

MONFALCONE

MARGHERA

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

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.

FINCANTIERI GROUP

LARGE, FLEXIBLE SHIPYARD

SESTRI PONENTE

RIVA TRIGOSO

MUGGIANO

ANCONA

CASTELLAMMARE DI STABIA

PALERMO

- subsidiaries
- shipyards
- business units
- docks


NIEUW AMSTERDAM
Holland America Line

Fincantieri Group Report on Operations

OPERATING PERFORMANCE

Dear Shareholders,

Despite the global financial crisis, your Company has confirmed earnings from ordinary operations of Euro 20 million, staying in line with the prior year.
However, this year we also had to face the materialization of non-recurring expenses, whose potential occurrence was disclosed in the prior year financial report. These expenses originate from periods of no work, partly during the past financial year and partly during future ones, in certain operating units of the Merchant business unit, resulting in temporary lay-offs and consequent recourse to state-funded unemployment allowance. Such expenses, together with the efforts made to acquire the few orders offered by the market, have arisen solely because of the market crisis and so should be viewed as non-recurring. Their impact on the 2009 results amounted to Euro 110 million, less Euro 35 million for the recognition of associated deferred tax assets. Therefore, the net impact on the income statement was Euro 75 million which, when deducted from profit before non-recurring items of Euro 11 million, has produced a net loss for the year of Euro 64 million. It should be noted that, in terms of the statement of financial position, such expenses are covered by provisions set up in the past. In addition, relative to the prior year, the results for 2009 reflect, the line-by-line consolidation of the Manitowoc Marine Group (now Fincantieri Marine Group) in the USA and of the newly-formed SEASTEMA S.p.A..

KEY FINANCIAL HIGHLIGHTS

		2009	2008
New orders (*)	Euro/million	1,758	2,528
Order portfolio (*)	Euro/million	10,069	10,848
Order backlog (*)	Euro/million	6,615	7,944
Capital expenditure	Euro/million	83	111
R&D	Euro/million	47	53
Employees at year end	Number	10,530	9,185
Revenues	Euro/million	3,269	2,932
EBITDA	Euro/million	125	141
Operating profit (EBIT)	Euro/million	57	80
Profit (loss)before non-recurring and extraordinary expenses (**)	Euro/million	20	22
Non-recurring expenses net of tax effect	Euro/million	-75	
Profit (loss) for the year	Euro/million	-64	10
Net invested capital	Euro/million	1,206	899
Equity	Euro/million	1,055	835
Net financial position	Euro/million	-151	-64
Free cash flow	Euro/million	-372	-179
Ships delivered (***)	N.	15	10

(*) Net of eliminations and consolidations
(**) Net of relative tax effect
(***) Ships over 40 metres long

RESULTS

The main financial results are as follows:

- **Revenues**: these comprise operating revenues and other revenues and income, and amount to Euro 3,269 million, reporting an 11% increase on 2008, partly attributable to the first-time consolidation of the Fincantieri Marine Group. On a consistent comparative basis, revenues would have increased by 5%, in line with the growth in business reported during the year;
- **EBITDA**: this amounts to Euro 125 million, representing a 3.8% margin on revenues (4.8% in 2008);
- **Profit (loss) before non-recurring and extraordinary expenses**: this reports a profit of Euro 20 million, in line with the prior year figure of Euro 22 million;
- **Profit (loss) for the year**: this is a loss of Euro 64 million, after having deducted Euro 75 million in non-recurring expenses net of tax and Euro 9 million in extraordinary expenses net of tax;
- **Net financial position**: this reports net debt of Euro 151 million, reflecting the increased amount of cash absorbed by working capital also because of requests for payment extensions by some shipowners. As envisaged in its 2007/2011 plan, the Company has enjoyed a significant increase in business in recent years due to the large number of orders secured prior to the crisis which, together with major investments (foremost of which acquisition of the US shipbuilding group, Manitowoc Marine Group

LLC, now Fincantieri Marine Group LLC), has caused the net financial position to turn negative after years of being positive. It was therefore decided to increase capital, as already envisaged in the above plan, in order to limit the imbalance in the asset and financial structure and also to avoid dissipating the Company's value while maintaining the conditions for a subsequent capital increase. This capital increase was completed in October, allowing Fincantieri to raise the sum of Euro 296 million, all of which paid in by its parent Fintecna.

NEW ORDERS AND THE ORDER PORTFOLIO

New orders worth Euro 1,758 million were secured during 2009, down from Euro 2,528 million in 2008 and from the record Euro 4,238 million in 2007. This decrease is a consequence of the enduring international crisis, the first signs of which were already reflected in the value of order intake in 2008 and which is lasting longer than originally expected.

During the year the Company was engaged in lengthy negotiations with Carnival for the construction of ships for several of the group's lines. An initial Memorandum of Agreement (MOA) was signed in June 2009 for the supply of three ships and was subject to obtaining policies from SACE, Italy's export credit agency, under conditions in line with those applied to other recently delivered ships. After failing to agree over warranties, Carnival requested estimates from Fincantieri competitors. The shipowner subsequently informed Fincantieri that the MOA was to be considered void due to failure to satisfy the financial conditions. In the meantime, an important competitor had offered to supply a prototype ship at an extremely attractive price, along with a competitive financial package. Despite this, it was still possible to finalize one order for a 130,000 GT ship, the only order placed during the year in the cruise ship market, plus an option for the shipowner to order an additional sister ship. Obviously the price of these orders had to take account of the price offered by our competitor for the prototypes, which had become a benchmark price and was well below the previous one. After huge efforts, at the beginning of 2010 we managed to reopen negotiations with the Carnival Group and, in February 2010, a second MOA was signed for the construction of two prototype ships for the "Princess" line, whose design responded more closely to the shipowner's technical and qualitative requirements, although unfortunately based on the competitor's price. We are currently waiting to complete the agreement as soon as all the MOA conditions have been satisfied.

The naval vessels business unit secured orders for a corvette for the United Arab Emirates Navy and for a fleet tanker for the Indian Navy.

In addition, during the year the US Navy commissioned Fincantieri Marine Group to build a second Littoral Combat Ship under the LCS program involving the construction of a total of 55 such ships. The contracts for the next 10 ships will be awarded following a bid between the consortium led by Lockheed Martin Corporation, of which Fincantieri is a member through Fincantieri Marine Group, and the consortium led by General Dynamics Corporation.

The mega-yacht business unit secured an important new order for a 140 meter yacht, one of the largest and most technologically advanced in the world.

Lastly, orders worth Euro 71 million were received in the repair and conversions business unit and worth Euro 179 million in the systems and components business unit.

At the year-end reporting date, the Fincantieri Group's order portfolio (equating to the value of contracts still to be completed) was worth Euro 10,069 million. The associated order backlog, amounting to Euro 6,615 million, is insufficient to fill the production capacity of certain shipyards in 2010.

CAPITAL EXPENDITURE – R&D AND INNOVATION

The capital expenditure program, involving in outlay of Euro 83 million, represented a continuation of projects started in previous years to increase production efficiency, as well as investments for improving safety conditions and environmental performance.
Despite the present economic difficulties the Group is well aware of how research and innovation are the foundations for success and future competitiveness. This is why it invested Euro 47 million in 2009 to develop various projects relating to product and process innovation.

DIVIDENDS

In view of the year's results that, as described earlier, have been affected by significant non-recurring expenses, we propose not to distribute a dividend for 2009 in order to better preserve the Company's capital structure.

MARKET SCENARIO

The shipbuilding industry around the world is experiencing a period of great difficulty.
In particular, demand for merchant ships collapsed in 2009, as described in more detail below, reaching the all-time lows last seen in the second half of the 1980s and in the wake of the Gulf War (1991). This slump applied to every sector: passenger ships, cargo-carrying ships, offshore vessels and mega-yachts.
With regard to passenger ships (Cruise ships and Ferries), the cruise ship market is still growing even if at a slower rate, pointing towards a positive future outlook even if the recovery will be longer in coming than expected.
Performance in the defense sector has reflected the decision by certain governments to selectively bring forward programs to support their national industries.
In a generally difficult context, the European shipbuilding industry is in a very weak position. The main shipbuilding groups have had to face a drastic reduction in their order backlogs and requests by many shipowners to postpone deliveries; this has led to underutilization of production capacity, with the consequent job losses in the shipyards estimated at some 20% of the total workforce of 180,000.
In view of the difficult market conditions, STX Europe, Fincantieri's main competitor (together with Meyer Werft shipyards in Germany), purchased by STX Shipbuilding of Korea in 2007, has considered the option of partially refocusing its Cruise & Ferries business unit on other segments. In the meantime, the absence of new orders led the company in 2009 at first to temporarily lay-off workers from its French and Finnish shipyards, and later to significantly reduce headcount with a consequent downsizing of production capacity.
Germany was one of the countries hardest hit by the shipbuilding crisis: many shipyards are about to go bankrupt, others have already failed or shut down, others have been or are about to be sold. The absence of new orders and the cancellation of many orders previously placed has led to a significant reduction in shipyard production capacity, entailing drastic cuts in the number of employees. Following order cancellations, the German shipyards of Wadan Yards, part of the STX Europe Group until July 2009, have filed for bankruptcy despite the extensive financial support provided by the German government in an attempt to rescue the national maritime engineering industry.

The shipbuilding industry in the Far East is also rationalizing, as well as attempting to shift into market niches offering more added value.
To overcome this adverse context, Fincantieri is focusing not only on becoming ever more competitive by improving shipyard productivity and on ongoing technological innovation (as testified by the formation of SEASTEMA, a 50:50 joint venture with ABB whose mission is to monitor the technology of on-board automation systems in all of Fincantieri's segments, both captive and otherwise) but also on the search for new markets (as witnessed by the recent acquisition of the shipyards in the USA).
The improvement in Fincantieri's productivity and performance, together with ongoing measures to reduce costs, its pursuit of technological excellence and its solid asset and financial structure, should allow it to be ready for the commercial opportunities presenting themselves once the crisis is over, strengthening its market position as a result.

BUSINESS UNITS

MERCHANT VESSELS

MARKETS

General shipping

The global economic crisis triggered by the financial crisis midway through 2008 hit the shipping sector harder than expected in 2009 due to the combined effect of reduced demand for passenger and cargo transportation (with a consequent collapse in charters) and of the credit crunch.
Finding themselves in difficulty, the main shipping groups cancelled their investment programs and, in many cases, requested that previously signed orders for new builds be renegotiated.
As a result, demand for merchant vessels plunged by a dramatic 67% in 2009 compared with 2008, which in turn had already seen a 50% drop on 2007 (the 2009 reduction was about 83% on 2007). The current level of orders is comparable to the all-time lows reached following the shipbuilding crisis in the second half of the 1980s and after the Gulf War (1991). The contraction is even more startling in value terms. Based on estimates by Clarkson Research Services, shipowners invested USD 18 billion

in new ships in 2009, corresponding to 12% of the 2008 total (USD 154 billion) and 7% of the 2007 total (USD 260 billion).
In this context, the European shipbuilding industry reported a 3% market share in terms of CGT (5% in 2008), consisting of orders for new high added-value ships since contracts in the standard fleet segment were virtually non-existent.
The Japanese shipbuilding industry had a 25% market share (17% in 2008) and was buoyed by demand from the national defense sector which ordered 80% of its total requirements from domestic shipyards.
Korean shipbuilders accounted for 23% of the market against 34% in the previous year. The sharp slowdown in Korea's maritime engineering sector is attributable to its high dependence on foreign customers, especially European ones, who accounted for 21% of new orders placed in Korea in 2009 against 39% in 2008 and 47% in 2007.
China achieved a market share of 41% against 32% in 2008. Like Japan, the national defense sector provided significant support meaning that the Chinese shipbuilding industry's development has followed the Japanese model, namely export-led growth combined with a growth in domestic shipping.
In Far Eastern shipyards, whose focus is the production of cargo vessels, the collapse in demand has been made worse by overcapacity problems, whereas in Europe shipyards are suffering because of the rapid depletion of order portfolios and the consequent lack of work, resulting in the loss of jobs, restructuring and even shutdowns.
The world of subcontractors, a key part of the ability to compete for companies like Fincantieri, is also suffering from the prolonged crisis: given the medium-small size of these companies, the immediate risk is that of rapidly losing fundamental skills that will be difficult to rebuild once demand recovers.

Cruise ships

The crisis has not spared the cruise sector which has seen a sharp reduction in customer spending capacity, forcing shipowners to cut prices simply to keep ships full.
In this scenario of contracting earnings and continued uncertainty in the outlook, shipowners have opted to "wait and see" and to limit their investments. In this economic context, the chances for shipbuilders to win new contracts depend not only on the high standard of new products offered, but also on extremely competitive prices, combined with attractive financial conditions.
In 2008 only 3 cruise ships were ordered in the world, against 16 in 2007 and 13 in 2006. In 2009 the market came to a complete standstill with the exception of the one order placed by the Carnival Group with Fincantieri in December for a 130,000 GT cruise ship, plus an option for a sister ship. In addition, Fincantieri entered a preliminary agreement in February 2010, again with the Carnival Group, for two additional prototype ships for its Princess Cruises line.

Ferries

No orders were placed for large ferries (over 150 metres long) in 2009. A year with no orders is an exception for this past decade, whose previous worst year was 2001 when only 4 new ships were ordered.
Promotion of "short sea shipping" (passenger and freight transport via sea in Europe), ageing of the fleet and increasing awareness of environmental and safety issues are the three factors that could drive a future recovery.
During the year the European Union introduced measures to promote the adoption of a "Scrap & Build" scheme that would encourage obsolete ships to be scrapped and replaced with technologically advanced, more eco-friendly vessels. This scheme should be accompanied by a financial support program, possibly managed by the European Investment Bank.
Furthermore, nothing as yet has seriously damaged the industry and growth in traffic, making the opening of much needed "marine highways" a much more distant possibility.
The stagnation in demand can also be traced to the sector's current process of consolidation, fostered in recent years by investments by certain private equity funds in the sector, causing a reduction in the number of ferry operators and consequently triggering a process of fleet rationalization.
At the end of December 2009 the global order portfolio for large ferries stood at 22, one of which is being built by Fincantieri.

Repairs and conversions

The ship repairs and conversions market reported a good level of activity due to steady fleet expansion which in turn stimulated demand for routine and extraordinary maintenance work.
During 2009, by way of enhancing our range of services, dry-dock 3 (30,000 tonnes) in Trieste was refitted to be able to serve the market for medium-small ships.
Various jobs were carried out by the Palermo and Trieste shipyards, especially on passenger ships, some of which particularly complex in engineering terms, like for example, the work on the Oosterdam cruise ship for Holland America Line.
Work also continued for Saipem on refitting Scarabeo 8, its semi-submersible offshore drilling rig.

OPERATIONS

(Euro/million)	2009	2008
New orders	627	313
Order portfolio	5,065	6,307
Order backlog	2,983	4,547
Capital expenditure	52	82
Ships delivered (no.)	5	7

New orders

During 2009, the Fincantieri Group was engaged in long and complex negotiations with the Carnival Group to secure new orders for the construction of various ships for its different cruise lines.
These negotiations lasted far longer than expected and were eventually finalized at the end of November 2009 with an agreement to build a 130,000 GT cruise ship and to take forward the Dream Project started in the Monfalcone shipyard during 2009, also including an option for another sister ship.
Furthermore, a Memorandum of Agreement was signed in February 2010 for the construction of two prototype ships for the Princess Cruises line.
Orders placed for ship repairs and conversions came to Euro 71 million; the largest jobs were the conversion of the motor vessel Leonis, and maintenance work on ferries owned by the Tirrenia Group, on cruise ships belonging to the Costa Crociere Group and Holland America Line, and on offshore rigs.

Order portfolio

The order backlog of the Merchant Vessels business unit stood at Euro 2,983 million at the end of 2009 against Euro 4,547 million in 2008, and was insufficient to fill production capacity at all Fincantieri's shipyards.
In addition to this backlog, there is a commitment by the Palermo yard to build 3 supply vessels (AHTS) for the Naval Vessels business unit.
The total value of undelivered orders amounted to Euro 5,065 million at the end of 2009, compared with Euro 6,307 million at the end of 2008.

Capital expenditure

The most significant expenditure, apart from that relating to safety at work and environmental protection, was carried out at the following yards:

- Monfalcone (Euro 27.5 million): continuation of work on completing a new hull preassembly area, equipped with innovative lifting systems, and on upgrading and modernizing production-related infrastructure;
- Marghera (Euro 6.6 million): completion of logistical and productive structural improvement of hull/outfitting areas and extensive work for upgrading production and service systems to safety and regulatory standards;

- Sestri (Euro 5.7 million): completion of the program for making hull assembly halls more efficient and continued modernization of production-related infrastructure;
- Ancona (Euro 3.5 million): progressive completion of activities for the structural improvement of production areas, buildings, plant and docks, including to allow the construction of small-medium size cruise ships;
- Castellammare (Euro 5.3 million): continuation of work on building the seventh shed in the assembly workshop for hull and fit-out preassembly, modernization and upgrading of production and service plant to regulatory standards;
- Palermo (Euro 2.1 million): continued upgrading of production and service plant to regulatory standards.

Production

Production in 2009 can be summarized as follows:

(number)	Keel laying	Other	Deliveries
Cruise ships	8	6	4
Cruise ferries	1	2	1
Repairs and conversions			48 (*)

(*) completions

The following ships were delivered:

- Costa Luminosa, a 92,700 GT cruise ship, delivered to Costa Crociere (Carnival Group) by the Marghera shipyard;
- Costa Pacifica, a 112,000 GT cruise ship, delivered to Costa Crociere (Carnival Group) by the Sestri Ponente shipyard;
- Carnival Dream, a 130,000 GT cruise ship, delivered to Carnival Cruise Line (Carnival Group) by the Monfalcone shipyard;
- Silver Spirit, a 36,000 GT cruise ship, delivered to Silversea Cruises by the Ancona shipyard;
- Cruise Europa, a 55,000 GT cruise ferry, delivered to Minoan Lines (Grimaldi Napoli Group) by the Castellammare di Stabia shipyard;

The Palermo yard managed the repair of 27 ships and conversion of 4 ships. The Trieste dry-docks managed the repair of 16 ships and conversion of 1 ship.

NAVAL VESSELS, SPECIAL VESSELS AND MEGA-YACHTS

MARKETS

Naval vessels

The financial crisis also had an inevitable impact on the naval vessels sector: preliminary figures for 2009 report a reduction of Euro 7 billion in the value of contracts signed in the year, representing a 45% decrease on the total value of orders in 2008 that was already 25% below 2007.
This reduction is due to the contraction in demand by navies of shipbuilding countries, some of which, including Great Britain and Germany, had in recent years started important fleet renewal programs, while others had their defense budgets cut.
Defense spending in the USA was slightly higher, not because of increased expenditure on the navy but rather because of extra costs. At the same time, the government announced a review of federal bid procedures (including for naval programs) with the aim of improving control over delivery schedules and technical-operational performance and costs, in order to have better assurance that budgets will be respected.
Orders placed by countries unable to satisfy all their requirements through their domestic industry grew by 18% in value on the previous year; this increase is particularly attributable to the maxi contract (worth 75% of the orders issued by non-autonomous countries) awarded by Turkey for 6 German-designed submarines. The U214 class submarines will be built at Golcuk Naval Shipyards with assistance and supplies from HDW.

During 2009 Fincantieri accelerated its efforts to make its business much more international in order to access foreign defense markets. This was behind the acquisition at the end of 2008 of the US shipbuilding group Manitowoc Marine Group (now Fincantieri Marine Group LLC), a transaction in which Lockheed Martin Corporation was involved as a strategic partner with a non-controlling interest.

During its first year of business Fincantieri Marine Group (FMG) already benefited from important orders, in particular, a contract to build another ship under the Littoral Combat Ship program. FMG also entered a cooperation agreement with The Boeing Company with the aim of winning a contract to renew the US Navy's 80-strong hovercraft fleet.

During 2009, Fincantieri also secured orders on the international market for the construction of a corvette for the United Arab Emirates Navy and a second fleet tanker for the Indian Navy, a twin to that ordered in 2008. These orders represent an important sign of recovery in the Company's military exports.

A new order was also secured in the first few days of 2010 from the United Arab Emirates Navy to build two stealth Falaj 2 patrol vessels. The contract also contains an option for 2 additional sister ships, and requires Fincantieri technology to be transferred to a local shipyard.

The financial crisis has also affected the defense sector's market scenario:

- in Germany, ThyssenKrupp Marine Systems decided to pull out of the merchant sector and to reduce its operations in the yacht sector in order to focus solely on production and maintenance of naval fleets, with the support of a partner. The German group has made a strategic alliance with Abu Dhabi MAR Group involving the formation of a 50:50 joint venture for the design and construction of surface naval vessels (frigates and corvettes), in which the German partner will keep its know-how and direct all projects for NATO member navies, while the Arab partner will be responsible for the Middle East/North Africa region;
- in France, DCNS presented at the beginning of 2010 a reorganization plan to diversify its business, particularly into the civil nuclear and renewable energy sectors. The Government has continued to adopt measures in support of the domestic shipbuilding industry, for example it brought forward the order for the third Mistral Class amphibian vessel – which will be built at STX France's Saint Nazaire shipyard in partial mitigation of underutilized capacity - and awarded the contract for the last three FREMM frigates;
- in Great Britain, VT Group left the BVT Surface Fleet joint venture, leaving BAE Systems as the country's sole player in the naval defense industry.

Special vessels

Although the offshore sector was less affected by the crisis, it nonetheless experienced a general downturn in demand as well as a number of cancellations and delivery postponements of vessels under construction.
The contraction in particular product segments (e.g. that of AHTS vessels) is also due to the excessive number of orders placed in previous years resulting from the implementation of new regulations with which vessels should comply, as well as from high oil prices in 2007 and 2008. The current credit crunch has also caused second-tier companies to cut back their investment programs.
Most of the orders placed in 2009 were secured by shipyards in the Far East, especially in China.
The offshore sector nonetheless still has good growth prospects, thanks to high demand for energy, mainly by developing countries. The oil price at around USD 80/barrel has restored the confidence of oil companies, which have recommenced costly exploration and drilling, especially in deep water (e.g. Brazil).
In this context, Fincantieri is actively monitoring the larger investment programs being developed in this sector.

Mega-yachts

In 2009 even the luxury market reported a sharp contraction in demand for yachts of every size.
Despite weak signs of recovery at year end, the confidence of wealthy customers has not yet returned to pre-crisis levels; in fact, customers are preferring to wait and see, meaning that the recovery will be longer in coming than expected at the start of the year.
The new build market is also being depressed by the large number of attractively priced virtually new, secondhand ships on the market, either just collected by customers or resold by shipbuilders following forfeiture by their customers.
In Fincantieri's particular field of interest (ie. yachts over 70 meters long) 2 new builds and 2 conversions were commissioned during the year, compared with 19 ships commissioned in 2008 and 30 in 2007.
Fincantieri was awarded one of the two new build contracts for a 140 meter yacht.
The collapse in demand is also affecting the market scenario and 2010 looks like being a year of transition in which only the fittest competitors will survive. Certain top competitors are restructuring and cutting costs, and it is likely that less structured shipbuilders will leave the industry for good after the boom of recent years.
At December 2009, 68 yachts over 70 meters long were under construction throughout the world: Fincantieri has 2 of these yachts in its order portfolio.

OPERATIONS

(Euro/million)	2009	2008
New orders	1,132	2,211
Order portfolio	5,003	4,540
Order backlog	3,631	3,396
Capital expenditure	21	21
Ships delivered (no.) (*)	10	3

(*) Ships over 40 metres long

New orders

The Naval Vessels, Special Vessels and Mega-yachts business units secured a number of important orders in 2009, amongst which:

- in the Naval Vessels business unit: one fleet tanker for the Indian Navy, which exercised the option contained in the 2008 agreement, one corvette for the United Arab Emirates Navy and the finalization of an agreement to refit the combat system and platform of the "Cavour", an Italian Navy aircraft carrier, and to complete the carrier's integrated logistical support;
- in the Systems and Components business unit: new orders were placed worth Euro 179.2 million;
- in the Mega-yachts business unit: an order for a 140 meter yacht;
- in its first year in business the subsidiary Delfi secured orders worth Euro 26 million for logistical engineering services and the supply of technical documentation, mainly for customers in the Naval Vessels business unit of Fincantieri S.p.A., its parent company;
- SEASTEMA, a newly-formed subsidiary, secured orders worth Euro 39 million, mostly relating to automation systems for FREEM frigates for the Italian Navy, for fleet tankers, for the ship for Sogin that will transport fuel and radioactive waste (from the dismantling of Russian nuclear submarines), and for the aircraft carrier Cavour, as well as a number of orders in the Merchant sector;
- the subsidiary Fincantieri Marine Group secured another important order under the LCS (Littoral Combat Ship) program for the US Navy. This is the third vessel commissioned under this program and the second awarded to the consortium headed by Lockheed Martin Corporation of which Fincantieri is a member; this vessel will be built in the Marinette Marine shipyard, controlled by Fincantieri Marine Group, which previously delivered the USS Freedom, the first vessel commissioned under this program. The entire program involves the construction of 55 ships. Orders were also secured for another 36 new RB-M (Response Boat-Medium) small patrol ships for the US Coast Guard, under a long-term construction program being taken forward by Fincantieri Marine Group, in the yard owned by ACE Marine, in partnership with Kvichak Marine Industries. The US Navy also ordered a tug module under the project for an Improved Navy Lighterage System (INLS), which is a floating platform assembled from interchangeable motorized and unmotorized modules, used to transfer cargo between the shore and large ships moored offshore. In December 2009, Marinette Marine also secured another important order for an ARRV (Alaska Region Research Vessel) for the University of Alaska.

Order portfolio

At the end of 2009, the total value of undelivered orders in the order portfolio amounted to Euro 5,003 million (Euro 4,540 million at the end of 2008); the order backlog of Euro 3,631 million at the end of 2009 (Euro 3,396 million at the end of 2008) was insufficient to fill shipyard production capacity in 2010.

Capital expenditure

The most significant expenditure was carried out at the following yards and production facilities:

- Riva Trigoso shipyard (Euro 2.2 million): development of assembly workshop and external areas for unit prefabrication and ship assembly, improvement of plant, logistical and production infrastructure for mechanical production activity;
- Muggiano shipyard (Euro 3.1 million): continued work on building new offices, a new shed and machinery for mega-yacht construction, as well as upgrading of shipyard equipment and facilities;
- Isotta Fraschini Motori (Euro 5.6 million): completion of construction and start of testing by the supplier of machinery for making the blocks for 1700-series engines, upgrading of facilities and equipment in the mechanics workshop, and work to comply with safety standards;
- shipyards of the subsidiary Fincantieri Marine Group (Euro 9.1 million): physical and logistical modernization of the Marinette and Sturgeon Bay (Wisconsin) yards, to support development of the LCS program, including replacement of the floating dock at the Sturgeon Bay yard (partly financed by the State of Wisconsin and due to be completed in coming years).

Production

Production in 2009 can be summarized as follows:

(number)	Keel laying	Launches	Deliveries
Navy vessels	6	4	5
Mega-yachts			
Special unit → 40 m long	6	7	5
Special unit ← 40 m long	24	40	58
Motors			113 (*)
After-Sales Assistance			16 (**)

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

The following ships were delivered:

- 4 Saettia MK4 class patrol vessels, commissioned by the Iraqi Navy, built at the Muggiano and Riva Trigoso shipyards;
- 3 multi-purpose AHTS vessels (Anchor Handling Tug & Supply), commissioned by the German shipowner Hartmann Logistik GmbH (Hartmann Reederei Group) and built at the Riva Trigoso, Muggiano and Palermo shipyards;
- the destroyer "Caio Duilio", the second ship under the "Orizzonte" program, built at the Riva Trigoso and Muggiano shipyards for the Italian Navy and currently awaiting formal acceptance;
- 2 barges ordered by private customers, built at the Fincantieri Marine Group's Sturgeon Bay shipyard;
- several vessels under 40 meters, including 14 RB-M vessels for the US Coast Guard, built at the Fincantieri Marine Group's ACE Marine shipyard, and 39 INLS modules for the US Navy, built at the Fincantieri Marine Group's Marinette Marine shipyard.

OTHER ACTIVITIES

In addition to its "Merchant Vessels" and "Naval Vessels, Special Vessels and Mega-yachts" business sectors, the Fincantieri Group has a third sector, comprising companies that operate on a groupwide basis:

- CETENA research center;
- Bacini di Palermo and Gestione Bacini La Spezia, both dry-dock management companies;
- ELNAV, a shipping company that has operated a bareboat agreement since 1999 that is due to terminate in 2011;
- Fincantieri Holding BV, a company that manages certain investments in foreign companies;
- SEAF, a company that provides financial and treasury services;
- institutional, management and coordination activities by the Parent Company.

Capital expenditure

The most significant expenditure included:

- at CETENA: modernization and technological upgrading of EDP equipment, purchase of laboratory equipment for technical analysis and/or experiments and hardware needed to develop operations in "virtual reality";
- at Gestione Bacini La Spezia: enhancement of the electricity alternator/transformer plant making it possible to increase the power supply to ships in dry dock;
- at Bacini di Palermo: continued redevelopment of the 400,000-tonne dock, with restructuring of the internal walls and handrails.

Capital expenditure included investments connected with groupwide, institutional activities by the Parent Company.

Production

CETENA carried out and promoted basic and applied research activities in the shipbuilding, propulsion and marine sectors, primarily on behalf of the Parent Company. It acted as a coordinator and partner within European research consortia and cooperated with both Italian and international universities, scientific institutes and research centers. It also performed testing of ships under construction as well as laboratory tests for small and medium enterprises, as authorized by the Italian Ministry for Research. Activities were also carried out aimed at developing applied and pre-competitive research and providing the shipping and maritime industries with a wide range of services. The Naples, Palermo, Muggiano and Trieste offices also ensured CETENA's participation in activities organized by Italy's so-called "Technology Districts".

The two dry-dock management companies supported activities at the Palermo shipyard, especially for repairs and conversions, and at the Muggiano shipyard.

With reference to Bacini di Palermo, on 29 December 2009 ESPI, a regional company in liquidation, formally transferred to the Region of Sicily the ownership of two floating dry-docks of 19,000 and 52,000 tonnes respectively and also transferred the lease agreements between ESPI and Bacini di Palermo which therefore remain in force until their natural expiry in 2012.

ELNAV continued to operate its fleet of two bulk carriers under a bareboat charter agreement with the shipowner Bottiglieri.

Fincantieri Holding continued managing the 100% equity interest in Fincantieri Marine Systems North America and the 21.05% equity interest in Lloyd Werft Bremerhaven, a German company which performs repairs and conversions.

SEAF provided technical and financial support services in the exclusive interest of the Parent Company.

FINANCIAL RESULTS

CONSOLIDATED INCOME STATEMENT

(Euro/millions)	2009			2008		
	Before non-recurring items	Non-recurring items	Total	Before non-recurring items	Non-recurring items	Total
Revenues	**3,269**		**3,269**	**2,932**		**2,932**
Materials and services costs	-2,597		-2,597	-2,281		-2,281
Personnel costs	-520		-520	-460		-460
Provisions and impairment losses	-29		-29	-60		-60
Capitalization of internal costs	2		2	10		10
EBITDA	**125**		**125**	**141**		**141**
Depreciation and amortization	-68		-68	-61		-61
Operating profit (EBIT)	**57**		**57**	**80**		**80**
Finance income and costs	-14		-14	-21		-21
Income and expense from investments				**2**		**2**
Income taxes	-23		-23	-39		-39
Profit (loss) before non-recurring and extraordinary expenses	20		20	22		22
Extraordinary income/(expenses) net of tax effect	**-9**		**-9**	**-12**		**-12**
Non-recurring income/(expenses) net of tax effect		-75	-75			
Profit (loss) for the year	**11**	**-75**	**-64**	**10**		**10**

Bearing in mind that the consolidated financial statements have been drawn up in compliance with IAS/IFRS, the comments below are based on a comparison between the 2009 and 2008 financial years.
When comparing the two years, it should be noted as follows:

- the figures for 2009 are affected by the first-time consolidation of the Fincantieri Marine Group and SEASTEMA S.p.A.;
- for the sake of consistent comparison, some of the figures in the 2008 published financial statements have been reclassified; these reclassifications have not had any impact on the reported profit or equity and particularly refer to reclassification of the actuarial and interest components of the employee indemnity benefit from personnel costs to finance costs;
- the amount of non-recurring items was material in 2009 and so has been shown separately.

The principal contents of the income statement will now be discussed:

- **Revenues:** these comprise operating revenues and other revenues and income, and amount to Euro 3,269 million, reporting an 11% increase on 2008, partly attributable to the first-time consolidation of the Fincantieri Marine Group. On a consistent comparative basis, revenues would have increased by approximately 5%, in line with the growth in business reported during the year;
- **EBITDA:** this amounts to Euro 125 million, representing a 3.8% margin on revenues (4.8% in 2008);
- **Finance income and costs and income and expenses from investments**: these report a net negative balance of Euro 14 million, entirely attributable to the net balance of finance income

and costs. This negative balance reflects short-term loan interest (Euro 6 million), the costs of revaluing the employee indemnity benefit (Euro 6 million) and other items (Euro 2 million);

- **Income taxes**: the 2009 charge of Euro 23 million consists of Euro 15 million in national current and deferred taxes and Euro 8 million in income taxes relating to foreign subsidiaries; the lower charge this year than last reflects the smaller amount of taxable profit than in 2008. The 2009 tax charge does not include any tax relating to extraordinary and non-recurring items, which are stated net of the related tax effect;
- **Profit (loss) before non-recurring and extraordinary expenses**: this reports a profit of Euro 20 million, in line with the prior year figure of Euro 22 million;
- **Extraordinary expenses net of tax effect**: these amount to Euro 9 million and refer to expenses falling outside the normal course of business and/or relating to previous years; this year's figures is slightly lower than in 2008 (Euro 12 million);
- **Non-recurring expenses net of tax effect**: these amount to Euro 110 million, less Euro 35 million for the recognition of deferred tax assets. The net impact on the income statement is therefore Euro 75 million. These expenses originate from periods of no work in certain operating units particularly in the Merchant Vessels business unit, resulting in temporary lay-offs and consequent recourse to state-funded unemployment allowance. Such expenses have arisen solely because of the market crisis and so in the Company's opinion should be treated as non-recurring.
- **Profit (loss) for the year**: this is a loss of Euro 64 million, which is Euro 74 million worse than the profit of Euro 10 million in 2008 due to the non-recurring expenses described above.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Euro/million)	**31.12.2009**	**31.12.2008**	Changes
Intangible assets	107	17	90
Property, plant and equipment	542	489	53
Equity investments and other financial assets	80	189	-109
Invested capital	**729**	**695**	**34**
Inventories and advances	304	348	-44
Construction contracts – assets	971	713	258
Trade receivables	285	184	101
Other assets	226	189	37
Advances from customers	-41	-87	46
Trade payables	-893	-784	-109
Provisions for risks and charges	-89	-102	13
Other liabilities	-205	-173	-32
Working capital	**558**	**288**	**270**
Employee indemnity benefit	**-81**	**-84**	**3**
Net invested capital	**1,206**	**899**	**307**
Equity	**1,055**	**835**	**220**
Net financial position	**151**	**64**	**87**

The Company's **consolidated statement of financial position** reports an increase of Euro 307 million in net invested capital due to the following factors:

- **Intangible assets:** increased by Euro 90 million following the recognition of goodwill and other intangible assets upon purchase price allocation of the Manitowoc Marine Group (now Fincantieri Marine Group), which has been consolidated by Fincantieri Group from 1 January 2009;
- **Property, plant and equipment**: increased by Euro 53 million, also due to the first-time consolidation of the Fincantieri Marine Group;
- **Equity investments and other financial assets**: decreased by Euro 109 million, as a result of consolidating the Fincantieri Marine Group on a line-by-line basis;
- **Working capital**: increased by Euro 270 million, mainly reflecting the major increase in construction contracts (Euro 258 million) and in trade receivables (Euro 96 million), as partially offset by the growth in trade payables (Euro 109 million) and other payables;
- **Employee indemnity benefit**: decreased by Euro 3 million, due to utilizations and the actuarial valuation at the year-end reporting date.

The increase of Euro 220 million in equity reflects the capital increase, the growth in deferred taxes and the reduction in reserves because of non-recurring expenses.
All the above factors caused the net financial position to worsen, with Euro 151 million in net debt reported at year end.

CONSOLIDATED NET FINANCIAL POSITION

(Euro/million)	2009	2008
Cash and cash equivalents	**86**	**57**
Current financial receivables	**8**	**13**
Bank overdrafts	-115	-89
Current portion of bank loans	-18	-12
Other current financial liabilities	-61	-7
Current debt	**-194**	**-108**
Net current debt	**-100**	**-38**
Non-current financial receivables	**104**	**68**
Bank loans	-150	-88
Other non-current financial liabilities	-5	-6
Non-current debt	**-155**	**-94**
Net non-current debt	**-51**	**-26**
NET FINANCIAL POSITION	**-151**	**-64**

CONSOLIDATED STATEMENT OF CASH FLOWS

(Euro/million)	2009	2008
EBITDA	125	141
Income taxes paid	-26	-10
Dividends received and interest received and paid	-3	12
Utilization of provisions for risks and charges and provision for employee indemnity benefit	-30	-35
Changes in working capital	-361	-86
Other changes	-10	-17
Net cash flows from operating activities	**-305**	**5**
Expenditure on intangible assets	-10	-9
Expenditure on property, plant and equipment	-69	-104
Proceeds from (expenditure on) equity investments		-76
Cash flows from other financial receivables and assets	12	5
Free cash flow	**-372**	**-179**
Dividends paid	-10	-10
Net cash flows from financing activities	411	47
Net cash flows for the year	**29**	**-142**
Cash and cash equivalents at beginning of the year	**57**	**199**
Cash and cash equivalents at end of the year	**86**	**57**

The statement of cash flows reports negative free cash flow of Euro 372 million, significantly worse than in 2008 (Euro 179 million). This deterioration is primarily attributable to the increase of Euro 275 million in resources needed to fund working capital, with the reduction of Euro 16 million in EBITDA also making a contribution.
In contrast, investing activities absorbed fewer resources, due to lower capital expenditure on property, plant and equipment, and the inclusion in 2008 of the acquisition of Manitowoc Marine Group LLC (now Fincantieri Marine Group LLC), which took place at year end and so was not consolidated line-by-line.
Net cash flows from financing activities needed to cover the above free cash flow came primarily from the capital increase (Euro 296 million) and from greater recourse to capital market debt.

RESEARCH, DEVELOPMENT AND INNOVATION

The Financantieri Group's commitment to maintaining a high level of investment in the strategic areas of research, development and innovation underlines the attention devoted to securing and improving its competitive position even at difficult times like the present.
Group companies invested a total of Euro 47 million in these activities in 2009.
The major projects, developed by the Parent Company and its subsidiaries CETENA and Isotta Fraschini Motori, which in certain cases received domestic and European funding, are described below.

EUROPEAN PROGRAMS

The joint project known as BESST (Breakthrough in European Ship and Shipbuilding Technologies) was started, involving a partnership between the main European shipyards under Fincantieri's direction, and many scientific and technological experts; its mission is to define a new common plan for know-how for confronting non-European competition with more efficient products both in operational and energy-efficiency terms; the project commenced on 1 September 2009 and will end on 28 February 2013; its total budget is Euro 29 million, of which Euro 4.8 million is being funded by the Fincantieri Group.

DOMESTIC PROGRAMS

These include:

- the SIS-PRECOD E project, whose goal is to develop new protective and finishing products for ships, is continuing with experiments at the Monfalcone and Muggiano shipyards.
- the ECOMOS project, whose goal is to develop a system to reduce toxic gas and particulate in exhaust fumes from ship engines, is continuing with experiments at the Riva Trigoso shipyard;
- as part of the "Sustainable Mobility" project, Italy's Ministry for Economic Development has approved the "New Generation Naval Systems" project to modernize on-board systems, under the leadership of Fincantieri together with its supplier network.

Work started in the last few months of 2009 on defining important new projects to develop technology in strategic fields for the purposes of future product development. This activity will allow the Company to take full advantage of the new industrial policy being formulated by the Italian government.

INNOVATION

EU measures in support of innovation in the shipbuilding industry continued to be implemented during 2009. Fincantieri spent approximately Euro 109 million on such innovation and completed 9 projects.
If refinancing by the Italian government were not forthcoming, it would be very difficult to continue these measures, whose effectiveness has been confirmed by the EU decision to extend them until 31 December 2011.

RESEARCH GOVERNANCE

In parallel with Fincantieri's own research, development and innovation activities, there have been important developments in the research sector as a whole.
In fact, the Italian government's latest moves, through the National Research Program, together with the sector-specific initiatives described below, form the basis for structuring a drive for a growth in know-how throughout industry as a whole.
One of the National Research Program's aims is for each of the country's strategic sectors to develop two-tier governance over research, development and innovation:

- strategic governance, exercised in Fincantieri's sector by a National Marine Technology Platform, which acts as a focal point for the demands of all the players and thus allows the definition of an industry-wide strategy;
- operational governance, organized locally, including through Technology Districts, which can optimize the use of resources by topping up national and regional funds.

Fincantieri's qualitative commitment to both the Technology Districts and the National Marine Technology Platform, recognized by central and regional government as the industry's reference organization, has a strategic value whose benefits will be clear in the future.
Of particular note during the past financial year were:

- the Marine Technology Platform's support for extending to marine technology an Institutional Memorandum of Understanding between Ministries and Regions, that is now about to be signed; the memorandum's purpose is to focus interest on eight priority areas;
- the formation of a Ship and Nautical Technology District in the Friuli Venezia Giulia region and its rapid commencement of operations, including the regional call for research projects relating to shipbuilding and navigation;
- the formation of a Marine Technology District in Liguria and the ongoing activities to put it rapidly into operation.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

HEADCOUNT

(number)	2009	2008
Employees at year end:		
- Senior managers	227	211
- Middle managers	348	298
- White collars	3,903	3,678
- Blue collars	6,052	4,998
Total employees at year end	10,530	9,185
- of whom Parent Company	8,609	8,889
Average workforce employed	10,399	9,146
- of whom Parent Company	8,674	8,855

The Fincantieri Group had 10,530 employees at the end of 2009, a 15% increase of 1,345 on a year earlier. This increase was entirely due to the acquisition of the Fincantieri Marine Group, while the figures for the Parent Company on its own report a 3% decrease of 280 at the end of 2009 relative to

2008. A similar trend also applied to the average workforce employed, which increased by 14% for the Group as a whole but decreased by 3% for the Parent Company.
In terms of movements, a total of 226 new employees were recruited in 2009, of whom 51 by the Parent Company, while 512 employees left the Group, of whom 332 from the Parent Company.

INDUSTRIAL RELATIONS

Among the events concerning industrial relations during the year was the renewal of the Group's supplementary employment agreement and, at certain sites, talks regarding temporary lay-offs.
With regard to the supplementary agreement, the understanding reached with the trade unions - signed by FIM, UILM and UGL on 1 April 2009, and by FIOM on 16 July 2009 - not only significantly changed previous agreements but also established the basis for a new industrial relations model, needed to make Fincantieri more efficient and competitive. The agreement's most innovative aspects included: introduction of a mechanism to stimulate productivity at individual workshop level, the differentiation of wages and salaries between direct and indirect staff, and the introduction of an incentive mechanism for heads of production.
With regard to order backlogs, the Castellammare di Stabia, Palermo, Ancona and Sestri Ponente shipyards and Isotta Fraschini Motori S.p.A. all started to show signs of underutilized capacity from mid 2009 on; all these facilities needed to start procedures for making temporary lay-offs and to hold associated talks with the unions.
About 183 people on average were temporarily laid off during 2009.

TRAINING AND DEVELOPMENT

In addition to the usual institutional activities, the main focus in 2009 was on training for staff in charge of safety, on developing the managerial skills of senior managers and on retraining courses for those temporarily laid off.
The staff training and development plan for 2009 aimed to make training activities more focused in view of the unavoidable need to save and reduce costs in this area as well.
This is why only those seminars whose contents effectively served the business were selected; similarly, great attention was given to participant selection, taking into account line requirements as well as the reward factor in being permitted to attend a training event.
The content of training sessions focused on three main areas:

- institutional activities, such as:
  - the Ac@demy projects for new recruits;
  - courses for heads of production, especially concerning safety;
  - development of managerial skills for middle managers, with the addition of new topics relative to those already introduced in 2008;
  - management seminars for senior managers;
- fewer managerial-relational type of courses in favor of specialist-technical training, deemed a priority to develop professional know-how, such as:
  - technical management and commissioning of the air conditioning system;
  - start-up and running of on-board systems within engine rooms;
  - SOLAS standards;
- courses on safety and quality.

A total of 474 training courses were organized within the Fincantieri Group during the year, involving over 9,000 participants, for a total of 226,000 hours.

LITIGATION AND PRIVACY

Asbestos-related litigation continued to be settled both in and out of court. Prudent provisions have been set up against cases still to be settled.

As far as privacy regulations are concerned, the Regulator's requirements dated 25 June 2009 concerning the duties of the system administrator were fully implemented. The Personal Data Protection Document was also revised and updated.

RESPECT FOR THE ENVIRONMENT

INITIATIVES CONCERNING THE INDUSTRIAL CYCLE

The continuous improvement of health and safety conditions at work as well as protection of the environment are priorities for Fincantieri. In fact, the Group constantly monitors technologies, processes and materials used in the production process to assess upfront their impact on the working and outside environment, in compliance with current regulations.

Its work in this sense has related to surface, sea and groundwater, with the adoption of measures for constantly controlling discharges, emissions and compliance with permitted upper limits and permits received. These goals were pursued through monitoring activities involving specific surveys and regular analyses, through the adoption of new, improved technology by identifying new more eco-friendly components and raw materials or by upgrading plant and systems with the replacement of potential pollutants and adoption of solutions ensuring the eco-sustainability of production.

Particular attention was given during 2009 to the creation of new, more functional areas for the collection of production residues and subsequent categorization of recyclable products, in order to comply with regulations favoring waste recycling over disposal. This process is also linked to specific management of process residues and waste, starting from its correct classification, through to control and checking of all subsequent activities needed to ensure its correct and regular disposal.

In addition to the environmental protection measures adopted and in accordance with legal requirements, many of the Group's shipyards also monitor materials used in carpentry-welding activities, such as light alloy, special steel for submarines and cryogenic steel. This activity, in place for many years, also involves the assistance of outside bodies and is aimed at analyzing the quality and quantity of fumes and gases produced during the welding process. It was extended in 2009 to other welding materials used in shipbuilding, with the purpose of establishing stricter standards for selecting new products capable of ensuring the best level of worker safety.

PRODUCT-RELATED INITIATIVES

Fincantieri is at the forefront in offering green products.
Ships built by Fincantieri comply with the strictest environmental standards, with reductions in emissions into the atmosphere and water as well as in noise. Ships built by Fincantieri have obtained RINA's prestigious Green Star notation, which certifies their full compliance with "Clean Sea" and "Clean Air" standards.
One particularly important objective for products of the future is energy saving, whereby engineering solutions and automation systems are redesigned so as to save energy.
This goal is pursued in close collaboration with shipowners and with the involvement of many suppliers because of its impact on the following major areas:

- hydrodynamics: development of new keels and propellers;
- heating, cooling and ventilation systems: redesign of auxiliary systems and interfaces and introduction of heat and energy recovery mechanisms;
- hotel services: redesign of laundry and kitchen facilities and use of more efficient systems and machinery;
- electrical systems: low-consumption, high-efficiency lighting systems;
- thermal insulation: adoption of new insulating materials, as well as low-emission glass.

Fincantieri's interest is also shifting to other complementary matters, such as the development of reliable solutions for reducing the environmental impact of marine traffic.
Of significance in this regard is the agreement with the ABB Group, leader in energy and automation technology, for the development, sale and supply of HVSC (High-Voltage Shore Connection) systems for powering ships when in port. This solution makes it possible to stop the atmospheric emissions of ships in mooring with a consequent benefit for the surrounding towns.
The new ABB-Fincantieri shore connection systems will comply with all current international standards and can be installed either during construction or during ship maintenance.

ETHICS AND SAFETY AT WORK

ETHICS AND SOCIAL RESPONSIBILITY

The size and importance of its activities mean that Fincantieri plays a significant role in the economic development and wellbeing of the communities where it is present.
Fincantieri is well aware of the importance of this role and so bases its every action on strict compliance with the law and international conventions, protection of its workers' health and safety, defense of the environment, and protection of the interests of its stakeholders, from shareholders, employees and customers to financial and trading partners and the local community in general.
As a result, Fincantieri has adopted organizational models, and specific instruments and policies able to provide both responsible and rigorous support to such commitments.

CODE OF CONDUCT

The complexity of the circumstances in which Fincantieri operates means that it is important to clearly reaffirm the set of values the Group recognizes, accepts and shares, and the series of responsibilities it assumes both internally and externally. This is why Fincantieri has drawn up a Code of Conduct, compliance with which by every member of the business is essential for the Group's smooth operation, reliability and reputation, all of which factors representing a key asset for the enterprise's success.
Fincantieri employees must not only fulfill the general duties of loyalty, fidelity and honesty and of performing the terms of their employment in good faith, but they must also refrain from competing with the Group, respect company rules and comply with the requirements of the Code. Employee relationships at every level must be inspired by transparency, honesty, loyalty and mutual respect.
The directors and everyone working for Fincantieri must be familiar with the contents of the Code, must actively contribute to its implementation and report any weaknesses and breaches of the Code.
Fincantieri undertakes to facilitate and promote knowledge of the Code among employees and their constructive contribution to its contents; accordingly, the Code of Conduct can be consulted on the Company's internet and intranet sites, is publicly displayed in all its offices, has been distributed to every employee and is given to every new recruit.

SAFETY AT WORK

Fincantieri has always attached the utmost importance to the need to protect the health and safety of its employees, being a key strategic goal and generally a factor for economic success and development, as well as a qualitative and competitive tool for production process management.
Fincantieri's policies reflect its awareness that protection of its workers and the environment cannot be achieved by merely abiding by the law, but must be experienced and widespread at all levels, within a corporate culture that treats safety at work and environmental protection as key factors for the business's success and growth.
Once again in 2009 Fincantieri devoted extensive efforts and resources to ensuring that all production activities are carried out in compliance with applicable safety legislation. Nor could this be otherwise. The occurrence of accidents or even just non-compliance with safety standards not only goes heavily against the Company's ethic, focused on prevention, legality and protection of the health of its workers, but also carries severe financial and legal repercussions; the Company's endeavors in this field therefore stretch across several fronts: from continuous education in technical and regulatory matters

for those in charge of shipyard prevention and protection services, to the continuous examination of working environments, plant and machinery in the different locations they are used, to the publication of specific instructions on how to use equipment, on the use of communal areas, on collective prevention and devices for individual protection.
In keeping with Fincantieri's prevention-centric philosophy, during the year it arranged training courses at all shipyards in order to update those in charge of safety about the latest laws currently applying in Italy and to focus their attention and that of all senior managers on raising worker awareness about these issues so that the Group's guiding principles and philosophy could be translated into day by day work.
The presence of contractors within shipyards represents another important source of action and examination by the Company, including where safety is concerned. The choice of contractors, the access of workers to shipyards, the verification that social security contributions and safety documents with which they must be provided are in order, the monitoring of accidents, and the organization of work to avoid interference between the different processes, represent only some of the issues faced on a daily basis in 2009 by all those involved, primarily those in charge of prevention and protection services.
In fact, the working party set up under the agreement between Fincantieri, INAIL (Italy's national institution for workplace accident insurance) and ISPESL (Italy's higher institute for accident prevention and safety at work), under the aegis of the Ministry of Health, carried on analyzing and inspecting Fincantieri's operations. The prime focus of this work, due to be completed in 2010, is the "safety of activities involving the presence of contractors"; its outcome will make it possible to start improving the management of interferential risks within Fincantieri facilities and to define guidelines for the application of new, more specific rules to all its shipbuilding operations in Italy.
In order to achieve continuous improvements in safety at every level, Safety Commissions have been set up with the specific task of auditing the correct application of safety management systems. These commissions involve the collaboration of the prevention and protection service, those in charge of production and worker safety representatives. This activity makes it possible to act on all critical points that arise during the performance of particularly complex working activities, like those forming part of the ship production cycle, and also makes it possible to identify, always in agreement with the worker safety representatives, solutions for eliminating risk factors for both Fincantieri personnel and those of contractors.
The special attention given to applying the company safety policy, resulting in an ever more entrenched culture of "working safely", had a positive impact on the number of accidents in 2009. In fact, the number of accidents causing workers to be less than 3 days off work decreased by 4.29% in 2009 to 357, while there were 773 accidents involving more than 3 days off work, a 11.66% reduction on the prior year.
Lastly, with regard to training, there were 186 specific safety courses conducted in 2009, involving 4,200 participants for a total of almost 100,000 hours. More than 10,000 employees of contractors were involved in training activities.

ENTERPRISE RISK MANAGEMENT

RISK MANAGEMENT POLICY

A crucial factor for achieving the Fincantieri Group's objectives is effective management of risks and opportunities, both inside and outside the Group.
Identification, analysis and assessment of the main risks is accompanied by the pursuit of actions able to mitigate the impact or emergence of the risk.
Fincantieri adopts a systematic approach to managing strategic, operational and financial risks with particular attention to production contract life cycle, representing the essence of its business.
The contract risk management process has been in place for several years and operates throughout a contract's life cycle, from acquisition through to the end of the warranty period; this process encompasses every structure involved in contract-related activity, depending on the nature of the risks identified and the actions needed to address them.
More recently Fincantieri has developed instruments and procedures for managing reporting and compliance risks, which complement contract risk management and aim:

- to guarantee the adequacy and reliability of data and information that enter the company reporting system and, particularly that entering the consolidated financial statements, and which form the basis for decision-making by management and shareholders;
- to monitor company processes and conduct for legal compliance, fairness in business relationships, respect for regulations concerning prevention (from safety at work to corporate crimes).

These risk management processes, according to best practice in this field, operate in the following stages:

- identification;
- analysis;
- assessment;
- mitigation;
- control and monitoring,

and translate into plans to mitigate the "inherent risk" identified and/or into testing of the operation of controls that reduce risks to an acceptable level ("residual risk").

RISKS RELATING TO GENERAL ECONOMIC CONDITIONS

Description

The Fincantieri Group's results of operations, assets and liabilities and cash flows are influenced by the various macroeconomic variables in Europe and North America – where the Group and its main customer operate – such as the decrease in domestic GDP, lower consumer and business confidence, the banking sector liquidity crisis and the cost of raw materials.

Impact

The economic difficulties emerging worldwide have also affected the shipbuilding industry, with shipowners slowing down their fleet renewal programs. This has repercussions for production capacity and a consequently negative impact on the Group's results, assets and liabilities and cash flows.

Mitigation

Governments and monetary authorities have intervened with actions aimed at overcoming the crisis in due course. In these circumstances, the Fincantieri Group has taken steps to reduce its costs and regain efficiency, while at the same time making use of those mechanisms permitted under employment agreements and Italian law to operate on a flexible basis.

RISKS RELATING TO KNOWLEDGE MANAGEMENT

Description

As one of Italy's historic shipbuilders, the Fincantieri Group has developed enormous experience, know-how and business knowledge. As far as the workforce is concerned, the domestic labor market is not always able to satisfy the needs of production, either in terms of numbers or skills.

Impact

The inadequacy of the domestic labor market to meet the Group's needs, the failure to transfer specific knowledge particularly in the technical sphere and insufficient training of new middle and senior managers could have a negative impact on product quality and on the Group's overall future performance.

Mitigation

The HR Department constantly monitors the labor market and maintains frequent contact with universities, professional schools and vocational training institutes.

The Group also makes a significant investment in training its staff, not only in technical-specialist and managerial-relational skills, but also regarding safety and quality. As already reported, the Fincantieri Group organized 474 training courses in 2009 with more than 9,000 participants for a total of 226,000 hours.

Staff turnover is also monitored in order to retain key personnel and create future managers.

RISKS RELATING TO MARKET STRUCTURE

Description

The Fincantieri Group has many years of experience of building cruise ships for Carnival, a US shipowner and key player in the cruise sector, which operates not only through the Carnival line but also through other prestigious lines such as P&O Princess, Holland American Lines, Cunard and Costa Crociere. The special relationship with the Carnival Group is an undoubted strength for Fincantieri.

In the Naval Vessels business unit, the bulk of revenue has traditionally come from the Italian Navy, whose demand for new ships is heavily affected by defense spending policy.

Impact

Postponements of fleet renewal programs or other events affecting the order backlog with Fincantieri's principal customer could impact work loads and business profitability.

The lack of resources earmarked by the State for defense spending to modernize the fleet is a variable that could influence the Group's financial performance and results.

Mitigation

The policy of diversifying cruise ship customers practiced by Fincantieri, together with optimum joint planning of Carnival's requirements, has made it possible to enlarge the customer portfolio.

In the Naval Vessels unit, participation in international projects like the FREMM program between Italy and France, is of unquestioned importance. In addition, the acquisition of a majority interest in Fincantieri Marine Group LLC, which operates three shipyards in the USA, opens up new opportunities to expand defense output in wider foreign markets.

RISKS RELATING TO MAINTENANCE OF COMPETITIVENESS IN CORE MARKETS

Description

The production of standard vessels is now dominated by Asian shipyards, meaning that competitiveness can only be maintained by specializing in high added-value market segments. As far as civilian vessels are concerned, Fincantieri has focused on the cruise ship and cruise ferry segments, where it has always operated. As far as naval vessels are concerned, the Group has an established relationship with the Italian Navy, representing a strategic asset for the business.

Maintenance of a strong position in core markets depends on the ability to perform well not only in terms of quality and meeting delivery schedules but also at a lower price than the competition.

Mitigation

The Group endeavors to maintain competitive position in its core markets by ensuring a high quality product, and by seeking optimal costs as well as flexible technical and financial solutions in order to be able to propose more attractive offers than the competition.

As far as naval vessels are concerned, efforts are being made to develop international business through an active presence in the defense markets of the USA and other countries that lack domestic shipbuilders or, if they do, do not have the right technical skills, know-how or infrastructure for vessels of this kind.

RISKS RELATING TO PRODUCTION OUTSOURCING AND SUPPLIER RELATIONSHIPS

Description

The Fincantieri Group's decision to outsource some of its activities is dictated by strategic considerations based on two factors: a) outsource activities for which there are insufficient in-house skilled resources; b) outsource activities for which there are no in-house skilled resources and which would be too expensive and inefficient to develop.

Impact

A negative contribution by suppliers in terms of quality, timing or costs causes production costs to rise, and the customer's perception of the quality of the Fincantieri product to deteriorate.

Mitigation

The Group has specific personnel in charge of coordinating the assembly of ship internal systems and managing specific areas of outsourced production. In addition, the Fincantieri Group selects its "strategic suppliers" carefully: they must meet the highest standards of performance and have a strategically large network offering an excellent fit with the Group's business.

RISKS RELATING TO EXCHANGE RATES

Description

Currency risk is defined as the uncertainty over income and expenses and receipts/outlays caused by fluctuations in the value of ship contracts or of purchase orders following a change in exchange rates. Exposure to currency risk arises when shipbuilding contracts are denominated in foreign currencies and, to a lesser degree, when goods and materials are purchased in currencies other than the Euro.

Impact

The absence of adequate currency risk management could erode profit margins, particularly if currencies in which shipbuilding contracts are denominated were to weaken, or if the currencies in which procurement contracts are denominated were to strengthen.

Mitigation

The Fincantieri Group's exposure to currency risk at 31 December 2009 relates to one shipbuilding contract acquired at the end of 2009, whose price is expressed in US dollars, and to a lesser degree, to procurement contracts denominated in Swedish kronas, Norwegian krones and Canadian dollars.
As far as the contract denominated in US dollars is concerned, Fincantieri has identified appropriate hedging instruments and in the early part of 2010 it hedged a large part of its exposure.
With reference to foreign currency procurement contracts, Fincantieri has eliminated any variability in costs and related payments by fixing the exchange rate using forward rate agreements.

RISKS RELATING TO LEGAL FRAMEWORK

Description

The Fincantieri Group must abide by the rules, regulations and laws in force in the countries where it operates. Any breaches of such rules and regulations could result in civil, administrative or criminal sanctions, as well as the obligation to comply with such regulations, the costs and liability for which could have a negative impact on the Group's business and results. The Group's activities must also comply with regulations governing the environment and health and safety at work.

Impact

Any change in safety standards or environmental regulations, as well as the occurrence of exceptional or unforeseen events could cause the Fincantieri Group to incur extraordinary costs in relation to the environment and health and safety at work.

Mitigation

The Group promotes compliance with all rules, regulations and laws that apply to it and implements and updates suitable prevention control systems for mitigating the risks associated with breach of such rules, regulations and laws. In particular, it has fully implemented the provisions of Italian Legislative Decree 81/2008 – "Reorganization of rules governing health and safety at work" (known as the "Safety at Work Act").
Fincantieri has therefore adopted suitable organizational models for preventing breach of these regulations, and sees that such models are continuously reviewed and updated.

****

As Parent Company of the Group, Fincantieri-Cantieri Navali S.p.A. is basically exposed to the same risks and uncertainties described above for the Group

CORPORATE GOVERNANCE

Profile
Fincantieri is well aware of how important an efficient system of corporate governance is for achieving its value creation objectives, and so ensures that its own system of corporate governance is constantly in line with best national and international practice.

Organisational structure
Fincantieri's organizational structure follows the traditional model, whereby it is administered by a Board of Directors, which acts as the central governing body of both the Company and the Group, while a Board of Statutory Auditors oversees the work of the directors, and a firm of independent auditors, appointed by the Shareholders' Meeting, is responsible for auditing the accounts.

DIRECTION AND COORDINATION

Fincantieri S.p.A. is subject to direction and coordination by Fintecna S.p.A., its principal shareholder. In accordance with art. 2497-bis of the Italian Civil Code, Fincantieri's direct and indirect subsidiaries, except for a few specific cases, have identified Fincantieri S.p.A. as the entity which exercises direction and coordination over them. This activity involves setting general and operating strategy and policy for the Group as a whole; in the case of the larger subsidiaries, it also involves defining and adapting internal controls, their model of governance and corporate structure, and drawing up general policies for management, human resources, finance and procurement.
Although subsidiaries retain managerial and operational autonomy, they are thus able to achieve economies of scale by being able to call on the services of highly qualified specialists and experts and to concentrate their own resources on managing the core business.

BOARD OF DIRECTORS OF FINCANTIERI S.P.A.

Composition
Art. 23 of Fincantieri's by-laws sets the size of the Board of Directors at a minimum of five and a maximum of seven members. The Shareholders' Meeting held on 17 July 2009 decided that the Board should have seven directors; it then appointed these directors and a Chairman of the Board to serve for three financial years and, in any case, until the date of the Shareholders' Meeting called to approve the financial statements for 2011.

Independence and integrity requirements, reasons for ineligibility and incompatibility
Further to the request by the majority shareholder to introduce specific rules concerning the qualifications for serving as a director, the Shareholders' Meeting on 17 July 2009 introduced the prerequisites of independence and integrity, putting them on a par with those established for the statutory auditors of listed companies by art. 148 of the Financial Markets Consolidation Act and by the Regulation adopted under Ministry of Justice Decree 162 dated 30 March 2000. The directors have provided declarations in which they state that they satisfy these prerequisites and the Board has assessed whether this is the case.

Role
The Board of Directors has the widest powers for the Company's ordinary and extraordinary administration in relation to its business purpose.

The Board is also responsible for:
- defining business strategy and organizational structure, including the entering of agreements with strategically important sector operators;
- acquiring and selling equity investments, companies or business divisions;
- entering agreements relating to major orders;
- purchasing and selling property.

Within the scope of the powers of ordinary and extraordinary administration granted by the Board of Directors, the Chief Executive Officer is responsible for:
- carrying out every act for administering and managing the business;
- making proposals to the Board concerning the Company's business strategy and organizational structure;
- executing the resolutions adopted by the Board;
- defining how the Company should be organized operationally based on the guidelines decided by the Board of Directors;
- delegating to company employees or to third parties, within the scope of his own powers, the authority deemed necessary for performing their duties and functions.

The Chairman is the Company's legal representative and is also responsible for::
- supervising the correct execution of decisions by the Board of Directors and its committees;
- representing the Company before public and private, national and international entities, organizations and operators.

Compensation Committee

The Board of Directors of Fincantieri S.p.A. has formed a Compensation Committee, to make proposals and provide advice concerning the compensation of directors with executive powers. This committee is responsible for making proposals regarding the compensation packages of top managers and their terms of employment.

The committee, consisting of three directors, presents the Board of Directors with proposals concerning both fixed and variable remuneration, and the targets on which any variable remuneration might depend and how the achievement of such targets should be verified.

BOARD OF STATUTORY AUDITORS

Composition

Fincantieri's by-laws establish that the Board of Statutory Auditors shall have three standing members and two alternates, all of whom nominated by the Shareholders' Meeting for three financial years and who are eligible for re-election at the end of their mandate.

Duties

The Board of Statutory Auditors oversees compliance with the law and the Company's by-laws, the application of honest management practices and the adequacy of the organizational, administrative and accounting structure adopted by the Company and its correct operation. The Board of Statutory Auditors is required to express an opinion concerning the appointment of the Manager responsible for preparing financial reports.

INTERNAL CONTROLS

Manager responsible for preparing financial reports

The Ministry of the Economy and Finance (MEF) has requested that, as a company under its control, Fintecna – Finanziaria per i Settori Industriale e dei Servizi S.p.A. – amend its by-laws to include the

office of Manager responsible for preparing financial reports, and the related governance requirements set out in Law 262/2005.
As a direct consequence, Fintecna has instructed its subsidiary Fincantieri to do the same. Fincantieri has responded to this request by amending art. 30 of its by-laws and then appointing a Manager responsible for preparing financial reports.
As a result, although Fincantieri is not directly subject to Law 262/2005 because it is not quoted on a regulated market, it has adopted a form of governance that is broadly similar to that of companies that are legally obliged to do so, with only a few differences from the law in question. In particular, the mandate granted by the Board of Directors to the Manager responsible for preparing financial reports excludes interim financial reports, price-sensitive disclosures and the contents of the report on operations from certification, in compliance with the instructions issued by MEF and reiterated by Fintecna.

Compliance model under Law 262/2005

Fincantieri has introduced a Compliance Model in accordance with Law 262/2005 to analyze the more important items within its consolidated financial statements and the internal procedures involved in the preparation of financial reports. The Model also defines the specific components of the financial reporting process and requires that a Group IFRS Accounting Manual be prepared along with a detailed set of accounting procedures, supported by "Risk and Control Matrices" where appropriate; lastly, the model defines how and when financial reporting risk should be assessed and the tests that should be applied to the key controls identified during the risk assessment process.

Independent auditors and audit of the financial statements

In accordance with law, the financial statements must be audited by a firm of auditors listed in the special CONSOB register; these auditors must be appointed by the Shareholders' Meeting, having consulted the Board of Statutory Auditors.
In accordance with law, the audit of the financial statements must be performed by a company listed in the special register kept by CONSOB (Italy's stockmarket regulator).
The Shareholders' Meeting of 17 July 2009 appointed PriceWaterhouseCoopers S.p.A. as independent auditors for 2009-2011 for both the Company and the Group.

Internal audit

The Internal Audit function reports to the Board of Directors and its main duty is to monitor the adequacy of the internal controls adopted by the Parent Company and its subsidiaries.
When performing this duty, the internal auditors maintain regular contact with other persons involved in and responsible for the system of internal controls.

Oversight Board

As far as Fincantieri's organizational structure is concerned and in compliance with art. 6-b) of Legislative Decree 231/2001, Fincantieri's Oversight Board has been set up as a collective body that is able to ensure a suitable level of independence, professional experience and continuity of action.
The Company can expand the Oversight Board's membership if it believes that the Board requires the presence of particular specialist expertise. Operationally, the Oversight Board uses the services of the Legal and Internal Audit functions and, if necessary, of external consultants. The Oversight Board reports to the Board of Directors and the Board of Statutory Auditors in the manner established by the Organizational Model.
The Board's activities are as follows:

- to oversee the effectiveness and adequacy of the Organizational Model, and update its operational requirements over time;
- to monitor the effectiveness of internal procedures and rules relating to corporate governance;
- to examine any reports from the statutory auditors or any employee, and to investigate such reports and request that appropriate action be taken.

In addition, the Oversight Board can assist the relevant company functions in promoting initiatives to raise awareness of the Organizational Model and in reporting the need for action in the event of breach of either the Model or the Code of Conduct.

Organizational Model (Legislative Decree 231/2001)

Since 2002 the Company has decided to adopt an organizational, management and control model under Legislative Decree 231/2001, the latest version of which was approved by the Board of Directors on 18 September 2009.

When developing the model, the first step was to identify the "risks" which the Company should monitor, in other words those offences (among those listed by Legislative Decree 231/2001 and subsequent revisions) that might be committed within the Company's sphere of activities.

At the same time, a mapping was carried out of the individual business areas potentially concerned by such offences. A link was therefore drawn between the offences listed in the Decree and the company sectors and people who, because of their work, jobs performed and authority, could be in a position to commit a particular unlawful offence.

Once the "risks" and areas at risk were identified, the possible ways of committing an offence were mapped for the areas concerned. This analysis and classification was evaluated against the Company's systems of preventive controls.

One of the duties of the Oversight Board is to maintain and regularly update the model, including for new types of offence falling within the scope of Legislative Decree 231/2001.

RELATIONSHIPS WITH THE ULTIMATE PARENT COMPANY AND WITH OTHER GROUP COMPANIES

During 2009 Fincantieri had relationships with Fintecna, its ultimate parent company, and with certain companies in the Fintecna Group.

Fincantieri also maintained relationships with associates, for which the related transactions and balances are not eliminated upon consolidation in accordance with the consolidation method adopted.

All the above relationships – disclosed in detail in the "Notes to the financial statements" – are always conducted on an arm's length basis.

OTHER INFORMATION

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The first few months of 2010 saw the successful conclusion of a number of sales orders whose negotiations had started in previous years.

The Arab Emirates Navy placed orders for two Stealth vessels in January. The contract contains an option for two more sister ships, and requires Fincantieri technology to be transferred to a local shipyard.

Fincantieri and the Carnival Group reached an agreement in February, subject to finalization of the financial and technical points, to build two prototype ships for the Princess Cruises line. The new ships should enter service in spring 2013 and 2014 respectively. This agreement is particularly important not only because Fincantieri beat all its major competitors with a design that best matched the shipowner's technical and qualitative requirements, but also because it augurs well for the future since, like in the past, it creates the conditions for supposing that the shipowner will very likely award a series of subsequent orders to the Company in future. It is worth recalling that with previous classes of ships for Carnival, Princess and Holland America Line, Fincantieri acquired a total of 18 orders for the Carnival/Costa lines,

8 for the Princess/P&O lines and 10 for sundry other Carnival Group lines. The price of the two latest ships ordered had to take account of the price offered by one of our European competitors that has now become a market benchmark. The finalization of these agreements will nonetheless help alleviate the impact of the crisis on the Group's results.
Confirmation was received in February of the order, that had been long delayed due to the shipowner's financial problems, to build at the Sestri Ponente shipyard a second cruise ship for Oceania Cruises, a US cruise line, with an option for a third ship that would consolidate Fincantieri's partnership with Oceania.
The Costa Deliziosa was delivered by the Marghera shipyard in January. Costa Deliziosa is the third ship delivered by Fincantieri to Italy's Costa Crociere line in less than nine months and is part of a fleet expansion plan involving the addition of 5 new ships between 2009 and 2012.
Furthermore, in March the Monfalcone shipyard delivered the Azura, a 113,500 CT cruise ship, to P&O Cruises (Carnival Group).
As for special vessels, the Riva Trigoso and Muggiano shipyards delivered the fourth (in February), fifth and sixth vessels (in March) of the twelve AHTS offshore vessels ordered by the German shipowner Hartmann Logistik GmbH (Hartmann Reederei Group).

BUSINESS OUTLOOK

The new orders recently acquired and the numerous negotiations in progress, including to confirm options for various military and civilian customers, as well as for Carnival Corporation, support the expectations of Fincantieri's management for a market upturn in all its sectors of business.
However, there is continued uncertainty over the timing and size of this recovery, as well as over the future price trend for new builds, especially in the cruise ship sector.
In fact, the shipping market's recovery is later in coming than had been expected at the start of 2009, even though the outlook for cruise ships is still moderately good. A recent report by the Cruise Lines International Association claims that despite the difficult year, the number of cruise passengers increased by 3.4% in 2009 on 2008, reaching the figure of almost 13.5 million. In addition, the number of European cruise passengers climbed by 23.5%. Lastly, the report estimates that the number of passengers will increase by 6.4% in 2010 to more than 14 million. This indicates a steady recovery in this market which, in a couple of years, could return to its pre-crisis growth rates of around 8% per annum. Demand for new builds is consequently expected to be moderately low in 2010 and 2011, but it is reasonable to predict a recovery from 2012.
The Group's mission, at this time of economic crisis, is to preserve its current production structure, including by implementing a targeted policy of innovation and cost reduction. The aim is to preserve skills and know-how that will make it possible to exploit every available opportunity arising once the merchant vessels market fully returns to its pre-crisis level. However, in view of the progressive underutilization of shipyard production capacity, the Company is adopting, like in the second half of 2009, suitable measures in 2010 to limit its active workforce by using the temporary lay-off mechanisms permitted in law.
Lastly, the financial results in 2010 will increasingly reflect the current contraction in order backlog and the pressure on the price of new orders due to intense competition. The financial year will therefore see the emergence of further "non-recurring" expenses, the amount of which will depend on the volume of new orders secured in the year.

RECONCILIATION OF THE RECLASSIFIED FINANCIAL STATEMENTS WITH THE MANDATORY FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(Euro/million)	2009 Mandatory financial statements	2009 Reclassified financial statements	2008 Mandatory financial statements	2008 Reclassified financial statements
A) Revenues		**3,269**		**2,932**
Revenues	3,065		2,806	
Reclassified to N - Non-recurring expenses	110			
Other revenues and income	106		131	
Reclassified to M - Gains on disposal	-3			
Reclassified to M - Other non-recurring income	-9		-5	
B) Materials and services costs		**-2,597**		**-2,281**
Materials and services costs	-2,603		-2,288	
Reclassified: Changes in inventories of raw materials and consumables	-5			
Reclassified: Changes in inventories of finished products	1			
Reclassified: Services costs			7	
C) Personnel costs		**-520**		**-460**
Personnel costs	-522		-460	
Reclassified: Personnel costs	2		7	
D) Provisions and impairment losses		**-29**		**-60**
Provisions and impairment losses	-29		-60	
E) Capitalization of internal costs		**2**		**10**
Capitalization of internal costs	2		10	
F) Other costs				
Other costs	-17		-15	
Reclassified to M - Other extraordinary expenses	23		26	
Reclassified to M - Utilization of provision for risks and charges	-3		-3	
Restated to M - Utilization of legal provision	-3		-8	
G) Depreciation and amortization		**-68**		**-61**
Depreciation and amortization	-68		-61	
H) Finance income and costs		**-14**		**-21**
Finance income and costs	-14		-21	
I) Income and expense from investments				**2**
Income and expense from investments			2	
L) Income taxes for the year		**-23**		**-39**
Income taxes	16		-33	
Reclassified to N - Tax effect of non-recurring items	-35			
Reclassified: Income taxes for the year	-4		-6	
Profit (loss) before extraordinary and non-recurring expenses		**20**		**22**

(Euro/million)	2009 Mandatory financial statements	2009 Reclassified financial statements	2008 Mandatory financial statements	2008 Reclassified financial statements
M) Extraordinary income/(expenses) net of tax effect		-9		-12
Reclassified from A - Gains on disposal	3			
Reclassified from A - Other non-recurring income	9		5	
Reclassified from F - Other non-recurring expenses	-23		-26	
Reclassified from F - Utilization of provisions for risks and charges	3		3	
Reclassified from F - Utilization of litigation provision	3		8	
Reclassified: extraordinary expenses	-4		-2	
N) Non-recurring income/(expenses) net of tax effect		-75		
Reclassified from A - Non-recurring expenses	-110			
Reclassified from L - Tax effect of non-recurring items	-35		3	
PROFIT (LOSS) FOR THE YEAR	**-64**	**-64**	**10**	**10**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Euro/million)	31.12.2009 Mandatory financial statements	31.12.2009 Reclassified financial statements	31.12.2008 Mandatory financial statements	31.12.2008 Reclassified financial statements
A) Intangible assets		**107**		**17**
Note 6 - Intangible assets	107		17	
B) Property, plant and equipment		**542**		**489**
Note 7 - Property, plant and equipment	542		489	
C) Equity investments and other financial assets		**80**		**189**
Note 8 and 9 – Financial assets	189		262	
Reclassified to P) Financial receivables reclassified to net financial position	-104		-68	
Reclassified to G) Non-current receivables (reclassified to other assets)	-5		-5	
Reclassified to P) Non-current derivative assets	-		-	
D) Inventories and advances		**304**		**348**
Note 11 - Inventories and advances	304		348	
E) Construction contracts – assets		**971**		**713**
Note 12 - Construction contracts – assets	1,664		1,291	
Reclassified to H) Construction contracts - net liabilities	-693		-578	
F) Trade receivables		**285**		**184**
Note 13 - Trade receivables and other current assets	382		296	
Reclassified to G) Receivables from joint ventures (e.g. deferred income)			-14	
Reclassified to G) Other receivables	-57		-49	
Reclassified to G) Receivables from other funders and grants receivable from government and public bodies	-13		-17	
Reclassified to G) Prepayments	-27		-32	
Reclassified to G) Accrued income				
Reclassified to G) Receivables from subsidiaries				
Reclassified to G) Receivables from associates				
Reclassified to G) Receivables from parent companies				

(Euro/million)	31.12.2009 Mandatory financial statements	31.12.2009 Reclassified financial statements	31.12.2008 Mandatory financial statements	31.12.2008 Reclassified financial statements
G) Other assets		**226**		**189**
Note 10 - Deferred tax assets	70		34	
Reclassified from C) Non-current receivables (reclassified to other assets)	5		5	
Reclassified from F) Receivables from other funders and grants receivable from government and public bodies	13		17	
Reclassified from Note 13 Trade receivables and other current assets				
Reclassified from F) Receivables from subsidiaries				
Reclassified from F) Receivables from associates				
Reclassified from F) Receivables from parent companies				
Reclassified from Note 13) Current tax receivables	26		19	
Reclassified from F) Receivables from joint ventures (e.g. Deferred income)			14	
Reclassified from F) Other receivables	57		49	
Reclassified from F) Prepayments	27		32	
Reclassified from F) Accrued income				
Reclassified from Note 14) Current financial assets (Current portion of non-current receivables)	27		19	
Reclassified to P) Non-current financial receivables, current portion				
Reclassified to P) Finance lease receivables	2		2	
Reclassified from Note 13) Current financial assets (Deferred income)	-1		-2	
H) Advances from customers		**-41**		**-87**
Note 20 - Construction contracts – liabilities	-734		-665	
Reclassified from E) Construction contracts - net liabilities	693		578	
I) Trade payables		**-893**		**-784**
Note 21 - Trade payables and other current liabilities	-1,007		-900	
Reclassified to M) Other liabilities	114		116	
L) Provisions for risks and charges		**-89**		**-102**
Note 17 – Provisions for risks and charges	-89		-102	
M) Other liabilities		**-205**		**-173**
Reclassified from I) Other liabilities	-114		-116	
Reclassified from Note 21) Tax liabilities	-2		-5	
Reclassified from Note 19) Non-current liabilities	-65		-52	
Reclassified from deferred tax liabilities	-24			
N) Employee indemnity benefit		**-81**		**-84**
Note 18 – Employee indemnity benefit	-81		-84	
NET INVESTED CAPITAL		**1,206**		**899**
O) Equity		**1,055**		**835**
P) Net financial position		**151**		**64**
HEDGES		**1,206**		**899**
Q) Net (assets)/liabilities held for sale				

Fincantieri Group Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Euro/000)	Note	31.12.2009	31.12.2008
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	6	106,675	17,402
Property, plant and equipment	7	541,936	488,826
Equity investments	8	20,403	20,090
Other investments	8	1,685	91,453
Non-current receivables	9	166,866	150,106
Deferred tax assets	10	69,485	34,449
Total non-current assets		**907,050**	**802,326**
CURRENT ASSETS			
Inventories and advances	11	303,877	348,057
Construction contracts - assets	12	1,663,996	1,291,406
Trade receivables and other current assets	13	382,186	296,346
Current tax receivables	13	26,187	18,597
Current financial assets	14	35,579	32,511
Cash and cash equivalents	15	86,421	56,966
Total current assets		**2,498,246**	**2,043,883**
TOTAL ASSETS		**3,405,296**	**2,846,209**
LIABILITIES AND EQUITY			
EQUITY			
Attributable to owners of the parent	16		
Share capital		633,481	337,112
Reserves and earnings		408,721	486,984
		1,042,202	824,096
Non-controlling interests	16	12,438	10,995
Total Equity		**1,054,640**	**835,091**
NON-CURRENT LIABILITIES			
Provision for risks and charges	17	88,727	102,128
Employee indemnity benefit	18	80,819	84,452
Non-current financial liabilities	19	155,982	94,240
Other non-current liabilities	19	64,841	55,830
Deferred tax liabilities	10	24,259	
Total non-current liabilities		**414,628**	**336,650**
CURRENT LIABILITIES			
Construction contracts - liabilities	20	734,117	665,246
Trade payables and other current liabilities	21	1,007,072	895,969
Current tax liabilities	21	1,824	5,233
Current financial liabilities	22	193,015	108,020
Total current liabilities		**1,936,028**	**1,674,468**
TOTAL LIABILITIES AND EQUITY		**3,405,296**	**2,846,209**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Euro/000)	Note	2009 Before non-recurring items	2009 Non-recurring items (Note 24)	2009 Total	2008 Before non-recurring items	2008 Non-recurring items	2008 Total
Revenues	23	3,175,128	-109,659	3,065,469	2,805,756		2,805,756
Other revenues and income	23	106,353		106,353	130,646		130,646
Materials and services costs	25	-2,602,948		-2,602,948	-2,287,539		-2,287,539
Personnel costs	25	-521,963		-521,963	-460,463		-460,463
Depreciation and amortization	25	-67,930		-67,930	-61,160		-61,160
Provisions and impairment losses	25	-28,858		-28,858	-59,796		-59,796
Capitalization of internal costs	25	1,754		1,754	10,064		10,064
Other costs	25	-17,328		-17,328	-15,475		-15,475
Finance income	26	11,005		11,005	62,617		62,617
Finance costs	26	-25,557		-25,557	-83,515		-83,515
Income /expense (+/-) from investments	27	4		4	474		474
Share of profit /loss (+/-) from equity investments	27	313		313	1,203		1,203
Income taxes	28	-19,033	34,612	15,579	-32,588		-32,588
PROFIT/LOSS FOR THE YEAR (+/-) (A)		**10,940**	**-75,047**	**-64,107**	**10,224**		**10,224**
Attributable to owners of the parent		9,448	-75,047	-65,599	10,224		10,224
Attributable to non-controlling interests		1,492		1,492			
Basic earnings/loss (+/-) per share (Euro)	29			-0.07936			0.01547
Other comprehensive income/ losses (+/-) net of the tax effect							
Effective portion of profits /losses (+/-) on cash flow hedging instruments	4-16	286		286	-488		-488
Gains /losses (+/-) deriving on translation of foreign companies' financial statements	16	-3,253		-3,253	798		798
Attributable to non-controlling interests		-417		-417			
Total other comprehensive income /losses (+/-) net of the tax effect (B)	16	**-2,967**		**-2,967**	**310**		**310**
Attributable to non-controlling interests		-417		-417			
TOTAL COMPREHENSIVE INCOME /LOSS (+/-) (A) + (B)		**7,973**	**-75,047**	**-67,074**	**10,534**		**10,534**
Attributable to the owners of the parent		6,898	-75,047	-68,149	10,534		10,534
Attributable to non-controlling interests		1,075		1,075			

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(Euro/000)	Note	Share capital	Reserves and earnings (+/-)	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total
1. 1.2008		**337,112**	**497,674**	**834,786**	**165**	**834,951**
Dividend payment			-10,113	-10,113		-10,113
Change in non-controlling interests	16				10,830	10,830
Recognition of put option for non-controlling interests	16		-10,778	-10,778		-10,778
Total comprehensive income /loss (+/-) for the financial year			10,534	10,534		10,534
Other changes/roundings			-333	-333		-333
31.12.2008		**337,112**	**486,984**	**824,096**	**10,995**	**835,091**
Share capital increase	16	296,369		296,369		296,369
Dividend payment	16		-10,113	-10,113		-10,113
Change in non-controlling interests					367	367
Total comprehensive income /loss (+/-) for the financial year			-68,149	-68,149	1,075	-67,074
Other changes/roundings			-1	-1	1	
31.12.2009		**633,481**	**408,721**	**1,042,202**	**12,438**	**1,054,640**

CONSOLIDATED STATEMENT OF CASH FLOWS

(Euro/000)	Note	31.12.2009	31.12.2008
NET CASH FLOWS FROM OPERATING ACTIVITIES	31	**-305,070**	**4,533**
Investments in:			
- intangible assets		-10,332	-8,861
- property, plant and equipment		-72,192	-104,191
- equity investments		-128	-78,145
- financial receivables and other assets		-5	-16,700
Disposals of:			
- intangible assets			4
- property, plant and equipment		3,689	842
- equity investments		5	1,740
- financial receivables and other assets		12,106	21,346
CASH FLOWS FROM INVESTING ACTIVITIES		**-66,857**	**-183,965**
Changes in medium/long- term loans:			
- proceeds		76,823	3,841
- repayments		-4,225	-3,625
Change in finance lease obligation:			
- repayments		-1,621	-1,381
Change in short-term bank loans and overdrafts		26,042	86,611
Change in short-term loans from shareholders		-265	50
Change in payables/receivables due to/from associates		53,139	-31,716
Change in other financial liabilities/receivables		-38,495	-8,020
Change in receivables for financial instruments held for trading		4,953	-5,209
Change in payables for financial instruments held for trading		-1,609	-3,994
Dividends paid		-10,113	-10,113
Contribution by shareholders		296,369	
Change in non-controlling interests in equity		367	10,830
CASH FLOWS FROM FINANCING ACTIVITIES		**401,365**	**37,274**
NET CASH FLOWS FOR THE YEAR		**29,438**	**-142,158**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**56,983**	**199,106**
Effect of exchange rate changes on cash and cash equivalents			18
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**86,421**	**56,966**

Notes to the Consolidated Financial Statements

NOTE 1 – FORM, CONTENTS AND OTHER GENERAL INFORMATION

THE PARENT COMPANY

The Parent Company Fincantieri – Cantieri Navali Italiani S.p.A. is an Italian legal entity.
At the close of the 2009 financial year, 99.355% of the Company's share capital (Euro 633,480,725.7) was held by Fintecna– Finanziaria per i Settori Industriali e dei Servizi S.p.A.; the remainder of share capital was held by various private investors including Citibank, which held 0.644%.
Fincantieri's registered office is in Trieste (Italy), in Via Genova no. 1.
Appendix 2 includes a summary of the 2008 financial statements of Fintecna.

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 in the construction of mega-yachts.
The Group's activities are performed from 9 locations in Italy and 4 in the United States, resulting from the acquisition of the Manitowoc Marine Group (renamed Fincantieri Marine Group), plus another US location which performs trading activities and after sale services. The Group is also an important shareholder of a German shipyard.

CHARACTERISTICS OF CONSOLIDATED FINANCIAL STATEMENTS PREPARED UNDER INTERNATIONAL ACCOUNTING STANDARDS (IFRS)

Fincantieri has taken up the option permitted by Italian Legislative Decree 38 dated 28 February 2005, governing the exercise of options contained in article 5 of European Regulation no.1606/2002 concerning 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 Union.
PricewaterhouseCoopers S.p.A. have been appointed to audit the consolidated financial statements of the Group and the separate financial statements of the Parent Company and its main subsidiaries.

APPLICATION OF IFRSs

"IFRSs" refer to all the International Financial Reporting Standards, all the International Accounting Standards ("IAS"), and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") previously known as the Standing Interpretations Committee ("SIC"), as endorsed by the European Union and contained in the corresponding Regulations published as of 31 December 2009.
The IFRSs have been consistently applied to all of the years presented in this document. IFRSs have been applied in Italy and in other countries for the first time only recently; there have been several new IFRS publications and updates, for which there are no precedents, and consequently no references can be made when interpreting and applying the standards. The consolidated financial statements have therefore been prepared by on the basis on the best knowledge of the standards and their interpretations. Any future guidance and new interpretations will be reflected in subsequent financial years, in the manner indicated by the accounting standards concerned.

IMPROVEMENTS, AMENDMENTS AND INTERPRETATIONS APPLICABLE FROM 1 JANUARY 2009 THAT HAVE NOT BEEN APPLIED

The following improvements, amendments and interpretations, which became effective from 1 January 2009, govern circumstances not present within the Group or not applicable to it:
- Improvement to IAS 16 – Property, Plant and Equipment;
- Improvement to IAS 19 – Employee Benefits;
- Amendment to IAS 32 – Financial Instruments: Presentation and to IAS 1 - Presentation of Financial Statements - Financial Instruments;
- Improvement to IAS 29 – Financial Reporting in Hyperinflationary Economies;
- Improvement to IAS 36 – Impairment of Assets;
- Improvement to IAS 38 – Intangible Assets;
- Improvement to IAS 39 – Financial Instruments: Recognition and Measurement;
- Improvement to IAS 40 – Investment Property;
- Amendment to IFRS 2 – Share-based Payment: vesting conditions and cancellations;
- IFRIC 13 – Customer Loyalty Programmes;
- IFRIC 15 – Agreements for the Construction of Real Estate;
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation;
- Amendment to IFRIC 9 – Reassessment of Embedded Derivatives and to IAS 39 - Financial Instruments: Recognition and Measurement.

NEW ACCOUNTING STANDARDS APPLIED IN 2009

The following accounting standards, amendments and interpretations, also revised as a result of the IASB's 2008 Improvements to IFRSs, were applied by the Group for the first time from 1 January 2009.

IAS 1 Revised - Presentation of Financial Statements

The revised version of IAS 1 – Presentation of Financial Statements no longer permits components of profit or loss such as income and expense (defined as "non-owner changes in equity") to be presented in the statement of changes in equity; instead, such non-owner changes in equity must be disclosed separately from owner changes in equity. In fact, IAS 1 (Revised) requires all non-owner changes in equity (ie. comprehensive income) to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). These changes must also be reported in a single separate line of the statement of changes in equity.
The Group has applied the revised standard retrospectively from 1 January 2009, electing to report all non-owner changes in a single "consolidated statement of comprehensive income". As a result, the Group has amended the presentation of its statement of changes in equity.
IAS 1 (Revised) has been amended for the IASB 2008 Improvements to IFRSs; this amendment establishes that derivative financial assets and derivative financial liabilities must be presented in the consolidated statement of financial position using a current/non-current classification. Adoption of this amendment has not involved amending the presentation of derivative financial assets and derivative financial liabilities because they had already been classified using the current/non-current distinction even prior to this amendment.

IAS 23 Revised – Borrowing Costs

The revised standard has removed the option, adopted by the Group up until 31 December 2008, which permitted the immediate recognition in profit or loss of borrowing costs for investments in "qualifying assets" (define as assets that necessarily take a substantial period of time to get ready for their intended use or sale). This version of the standard was amended under the IASB 2008 Improvements process in order to revise the definition of borrowing costs eligible for capitalization.
In accordance with the standard's transitional provisions, the Group has applied the new standard prospectively from 1 January 2009, without any material effects on its consolidated financial statements.

Improvement to IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance

The improvement to IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance establishes that the benefit of a government loan at a below-market interest rate must be treated as a government grant and therefore follow the IAS 20 recognition rules. The previous version of IAS 20 established that no benefit need be recognized for loans at below-market interest rates received as government grants. The Group therefore used to recognize such loans at the amount received, while the associated interest benefit was recognized directly in profit or loss as "finance income (costs)".

In accordance with the amendment's transitional provisions, the Group has applied the new standard as from 1 January 2009 to low-interest loans obtained on or after that date. When the Group receives such loans, it recognizes the financial liability at fair value and deferred income for the benefit of the below-market interest rate, measured as the difference between the loan's fair value and the proceeds received. When and only when all the conditions needed for receiving the grant have been satisfied, this benefit is recognized in profit or loss on a systematic basis to match it with the related costs which it is intended to compensate. Application of this improvement has had no material impact on the financial statements at 31 December 2009.

Improvement to IAS 28 – Investments in Associates

The improvement to IAS 28 – Investments in Associates establishes that, if investments are accounted for using the equity method, any impairment shall not be allocated to the individual assets (including goodwill, if any) that forms part of the investment's carrying amount, but to the entire carrying amount of the investment in the associate. Accordingly, any reversal of such impairment losses shall be recognized in full.
In accordance with the improvement's transitional provisions, the Group decided to apply the amendment prospectively to impairment losses reversing on or after 1 January 2009; however, the adoption of this new standard has not had any impact on the 2009 financial statements because the Group did not recognize any impairment loss reversals during the year in respect of goodwill included in the carrying amount of its equity investments.
The improvement also amended the disclosures relating to investments in associates and joint ventures carried at fair value in accordance with IAS 39, with consequential amendments to IAS 31 – Interests in Joint Ventures, IFRS 7 – Financial Instruments: Disclosures and IAS 32 – Financial Instruments: Presentation. However, these amendments address circumstances that are not present in the Fincantieri Group at the current year-end reporting date.

Amendment to IFRS 7 – Financial Instruments: Disclosures

This amendment, applicable from 1 January 2009, was issued to increase the level of disclosure required about financial instruments measured at fair value and to enhance existing disclosures about liquidity risks. The amendment requires financial instruments measured at fair value to be classified according to a fair value hierarchy. The adoption of this standard has not had any impact on the measurement or recognition of financial instruments in the Group's financial statements, but only on the disclosures provided in the notes.

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

On 10 January 2008, the IASB issued a revised version of IFRS 3 – Business Combinations, and amended IAS 27 – Consolidated and Separate Financial Statements. The main changes to IFRS 3 concern the elimination of the requirement to measure a subsidiary's individual assets and liabilities at fair value for every subsequent acquisition when a business combination is achieved in stages. Goodwill is determined solely upon acquisition and is measured as the difference between the value of the investment immediately prior to the acquisition, the consideration transferred and the value of the net assets acquired. If the investor does not acquire 100% of the investment, the non-controlling interest must be measured either at fair value or using the existing method permitted by IFRS 3. The revised version of the standard also requires all acquisition-related costs to be recognized in profit or loss and liabilities for contingent consideration to be recognized at the acquisition date. The amendment to IAS 27 establishes that changes in a parent's ownership interests that do not result in a loss of control are accounted for as equity transactions and so must be recognized in equity. In addition, if a parent loses control of a subsidiary but continues to hold an interest in such company, it must recognize the investment retained in the former subsidiary at its fair value at the date when control is lost, while any gains or losses arising from the loss of control must be recognized in profit or loss. Lastly, the amendment to IAS 27 requires all losses attributable to non-controlling interests to be allocated to them, even when such losses exceed the equity attributable to non-controlling interests. The new rules must be applied prospectively from 1 January 2010.

IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations was also amended as part of the IASB 2008 Improvements. This amendment establishes that if a company is committed to a plan of sale involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary must be reclassified to assets held for sale, even if, after the sale, the parent retains a non-controlling interest in its former subsidiary. This amendment must be applied prospectively from 1 January 2010.

On 31 July 2008, the IASB issued an amendment to IAS 39 – Financial Instruments: Recognition and Measurement, which must be applied retrospectively from 1 January 2010. The amendment clarifies the principle for defining eligible hedged items in particular circumstances.

On 27 November 2008, the IFRIC issued IFRIC Interpretation 17 – Distribution of Non-cash Assets to Owners, with the aim of harmonizing the accounting treatment of non-cash distributions to owners. The interpretation clarifies that a liability to pay a dividend must be recognized when the dividend is appropriately authorized and that this liability must be measured at the fair value of the net assets used for its payment. Lastly, an entity must recognize in profit or loss the difference between the dividend paid and the net carrying amount of the assets distributed. This interpretation applies prospectively as from 1 January 2010.

On 29 January 2009, the IFRIC issued IFRIC Interpretation 18 – Transfers of Assets from Customers, which clarifies the accounting treatment for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must use to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment that will be used to fulfill the agreement. This interpretation applies prospectively as from 1 January 2010.

On 16 April 2009, the IASB issues a set of Improvements to IFRSs; those improvements involving changes in the presentation, recognition and measurement of items in the financial statements will now be discussed, while those involving just changes in terminology or wording with no accounting impact will be ignored, as will those changes relating to standards or interpretations that do not apply to the Group. At the current year-end reporting date the European Union had not yet completed the endorsement process needed to apply these Improvements.

- IFRS 2 – Share-based Payment: the amendment, which must be applied from 1 January 2010, clarifies that, further to the revised definition of a business combination in IFRS 3, IFRS 2 does not apply to combinations of entities or businesses under common control or to the contribution of a business on the formation of a joint venture.
- IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations: the amendment, applicable prospectively from 1 January 2010, clarifies that IFRS 5 and the other IFRSs that specifi-

cally refer to non-current assets (or disposal groups) classified as held for sale or as discontinued operations establish all the disclosures needed for this type of asset or transaction.

- IFRS 8 – Operating Segments: the amendment, which must be applied from 1 January 2010, requires entities to report a measure of total assets and liabilities for each reportable segment if such amounts are regularly provided to the chief operating decision maker. This disclosure was previously a requirement even in the absence of such condition. It is permitted to apply this amendment earlier than its official effective date.
- IAS 1 – Presentation of Financial Statements: the amendment, which must be applied from 1 January 2010, revises the definition of current liabilities contained in IAS 1. Under the previous definition, liabilities that could be settled at any time by the issue of equity instruments were classified as current liabilities. This meant that convertible bonds that could be converted at any time into an issuer's shares were classified as current liabilities. As a result of the amendment, the presence of an option to convert the liability into equity instruments does not affect the liability's current/non-current classification.
- IAS 7 – Statement of Cash Flows: the amendment, which must be applied from 1 January 2010, establishes that only expenditures that result in a recognized asset in the statement of financial position are eligible for classification as investing activities in the statement of cash flows, while expenditures that do not result in a recognized asset (such as advertising and promotional costs or staff training costs) must be classified as operating activities.
- IAS 17 – Leases: under the amendments the general conditions contained in IAS 17 for classifying a lease as a finance or operating lease will also apply to leases of land, regardless of whether ownership title is transferred or not at the end of the lease. Prior to these amendments the accounting standard established that, when land had an indefinite economic life, then leases of land should be classified as operating leases unless title was expected to pass to the lessee by the end of the lease term. This interpretation applies from 1 January 2010; at the date of adopting this amendment, the land elements of all unexpired leases must be measured separately, with retrospective recognition of any leases newly classified as finance leases.
- IAS 36 – Impairment of Assets: the amendment, applicable prospectively from 1 January 2010, establishes that every cash-generating unit or group of cash-generating units to which goodwill is allocated for the purpose of impairment testing shall not be larger than an operating segment, as defined by paragraph 5 of IFRS 8, before aggregation permitted by paragraph 12 of IFRS 8 if segments have similar economic or other characteristics.
- IAS 38 – Intangible Assets: the 2008 revision of IFRS 3 established that there is sufficient information to measure the fair value of an intangible asset acquired in a business combination if the asset is separable or arises from contractual or other legal rights. IAS 38 has been amended to reflect this revision of IFRS 3. The amendment also clarifies the commonly used techniques for estimating the fair value of intangible assets for which no active market exists; these techniques include (i) discounting estimated future net cash flows from the asset, and (ii) estimating the costs the entity avoids by owning the intangible asset and not needing to license it from another party or to recreate or replace it (as in the cost approach). This amendment applies prospectively from 1 January 2010; however, if IFRS 3 (Revised) is adopted early, the amendment to IAS 38 must also be adopted early.
- IAS 39 – Financial Instruments: Recognition and Measurement. The amendment restricts the scope exception contained in paragraph 2g of IAS 39 to forward contracts between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date, when the term of the forward contract does not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction. The amendment clarifies that the scope of IAS 39 applies to option contracts (whether currently exercisable or not) allowing one party to control the occurrence or non-occurrence of future events and whose exercise would allow that party to obtain control of another entity. The amendment also clarifies that

early loan repayment penalties, with which a borrower compensates a lender for lost interest, must be treated as part of the associated loan contract and so must not be accounted for separately. Lastly, the amendment clarifies that if a hedge of a forecast transaction results in the recognition of a financial asset or financial liability, the associated gains or losses shall be reclassified from equity to profit or loss in the same period during which the hedged forecast cash flows affect profit or loss. This amendment applies prospectively from 1 January 2010; earlier application is permitted.

- IFRIC 9 – Reassessment of Embedded Derivatives: this amendment, applicable prospectively from 1 January 2010, excludes from the scope of IFRIC 9 embedded derivatives in contracts acquired in a business combination, in a combination of entities or businesses under common control or in the formation of a joint venture.

In June 2009, the IASB issued an amendment to IFRS 2 – Share-based Payment addressing group cash-settled share-based payment transactions. The amendments clarify the scope of IFRS 2 and its relationship with other accounting standards. The amendments also clarify that an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash; the amendments also establish that in IFRS 2 a "group" has the same meaning as in IAS 27 - Consolidated and Separate Financial Statements, that is, it includes only a parent and its subsidiaries. The amendments state that an entity must account for the goods or services received in a transaction settled in cash or shares from its own point of view, which may not be the same as the group's or for the same amount as that recognized in the consolidated financial statements. The amendments also incorporate guidance previously included in IFRIC 8 - Scope of IFRS 2 and IFRIC 11 - IFRS 2: Group and Treasury Share Transactions. As a result, the IASB has withdrawn IFRIC 8 and IFRIC 11. These amendments apply from 1 January 2010; at the current year-end reporting date the European Union had not yet completed the endorsement process needed to apply them.

On 8 October 2009, the IASB issued an amendment to IAS 32 – Financial Instruments – Presentation, addressing the classification of rights issues (rights, options or warrants) in a currency other than the issuer's functional currency. In the past such rights were accounted for as derivative financial liabilities; the amendment establishes that, under certain conditions, such rights are classified as equity regardless of the currency in which the exercise price is denominated. This amendment applies retrospectively from 1 January 2011.

On 4 November 2009, the IASB issued a revised version of IAS 24 – Related Party Disclosures, that simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The revised standard applies from 1 January 2011; at the current year-end reporting date the European Union had not yet completed the endorsement process needed for its application.

On 12 November 2009, the IASB issued IFRS 9 – Financial Instruments, which introduces new requirements for classifying and measuring financial assets, applicable from 1 January 2013. This publication is the first part of a project to replace IAS 39. The new standard uses a single approach based on how an entity manages its financial instruments and the contractual cash flow characteristics of financial assets to determine how they should be measured, replacing the many different rules in IAS 39. The new standard also requires a single impairment method to be used for financial assets. At the current year-end reporting date the European Union had not yet completed the endorsement process needed for the new standard's application.

On 26 November 2009, the IASB issued a minor amendment to IFRIC 14 with respect to prepayments of minimum funding requirements, allowing entities to recognize as an asset some voluntary prepayments for minimum funding contributions. The amendment applies from 1 January 2011; at the current year-end reporting date the European Union had not yet completed the endorsement process needed for its application.

On 26 November 2009, the IFRIC issued IFRIC Interpretation 19 – Extinguishing Financial Liabilities with Equity Instruments, which provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments. The interpretation clarifies that when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares to settle the financial liability, then the entity's shares issued become part of the consideration paid to extinguish the financial liability and must be measured at fair value; the difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued must be included in the entity's profit or loss for the period. This interpretation applies from 1 January 2011; at the current year-end reporting date the European Union had not yet completed the endorsement process needed for its application.
The process of endorsing IFRIC Interpretation 12 was particularly complex and was completed only on 5 November 2008 when the competent EU committee formally approved IFRIC 12, authorizing its publication in the European Union's Official Journal on 25 March 2009. IFRIC 12 addresses the recognition and measurement of service concession arrangements between a government or other public sector body and a private operator, and particularly the accounting treatment of the infrastructure under concession and its management. Although the IFRIC's effective date was for annual periods beginning on or after 1 January 2008, the Group will adopt IFRIC 12 for annual periods beginning on or after 1 January 2010, as established upon endorsement and in keeping the general rule of applying IFRSs only when they have been endorsed and published in the European Union's Official Journal.

PRESENTATION OF FINANCIAL STATEMENTS

The Group presents its statement of financial position using a "non-current/current" distinction, its statement of comprehensive income using a classification based on the nature of expenses, and its statement of cash flows using the indirect method.
In compliance with IAS 1 and with best market practice, the statement of comprehensive income has been amended to show separately the impact of non-recurring items on profit or loss in 2009 (see Note 24). In addition, a number of minor changes have been made to the layout of the statement of financial position, resulting in a change in the layout of the statement of changes in consolidated equity as well. Lastly, as permitted by IAS 1, certain intermediate results have been eliminated from the layout of the statement of comprehensive income.

FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Euro since this is the currency of the primary economic environment in which the Fincantieri Group operates. Foreign operations are included in the consolidated financial statements in accordance with the principles set out in the following notes.
The consolidated financial statements, like the accompanying notes, are presented in thousands of Euro.
In certain cases, 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 it exercises direct or indirect control, as defined by IAS 27. Such control exists when the Group has the power to govern, directly or indirectly, the financial and operational policies of an entity so as to obtain benefits from its activities. Subsidiaries are consolidated from the date that control is obtained until the date control ceases. The existence of potential voting rights, currently exercisable or convertible at the period-end reporting date, are taken into account when assessing the existence of control.
Appendix 1 presents a list of the consolidated companies, including information about the nature of their business, location of their registered offices, amount of share capital, and their ownership structure.

Changes in the scope of consolidation:

On 1 January 2009, Fincantieri obtained control of the US shipbuilding group Manitowoc Marine Group, now renamed Fincantieri Marine Group, which has therefore been consolidated from this date. Note 30 contains more details about this acquisition, while the acquisition's impact on the main items of revenue and expense and assets and liabilities are discussed in the individual notes concerned.
The newly-formed company Seastema S.p.A. was also consolidated for the first time in 2009, from the date of its incorporation.

BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are consolidated on a line-by-line basis. The principles used for line-by-line consolidation are as follows:
In the year of a company's first-time consolidation, the cost of the acquisition is measured as the acquisition-date fair value of the assets acquired, liabilities incurred or assumed, and financial instruments issued by the Group in exchange for control of the acquired entity, plus any costs directly attributable to the acquisition. The identifiable assets, liabilities and contingent liabilities of the acquired entity which meet the IFRS 3 recognition criteria are measured initially at their acquisition-date fair values, except for acquired non-current assets (or disposal groups) classified as held for sale in accordance with IFRS 5, which are stated at fair value less costs to sell.
Goodwill arising from an acquisition is recognized as an asset and initially measured at cost, representing the excess of acquisition consideration over the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities acquired. If, after reassessing these amounts, the acquisition cost is less than the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities acquired, the resulting gain is recognized directly in profit or loss. Any non-controlling interest in an acquired subsidiary is initially measured at the

non-controlling interest's proportionate share of the fair value of the identifiable assets, liabilities and contingent liabilities acquired. IFRS 3 does not permit the recognition of negative goodwill, and so the excess of the acquirer's interest in the fair value of the acquiree's identifiable net assets, liabilities and contingent liabilities over the acquisition cost is recognized directly in profit or loss (but only after the acquirer has reassessed the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities).
Intragroup balances, income and expenses and all material transactions, including unrealized gains and profits or losses on intragroup transactions, are eliminated.
Equity and profit for the period attributable to non-controlling interests are shown separately within the statement of financial position and the statement of comprehensive income respectively.

Associates

Associates are those entities over which the Group has significant influence, which is usually presumed to exist when it holds between 20% and 50% of the investee's voting power. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method described below.
The carrying amount of these investments reflects the Group's share of the associate's equity, adjusted, if necessary, to reflect the application of IFRS, as well as the higher 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 such influence ceases. If, as a result of losses, an associate reports negative equity, the carrying amount of the investment is reduced to zero and the Group recognizes a liability for the additional losses only to the extent that it has incurred legal or constructive obligations or made payments on behalf of the associate. Changes in the equity of an equity-accounted company which are not represented by profits or losses reported through its income statement, are recognized as an adjustment to consolidated equity.
Unrealized profits and losses arising from the transactions between equity-accounted associates and the Parent Company or its subsidiaries are eliminated to the extent of the Group's interest in the associate. Unrealized losses are not eliminated if they represent an impairment loss.

Joint ventures

A joint venture is 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.

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

The financial statements of subsidiaries, associates and joint ventures are prepared in their "functional currency", being the currency of the primary economic environment in which they operate. For consolidation purposes, the financial statements of each foreign company are expressed in Euro, which is the Group's functional currency and the presentation currency for its consolidated financial statements.

The rules for translating the financial statements of foreign companies from a foreign currency into Euro are as follows:

- assets and liabilities are translated using the closing exchange rate at the date of the statement of financial position;
- income and expenses are translated using the average exchange rate for the reporting period/year;
- the "currency translation reserve" reports the differences arising on the income statement's translation at an average rate as opposed to a closing rate, as well as the differences arising on the translation of opening equity at a different rate to that applied to closing equity;
- goodwill and fair value adjustments arising from the 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 used to translate the financial statements of companies with a "functional currency" other than the Euro are as follows:

	2009		2008	
	12-month average	Closing rate at 31-Dec	12-month average	Closing rate at 31-Dec
US Dollar	1,39478	1,4406	1,47076	1,3917

NOTE 3 - ACCOUNTING POLICIES

1. INTANGIBLE ASSETS

Intangible assets are identifiable non-monetary assets without physical substance, that are controllable and able to generate future economic benefits. Such assets are carried at purchase cost and/or internal production costs, including the expenses directly attributable to prepare assets for their intended use, less accumulated amortization and any accumulated impairment losses. Any borrowing costs incurred during and for the development of an intangible asset are capitalized as part of the asset's cost. Assets qualifying as "assets acquired in a business combination" are separately recognized only if their fair value can be measured reliably. Intangible assets are amortized unless they have an indefinite useful life. Amortization commences when the asset is available for use and is allocated on a systematic basis over its useful life.

1.1 Goodwill

Identifiable assets, liabilities and contingent liabilities acquired in a business combination are recognized at their acquisition-date fair values. Any positive difference between the acquisition cost and the Group's share of the fair value of such assets and liabilities is classified as goodwill and recognized as an intangible asset. Any negative difference ("negative goodwill") is recognized in profit or loss on the acquisition date. Goodwill is not amortized but instead is tested annually for impairment, or whenever specific events or changed circumstances indicate that it might be impaired. No impairment losses recognized for goodwill can be reversed in a subsequent period. After initial recognition, goodwill is carried at cost less any accumulated impairment losses.

1.2 Concessions, licenses, trademarks and similar rights

Concessions, licenses, trademarks and similar rights, acquired in a business combination, are recognized at their acquisition-date fair values and amortized over their expected useful lives. However, trademarks are not amortized, but instead are tested annually for impairment, or whenever specific events or changed circumstances indicate that they might be impaired.

1.3 Customer relationships

Customer relationships, acquired in a business combination, are recognized at their acquisition-date fair values. Customer relationships are amortized over the expected life of such relationships.

1.4 Research and development costs

Expenditure on research is recognized as an expense when it is incurred. Expenditure on developing new products and processes is capitalized and recognized as an intangible asset only if all the following conditions are satisfied:

- the development project is clearly identifiable and the related costs are identifiable and can be measured reliably;
- 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, if it is used internally, the usefulness of the asset can be demonstrated;
- adequate technical and financial resources are available to complete the project.

Capitalized development costs are amortized on a straight-line basis over 5 years from the date the project's output can be marketed and sold.

1.5 Industrial patents and intellectual property rights

Amortization is calculated on a straight-line basis so as to allocate the cost incurred for acquiring the rights over their estimated useful life or the term of the related contracts, if shorter. Amortization begins when the acquired rights become effective. The cost of software licenses is amortized on a straight-line basis over 3 years.

2. PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at their historical purchase or production cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to preparing the assets for their intended use, as well as any costs of dismantling and removing the assets which will be incurred as a result of contractual obligations to restore the asset to its original condition. Any borrowing costs incurred during and for the development of an item of property, plant and equipment are capitalized as part of the asset's cost.

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 its original condition, less accumulated depreciation calculated over the shorter of the asset's estimated useful life and the term of the individual concessions, and less any dismantling and removal costs.
Expenditure incurred after acquiring an asset and the cost of replacing certain parts is capitalized only if such expenditure increases the asset's future economic benefits. Routine repair and maintenance costs are recognized as expenses in the period incurred. If the costs of replacing certain parts of an asset are capitalized, the residual value of the parts replaced is charged to profit or loss.
Property, plant and equipment acquired under finance lease, where the risks and rewards incidental to ownership of an asset are substantially transferred to the Group, are recognized as assets at the lower of their fair value or the present value of the minimum lease payments, including any purchase option cost. The corresponding lease liability is reported in financial liabilities. Leased assets are depreciated using the same criteria and useful lives at that indicated below for owned assets.
Leases where the lessor substantially retains all the risks and rewards of ownership are reported as operating leases. Payments made under operating leases are recognized as expenses on a straight-line basis over the lease term.
Depreciation is charged on a straight-line basis so as to depreciate assets over their useful lives. If a depreciable asset consists of separately identifiable parts, whose useful lives differ significantly from other parts of that asset, each part is depreciated separately in accordance with the component approach. The Group has estimated the following useful lives for its various categories of property, plant and equipment:

Industrial buildings and dry docks	33 years
Plant and machinery	7 - 10 years
Equipment	4 years
Assets under concession	Useful life or term of concession, if shorter
Improvements to leased assets	Useful life or term of lease, if shorter
Other assets	4 - 33 years

Land is not depreciated. The residual values and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at least at every financial year-end.
Property, plant and equipment leased out by the Fincantieri Group 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 lessee are recognized as financial receivables in the statement of financial position. The profit from the sale of the leased asset is recognized when the asset is transferred to the lessee. Such profit is determined as the difference between: i) the fair value of the asset at the commencement of the lease term, or, if lower, the present value of the minimum lease payments accruing to the Group, computed at a market rate of interest; and ii) the leased asset's production costs plus any legal fees and internal costs directly attributable to negotiating and arranging the lease. After recognizing the financial receivable, the finance income is recognized based on a pattern reflecting the constant periodic rate of return on the outstanding receivable and is released to profit or loss over the lease term on a systematic and rational basis.

3. IMPAIRMENT OF NON-FINANCIAL ASSETS

Property, plant and equipment and intangible assets are reviewed at the end of each reporting period to identify any indication of impairment. If such indications are identified, the recoverable amount of such assets is estimated and if this is lower than the carrying amount, the difference is charged to profit or loss as an impairment loss. Intangible assets with indefinite useful lives, such as goodwill, are not amortized but are tested annually for impairment, or whenever there are signs that such assets might be impaired.
The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use, defined as the present value of the future cash flows expected to be derived from that asset. If an asset does not generate cash inflows that are largely independent of the cash inflows from other assets, its value in use is determined with reference to the cash-generating unit to which the asset belongs. When calculating an asset's value in use, its expected cash flows are discounted using a discount rate reflecting current market assessments of the time value of money for the period of investment and risks specific to that asset. An impairment loss is recognized in profit or loss when an asset's carrying amount is higher than its recoverable amount. If the reasons for an impairment loss cease to exist, it may be reversed in whole or in part through profit or loss, except in the case of goodwill, whose impairment can never be reversed; if an impairment loss is reversed the asset's new carrying amount may not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in the past.

4. OTHER INVESTMENTS

Investments other than those in subsidiaries, associates and joint ventures (generally where the Group's interest is less than 20%) are classified as non-current financial assets and represent available-for-sale financial assets that are carried at fair value, if determinable, changes in which are recognized in equity until these assets are sold or suffer an impairment loss; at such time, the cumulative gains or losses previously recognized in equity are reclassified to profit or loss. Investments in other smaller companies, whose fair value cannot be determined, are stated at cost less any impairment losses.

5. INVENTORIES AND ADVANCES

Inventories are recorded at the lower of purchase or production cost and net realizable value, defined as the estimated selling price in the ordinary course of business less selling costs. The cost of inventories of raw, ancillary and consumable materials and finished products and goods is determined using the weighted average cost method.
The cost of production includes raw materials, direct labor costs and other costs of production (allocated 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 value with the net realizable amount.

6. CONSTRUCTION CONTRACTS

Construction contracts are recognized at the value of the agreed contractual consideration plus the amount of any grants available under specific laws which have reasonably accrued at the period-end reporting 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 calculating the contract costs incurred up to the reporting date as a percentage of total estimated costs for each contract.

Construction contracts are reported as the costs incurred plus profit earned to date, less an allowance for any estimated future losses and progress billings issued. This analysis is performed on a contract by contract basis. When this difference is positive, it is classified as an asset under "construction contracts – assets" and when it is negative, the difference is classified as a liability under "construction contracts – liabilities".

Any borrowing costs incurred during the progress of construction contracts are treated as expenses of the specific job.

Shipbuilding contracts are closed for accounting purposes three months after a vessel's delivery; in the case of naval vessels, the delivery date is the date the acceptance report is issued.

7. FINANCIAL ASSETS AND LIABILITIES

Non-derivative financial assets are measured at amortized cost using the effective interest method. If there is objective evidence that a financial asset is impaired, the carrying amount of the asset is reduced accordingly. Impairment losses identified by impairment tests are recognized in profit or loss.

These assets are classified as current assets, except for assets maturing after more than twelve months which are therefore classified as non-current assets.

Most of the Group's receivables are trade receivables representing non-derivative financial assets that are not quoted in an active market and have fixed or determinable payments. They are classified as current assets, except for those maturing after more than 12 months from the reporting date, which are classified as non-current assets. These assets are measured at amortized cost using the effective interest method.

If there is objective evidence of impairment, the amount of these assets is reduced to the present value of estimated future cash flows. Any such impairment losses are recognized in profit or loss. If, in a subsequent period, the reasons for such impairment losses no longer apply, the value of the asset is reinstated up to its amortized cost as if the impairment loss had never been recognized.

Financial liabilities relating to loans and other obligations payable other than derivatives are measured at amortized cost, less principal already repaid.

Payables and other liabilities are classified as current liabilities, unless the Group has a contractual right to extinguish its obligations more than twelve months from the reporting date.

The derivatives used by the Fincantieri Group are designed to hedge its exposure to currency risk primarily on sale contracts and, to a lesser extent, procurement contracts denominated in currencies other than the Euro, to interest rate risk on loans and to price risk relating to certain commodities.

Derivative instruments are initially recognized at fair value on the derivative contract's inception date. Following initial recognition, changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognized as finance income or costs for the period. If derivative instruments do qualify for hedge accounting, any subsequent changes in their fair value are treated in accordance with the specific rules set out below. In order for a derivative financial instrument to qualify as a hedging instrument, the Group must formally document 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 assesses the effectiveness of each hedge, both at hedge inception and on an ongoing basis. A hedging transaction is usually regarded as highly "effective" if at inception and during its life, the change in the hedged item's fair value, in the case of fair value hedges, and in the expected future cash flows, in the case of cash flow hedges, substantially offsets the change in fair value of the hedging instrument.
Changes in the fair value of derivative assets or liabilities that qualify as fair value hedges are recognized in profit or loss, along with any changes in the fair value of the hedged item.
In a cash flow hedge designed to offset the cash flow risks relating to a highly probable forecast transaction, after initial recognition the fair value changes in the effective portion of the derivative hedging instrument are accounted for in an equity reserve. This reserve is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedge is not perfectly effective, the fair value change in the ineffective portion of the hedging instrument is immediately recognized in profit or loss. If, during the life of a derivative hedging instrument, a highly probable forecast transaction is no longer expected to occur, the portion of the "reserves" relating to this instrument is immediately reclassified to profit or loss for the period. Conversely, if the derivative instrument is sold or no longer qualifies as an effective hedging instrument, the portion of the "reserves" representing changes in the instrument's fair value recognized up until then, remains separately in equity until the originally hedged transaction occurs, at which point the reserve is also reclassified to profit or loss. If a hedged transaction is no longer regarded as probable, the unrealized gains or losses recognized in equity are immediately reclassified to profit or loss.

8. GRANTS FROM GOVERNMENT AND OTHER PUBLIC ENTITIES

Government grants are recognized in the financial statements when there is reasonable assurance that the recipient will comply with the conditions attaching to them and that the grants will be received. Grants are recognized in profit or loss over the periods in which the recipient recognizes as expenses the related costs for which the grants are intended to compensate.

8.1 Grants related to assets

Government grants related to property, plant and equipment are classified as "deferred income" in the statement of financial position, forming part of other non-current liabilities. This deferred income is then recognized as income in the income statement on a straight-line basis over the useful life of the asset for which the grant was received.

8.2 Grants related to income

Grants other than grants related to assets are credited to the income statement as "Other revenues and income".

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, current accounts and demand deposits with banks and other highly liquid short-term investments that are readily convertible into cash and which are subject to an insignificant risk of changes in value.

10. EMPLOYEE BENEFITS

The Fincantieri Group operates both defined contribution plans and defined benefit plans.
A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a fund managed by a third party. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. In the case of defined contribution plans, the Group pays contributions into publicly and privately administered pension insurance plans on a mandatory contractual or voluntary basis. The contributions are recognized as an expense in personnel costs in the accounting period to which they refer.
Defined benefit plans are post-employment benefit plans other than defined contribution plans. Defined benefit plans include the employee indemnity benefit, payable to Italian employees under article 2120 of the Italian Civil Code, as amended for the 2007 reform of this benefit.
The amount recognized in the financial statements is calculated on an actuarial basis using the projected unit credit method; the discount rate used by this method to calculate the present value of the defined benefit obligation reflects the market yield on bonds with the same maturity as that expected for the obligation. The calculation relates to the employee indemnity benefit already accrued for past service and, in the case of Italian subsidiaries with less than 50 employees, incorporates assumptions concerning future salary levels. Further to the reform of employee indemnity benefit under Law 296 dated 27 December 2006, the actuarial assumptions no longer need to consider future salary levels for Italian subsidiaries with more than 50 employees. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

11. PROVISIONS FOR RISKS AND CHARGES

Provisions for risks are recognized only when there is a present obligation (legal or constructive) as a result of past events that is expected to result in an outflow of resources embodying economic benefits to settle the obligation. The amount recognized as a provision represents the best estimate of the expenditure required to settle the obligation.
Where the effect of the time value of money is material, and the obligation settlement date can be reliably estimated, provisions are measured at the present value of the expected expenditure using a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. Any increase in the amount of a provision due to changes in the time value of money is recognized as interest expense.
Contingent liabilities, meaning those relating to obligations that are only possible, are not recognized but are disclosed in the section of the notes to the financial statements addressing commitments and risks.

12. REVENUES

Revenues from construction contracts are recognized using the percentage of completion method. When it is probable that total contract costs will exceed total contract revenue, the expected loss is immediately recognized as an expense in the income statement.
Revenues earned up to the reporting date from contracts denominated in foreign currency are translated into Euro using the hedged exchange rate, if the contract is hedged, or at the actual or future exchange rate used for invoicing if the contract is not hedged.
Retentions or other amounts which can be contractually reclaimed by customers are not recognized until any post-delivery obligations have been fully satisfied.

13. INCOME TAXES

Income taxes for the year represent the sum of current and deferred taxes.
Current income taxes are calculated on taxable profit for the year, using tax rates that apply at the end of the reporting period.
Deferred income taxes are income taxes that are expected to be paid or recovered on temporary differences between the carrying amount of assets and liabilities and their tax bases. Deferred tax liabilities are usually recognized for all taxable temporary differences, while deferred tax assets, including those for carryforward tax losses, are recognized to the extent that it is probable that taxable profit will be available against which the temporary differences can be recovered. No deferred tax liabilities are recognized for temporary differences relating to goodwill.
Deferred tax liabilities are recognized on taxable temporary differences relating to investments in subsidiaries, associates and joint ventures, except in cases when both the following conditions are satisfied: (i) the Group is able to control the timing of the reversal of such temporary differences and (ii) the temporary differences are unlikely to reverse in the foreseeable future.
Deferred income taxes are determined using tax rates that are expected to apply to the period when the related differences are realized or settled.
Current and deferred income taxes are recognized in the income statement with the exception of taxes relating to items which are directly debited or credited to equity, in which case the tax effect is also recognized directly in equity. Deferred tax assets and liabilities are offset if, and only if, income tax is levied by the same taxation authority, there is a legally enforceable right of offset and the outstanding net balance is expected to be settled.
Taxes not related to income, such as property tax, are reported in "other costs".

14. EARNINGS PER SHARE

14.1 Basic earnings per share

Basic earnings per share are calculated by dividing profit or loss attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period.

14.2 Diluted earnings per share

Diluted earnings per share are calculated by dividing profit or loss attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period. For the purpose of calculating diluted earnings per share, the weighted average number of ordinary shares is adjusted for the assumed conversion of all dilutive potential ordinary shares into ordinary shares, while profit attributable to owners of the parent is adjusted to take account of any after-tax effect of such a conversion.

15. STATEMENT OF CASH FLOWS

In accordance with IAS 7, the statement of cash flows prepared using the indirect method reports the Group's ability to generate "cash and cash equivalents". Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Therefore an investment normally qualifies as a cash equivalent only when it has a short maturity of say three months of less. Bank overdrafts are generally considered to be financial activities, unless they are repayable on demand and form an integral part of an entity's cash management or its cash and cash equivalents; in these circumstances, such overdrafts are classified as a reduction in cash and cash equivalents. The components of cash and cash equivalents reported in the statement of cash flows reflect the equivalent items presented in the statement of financial position. Cash flows relating to interest income and expense, dividend receipts and income taxes are classified as cash flows from operating activities.
The format used by the Group presents separately:
- **cash flows from operating activities**: cash flows from operating activities are primarily derived from the entity's revenue-producing activities and are presented using the indirect method. Under this method, profit or loss for the year is adjusted for the effects of non-cash transactions, meaning those that have not generated cash and cash equivalents;
- **cash flows from investing activities**: investing activities are presented separately because the cash flows represent the extent to which expenditures have been made for resources intended to generate future income and cash flows;
- **cash flows from financing activities**: financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

16. SUBJECTIVE ACCOUNTING ESTIMATES AND JUDGMENTS

Preparation of financial statements requires management to apply accounting policies and principles that, in some circumstances, are based on difficult, subjective estimates and judgments based on past experience and other assumptions deemed to be reasonable and realistic under the related circumstances. The application of such estimates and assumptions affects the amounts reported in the financial statements, such as the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows and the related disclosures. The end amount of items derived using such estimates and assumptions could differ from that reported in the financial statements because of the inherently uncertain nature of the assumptions and conditions on which the estimates were based.

The specific characteristics of the Fincantieri Group's sectors of activity result in an intensive use of estimates and assumptions and changes in the conditions underlying such assumptions could have a material impact on the consolidated financial data; the principal sources of estimation uncertainty affecting the Fincantieri Group are briefly discussed below.

16.1 Revenue recognition for construction contracts

Like with other large, long-term contracts, shipbuilding contracts are dated well before product completion, sometimes even a long time before. In accordance with current market practice, contract price revisions or the possibility of receiving additional estimates for additions or variations seldom occur, unless the scope of work is significantly modified.
The margins expected to be achieved on the entire project upon completion are recognized in profit or loss according to the stage of contract completion. Accordingly, correct recognition of construction contracts and margins relating to work in progress requires management to estimate correctly the costs of completion, any incremental costs, as well as delays, additional costs and penalties that could reduce the expected margin. In support of such estimates, management uses a system of contract risk management and analysis to monitor and quantify the risks relating to these contracts. The amounts recognized in the financial statements represent management's best estimate using such support systems.

16.2 Provisions for risks and charges

The Group recognizes provisions for legal and tax risks where the outcome is expected to be negative. The amount of the provisions relating to such risks represents management's best estimate at the current date. This estimate is derived by adopting assumptions that depend on factors that may change over time and could therefore materially differ from the estimates made when preparing the consolidated financial statements.

16.3 Deferred tax assets

Deferred tax assets are recognized on the basis of assumptions concerning future taxable profit. The assessment of future taxable profit for the purposes of recognizing deferred tax assets depends on factors that can change over time and have a material impact on the recoverability of deferred tax assets.

17. RECLASSIFICATIONS

The statement of comprehensive income for 2008, presented for comparative purposes in the present consolidated financial statements, contains a number of reclassifications relative to the previously published version in order to make the format of the statement of comprehensible income clearer. These reclassifications have not had any impact on profit (loss) for the year or on equity, and particularly refer to reclassification of the actuarial and interest components of the employee indemnity benefit from personnel costs to finance costs.

NOTE 4 - FINANCIAL RISK MANAGEMENT

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

CREDIT RISK

The Fincantieri Group's receivables basically relate to amounts due from private shipowners for construction contracts, from the Italian government both for grants receivable and for supplies to the country's military corps, and from the US Navy and US Coast Guard for vessels being built by the subsidiary Fincantieri Marine Group LLC.

With specific regard to trade receivables due from private shipowners, Fincantieri constantly monitors customer creditworthiness, its credit exposure and the speed of credit collection. The amount of receivables due from private shipowners is not very high because payment terms are very short and require the entire purchase price to be settled before a ship can be delivered. The amount of such receivables has nonetheless increased since 2008. This increase is due to the international economic crisis which has put some of Fincantieri's customers into financial difficulty and caused them to take longer with their payments than before. Fincantieri has taken every necessary step to minimize the risk of not collecting these receivables.

The following tables provide a breakdown of the maximum exposure by risk class as of 31 December 2009 and 31 December 2008 based on the nominal value of receivables prior to any allowance against doubtful accounts:

	31.12.2009					
		Past due (days)				
(Euro/000)	Current	0 - 30	31 - 60	61 - 90	Over 90	Total
TRADE RECEIVABLES:						
- due from public entities	12,254	17,879	915	405	7,724	39,177
- due indirectly from public entities (*)	16,594	6,022	121	0	1,034	23,771
- due from private customers	64,935	60,223	48,069	11,424	84,235	268,886
TOTAL TRADE RECEIVABLES	**93,783**	**84,124**	**49,105**	**11,829**	**92,993**	**331,834**
Government grants financed by BIIS	70,706					70,706
Government grants from others	48,465					48,465
Finance lease receivables	33,455					33,455
Receivables from joint ventures	153					153
Receivables from Fintecna Group companies	5,070					5,070
Other receivables	91,035			257	15,462	106,754
GROSS TOTAL	**342,667**	**84,124**	**49,105**	**12,086**	**108,455**	**596,437**
Allowance for doubtful receivables						-47,324
NET TOTAL						**549,113**
Advances, prepayments and accrued income						61,238
TOTAL						**610,351**

(Euro/000)	31.12.2008					
		Past due (days)				
	Current	0 - 30	31 - 60	61 to 90	Over 90	Total
TRADE RECEIVABLES:						
- due from public entities	83,426	1,727	1,221	275	4,951	91,600
- due indirectly from public entities (*)						
- due from private customers	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 BIIS	76,050					76,050
Government grants from others	60,701					60,701
Finance lease receivables	35,070					35,070
Receivables from joint ventures	13,562					13,562
Other receivables	54,570				14,329	68,899
GROSS TOTAL	**379,597**	**11,555**	**37,669**	**18,951**	**54,358**	**502,130**
Allowance for doubtful receivables						-61,171
NET TOTAL						**440,959**
Advances, prepayments and accrued income						51,373
TOTAL						**492,332**

(*) this reports receivables due from companies at the head of contracts for work commissioned by public entities, who are therefore the effective debtors.

LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Fincantieri's 2007-2011 Business Plan reflects a significant increase in business associated with the growth in new orders secured in previous years. This growth has resulted, as expected, in higher working capital requirements which, together with major investments (foremost of which acquisition of the Fincantieri Marine Group LLC), has led the Group increasingly to seek capital market funding.

Given its increased financial needs, the Group has rapidly increased its sources of short and long-term financing (i) by increasing its existing short-term credit lines with banks (ii) by taking out a long-term bank loan and (iii) by requesting its shareholders to increase capital, which they duly did in October 2009 by Euro 296 million, most of which paid in by Fintecna, the Group's parent.

As for investments, although 2009 did not see any surplus cash over and above the Group's ordinary requirements, the liquidity management policy permits cash to be invested in short-term

instruments offering the best money market rates and issued by leading financial institutions, taking due account of counterparty credit rating.
Most medium and long-term financial commitments are covered by corresponding receivables from the State for government grants. In particular, these include production grants under Law 431/91, received in the form of loans from Banca BIIS, (see Note 19), which are repaid directly by the State under an irrevocable payment order to Banca BIIS.
The following tables analyze the maturity of non-derivative financial liabilities, inclusive of interest owing at each maturity date. Interest has been calculated at either the floating rate plus spread applying at the reporting date, or at the fixed rate, in compliance with contract terms.

	31.12.2009							
(Euro/000)	On demand	Within 1 month	Between 2 and 3 months	Between 4 and 12 months	Between 1 and 5 years	Over 5 years	Contractual cash flows	Carrying amount
Payables to Fintecna	-10						-10	-10
Payables to joint ventures	-54,924			-69			-54,993	-54,993
Bank loans and overdrafts	-114,605	-5,993		-8,997	-58,457	-36,803	-224,855	-212,103
BIIS loans		-4,074		-4,073	-32,590	-45,605	-86,342	-70,706
Payables to suppliers		-192,101	-416,484	-284,161			-892,746	-892,746
Finance lease obligations		-166	-331	-1,493	-5,741		-7,731	-7,062
Other liabilities	-9,989	-36,765	-23,184	-34,714	-30,417		-135,069	-135,069
TOTAL	**-179,528**	**-239,099**	**-439,999**	**-333,507**	**-127,205**	**-82,408**	**-1,401,746**	**-1,372,689**
Advances, accrued expenses and deferred income								-48,771
TOTAL								**-1,421,460**

	31.12.2008							
(Euro/000)	On demand	Within 1 month	Between 2 and 3 months	Between 4 and 12 months	Between 1 and 5 years	Over 5 years	Contractual cash flows	Carrying amount
Payables to Fintecna	-275						-275	-275
Payables to joint ventures	-3,824						-3,824	-3,824
Bank loans and overdrafts	-88,564	-788		-3,990	-15,844	-6,721	-115,907	-113,463
BIIS loans		-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 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**
Advances, accrued expenses and deferred income								-43,966
TOTAL								**-1,156,719**

MARKET RISK

Currency risk

Exposure to currency risk arises when shipbuilding contracts are denominated in foreign currencies and, to a lesser degree, when goods and materials are purchased in currencies other than the Euro.
Currency risk is managed using forward contracts or currency options, which are taken out depending on currency market trends and the expected timing of foreign currency cash inflows and outflows. Where possible, payments and receipts in the same currency are matched.
Currency risk management seeks to hedge all of the Group's foreign currency inflows, but only the largest foreign currency outflows.
At 31 December 2009 the Fincantieri Group was exposed to transactional currency risk on the Parent Company's contract to build the Carnival Dream III; this contract, signed on 30 November 2009, is denominated in US dollars. At year end, there were no derivative instruments hedging the currency risk relating to this contract. However, most of this exposure was hedged in the early part of 2010. Hedges of purchase transactions mostly refer to procurement contracts denominated in Swedish kronas, Norwegian krones and Canadian dollars.

Interest rate risk

Interest rate risk is defined as follows:
- uncertainty in the cash flows relating to the Group's assets and liabilities because of changes in interest rates; this risk is hedged using cash flow hedging instruments;
- fluctuations in the fair value of the Group's assets and liabilities because of changes in market interest rates; this risk is hedged using fair value hedging instruments.

Floating-rate assets and liabilities are exposed to the first of these risks, while fixed-rate assets and liabilities are exposed to the second risk.
The Group arranged a cash flow hedge in 2009 against a long-term floating-rate loan taken out for refinancing purposes following the acquisition of Fincantieri Marine Group LLC. This cash flow hedge took the form of an interest rate swap that converted the floating rate into a fixed one.

Other market risks

The Group's production costs are affected by movements in the price of the main raw materials used, such as steel, copper and fuel used for tests at sea and powering ships when in dock. The Fincantieri Group endeavors, wherever possible, to enter long-term contracts, which provide short-term mitigation against the risk of rising costs of goods and services. As for the risk of fuel price inflation, the Group decided to take advantage of the low oil price in 2009 by using futures to fix the price of fuel expected to be purchased in 2009 - 2012 for at-sea testing or for use during ship construction.

CAPITAL MANAGEMENT

The objective of the Fincantieri Group is to create value for shareholders and to support future development by maintaining an adequate level of capitalization that allows it to access external sources of financing at acceptable rates.

DERIVATIVES AT FAIR VALUE

Other current and non-current financial assets and other current and non-current financial liabilities include the following derivative financial instruments measured at fair value:

	31.12.2009				31.12.2008			
(Euro/000)	Positive fair value (Euro)	Notional amount (in currency)	Negative fair value (Euro)	Notional amount (in currency)	Positive fair value (Euro)	Notional amount (in currency)	Negative fair value (Euro)	Notional amount (in currency)
CASH FLOW HEDGES								
Interest rate swaps (payables)			1,176	60,000				
Forward contracts (revenue, USD)								
Forward contracts (purchases, USD)					6	497		
Forward contracts (purchases, CAD)	129	3,726					85	4,336
Forward contracts (purchases, GBP)							4	306
Forward contracts (purchases, NOK)	26	4,640	15	4,640	13	6,960	389	18,560
Forward contracts (purchases, SEK)	55	32,513					155	48,767
INEFFECTIVE HEDGING DERIVATIVES								
Commodities futures	256	7,175	83	3,132				
DERIVATIVES HELD FOR TRADING								
Options (USD)					5,209	90,000	1,940	90,000
Forward contracts (USD)								

The following tables provide an analysis of the maturity of derivative contracts. The amounts included in these tables represent undiscounted future cash flows, which refer to just the intrinsic value.

	31.12.2009						
(Euro/000)	Within 1 month	Between 2 and 3 months	Between 4 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
FORWARD CONTRACTS SOLD (PURCHASES)							
Outflow		1,175	4,288	867	218		**6,548**
Inflow		1,190	4,409	908	227		**6,734**
INTEREST RATE SWAPS							
Outflow	914		839	1,511	3,087	908	**7,259**
Inflow	353		317	977	3,269	1,229	**6,145**
FUEL FUTURES							
Outflow	1,488	999	2,808	2,753	2,258		**10,306**
Inflow	1,434	1,020	2,868	2,826	2,331		**10,479**

(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	Over 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**
FORWARDS							
Outflow	59,515						**59,515**
Inflow	62,760						**62,760**

The fair value of derivative financial instruments was calculated considering the market parameters at the year-end reporting date and using widely adopted measurement techniques. In particular, the fair value of forward contracts was calculated considering exchange rates and interest rates in the two currencies at the year-end reporting date.

MOVEMENTS IN THE CASH FLOW HEDGE RESERVE

The following table reconciles the movements in the cash flow hedge reserve:

(Euro/000)	Equity			Income statement
	Gross	Taxes	Net	
01.01.2008	**-167**	**53**	**-114**	
Change in fair value	-880	278	-602	
Utilization	167	-53	114	-114
Other income/expenses (+/-) relating to intrinsic component of hedging derivatives				6,752
Finance income/expenses (+/-) relating to trading derivatives and time-value component of hedging derivatives				-27,131
31.12.2008	**-880**	**278**	**-602**	**-20,493**
Change in fair value	-419	103	-316	
Utilization	880	-278	602	-602
Other income/expenses (+/-) relating to intrinsic component of hedging derivatives				76
Finance income/expenses (+/-) relating to trading derivatives and time-value component of hedging derivatives				-108
31.12.2009	**-419**	**103**	**-316**	**-634**

FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The following table analyzes financial assets and liabilities by category together with their fair value at the year-end reporting date:

(Euro/000)	A	B	C	D	E	F	G	Total	Fair value
					31.12.2009				
Derivative financial assets	256		211					**467**	**467**
Other financial assets					201,978			**201,978**	**201,824**
Trade receivables and other current assets					382,186			**382,186**	**382,186**
Current tax receivables					26,187			**26,187**	**26,187**
Cash and cash equivalents					86,421			**86,421**	**86,421**
Derivative financial liabilities	-83		-1,191					**-1,274**	**-1,274**
Other financial liabilities							-347,723	**-347,723**	**-348,312**
Other non-current liabilities							-64,841	**-64,841**	**-64,841**
Trade payables and other current liabilities							-1,007,072	**-1,007,072**	**-1,007,072**
Current tax liabilities							-1,824	**-1,824**	**-1,824**
Total	**173**		**-980**		**696,772**		**-1,421,460**	**-725,495**	**-726,238**
					31.12.2008				
Derivative financial assets	5,209		19					**5,228**	**5,228**
Other financial assets					177,389			**177,389**	**176,516**
Trade receivables and other current assets					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**
Derivative financial liabilities	-1,940		-633					**-2,573**	**-2,573**
Other financial liabilities							-199,687	**-199,687**	**-199,952**
Other non-current liabilities							-55,830	**-55,830**	**-55,830**
Trade payables and other current liabilities							-895,969	**-895,969**	**-895,969**
Current tax liabilities							-5,233	**-5,233**	**-5,233**
Total	**3,269**		**-614**		**549,298**		**-1,156,719**	**-604,766**	**-605,904**

Key

A = Financial assets and liabilities at fair value through profit or loss (including derivatives held for trading and derivatives that do not qualify for hedge accounting)

B = Financial assets and liabilities at fair value through profit or loss designated as such after initial recognition through equity (including hedging derivatives)

C = Financial assets and liabilities at fair value through equity (including hedging derivatives)

D = Held-to-maturity investments

E = Loans and receivables (including cash and cash equivalents)

F = Available-for-sale financial assets

G = Financial liabilities measured at amortized cost

NOTE 5 - SENSITIVITY ANALYSIS

There are no significant risks for which sensitivity analyses need to be prepared.

NOTE 6 - INTANGIBLE ASSETS

Movements in this item are as follows:

(Euro/000)	Goodwill	Customer relationships	Development costs	Industrial patents and intellectual property rights	Concession, licenses, trademarks and similar rights	Other intangibles	Intangibles in progress and advances to suppliers	Total
- historical cost			10,084	53,610	2,952	216	3,155	70,017
- accumulated amortization and impairment losses			-5,259	-44,424	-2,752	-22		-52,457
Net carrying amount at 1.1.2008			**4,825**	**9,186**	**200**	**194**	**3,155**	**17,560**
MOVEMENTS IN 2008								
- additions			457	5,937			2,472	8,866
- disposals					-1			-1
-reclassifications /other			365	1,650	-6	-194	-1,819	-4
- amortization			-1,725	-7,272	-23			-9,020
- exchange rate differences				1				1
Closing net carrying amount			**3,922**	**9,502**	**170**		**3,808**	**17,402**
- historical cost			10,906	64,043	215		3,808	78,972
- accumulated amortization and impairment losses			-6,984	-54,541	-45			-61,570
Net carrying amount at 31.12.2008			**3,922**	**9,502**	**170**		**3,808**	**17,402**
MOVEMENTS IN 2009								
- change in scope of consolidation	57,334	22,167			13,293	3,162		95,956
- additions			157	6,235			3,940	10,332
-reclassifications /other			216	131			-293	54
- amortization		-1,377	-1,799	-6,273	-14	-315		-9,778
- impairment losses		-4,259						-4,259
- exchange rate differences	-1,910	-573			-451	-98		-3,032
Closing net carrying amount	**55,424**	**15,958**	**2,496**	**9,595**	**12,998**	**2,749**	**7,455**	**106,675**
- historical cost	55,424	21,414	11,279	70,404	13,062	3,054	7,455	182,092
- accumulated amortization and impairment losses		-5,456	-8,783	-60,809	-64	-305		-75,417
Net carrying amount at 31.12.2009	**55,424**	**15,958**	**2,496**	**9,595**	**12,998**	**2,749**	**7,455**	**106,675**

The change in the scope of consolidation solely reflects the line-by-line consolidation of the Fincantieri Marine Group from 1 January 2009 (described in more detail in Note 30).
The additions of Euro 10,332 thousand made in 2009 (Euro 8,866 thousand in 2008) mostly refer to costs for upgrading SAP and developing software.

The negative exchange rate differences of Euro 3,032 thousand in 2009 reflect movements in the US dollar/Euro exchange rate.
The impairment losses reported in 2009 (not present in 2008) refer to certain customer relationships recognized on allocation of the purchase price of the US group consolidated for the first time this year (see Note 30).
Goodwill is allocated to the cash-generating unit (CGU) corresponding to the "Naval vessels, special vessels and mega-yachts" segment. Trademarks with indefinite useful lives refer to the names of the US shipyards acquired (namely Marinette, Bay and Cleveland) and are allocated to the CGU representing the group acquired. All these assets have been allocated to their respective cash-generating units for the purposes of impairment testing, which has not revealed any evidence of impairment.

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

Movements in this item are as follows:

(Euro/000)	Land and buildings	Leased buildings	Industrial plant, machinery and equipment	Assets under concession	Extraordinary maintenance on leased assets	Other assets	Assets under construction and advances to suppliers	Total
- historical cost	205,116	16,652	614,631	150,600	22,484	127,481	35,396	1,172,360
- accumulated depreciation and impairment losses	-81,083	-923	-452,640	-99,925	-14,790	-85,647		-735,008
Net carrying amount at 1.1.2008	**124,033**	**15,729**	**161,991**	**50,675**	**7,694**	**41,834**	**35,396**	**437,352**
MOVEMENTS IN 2008								
- additions	7,163	259	43,883	5,954	424	4,938	39,660	102,281
- disposals	-117		-241		-1	-235		-594
- other changes / reclassifications	9,540		14,885	4,023	215	2,591	-29,346	1,908
- depreciation	-5,457	-419	-36,017	-2,683	-2,051	-5,513		-52,140
- exchange rate differences			9		5	5		19
Closing net carrying amount	**135,162**	**15,569**	**184,510**	**57,969**	**6,286**	**43,620**	**45,710**	**488,826**
- historical cost	221,347	16,911	658,266	158,330	22,277	133,520	45,710	1,256,361
- accumulated depreciation and impairment losses	-86,185	-1,342	-473,756	-100,361	-15,991	-89,900		-767,535
Net carrying amount at 31.12.2008	**135,162**	**15,569**	**184,510**	**57,969**	**6,286**	**43,620**	**45,710**	**488,826**
MOVEMENTS IN 2009								
- change in scope of consolidation	25,988	1,815	11,197			1,105	437	40,542
- additions	4,191	37	36,425	1,314	1,440	8,357	20,428	72,192
- disposals	-33		-90			-19	-9	-151
- other changes / reclassifications	4,097		19,573	603		5,807	-30,134	-54
- depreciation	-6,594	-692	-40,392	-2,973	-1,611	-5,890		-58,152
- exchange rate differences	-855	-53	-325		-1	-19	-14	-1,267
Closing net carrying amount	**161,956**	**16,676**	**210,898**	**56,913**	**6,114**	**52,961**	**36,418**	**541,936**
- historical cost	254,390	18,767	722,730	160,247	23,706	147,339	36,418	1,363,597
- accumulated depreciation and impairment losses	-92,434	-2,091	-511,832	-103,334	-17,592	-94,378		-821,661
Net carrying amount at 31.12.2009	**161,956**	**16,676**	**210,898**	**56,913**	**6,114**	**52,961**	**36,418**	**541,936**

The change in the scope of consolidation solely reflects the line-by-line consolidation of the Fincantieri Marine Group from 1 January 2009 (described in more detail in Note 30).
The additions of Euro 72,192 thousand made in 2009 (Euro 102,281 thousand in 2008) mostly relate to production facilities. More information about capital expenditure can be found in the Report on Operations.
The other changes include the reclassification of amounts reported at the end of the previous year in "Assets under construction and advances to suppliers" to the relevant asset categories upon final acquisition and utilization of such assets.
The negative exchange rate differences of Euro 1,267 thousand in 2009 reflect movements in the US dollar/Euro exchange rate.
At 31 December 2009, the Group had mortgages of Euro 4,958 thousand over its land and buildings (Euro 4,958 thousand at 31 December 2008) and of Euro 68,320 thousand over its plant (Euro 14,560 thousand at 31 December 2008) as security against its financial liabilities.

NOTE 8 - EQUITY INVESTMENTS

EQUITY INVESTMENTS

These are analyzed as follows:

(Euro/000)	Associates	Joint ventures	Total equity-accounted investments	Other companies	Payments for equity investments	Total other investments	Total
1.1.2008	10,752	11,495	**22,247**	2,882		**2,882**	**25,129**
Additions				40	89,875	**89,915**	**89,915**
Revaluations (+) Impairment losses (-)	-3,360	1,203	**-2,157**	-8		**-8**	**-2,165**
Disposals				1,336		**1,336**	**1,336**
31.12.2008	7,392	12,698	**20,090**	1,578	89,875	**91,453**	**111,543**
Additions				128		**128**	**128**
Revaluations (+) Impairment losses (-)		313	**313**	-16		**-16**	**297**
Disposals				5		**5**	**5**
Reclassifications/Other					-89,875	**-89,875**	**-89,875**
31.12.2009	7,392	13,011	**20,403**	1,685		**1,685**	**22,088**

None of the equity investments is in companies listed on an active market.
There are no "payments for equity investments" at the end of 2009; at the end of 2008 this balance related to advances paid for the acquisition of the Manitowoc Marine Group (now renamed Fincantieri Marine Group) in the USA for a total of Euro 89,875 thousand, inclusive of the related acquisition costs. This acquisition was formally completed on 1 January 2009, since when it has

been consolidated on a line-by-line basis with a consequent elimination of the related equity investment.
"Revaluations/impairment losses" of Euro 297 thousand in 2009 mainly reflect recognition of the Group's share of the profit for the year reported by the joint venture Orizzonte Sistemi Navali. In 2008 revaluations/impairment losses reflected a negative change of Euro 3,306 thousand in the value of the equity investment in the German company Lloyd Werft Bremerhaven (LWB) following the impairment of a receivable recorded at the time of acquisition by the Fincantieri Holding B.V. Group, and a positive change of Euro 1,203 thousand in the value of the equity investment in Orizzonte Sistemi Navali. Like in the prior year, no share of the results for the year of the associate Lloyd Werft Bremerhaven (LWB) has been recognized on the basis that the investment's current carrying amount is regarded as reflecting its fair value.
The "Disposals" reported in 2008 related to the disposal of the equity investment in Ansaldo Fuel Cells S.p.A. to Ansaldo Energia S.p.A..

Equity investments at 31 December 2009

Company name	Registered office	% owned	Carrying amount
EQUITY-ACCOUNTED INVESTMENTS			
Lloyd Werft Bremerhaven GmbH	Bremerhaven	21.05	7,392
Orizzonte Sistemi Navali S.p.A.	Genoa	51.00	13,011
			20,403
OTHER INVESTMENTS			
Centro Sviluppo Materiali S.p.A.	Rome	8.33	698
Friulia S.p.A.	Trieste	0.52	740
EEIG Euroyards	Brussels	16.67	10
CRIV Scarl	Venice	3.88	3
Accademia Italiana Marina Mercantile Scarl	Genoa	4.00	5
Consorzio CONAI	Rome	(*)	1
Consorzio EVIMAR A/S	Copenhagen	9.10	6
Consorzio IMAST Scarl	Naples	3.67	22
SIIT- Distretto Tecnologico Ligure sui Sistemi Intelligenti Integrati S.c.p.a	Genoa	2.80	14
Consorzio Cals Italia	Rome	7.14	10
Consorzio Formazione Internazionale	Rome	4.76	11
Consorzio MIB	Trieste	(*)	3
Consorzio Rinave	Trieste	20.00	4
Cons.Ric.Innov.Tec.Sicilia Trasp. Navali Scarl	Messina	6.00	28
Distretto Ligure delle Tecnologie Marine Scarl	La Spezia	15.79	120
International Business Science Company Scarl	Trieste	18.18	10
			1,685

(*) % owned not shown, as consortium membership is subject to continuous change.

Disclosures relating to equity-accounted investments

The following table reports financial highlights relating to equity-accounted investments as of and for the year ended 31 December 2009:

(Euro/000)	Total assets	Total liabilities	Revenues	Profit (loss) for the year
Lloyd Werft Bremerhaven Gmbh	104,085	47,771	178,165	2,188
Orizzonte Sistemi Navali S.p.A.	1,038,072	1,012,559	305,291	614

The corresponding information at 31 December 2008 is as follows:

(Euro/000)	Total assets	Total liabilities	Revenues	Profit (loss) for the year
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

NOTE 9 – NON-CURRENT RECEIVABLES

NON-CURRENT RECEIVABLES

These are analyzed as follows:

(Euro/000)	**31.12.2009**	**31.12.2008**
Finance lease receivables	31,264	32,926
Government grants receivable	25,926	35,129
Grants financed by Banca BIIS	65,159	67,958
Derivative assets	205	
Other	44,312	14,093
TOTAL NON-CURRENT RECEIVABLES	**166,866**	**150,106**

"Finance lease receivables" solely refer to the non-current portion of receivables due from customers for bare boat charters by an Italian shipowner. The financial statements treat "bare boat charters" like finance leases.
The following table reconciles the Fincantieri Group's finance lease receivables in respect of such charters with the amount of future lease payments owed by customers:

(Euro/000)

1) Present value of future minimum lease payments receivable	**31.12.2009**	**31.12.2008**
Total future minimum lease payments receivable	36,251	39,179
Future finance charges	-2,796	-4,109
Present value of future minimum lease payments receivable	33,455	35,070

(Euro/000)						
2) Maturity of future minimum lease payments receivable	**31.12.2009**			**31.12.2008**		
	Within 1 year	Between 1 and 5 years	Over 5 years	Within 1 year	Between 1 and 5 years	Over 5 years
Future minimum lease payments receivable	3,608	32,643		2,928	36,251	
Present value of future minimum lease payments receivable	2,191	31,264		2,144	32,926	

Government grants receivable are stated at present value and report the non-current portion of grants due to shipyards and those due to shipowners, that have been assigned to Fincantieri as part of the contract price.
The financial receivables represented by government grants receivable carry a fixed yield and mature as follows:

(Euro/000)	**31.12.2009**	**31.12.2008**
- between one and two years	9,604	9,203
- between two and three years	10,009	9,604
- between three and four years	5,517	10,009
- between four and five years	796	5,517
- over five years		796
Total	**25,926**	**35,129**

More details about receivables for grants financed by Banca BIIS can be found in Note 4.
Other receivables, presented net of an allowance for doubtful receivables of Euro 44,312 thousand (Euro 14,093 thousand at 31 December 2008), comprise:

- Euro 38,527 thousand in loans given to third parties, which carry floating interest at market rates and mature by 2012 (these loans were not present at the end of 2008);
- Euro 4,693 thousand owed by the Iraqi Ministry of Defense, unchanged since the end of 2008. This receivable was originally for Euro 12,881 thousand and reflected the amount recognized under a ruling handed down by the Courts in Genoa. Payables of Euro 4,693 thousand were recorded at the same time for the portion not directly attributable to Fincantieri. An allowance for doubtful receivables was prudently recognized in the prior year against the full amount of the net balance of Euro 8,188 thousand directly attributable to Fincantieri. A detailed discussion of this case can be found in the specific section on legal disputes in Note 29;
- Euro 1,092 thousand in security deposits and other sundry receivables (Euro 1,074 thousand at 31 December 2008).

The following table presents the amount of the allowance for doubtful other non-current receivables and its movements:

(Euro/000)	Allowance for other doubtful receivables
Balance at 1.1.2008	**13,229**
Direct movements and other changes	
Increases in allowance (+) Utilizations (-)	7,259
Total at 31.12.2008	**20,488**
Direct movements and other changes	
Increases in allowance (+) Utilizations (-)	
Total at 31.12.2009	**20,488**

NOTE 10 - DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets are analyzed as follows:

(Euro/000)	Sundry impairment losses	Tax deductions for construction contracts	Product warranty	Other risks and charges	Fair value derivatives	Carryforward tax losses	Other temporary differences	Total
1.1.2008	**28,980**	**-8,234**	**7,253**	**8,151**	**53**	**3,232**	**-7,952**	**31,483**
Movements in 2008								
- credited/charged (+/-) to profit or loss	-3,299	8,234	-233	-199		-2,995	1,212	2,720
- credited/charged (+/-) to equity and other reasons	-2				225		23	246
31.12.2008	**25,679**		**7,020**	**7,952**	**278**	**237**	**-6,717**	**34,449**
Movements in 2009								
- Change in scope of consolidation	154		204			1,005	2,521	3,884
- credited/charged (+/-) to profit or loss	27,625		2,205	-6,174		5,701	2,133	31,490
- credited/charged (+/-) to equity and other reasons					-175			-175
- exchange rate differences	-6		-22			-26	-109	-163
31.12.2009	**53,452**		**9,407**	**1,778**	**103**	**6,917**	**-2,172**	**69,485**

Deferred tax assets have been recognized on items for which the tax is likely to be recovered against future taxable profits of Group companies.
The change in the scope of consolidation solely reflects the line-by-line consolidation of the Fincantieri Marine Group from 1 January 2009 (described in more detail in Note 30).
No deferred tax assets have been recognized for provisions for litigation or for certain deductible temporary differences relating to the impairment of receivables, or for carryforward tax losses that will not be recovered within the specified time limit; unrecognized deferred tax assets amount to Euro 27,914 thousand (Euro 27,185 thousand at 31 December 2008).
Deferred tax liabilities are analyzed as follows:

(Euro/000)	Deferred taxes from business combination	Other temporary differences	Total
31.12.2008			
Movements in 2009			
- change in scope of consolidation	23,651	2,555	26,206
- credited/charged (+/-) to profit or loss	-2,289	1,197	-1,092
- exchange rate differences	-729	-126	-855
31.12.2009	**20,633**	**3,626**	**24,259**

The change in the scope of consolidation mostly reflects the recognition of deferred tax liabilities upon purchase price allocation of the Fincanteri Marine Group (described in more detail in Note 30).
No deferred tax liabilities have been recognized on earnings reserves of subsidiaries on the basis of the fact that the Group is able to control when such reserves may be distributed and also that these reserves are unlikely to be distributed in the foreseeable future.

NOTE 11 - INVENTORIES AND ADVANCES

These are analyzed as follows:

(Euro/000)	31.12.2009	31.12.2008
Raw, ancillary and consumable materials	146,498	184,806
Work in progress and semi-finished goods	840	486
Finished products	7,511	9,721
Total inventories	**154,849**	**195,013**
Advances to suppliers	149,028	153,044
TOTAL INVENTORIES AND ADVANCES	**303,877**	**348,057**

Raw, ancillary and consumable materials represent the amount of stock considered to be sufficient for normal production activities.
Work in progress and semi-finished goods and finished products mainly refer to the manufacture of engines and spare parts.
Slow-moving and obsolete inventories still in stock at year end have been written down to their estimated realizable value. The amount of the associated allowance for obsolescence and its movements are as follows:

(Euro/000)	Allowance for obsolescence - raw materials	Allowance for obsolescence - finished products
1.1.2008	**6,543**	**221**
Increases in allowance	3,149	
Utilization	-1,206	
Exchange rate differences		13
31.12.2008	**8,486**	**234**
Change in scope of consolidation	59	
Increases in allowance	8,119	560
Utilization	-1,661	
Exchange rate differences	-3	-8
31.12.2009	**15,000**	**786**

NOTE 12 - CONSTRUCTION CONTRACTS - ASSETS

These are analyzed as follows:

(Euro/000)	31.12.2009 Construction contracts - gross	31.12.2009 Invoices issued and allowance for future losses	31.12.2009 Construction contracts - net	31.12.2008 Construction contracts - gross	31.12.2008 Invoices issued and allowance for future losses	31.12.2008 Construction contracts - net
Shipbuilding contracts	2,949,145	1,297,429	1,651,716	1,813,279	546,799	1,266,480
Other contracts for third parties	138,595	126,315	12,280	122,219	97,293	24,926
TOTAL	**3,087,740**	**1,423,744**	**1,663,996**	**1,935,498**	**644,092**	**1,291,406**

"Construction contracts – assets" report those contracts where the value of the percentage of completion of the contract is higher than the amount invoiced to the customer. The stage of completion is determined as the costs incurred to date plus recognized margins less any expected losses.
Construction contracts – gross reflect the valuation of construction contracts in progress; the increase on the previous year reflects progress in the related work and the line-by-line consolidation of the Fincantieri Marine Group from 1 January 2009 (described in more detail in Note 30).

NOTE 13 - TRADE RECEIVABLES AND OTHER CURRENT ASSETS

These are analyzed as follows:

(Euro/000)	31.12.2009	31.12.2008
Trade receivables	284,765	184,782
Receivables from joint ventures	153	13,562
Government grants receivable	13,336	16,763
Other receivables	57,044	49,431
Accrued income		33
Prepayments	26,888	31,775
TOTAL TRADE RECEIVABLES AND OTHER CURRENT ASSETS	**382,186**	**296,346**
Current tax receivables	26,187	18,597

The above receivables are shown net of an allowance for doubtful receivables. The allowance for doubtful receivables relates to receivables that are no longer considered fully recoverable, including those involving legal disputes and judicial and out-of-court proceedings and where the customer is insolvent. The allowance for past due interest relates to interest charged on the late payment of trade receivables. The amounts and movements in the allowances for doubtful receivables are as follows:

(Euro/000)	Allowance for doubtful trade receivables	Allowance for past due interest	Allowance for doubtful other receivables	Total
1.1.2008	**17,061**	**63**	**6,950**	**24,074**
Direct movements and other changes	-299		-1,609	-1,908
Increases in allowance (+) Utilizations (-)	17,646		867	18,513
Exchange rate differences	4			4
31.12.2008	**34,412**	**63**	**6,208**	**40,683**
Changes in the scope of consolidation	108			108
Direct movements and other changes	-18,486		-77	-18,563
Increases in allowance (+) Utilizations (-)	4,416		201	4,617
Exchange rate differences	-9			-9
31.12.2009	**20,441**	**63**	**6,332**	**26,836**

The increase of Euro 99,983 thousand in trade receivables since 31 December 2008 is due to the changes in the scope of consolidation following the line-by-line consolidation of the Fincantieri Marine Group from 1 January 2009 (described in more detail in Note 30), and to a higher exposure to foreign customers; the increase in trade receivables was only partially offset by a decrease in government grants receivable.

Receivables from joint ventures relate to amounts owed by Orizzonte Sistemi Navali, most of which had been collected by year end.

Government grants receivable are Euro 3,427 thousand lower than at 31 December 2008 thanks to receipts during the year, primarily for technological innovation grants to the Parent Company under Law 296 dated 27 December 2006.

Other receivables mainly comprise:

- Euro 17,563 thousand for insurance claims (Euro 6,022 thousand at 31 December 2008);
- Euro 12,314 thousand for indirect taxes to be reimbursed or offset (Euro 14,433 thousand at 31 December 2008);
- Euro 7,716 thousand for research grants (Euro 10,336 thousand at 31 December 2008);
- Euro 7,381 thousand for advances to suppliers (Euro 2,891 thousand at 31 December 2008);
- Euro 5,911 thousand for sundry receivables, net of the related allowance for doubtful receivables, (Euro 7,086 thousand at 31 December 2008);
- Euro 4,401 thousand for receivables from social security institutions (Euro 1,786 thousand at 31 December 2008);
- Euro 1,286 thousand for receivables and sundry advances to staff (Euro 838 thousand at 31 December 2008).

Prepayments mainly refer to insurance premiums relating to future years.

Current tax receivables of Euro 26,187 thousand (Euro 18,597 thousand at 31 December 2008) relate solely to IRES-IRAP (Italian corporate income taxes) either paid on account and stated net of the related tax charge for the year, or requested for reimbursement/offset (and inclusive of the various withholding taxes incurred).

NOTE 14 - CURRENT FINANCIAL ASSETS

These are analyzed as follows:

(Euro/000)	31.12.2009	31.12.2008
Derivative assets	262	5,228
Finance lease receivables	2,191	2,144
Other receivables	25,889	16,900
Government grants financed by Banca BIIS	5,547	8,092
Accrued interest income	1,690	147
TOTAL FINANCIAL ASSETS	**35,579**	**32,511**

The decrease of Euro 4,966 thousand in derivative assets compared with 31 December 2008 is due to the closing out of most of the transactions present at the end of the prior year.
Other receivables mostly refer to the current portion of government grants receivable by shipyards and by shipowners, assigned to Fincantieri as part of the contract price. Note 9 contains information about the non-current portion of these grants.

NOTE 15 - CASH AND CASH EQUIVALENTS

These are analyzed as follows:

(Euro/000)	31.12.2009	31.12.2008
Bank and postal deposits	86,281	56,545
Checks	40	314
Cash on hand	100	107
TOTAL CASH AND CASH EQUIVALENTS	**86,421**	**56,966**

Almost all of the balance of cash and cash equivalents refers to the year-end balance on current accounts held with various banks.

NOTE 16 - EQUITY

EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT

The Ordinary Shareholders' Meeting of the Parent Company held on 27 May 2009 adopted a resolution to allocate the Parent Company's profit for 2008 of Euro 8,159 thousand as follows: i) 5% to the legal reserve, amounting to Euro 408 thousand; ii) the remainder of Euro 7,751 thousand to distribute as a dividend of Euro 0.0153 per share, totaling Euro 10,113 thousand, of which Euro 2,363 thousand to be paid out of the extraordinary reserve.
The composition of equity is analyzed in the following table:

(Euro/000)	31.12.2009	31.12.2008
ATTRIBUTABLE TO OWNERS OF THE PARENT		
Share capital	633,481	337,112
Share premium reserve	71	71
Legal reserve	28,453	28,045
Cash flow hedge reserve	-316	-602
Currency translation reserve	-4,748	-1,912
IFRS transition reserve	21,580	21,580
Other reserves and retained earnings	429,280	429,578
Profit (loss) for the year	-65,599	10,224
	1,042,202	**824,096**
ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		
Capital and reserves	10,946	10,995
Profit (loss) for the year	1,492	
	12,438	**10,995**
TOTAL EQUITY	**1,054,640**	**835,091**

SHARE CAPITAL

The Parent Company's share capital amounts to Euro 633,481 thousand at 31 December 2009, all of which fully paid-in and comprising 1,242,119,070 ordinary shares. Following the resolution adopted by the Extraordinary Shareholders' Meeting of 30 April 2004, the shares have no nominal value. On 18 September 2009, the Parent Company's Board of Directors exercised the authority granted to it by the shareholders on 17 July 2009, by adopting a resolution to increase share capital by Euro 296,369 thousand through the issue of 581,116,070 new shares without any nominal value; this capital increase has been fully subscribed.

CASH FLOW HEDGE RESERVE

The cash flow hedge reserve reports the change in the effective portion of derivative hedging instruments measured at fair value. Movements in the cash flow hedge reserve are shown in Note 4.

CURRENCY TRANSLATION RESERVE

This reserve reports the effect of translating the equity of foreign subsidiaries in the US dollar zone at closing exchange rates for 2009. This reserve has decreased by Euro 2,836 thousand in 2009 compared with 2008, reflecting the first-time consolidation from 1 January 2009 of the Fincantieri Marine Group, and the unfavorable trend in the US dollar/Euro exchange rate.

IFRS TRANSITION RESERVE

The IFRS transition reserve reflects all the adjustments needed relative to Italian GAAP upon first-time adoption of IFRS on 1 January 2005. It also contains the differences in the Parent Company's Italian GAAP and IFRS results arising between the IFRS transition date for the consolidated financial statements and that for the separate financial statements.

OTHER RESERVES AND RETAINED EARNINGS

These mainly comprise the extraordinary reserve to which any remaining profit for the year is allocated after first making appropriations to the legal reserve and for shareholder dividends. During 2008, the value of a put option held by a minority shareholder was recognized as a deduction from the Group's retained earnings, in accordance with IAS 32.

NON-CONTROLLING INTERESTS

The change relative to 31 December 2008 is attributable to the recognition of non-controlling interests in profit (loss) for the year reported by the Fincantieri Marine Group, in which Fincantieri holds a 87.44% interest.

OTHER COMPREHENSIVE INCOME (LOSSES)

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

	31.12.2009			31.12.2008		
(Euro/000)	Gross amount	Tax expense (benefit)	Net amount	Gross amount	Tax expense (benefit)	Net amount
Effective portion of profits (losses) on cash flow hedging instruments	461	-175	286	-713	225	-488
Gains (losses) arising on translation of foreign companies' financial statements	-3,253		-3,253	798		798
Total other comprehensive income (losses)	**-2,792**	**-175**	**-2,967**	**85**	**225**	**310**

(Euro/000)	31.12.2009	31.12.2008
Effective portion of profits (losses) arising in period on cash flow hedging instruments	-419	-880
Effective portion of profits (losses) on cash flow hedging instruments reclassified to income statement	880	167
Effective portion of profits (losses) on cash flow hedging instruments	**461**	**-713**
Gains (losses) arising in period on translation of foreign companies' financial statements	**-3,253**	**798**
Tax effect of other components of comprehensive income	**-175**	**225**
TOTAL OTHER COMPREHENSIVE INCOME (LOSSES), NET OF TAX EFFECT	**-2,967**	**310**

NOTE 17 - PROVISIONS FOR RISKS AND CHARGES

These are analyzed as follows:

(Euro/000)	Litigation	Product warranty	Agent indemnity benefit	Other risks and charges	Total
1.1.2008	**47,245**	**26,619**	**286**	**31,369**	**105,519**
Increases	8,388	13,430	9	20,717	42,544
Utilization	-8,022	-10,131	-117	-4,208	-22,478
Release	-2,356	-4,099		-17,002	-23,457
31.12.2008	**45,255**	**25,819**	**178**	**30,876**	**102,128**
Change in scope of consolidation		525			525
Increases	7,572	20,028	1	2,550	30,151
Utilization	-3,186	-9,459	-31	-7,571	-20,247
Release	-3,796	-2,925		-17,053	-23,774
Exchange rate differences		-56			-56
31.12.2009	**45,845**	**33,932**	**148**	**8,802**	**88,727**

The litigation provision includes provisions for specific employment, contractual and non-contractual disputes that had not yet been settled at year end.
The product warranty provision covers the cost of carrying out work under contractual guarantee after vessel delivery.
The provision for other risks and charges relates to various disputes, mostly of a contractual, technical or fiscal nature, which might be settled at the Group's expense either in or out of court.
All the above provisions are separate from the allowances relating to receivables and construction contracts.

NOTE 18 - EMPLOYEE INDEMNITY BENEFIT

Movements in this item are as follows:

(Euro/000)	2009	2008
Opening balance	**84,452**	**90,330**
Interest cost	4,063	4,922
Actuarial gains (losses)	2,053	1,804
Utilizations for benefits and advances paid	-10,034	-12,607
Staff transfers and other movements	285	3
Closing balance	**80,819**	**84,452**

Employee indemnity benefit relates to only the Group's Italian companies. At 31 December 2009, there were no other post-employment benefits qualifying as defined benefit plans.
The amount recognized in the financial statements is calculated on an actuarial basis using the projected unit credit method; the discount rate used by this method to calculate the present value of the defined benefit obligation reflects the market yield on bonds with the same maturity as that expected for the obligation. The assumptions adopted were as follows:

	31.12.2009	31.12.2008
ECONOMIC ASSUMPTIONS		
Cost of living increase	2.0% per annum	2.0% per annum
Discount rate	4.5% per annum	5.0% per annum
Increase in employee indemnity benefit	3.0% per annum	3.0% per annum
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	INPS tables projected to 2010	INPS tables projected to 2010
Expected termination rate	3.0% per annum	3.0% per annum
Expected rate of advances on employee indemnity benefit	2.0% per annum	3.0% per annum

The Group paid a total of Euro 23,607 thousand into defined contribution plans in 2009 (Euro 21,951 thousand in 2008).

NOTE 19 - NON-CURRENT LIABILITIES

These are analyzed as follows:

(Euro/000)	31.12.2009	31.12.2008
Bank loans - non-current portion	85,350	20,633
Loans from Banca BIIS - non-current portion	65,159	67,958
Finance lease obligations	5,372	5,477
Derivative liabilities	101	172
Total financial liabilities	**155,982**	**94,240**
Options on equity investments	24,425	22,548
Other non-current liabilities	40,416	33,282
TOTAL NON-CURRENT LIABILITIES	**220,823**	**150,070**

The non-current portion of bank loans reports the installments due beyond one year of loans obtained from financial institutions, analyzed by maturity as follows:

	31.12.2009			31.12.2008		
(Euro/000)	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
- between one and two years	11,085	2,592	13,677	3,050	1,065	4,115
- between two and three years	10,305	2,592	12,897	3,087	910	3,997
- between three and four years	10,328	2,592	12,920	2,307	910	3,217
- between four and five years	8,418	2,592	11,010	2,428	910	3,338
- over five years	21,671	13,175	34,846	1,975	3,991	5,966
Total	**61,807**	**23,543**	**85,350**	**12,847**	**7,786**	**20,633**

The bank loans are repayable in installments through until 2020, and carry an annual average interest rate of 2.36% (2.57% in 2008).
The non-current portion of loans from Banca BIIS is associated with the payment of production grants through the drawdown of loans by Fincantieri, which are then repaid by the government (see Note 4). The movement in the period is consistent with the corresponding amount recognized as a receivable.
Bank loans amounting to Euro 23,698 thousand are secured by mortgages on plant and machinery in the Monfalcone shipyard, as already disclosed in Note 7.
Other non-current liabilities mainly relate to grants for property, plant and equipment and grants for innovation (Euro 35,678 thousand) which will be released to the income statement in future years to match the related depreciation/amortization of these assets. Other non-current liabilities also include Euro 4,694 thousand in payables to other recipients in respect of the receivable from the Iraqi Ministry of Defense, as discussed in Note 9.

Disclosures relating to finance leases

The following table reconciles the Fincantieri Group's finance lease obligations with the amount of future lease payments owed:

(Euro/000)

1) Present value of future minimum lease payments	31.12.2009	31.12.2008
Total future minimum lease payments	7,858	7,547
Future finance charges	-796	-634
Present value of future minimum lease payments	7,062	6,913

(Euro/000)

2) Maturity of future minimum lease payments	31.12.2009			31.12.2008		
	Within 1 year	Between 1 and 5 years	Over 5 years	Within 1 year	Between 1 and 5 years	Over 5 years
Future minimum lease payments	1,990	5,868		1,680	5,867	
Present value of future minimum lease payments	1,690	5,372		1,436	5,477	

NOTE 20 - CONSTRUCTION CONTRACTS - LIABILITIES

These are analyzed as follows:

	31.12.2009			31.12.2008		
(Euro/000)	Construction contracts - gross	Invoices issued and allowance for future losses	Construction contracts - net	Construction contracts - gross	Invoices issued and allowance for future losses	Construction contracts - net
Shipbuilding contracts	1,587,211	2,271,289	684,078	1,408,608	1,971,101	562,493
Other contracts for third parties	24,485	32,916	8,431	12,305	28,148	15,843
Advances from customers		41,608	41,608		86,910	86,910
TOTAL	**1,611,696**	**2,345,813**	**734,117**	**1,420,913**	**2,086,159**	**665,246**

"Construction contracts - liabilities" report those contracts where the value of the percentage of completion of the contract is lower than the amount invoiced to the customer. The stage of completion is determined as the costs incurred to date plus recognized margins less any expected losses.

Construction contracts – gross have increased since 31 December 2008, as have the associated invoices issued, reflecting progress in the related work and the line-by-line consolidation of the Fincantieri Marine Group from 1 January 2009 (described in more detail in Note 30).

Advances from customers refer to contracts on which work had not started at the year-end reporting date.

NOTE 21 - TRADE PAYABLES AND OTHER CURRENT LIABILITIES

These are analyzed as follows:

(Euro/000)	31.12.2009	31.12.2008
Payables to suppliers	892,746	784,275
Payables to joint ventures	69	2,039
Social security payables	26,953	28,282
Other liabilities	86,952	80,797
Accrued expenses	343	567
Deferred income	9	9
TOTAL TRADE PAYABLES AND OTHER CURRENT LIABILITIES	**1,007,072**	**895,969**
Current tax liabilities	1,824	5,233

With reference to the amounts reported at 31 December 2009:
Payables to suppliers have increased by Euro 108,471 thousand on the previous period, reflecting normal swings in production.
Social security payables include employer and employee contributions due to the Italian social security authorities on December's wages and salaries, contributions resulting from end-of-year adjustments, and amounts due to INAIL (Italy's national institution for workplace accident insurance) as a final payment for the entire year to be settled in February 2010.
Other liabilities mainly include:

- Euro 37,149 thousand due to employees for wages and salaries and unused vacation entitlement (Euro 28,645 thousand at 31 December 2008);
- Euro 11,239 thousand in employee income tax withheld payable to the Italian tax authorities (Euro 10,096 thousand at 31 December 2008);
- Euro 38,075 thousand in sundry payables for insurance premiums, research grants, advances received against capital grants and security deposits (Euro 41,701 thousand at 31 December 2008).

Current tax liabilities include Euro 145 thousand in IRES (Italian corporate income tax), Euro 328 thousand in IRAP (Italian regional business tax) and Euro 1,303 thousand in remaining installments of the flat-rate tax payable under Law 244/2007 (for franking amounts previously deducted only for tax).

NOTE 22 - CURRENT FINANCIAL LIABILITIES

These are analyzed as follows:

(Euro/000)	31.12.2009	31.12.2008
Loans from shareholders	10	275
Bank overdrafts repayable on demand	114,606	88,564
Bank loans - current portion	12,147	4,266
Loans from Banca BIIS - current portion	5,547	8,092
Finance lease obligations - current portion	1,690	1,436
Payables to joint ventures	54,924	1,785
Other financial liabilities	778	790
Derivative liabilities	1,173	2,401
Accrued interest expense	2,140	411
TOTAL CURRENT FINANCIAL LIABILITIES	**193,015**	**108,020**

"Loans from shareholders" report the exposure to Fintecna on an intercompany current account.
"Bank overdrafts repayable on demand", which have increased by Euro 26,042 thousand since 31 December 2008, most refer to drawdowns of current account credit lines.
Payables to joint ventures relate to the balance on the intercompany current account with Orizzonte Sistemi Navali.
Derivative liabilities represent the reporting-date fair value of current derivatives.

NOTE 23 - REVENUES AND INCOME

These are analyzed as follows:

(Euro/000)	2009	2008
Operating revenues	**3,065,469**	**2,805,756**
Other revenues and income		
Gains on disposal	328	347
Release of provisions	19,619	21,077
Sundry revenues and income	74,230	105,048
Extraordinary income	12,176	4,174
Total other revenues and income	**106,353**	**130,646**
TOTAL REVENUES AND INCOME	**3,171,822**	**2,936,402**

The increase in operating revenues is attributable to the Group's higher level of output. Non-recurring items included in revenues are discussed in Note 24.
Other revenues and income include:

- the release of provisions mainly relating to risks on a specific contract;
- sundry revenues and income of Euro 74,230 thousand, which are Euro 30,818 thousand lower than in 2008, and are made up as follows:

(Euro/000)	2009	2008
Reimbursement of expenses from suppliers	11,573	17,075
Capital and research grants	24,218	18,783
Penalties charged to suppliers	737	3,242
Insurance claims	17,051	7,341
Other	20,651	58,607
TOTAL	**74,230**	**105,048**

Extraordinary income is Euro 8,002 thousand higher than in 2008 and mostly refers to the release of provisions for other risks and charges (Euro 4,545 thousand), the gain on the sale of land located within the Palermo yard at market value to a related party (Euro 3,267 thousand) and lastly the income earned by the subsidiary Bacini di Palermo on an arm's length transaction, again with a related party (Euro 4,000 thousand).

NOTE 24 - NON-RECURRING ITEMS

The major lack of work expected in coming years in certain areas of the Merchant Vessels Business Unit has impacted the estimates used for valuing work in progress at 31 December 2009. For the sake of clarity, the changes in these estimates, together with the related tax effect, have been presented in a separate column of the statement of comprehensive income.
For this purpose, non-recurring items are defined as income and expenses arising from events or transactions whose occurrence is not recurring or from those transactions or events that are not frequently repeated in the ordinary course of business.

NOTE 25 - OPERATING COSTS

These are analyzed as follows:

(Euro/000)	2009	2008
Raw, ancillary and consumable materials	-1,843,547	-1,684,055
Services	-686,246	-624,249
Leases and rentals	-29,707	-22,072
Change in inventories of raw, ancillary and consumable materials	-39,616	42,515
Change in work in progress	3,717	8,671
Other operating costs	-7,549	-8,349
Total materials, services and other costs	**-2,602,948**	**-2,287,539**
Personnel costs:		
- wages and salaries	-363,176	-315,842
- social security	-128,948	-116,456
- costs for defined contribution plans	-23,607	-21,994
- other costs	-6,232	-6,171
Total personnel costs	**-521,963**	**-460,463**
Depreciation and amortization:		
- amortization of intangible assets	-9,778	-9,020
- depreciation of property, plant and equipment	-58,152	-52,140
Total depreciation and amortization	**-67,930**	**-61,160**
Provisions and impairment losses:		
- other impairment losses	-4,259	
- receivables write-down	-4,570	-26,733
- increases in provisions for risks and charges	-20,029	-33,063
Total provisions and impairment losses	**-28,858**	**-59,796**
Capitalization of internal costs	1,754	10,064
Other costs:		
- taxes relating to previous periods	-39	-7
- extraordinary expenses	-17,289	-15,468
Total other costs	**-17,328**	**-15,475**
TOTAL OPERATING COSTS	**-3,237,273**	**-2,874,369**

The cost of services is analyzed as follows:

(Euro/000)	2009	2008
Subcontractors and outsourced services	-355,222	-328,005
Insurance	-46,856	-48,124
Other personnel costs	-17,749	-20,801
Maintenance costs	-24,881	-21,208
Testing	-4,691	-5,270
Outsourced design	-18,745	-21,258
Licenses	-487	-1,133
Transportation and logistics	-16,586	-11,965
Technical services	-25,294	-13,472
Cleaning services	-31,436	-30,641
Other services	-158,263	-134,653
Utilization of product warranty and other provisions	13,964	12,281
Total	**-686,246**	**-624,249**

Leases and rentals amounting to Euro 29,707 thousand (Euro 22,072 thousand in 2008), include lease and rental costs of Euro 22,022 thousand (Euro 15,347 thousand in 2008), sundry lease costs of Euro 5,703 thousand (Euro 5,205 thousand in 2008), and concession and similar fees of Euro 1,982 thousand (Euro 1,520 thousand in 2008).

Other operating costs mainly relate to membership fees, indirect taxes and sundry duties.

Personnel costs represent the total cost incurred for employees, including remuneration, social security contributions paid by the Group, gifts and travel allowances. The actuarial and interest components of employee indemnity benefit have been reclassified in 2009 (and also in the 2008 comparatives) from personnel costs to finance costs (see Note 26).

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

Increases in provisions for risks and charges mostly refer to provisions for contractual guarantees (Euro 18,485 thousand vs Euro 13,430 thousand in 2008), and the product warranty provision (Euro 1,544 thousand).

Extraordinary expenses include:

- increases in the provision for risks and charges amounting to Euro 10,747 thousand (Euro 9,452 thousand in 2008) to cover additional contractual, technical and tax risks, less the related utilizations in 2009 of Euro 6,038 thousand;
- sundry personnel costs amounting to Euro 6,253 thousand (Euro 4,937 thousand in 2008), in addition to amounts not previously accrued or under accrued amounting to Euro 6,327 thousand (Euro 1,079 thousand in 2008).

NOTE 26 - FINANCE INCOME AND COSTS

These are analyzed as follows:

(Euro/000)	2009	2008
FINANCE INCOME		
Interest from customers (non-current receivables)	2,841	4,466
Interest from others (non-current receivables)	2,675	2,907
Income from financial derivative transactions	1,536	29,057
Other interest and commission income	942	13,348
Exchange rate gains	3,011	12,839
Total finance income	**11,005**	**62,617**
FINANCE COSTS		
Interest and commissions payable to joint ventures	-793	-2,803
Interest and commissions payable to ultimate parent companies	-1,492	-13
Expenses from financial derivative transactions	-1,644	-56,188
Interest/actuarial losses on employee indemnity benefit	-6,116	-6,727
Other interest and commission expense	-12,558	-7,551
Exchange rate losses	-2,954	-10,233
Total finance costs	**-25,557**	**-83,515**
TOTAL FINANCE INCOME AND COSTS	**-14,552**	**-20,898**

Finance income includes Euro 2,675 thousand in income officially received by the Parent Company from the government, but actually paid to Banca BIIS (an equal amount is recognized as finance expense), in connection with transactions through which government grants are settled (see Note 4).
There has been a net decrease in 2009 in exchange rate gains and losses and in income and expenses from derivative transactions, associated with a decrease in the Group's exposure to currency risks, especially those relating to foreign currency sales contracts.

NOTE 27 - INCOME AND EXPENSE FROM INVESTMENTS

This is analyzed as follows:

(Euro/000)	2009	2008
INCOME		
Dividends from other companies	20	78
Other income from equity investments		405
Total income	**20**	**483**
IMPAIRMENT OF EQUITY INVESTMENTS	**-16**	**-9**
SHARE OF PROFIT (LOSS) FROM EQUITY INVESTMENTS		
Profit	313	1,203
SHARE OF PROFIT (LOSS) FROM EQUITY INVESTMENTS	**313**	**1,203**
TOTAL INCOME AND EXPENSE FROM INVESTMENTS	**317**	**1,677**

Other income from equity investments in 2008 mainly arose from the disposal of the investment in Ansaldo Fuel Cells S.p.A. for Euro 376 thousand.
Note 8 provides details about equity-accounted investments. The share of profit from equity investments in 2009 relates to the share of profit of Orizzonte Sistemi Navali that is attributable to the Group of Euro 313 thousand (Euro 1,203 thousand in 2008).

NOTE 28 - INCOME TAXES

These are analyzed as follows:

(Euro/000)	2009		2008	
Current taxes		**-17,003**		**-35,308**
Deferred tax assets:				
- sundry impairment losses	27,625		-3,299	
- product warranty	2,205		-233	
- other risks and charges	-6,174		-199	
- carryforward tax losses	5,701		-2,995	
- other	336		-207	
		29,693		**-6,933**
Deferred tax liabilities:				
- tax deductions for construction contracts			8,234	
- other	2,889		1,419	
		2,889		**9,653**
Total deferred taxes		**32,582**		**2,720**
TOTAL INCOME TAXES		**15,579**		**-32,588**

Notes
A "+" sign indicates the recognition of deferred tax liabilities or reversal of deferred tax assets.
A "-" sign indicates the reversal of deferred tax liabilities or recognition of deferred tax assets.

The theoretical tax rate is reconciled to the effective tax rate as follows:

(Euro/000)	2009	2008
Theoretical corporate income tax rate (IRES)	**27,5%**	**27,5%**
Profit (loss) before tax	-79,686	42,812
Theoretical corporate income tax (IRES)	**21,914**	**-11,773**
Impact of taxes relating to prior periods	4,098	144
Impact of tax losses	175	-37
Effect of permanent differences and unrecognized temporary differences	-1,202	-10,559
Net impact of franking non-accounting tax deductions	117	3,302
Effect of different tax rate applicable to foreign entities	-2,357	-182
IRAP charged to income statement	**-7,166**	**-13,483**
Total income taxes (charged) credited to income statement	**15,579**	**-32,588**
Current taxes	-17,003	-35,308
Deferred taxes	32,582	2,720

NOTE 29 - OTHER INFORMATION

NET FINANCIAL POSITION

(Euro/000)	31.12.2009	31.12.2008
Cash and cash equivalents	**86,421**	**56,966**
Current financial receivables	**7,550**	**13,552**
Bank overdrafts	-114,606	-88,564
Current portion of bank loans	-17,694	-12,358
Other current financial liabilities	-60,715	-7,098
Current debt	**-193,015**	**-108,020**
Net current debt	**-99,044**	**-37,502**
Non-current financial receivables	**103,891**	**67,958**
Bank loans	-150,509	-88,591
Other non-current liabilities	-5,473	-5,649
Non-current debt	**-155,982**	**-94,240**
Net non-current debt	**-52,091**	**-26,282**
Net financial position	**-151,135**	**-63,784**

RELATED PARTY TRANSACTIONS

Intragroup transactions and transactions with Fintecna and its subsidiaries, and with other related parties in general, do not qualify as either atypical or unusual, since they fall within the normal course of business of the Fincantieri Group and are conducted on an arm's length basis.
The following table provides a summary of the Fincantieri Group's transactions with Fintecna and its subsidiaries, with the Parent Company's associates and joint ventures, which are not eliminated on consolidation in accordance with the stated consolidation principles, and with other related parties:

STATEMENT OF FINANCIAL POSITION

	31.12.2009						
(Euro/000)	Total 2009	Ultimate parent company and subsidiaries	Joint ventures	Associates	Other related parties	Total related parties	% of reported amount
Financial assets - receivables	202,445						0%
Advances	149,028						0%
Trade receivables and other assets	382,186	5,070	13,465			18,535	5%
Financial liabilities	-348,997	-10	-54,924			-54,934	16%
Trade payables and other liabilities	-1,071,937		-70			-70	0%

	31.12.2008						
(Euro/000)	Total 2008	Ultimate parent company and subsidiaries	Joint ventures	Associates	Other related parties	Total related parties	% of reported amount
Financial assets - receivables	182,617						0%
Advances	153,044						0%
Trade receivables and other assets	296,346	3,643	34,380			38,023	13%
Financial liabilities	-202,260	-275	-1,785			-2,060	1%
Trade payables and other liabilities	-951,799		-2,039			-2,039	0%

INCOME STATEMENT

	2009						
(Euro/000)	Total 2009	Ultimate parent company and subsidiaries	Joint ventures	Associates	Other related parties	Total related parties	% of reported amount
Operating revenues	3,065,469	1,815	507,088	47		508,950	17%
Other revenues and income	106,353	7,267	2,679	7		9,953	9%
Materials and services costs	-2,602,948		-118			-118	0%
Other costs	-17,328						0%
Finance income	11,005		3			3	0%
Finance costs	-25,557	-1,492	-793			-2,285	9%

	2008						
(Euro/000)	Total 2008	Ultimate parent company and subsidiaries	Joint ventures	Associates	Other related parties	Total related parties	% of reported amount
Operating revenues	2,805,756	2,286	149,870	161		152,317	5%
Other revenues and income	130,646		3,471			3,471	3%
Materials and services costs	-2,287,539	-7	-181			-188	0%
Other costs	-15,475						0%
Finance income	62,617		1,188			1,188	2%
Finance costs	-83,515	-13	-2,803			-2,816	3%

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

(Euro/000)	Emoluments of office (1)	Non-monetary benefits	Bonuses and other incentives	Other remun-eration
	2009			
Parent Company Board of Directors	395	18	980	662
Parent Company Board of Statutory Auditors	96			46
General Managers and Key Management Personnel		50	849	2,912
	2008			
Parent Company Board of Directors	434	17	380	660
Parent Company Board of Statutory Auditors	110			36
General Managers and Key Management Personnel		51	1,038	3,165

(1) Excluding amounts paid on behalf of subsidiaries

No directors, statutory auditors, general managers or key management personnel hold any equity interests in Fincantieri Cantieri Navali Italiani S.p.A. or in any Group company.

BASIC EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share, which is the same as diluted earnings (loss) per share, are calculated as follows:

		31.12.2009	31.12.2008
Consolidated profit (loss)	(Euro/000)	-64,107	10,224
Profit (loss) attributable to owners of the parent	(Euro/000)	-65,599	10,224
Weighted average shares outstanding	Number	826,581,277	661,003,000
Basic earnings (loss) per share	Euro	**-0.07936**	**0.01547**

There are no differences between basic and diluted earnings per share as there were no potential dilutive shares at the year-end reporting date.

OPERATING LEASES

The following table analyzes future minimum lease payments under operating leases:

(Euro/000)	2009	2008
Dates of future minimum operating lease payments:		
Within 1 year	9,643	11,199
Between 1 and 5 years	31,388	33,650
Over 5 years	23,898	17,056
Total	**64,929**	**61,905**

GUARANTEES

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

(Euro/000)	2009	2008
Bank guarantees		10
Other guarantees	28,569	28,620
Total	**28,569**	**28,630**

There were no bank guarantees at 31 December 2009 that had been given by the Group to third parties. Other guarantees relate to releases issued on behalf of Horizon to the French Ministry of Defense.

LITIGATION

The Group has accrued litigation provisions amounting to Euro 45,845 thousand (Euro 45,255 thousand at the end of 2008) relating to the expected costs arising from disputes involving Fincantieri Group companies, which mostly relate to the Parent Company. Receivables relating to disputes have been written down to the amount that is expected to be recovered.
The most important disputes are as follows:

Iraq dispute

This is a complicated, long-running dispute involving contracts with the Iraq government that were only partially performed as a result of customer default, including because of the UN embargo of Iraq implemented through specific EU legislation.
As reported in prior year financial statements, Fincantieri's defense counsel in the case brought for the two contracts in which Fincantieri was the main contractor, considers that the first-instance ruling by the Genoa Courts in the Parent Company's favor on the merit and amount of damages can be reasonably considered as final because it has not been appealed by either the Iraqis or by the Parent Company.
Even though the receivable is the subject of a court ruling, the international measures preventing any enforcement action against Iraq have been extended until 31 December 2010. As a result, the prudent approach adopted in the 2008 financial statements remains unchanged.
On the arbitration front, in 2009 Iraq lodged an appeal with the Paris Appeal Court against the ruling issued on 19 June 2006 in which the Arbitration Panel, appointed in accordance with the rules of the International Chamber of Commerce in Paris, had declared the claims brought by the Iraqi government as inadmissable. The hearing for the verbal discussion has been scheduled for 23 September 2010.
Lastly, talks started some time ago have continued to try and reach an out-of-court settlement to this dispute.

Litigation with suppliers

These are disputes regarding claims by suppliers and contractors that the Parent Company considers unjustified, or concerning the recovery of the higher costs incurred by the Parent Company because of failings by suppliers/contractors.
A provision for risks and charges has been recognized when it is thought that a dispute will not be settled in the Group's favor.

Employment litigation

During the year there was a significant increase in the number of cases brought by employees and former employees of contractors and subcontractors, which involve Group companies under the "customer co-liability" principle. Measures have been taken to prevent these legal actions from resulting in costs for the Fincantieri Group.
Litigation relating to asbestos continued to be settled both in and out of court in 2009. In view of the way this litigation has evolved over the past three years, it is likely that Fincantieri's involvement will continue for the next three/five years for similar sums as those already incurred. As a result, it has recognized suitable prudential provisions in this regard.

Other litigation

Other litigation includes disputes: i) against factoring companies; ii) against arbitration awards; iii) for revocation suits; iv) for joint liability with insurance companies; v) for indirect claims arising from stages of production; vi) for cases concerning trademarks and patents; and vii) for compensation claims; etc.
The Parent Company is also engaged in managing disputes with the Ministry of the Environment, concerning the shipyards of Marghera, Castellammare di Stabia and Muggiano. These disputes regard accusations of pollution, which are fiercely contested by Fincantieri.
The Parent Company has filed administrative appeals, while it has been summoned before the Civil Court of Venice by the Ministry of the Environment, which is claiming compensation for alleged environmental damages.

TAX POSITION

Closed tax periods

The Parent Company and the Group's Italian companies have closed their tax periods up to 31 December 2004 for both direct taxes and VAT.

National group tax filing

The group tax filing, elected in 2007 for the 2007-2009 period by the Parent Company and its subsidiaries Cetena, Isotta Fraschini and Seaf, was extended in 2009 to include Bacini di Palermo.

Tax litigation and other information

Fincantieri

The Company has a number of pending disputes at various levels of court, mainly relating to claims for reimbursement of taxes and other duties, to local property taxes, other local taxes and excise duties.
With reference to the more important cases:
- the High Court has rejected the Company's appeal for reimbursement of registration taxes; the related tax receivable (already completely written down) has been derecognized as a result;
- the restitution of border rights has resulted in a ruling by the United Sections of the High Court which has reaffirmed the validity of the law, without the restrictions introduced by a previ-

ous decision by the Tax Section of the Supreme Court, and has confirmed the need to "provide proof" of payment. In another judgment, previously awaiting a second-instance ruling, the Company displayed documentation attesting the duties charged on building the ship; however, the Regional Tax Commission for Friuli Venezia Giulia has treated this documentation as inadequate. The next steps in this case are being evaluated together with the defense team;

- the excise duty dispute relating to the new interpretation applied by Customs and Excise since 2005 has started to escalate; all the preliminary proceedings are being contested and in some cases the litigation is in the Company's favor; the appeal, which has long been pending before the Supreme Court, has not yet been discussed.

The Company has ruled out that there will be any costs affecting future years.

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 assessment for 2004, notified in 2007.
The Group's other companies have no pending cases or disputes which, at the reporting date, involved tax inspections or assessments.

HEADCOUNT

The Fincantieri Group had 10,530 employees at 31 December 2009 compared with 9,185 employees at 31 December 2008, broken down as follows:

	2009		2008	
	31-Dec	Average	31-Dec	Average
Senior managers	227	228	211	211
Middle managers	348	365	298	291
White collars	3,903	3,874	3,678	3,605
Blue collars	6,052	5,932	4,998	5,039
Total	**10,530**	**10,399**	**9,185**	**9,146**

	31.12.2009	31.12.2008
Fincantieri (Parent Company)	8,609	8,889
Fincantieri Marine Group	1,617	
CETENA	72	74
Fincantieri Marine Systems	35	50
Isotta Fraschini Motori	154	162
Seastema	21	
Delfi	22	10
Total	**10,530**	**9,185**

Orizzonte Sistemi Navali had 88 employees at 31 December 2009, compared with 96 at 31 December 2008.
Lloyd Werft had 477 employees at 31 December 2009, compared with 496 at 31 December 2008.

NOTE 30 – ACQUISITION OF THE MANITOWOC MARINE GROUP

Fincantieri completed its acquisition of the US shipbuilding group Manitowoc Marine Group (now renamed Fincantieri Marine Group) from The Manitowoc Company Inc on 1 January 2009 and has consolidated its new subsidiaries from this date. The acquisition cost was USD 119,451 thousand, plus a price adjustment of Euro 1,070 thousand for the exercise of an existing option (included in the acquisition price in the following table) and related costs. A leading firm of consultants was engaged to determine the fair value of the assets and liabilities acquired, as presented in the following table.

(Euro/000)	Fair value	Carrying amount at acquisition date on 1.1.2009
NET ASSETS ACQUIRED		
NON-CURRENT ASSETS		
Intangible assets (*)	38,622	
Plant and machinery	40,542	18,285
Deferred tax assets	3,882	2,508
Total non-current assets	**83,046**	**20,793**
CURRENT ASSETS		
Inventories	1,699	1,557
Work in progress net of invoices issued - assets	3,138	3,138
Trade receivables and other current assets	9,795	9,795
Cash and cash equivalents	17	17
Total current assets	**14,649**	**14,507**
NON-CURRENT ASSETS		
Other non-current liabilities	4,659	2,166
Deferred tax liabilities	26,206	2,674
Total non-current liabilities	**30,865**	**4,839**
CURRENT LIABILITIES		
Trade payables and other current liabilities	15,481	15,481
Work in progress net of invoices issued - assets	17,924	17,924
Total current liabilities	**33,405**	**33,405**
TOTAL NET ASSETS (LIABILITIES)	**33,425**	**-2,944**
Pre-acquisition goodwill	33,892	33,892
NET ASSETS ACQUIRED	**67,317**	**30,948**
Goodwill arising on acquisition	23,442	
ACQUISITION COST	**90,759**	
TOTAL GOODWILL	**57,334**	
COMPONENTS OF ACQUISITION COST		
Acquisition price	86,901	
Acquisition-related costs	3,858	
	90,759	

(*) The fair value of intangible assets includes Euro 13,293 thousand for the names of the Marinette, Bay and Cleveland shipyards, and Euro 22,167 thousand for the acquired US group's customer relationships.

NOTE 31 – CASH FLOWS FROM OPERATING ACTIVITIES

These are analyzed as follows:

(Euro/000)	31.12.2009	31.12.2008
Profit (loss) for the year	-64,107	10,224
Depreciation and amortization	67,930	61,160
(Gains) losses from disposal of property, plant and machinery	-3,539	-652
(Revaluation) impairment of intangible assets and equity investments	3,962	2,165
Increases/releases of provisions for risks and charges	6,377	19,087
Interest and actuarial gains/losses on employee indemnity benefit	6,402	7,054
Interest income	-2,872	-19,587
Interest expense	6,050	7,688
Income taxes for the year	-15,579	32,588
Non-recurring (income) expenses	109,659	
Impact of exchange rate changes on construction contracts		4,756
Finance income and costs from financial derivative transactions	126	-396
Gross cash flows from operating activities	**114,409**	**124,087**
CHANGES IN WORKING CAPITAL		
- inventories	45,879	-74,307
- construction contracts	-382,179	-192,510
- trade receivables	-90,853	105,772
- other current assets	12,791	35,072
- other non-current assets		205,150
- advances from customers	-45,302	48,364
- trade payables	96,376	-14,857
- other current liabilities	-8,142	-1,657
- other non-current liabilities	10,743	-200,279
- receivables arising from hedging instruments		3,190
Cash flows from working capital	**-246,278**	**38,025**
Dividend receipts	20	
Interest received	1,329	19,635
Interest paid	-4,321	-7,550
Income taxes paid	-25,538	-10,167
Utilization of provisions for risks and charges	-20,247	-22,478
Utilization of provision for employee indemnity benefit	-10,035	-12,932
NET CASH FLOWS FROM OPERATING ACTIVITIES	**-305,070**	**4,533**

NOTE 32 - EVENTS SUBSEQUENT TO 31 DECEMBER 2009

The principal events occurring after the end of the reporting period are as follows:

- in January: the Arab Emirates Navy placed orders for two Stealth vessels. The contract contains an option for two more sister ships, and requires Fincantieri technology to be transferred to a local shipyard;
- in February: Fincantieri and the Carnival Group reached an agreement to build two prototype ships for the Princess Cruises line. The contract is subject to finalization of its technical and financial points. The new ships, each of 139,000 GT, should enter service in spring 2013 and 2014 respectively;
- in February: confirmation was received of the order for a second super-luxury cruise ship for Oceania Cruises, a US cruise line, with an option for a third ship;
- early in 2010: almost all of the US dollar denominated revenue from the contract for the Carnival Dream III, signed on 30 November 2009, was hedged for currency risk using appropriate derivative instruments.

CONSOLIDATED COMPANIES

COMPANY NAME Principal activity	Registered office		Share capital	% held		% consolidated by Group
Companies consolidated line-by-line						
BACINI DI PALERMO S.P.A. Dry-dock management	Palermo ITALY	Euro	1,032,000.00	100.00	Fincantieri	100.00
CENTRO PER GLI STUDI DI TECNICA NAVALE CETENA S.P.A. Ship research and experimentation	Genoa ITALY	Euro	1,000,000.00	71.10 15.00	Fincantieri Seaf	86.10
ELNAV ESERCIZIO E LOCAZIONE NAVI S.P.A. Shipowner	Trieste ITALY	Euro (paid up	2,580,000.00 1,135,200.00)	49.00	Fincantieri	100.00
FINCANTIERI HOLDING B.V. Holding company for foreign investments	Amsterdam NL	Euro	9,529,384.54	100.00	Fincantieri	100.00
FINCANTIERI MARINE SYSTEMS NORTH AMERICA INC. Sale and after-sale services relating to mechanical products	Delaware Corporation based in Chesapeake (VI - USA)	USD	501,000.00	100.00	Fincantieri Holding BV	100.00
GESTIONE BACINI LA SPEZIA S.P.A. Dry-dock management	Muggiano (La Spezia) ITALY	Euro	260,000.00	99.89	Fincantieri	99.89
ISOTTA FRASCHINI MOTORI S.P.A. Design, construction, sale and after-sale services relating to fast medium-duty diesel engines	Bari ITALY	Euro	12,546,000.00	100.00	Fincantieri	100.00
SOCIETÀ PER L'ESERCIZIO DI ATTIVITÀ FINANZIARIE SEAF S.P.A. Financial support for Group companies	Rome ITALY	Euro	1,032,000.00	100.00	Fincantieri	100.00
DELFI S.R.L. Technical and logistics engineering	Follo (La Spezia) ITALY	Euro (paid up	400,000.00 100,000.00)	49.00	Fincantieri	49.00
SEASTEMA S.P.A. Design and development of integrated automation systems	Genoa ITALY	Euro	300,000.00	50.00	Fincantieri	50.00
FINCANTIERI USA INC. Investment holding company	Delaware Corporation based in Wilmington (DE - USA)	USD	1,029.75	86.02	Fincantieri	100.00
FINCANTIERI MARINE GROUP HOLDINGS INC. Investment holding company	Delaware Corporation based in Green Bay (WI - USA)	USD	1,027.97	87.44	Fincantieri USA Inc.	87.44
FINCANTIERI MARINE GROUP LLC. Ship building and repair	Nevada LLC based in Marinette (WI - USA)	USD	1,000.00	100.00	FMGHs Inc.	87.44
MARINETTE MARINE CORPORATION LLC. Ship building and repair	Wisconsin (WI - USA)	USD	400,000.00	100.00	FMG LLC	87.44
ACE MARINE LLC. Building of small aluminum ships	Wisconsin (WI - USA)	USD	1,000.00	100.00	FMG LLC	87.44
Joint venture companies consolidated using the equity method						
ORIZZONTE SISTEMI NAVALI S.P.A. Management of contracts for the supply of large naval vessels	Genoa ITALY	Euro	20,000,000.00	51.00	Fincantieri	51.00
Associates consolidated using the equity method						
LLOYD WERFT BREMERHAVEN GMBH Ship repair and conversion	Bremerhaven GERMANY	Euro	32,540,000.00	21.05	Fincantieri Holding B.V.	21.05

KEY FIGURES FROM THE FINANCIAL STATEMENTS OF FINTECNA

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

The key figures for the ultimate parent company FINTECNA – Finanziaria per i Settori Industriale e dei Servizi S.p.A. presented 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 31 December 2008. For an adequate and complete understanding of FINTECNA's assets and liabilities and financial position at 31 December 2008, as well as of its results of operations for the year then ended, reference should be made to the financial statements which, accompanied by an independent auditors' report, are available in the format and manner required by law.

(Euro/000)

STATEMENT OF FINANCIAL POSITION	31.12.2008
ASSETS	
Fixed assets	1.590.694
Current assets	2.758.524
Accrued income and prepayments	4.276
TOTAL ASSETS	**4.353.494**
LIABILITIES	
Equity	2.471.843
Provisions for risks and charges	1.698.039
Employee indemnity benefit	7.362
Payables	173.230
Accrued expenses and deferred income	3.020
TOTAL EQUITY AND LIABILITIES	**4.353.494**
MEMORANDUM ACCOUNTS	**7.582.220**

INCOME STATEMENT	2008
Value of production	184.184
Cost of production	-51.130
Finance income and costs	135.094
Adjustments to financial assets	-203.255
Extraordinary income and expenses	41.554
PROFIT BEFORE TAX	**106.447**
Income taxes	-30.342
PROFIT FOR THE YEAR	**76.105**

Report by the Board of Statutory Auditors

REPORT BY THE BOARD OF STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009

Dear Shareholders,

You have been presented with the consolidated financial statements of the Fincantieri Group that have been drawn up on a voluntary basis under international accounting standards (IAS/IFRS).
This document has been drawn up in complete compliance with the rules governing the preparation of consolidated financial statements; our work does not extend to the audit of the consolidated financial statements, which is carried out by another party.
The financial statements of subsidiaries have been reviewed by their respective Boards of Statutory Auditors and audited by the appointed independent auditors.
The results of our review of the Fincantieri Group's consolidated financial statements show that:

- the companies included in the scope of consolidation have been properly and analytically identified.
- the financial information provided by the consolidated companies is consistent with the accounting policies, format and contents defined by the consolidating company: this has been certified by the legal representatives of each consolidated company.
- with regard to the formation of the consolidated financial statements, the consolidating company has used the data received correctly, as well as that resulting from its own accounting records.
- the accounting policies and consolidation principles comply with the relevant legislation and accounting standards.

The assets and liabilities, costs and revenues of consolidated companies have been included on a line-by-line basis in the consolidated financial statements, except for the company Orizzonte Sistemi Navali, which has been equity accounted.
Payable and receivable balances and transactions between consolidated companies have been eliminated.
Assets acquired under finance lease have been included in property, plant and equipment, in accordance with the accepted method of accounting for finance leases.
The notes to the consolidated financial statements contain the disclosures required by the relevant legislation and accounting standards.
In the opinion of the Board of Statutory Auditors, the consolidated financial statements, taken as a whole, give a fair view of the assets and liabilities, financial position, and results of operations of the Fincantieri Group for the year ended 31 December 2009.
The Board of Statutory Auditors has also verified that the contents of the Report on Operations reflect what is represented in the consolidated financial statements.

Trieste, 3 May 2010

THE BOARD OF STATUTORY AUDITORS

Management Representation on the Consolidated Financial Statements

MANAGEMENT REPRESENTATION ON THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 81-*TER* OF CONSOB REGULATION 11971 DATED 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS.

1. The undersigned, Giuseppe Bono, in his capacity as Chief Executive Officer, and Francesco Rosso, as Manager responsible for preparing financial reports of FINCANTIERI – Cantieri Navali Italiani S.p.A. ("Fincantieri"), taken into account of art. 30 of the Company bylaws as amended following the request of the majority shareholder Fintecna S.p.A. included in the letter n. 0003848 dated 19th March 2007, hereby represent:
   - the suitability in relation to the Company organization and
   - the effective application, of the administrative and accounting procedures for the preparation of the consolidated financial statements, during the financial year 2009.
2. The evaluation of the administrative and accounting procedures for the preparation of the consolidated financial statements as at 31st December 2009 was carried out based on a model defined by Fincantieri, coherent with the *Internal Control – integrated Framework* model issued by the *Committee of Sponsoring Organization of the Treadway Commission* that represents a generally accepted framework. Such evaluation was verified by testing the key controls relating to the most influencing processes concurring to the preparation of the consolidated financial statements. Should verifications have shown exceptions, appropriate action plans already implemented or in progress of implementation, have been defined with process owners. Also note that, during 2010, the recognition of processes relating to a U.S. entity, Fincantieri Marine Group Holdings Inc. (and its subsidiaries) - included in the 2009 consolidation area -, will be completed, allowing full integration in the test plan of Fincantieri.
3. The undersigned moreover represent that the consolidated financial statements:
   - have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Community pursuant to Regulation (CE) n. 1606/2002 of the European Parliament and Council dated 19 July 2002;
   - correspond to the amounts shown in the Company accounts, books and records;
   - provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

22 April 2010

Chief Executive Officer	Manager Responsible for preparing Financial Reports
Giuseppe Bono	Francesco Rosso


FINCANTIERI

Report by the Independent Auditors

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 2409-TER OF THE CIVIL CODE (NOW IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE N°39 DATED 27 JANUARY 2010)

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 2009, which comprise the balance sheet, the statement of comprehensive income, 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 standards on auditing issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob. 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.

The audit of the consolidated financial statements at 31 December 2009 was conducted in accordance with the legislation in force during the year then ended.

For the opinion on the consolidated financial statements of the prior period, the amounts of which are presented for comparative purposes and have been reclassified to reflect the changes to the financial statements presentation introduced by IAS 1, reference is made to our report dated 14 April 2009.

3 In our opinion, the consolidated financial statements of the FINCANTIERI Group as of 31 December 2009 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 financial

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P. IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob – Altri Uffici: **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 – **Bologna** 40122 Via delle Lame 111 Tel. 051526611 – **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 – **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Napoli** 80121 Piazza dei Martiri 30 Tel. 08136181 – **Padova** 35138 Via Vicenza 4 Tel. 049873481 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10129 Corso Montevecchio 37 Tel. 011556771 – **Trento** 38100 Via Grazioli 73 Tel. 0461237004 – **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 – **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 – **Udine** 33100 Via Poscolle 43 Tel. 043225789 – **Verona** 37122 Corso Porta Nuova 125 Tel. 0458002561

PRICEWATERHOUSECOOPERS

position, results of operations and cash flows of the FINCANTIERI Group 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 applicable laws. Our responsibility is to express an opinion on the consistency of the Report on Operations with the financial statements, as required by law. 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 the FINCANTIERI Group as of 31 December 2009.

Trieste, 7 May 2010

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.

CONSOLIDATED ANNUAL REPORT 2009

FINCANTIERI