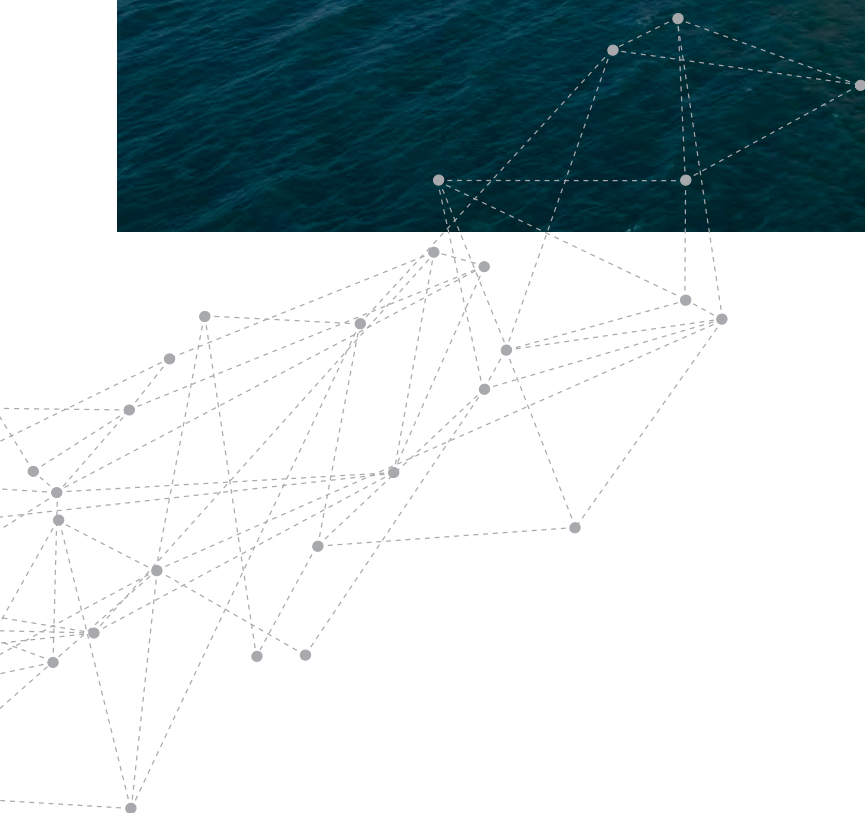


half-year financial report

at 30 june 2016



FINCANTIERI
The sea ahead





parent company directors and officers

Board of directors

(2016-2018)

Giampiero Massolo (Chairman)
Giuseppe Bono (Chief Executive Officer)
Paola Muratorio
Gianfranco Agostinetti
Nicoletta Giadrossi
Simone Anichini
Donatella Treu
Fabrizio Palermo
Massimiliano Cesare
Umberto Baldi (Secretary)

Board of statutory auditors

(2014-2016)

Gianluca Ferrero (Chairman)
Alessandro Michelotti (Standing member)
Fioranna Vittoria Negri (Standing member)
Claudia Mezzabotta (Alternate member)
Flavia Daunia Minutillo (Alternate member)

Manager responsible for preparing financial reports

Carlo Gainelli

Independent auditors

(2013-2021)

PricewaterhouseCoopers S.p.A.

Oversight board (Leg. Decree 231/01)

(2015-2017)

Guido Zanardi (Chairman)
Stefano Dentilli (Member)
Giorgio Pani (Member)

Information regarding the composition and functions of the Board Committees (the Internal Control and Risk Committee, which is also serving on an interim basis as the committee responsible for related party transactions, the Compensation Committee, the Nomination Committee and the Sustainability Committee) is provided in the Corporate Governance section of the Fincantieri website at www.fincantieri.it

DISCLAIMER

Forecast data and information must be regarded as forward-looking statements and therefore, not being based on simple historical facts, contain, by their nature, an element of risk and uncertainty because they also depend on the occurrence of future events and developments outside the Company's control. Actual results could therefore be materially different from those expressed in forward-looking statements. Forward-looking statements refer to the information available at the date of their publication; FINCANTIERI S.p.A. undertakes no obligation to revise, update or correct its forward-looking statements after such date, other than in the circumstances strictly required by applicable regulations. The forward-looking statements provided do not constitute and shall not be considered by users of the financial statements as advice for legal, accounting, tax or investment purposes nor is it the intention for such statements to create any type of reliance and/or induce such users to invest in the Company.

Overview

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

SEGMENTS

SHIPBUILDING

OFFSHORE










EQUIPMENT, SYSTEMS AND SERVICES

OTHER

BUSINESS AREAS

PRODUCT PORTFOLIO

MAIN COMPANIES AND OPERATING UNITS

									
Cruise ships	Ferries	Ship repairs and conversions	Naval Vessels	Mega Yacht	Offshore	Equipment and systems	After-sales		
Luxury/niche	Cruise ferries	Repair	Aircraft carrier	Luxury Yacht >60m	Offshore Support Vessels	Steam turbines	After-sales services		
Upper premium	Ro-Pax	Refitting	Submarines		Construction Vessels	Stabilization, propulsion, dynamic positioning and power generation systems	• Integrated logistic support		
Premium	Hi-tech ferries	Conversion	Destroyers		Drilling Vessels	Automation systems	• In-service of warranty service		
Contemporary	Fast Ferries	Refurbishment	Frigates		Specialized Vessels	Electrical and electronic systems	Product lifecycle management		
			Corvettes		Aquaculture		Training and assistance		
			Patrol vessels		Offshore Wind				
			Amphibious ships						
			Logistic support						
			Special vessels						
			Barges						
<p>FINCANTIERI S.p.A.</p> <ul style="list-style-type: none">• Monfalcone• Marghera• Sestri Ponente• Ancona• Castellammare di Stabia• Palermo• Trieste• Integrated Naval Shipyard Riva Trigoso and Muggiano• Genoa <p>Cetena S.p.A.</p> <p>Bacini Palermo S.p.A.</p> <p>Gestione Bacini La Spezia S.p.A.</p> <p>FMG LLC</p> <ul style="list-style-type: none">• Sturgeon Bay <p>Fincantieri Marine Group Holdings Inc.</p> <p>Marinette Marine Corporation LLC</p> <ul style="list-style-type: none">• Marinette <p>ACE Marine LLC</p> <ul style="list-style-type: none">• Green Bay <p>Fincantieri USA Inc.</p> <p>Fincantieri India Private Ltd.</p> <p>Fincantieri do Brasil Participações S.A.</p> <p>Fincantieri Holding BV</p> <p>Fincantieri (Shanghai) Trading Co. Ltd.</p> <p>Marine Interiors S.p.A.</p> <p>FINCANTIERI SI S.P.A.</p> <p>Camper&Nicholsons International S.A.</p>					<p>Fincantieri Oil&Gas S.p.A.</p> <p>Vard Holdings Ltd.</p> <p>Vard Group A.S.</p> <ul style="list-style-type: none">• Aukra• Langsten• Brattvaag• Brevik• Søviknes <p>Vard Tulcea S.A.</p> <ul style="list-style-type: none">• Tulcea <p>Vard Niterói S.A.</p> <ul style="list-style-type: none">• Niterói <p>Vard Promar S.A.</p> <ul style="list-style-type: none">• Promar <p>Vard Vung Tau Ltd.</p> <ul style="list-style-type: none">• Vung Tau <p>Vard Electro A.S.</p> <p>Vard Design A.S.</p> <p>Vard Piping A.S.</p> <p>Vard Accommodation A.S.</p> <p>Vard Braila S.A.</p> <p>Vard Marine Inc.</p> <p>Seaoonics A.S.</p>		<p>FINCANTIERI S.p.A.</p> <ul style="list-style-type: none">• Riva Trigoso <p>Seastema S.p.A.</p> <p>Delfi S.r.l.</p> <p>Seaf S.p.A.</p> <p>Isotta Fraschini Motori S.p.A.</p> <ul style="list-style-type: none">• Bari <p>FMSNA Inc.</p> <p>Fincantieri Sweden AB</p>		<p>FINCANTIERI S.p.A.</p> <ul style="list-style-type: none">• Corporate

The Fincantieri Group is now the largest shipbuilder by revenue in the Western world (meaning Europe and North America) and one of the most dynamic and diversified players in the industry, being focused on high value-added segments with high-tech content and high unit values, and with a position of excellence in all these segments that make it one of the most technologically complex groups on the international scene. In fact, the Group is a world leader in the design and construction of cruise ships, among the world leaders in the design and construction of naval combat, support and special vessels and submarines, and one of the leading global players in the design and construction of high-end offshore support vessels (OSV).

Fincantieri is active worldwide on four continents (Europe, North America, South America and Asia), with 21 shipyards located in Italy, Norway, Romania, United States of America, Brazil, and Vietnam plus a joint venture in the United Arab Emirates, and a total workforce of nearly 19,000. Fincantieri's business is widely diversified by end markets, geographical exposure and by client base, with revenue evenly balanced between cruise ship, naval and offshore vessel construction. Compared with less diversified players, such diversification allows it to mitigate the effects of any fluctuations in demand on the end markets served. In particular, the Group operates through the following three segments:

- Shipbuilding: encompassing the business units that build cruise ships and naval vessels and offer other products and services (ferries, mega-yachts and ship repairs and conversions);
- Offshore: encompassing the design and construction of high-end offshore support vessels, specialized ships, and vessels for offshore wind farms and open ocean aquaculture, as well as the offer of innovative products in the field of drillships and semi-submersible drilling rigs;
- Equipment, Systems and Services: encompassing the design and manufacture of high-tech equipment and systems, such as stabilization, propulsion, positioning and power generation systems, ship automation systems, steam turbines, and the provision of logistical support and after-sales services.



the fincantieri planet

SHIPYARDS AND DOCKS

— europe

ITALY

TRIESTE
MONFALCONE
MARGHERA
SESTRI PonENTE
GENOA
RIVA TRIGOSO-MUGGIANO
ANCONA
CASTELLAMMARE DI STABIA
PALERMO

NORWAY

AUKRA
BRATTVAAG
BREVIK
LANGSTEN
SØVIKNES

ROMANIA

BRAILA
TULCEA

— asia

VIETNAM

VUNG TAU

— americas

USA

GREEN BAY
MARINETTE
STURGEON BAY

BRAZIL

NITERÓI
SUAPE



HEADQUARTERS AND MAIN SUBSIDIARIES

— europe

ITALY

FINCANTIERI S.p.A. (Headquarters)
Orizzonte Sistemi Navali
Cetena
Delfi
Seastema
Isotta Fraschini Motori
Fincantieri Oil&Gas
Seaf
Marine Interiors
Fincantieri SI

NORWAY

Vard Group (Headquarters)
Vard Design
Vard Piping
Vard Electro
Vard Accommodation
Vard Trading
Vard Offshore Brevik
Vard Engineering Brevik
Seaconics

PRINCIPALITY OF MONACO

Camper&Nicholsons International

SWEDEN

Fincantieri Sweden

POLAND

Seaconics Polska

— asia

CHINA

Fincantieri (Shanghai) Trading

INDIA

Fincantieri India
Vard Electrical Installation
and Engineering (India)

BAHRAIN

FMSNA

UAE

Etihad Ship Building

SINGAPORE

Vard Holdings
Vard Shipholding Singapore

JAPAN

FMSNA YK

— americas

USA

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

CANADA

Vard Marine

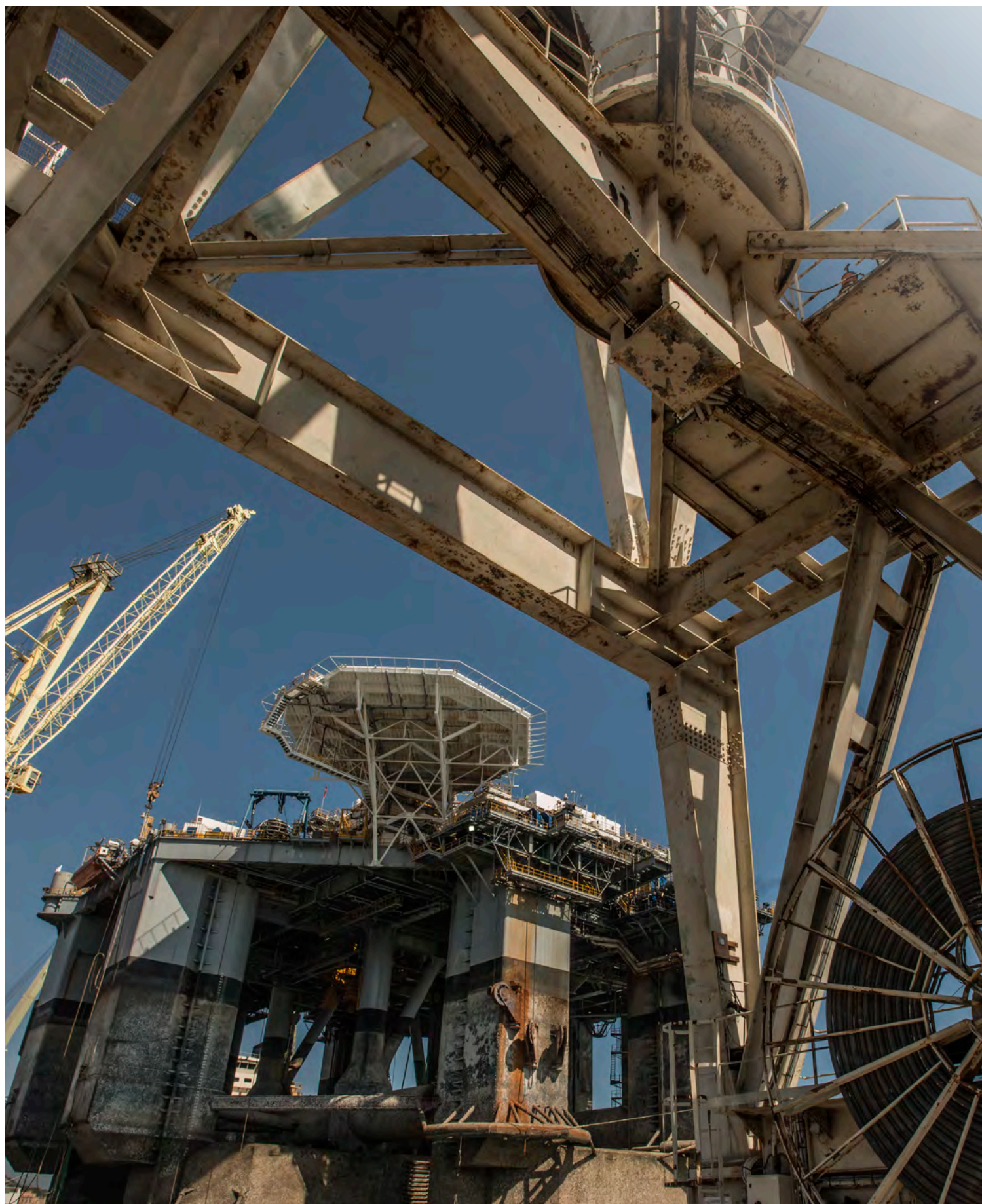
BRAZIL

Fincantieri do Brasil Participações

almost
19,000
employees

21
shipyards

4
continents





interim report on operations at 30 june 2016



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15	Group operational performance
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Highlights

- **2016 and medium-term guidance confirmed:** the solid results for the first half of 2016 mark a turning point from the second half of 2015 (EBITDA margin of 5.0% compared to -7.8% of the second half of 2015) and are in line with the targets outlined in the Business Plan 2016-2020;
- **All time high total backlog of euro 21.8 billion covering approximately 5.2 years of work if compared to 2015 revenues.** The Group confirms its ability to continuously convert major commercial negotiations into firm contracts: the backlog is euro 19,290 million at 30 June 2016 (euro 12,044 million at 30 June 2015), with 103 ships in orderbook and soft backlog is approximately euro 2.5 billion (approximately euro 7.2 billion at 30 June 2015);
- **Group's ability to deliver highly complex vessels on time confirmed:** four cruise ships delivered to four different clients and in four different shipyards, including three prototypes "Koningsdam", "Carnival Vista" and "Seven Seas Explorer";
- **VARD Business Plan execution ahead of schedule:** shut down of Vard Niterói yard in Brazil, development of significant synergies with Cruise business and relevant commercial achievements within diversification strategy;
- **Signed important contract with the Qatari Ministry of Defence:** the most significant commercial milestone in naval business acquired by Fincantieri over the last 30 years. The Qatar Ministry of Defence chose Fincantieri for the national naval acquisition programme; the contract, worth almost euro 4 billion, envisages the supply of 7 naval vessels and support services for 15 years after the delivery;
- **Strategic agreement, signed after the end of the period, for the constitution of a JV with China State Shipbuilding Corporation (CSSC):** the agreement, which follows the historic ones signed with CSSC and Carnival Corporation in November 2014, will allow Fincantieri to contribute to develop the growth of the Chinese cruise industry;
- **Order intake:** euro 5,851 million (euro 4,170 million at 30 June 2015);
- **Revenue and income:** euro 2,266 million (euro 2,220 million at 30 June 2015);
- **Result before extraordinary and non-recurring income and expenses:** net profit of euro 19 million (net loss of euro 7 million at 30 June 2015). The Group share of this result was a net profit of euro 19 million (net profit of euro 23 million at 30 June 2015);
- **Result for the period:** net profit of euro 5 million (net loss of euro 19 million at 30 June 2015). The Group share of this result was a net profit of euro 7 million (net profit of euro 12 million at 30 June 2015)
- **EBITDA:** euro 113 million (euro 128 million at 30 June 2015) with consolidated EBITDA margin of 5.0% (5.3% at 30 June 2015);

-
- **Net financial position:** euro 408 million of net debt (euro 438 million of net debt at 31 December 2015). The improvement is mainly due to cash inflows from the deliveries in the semester partially offset by cash absorption of investing activities and reimbursement of financing related to current operations;
 - **Net cash flows from operating activities:** positive euro 131 million in the first half of 2016 (negative euro 177 million at 30 June 2015), thanks to deliveries in the period, despite significant repayments related to construction loans that absorbed cash for euro 227 million. This confirms the peculiarity of the cruise business working capital cycle, which generates a positive effect on short term current financial situation at ship delivery.

Introduction

The positive results for the first half of 2016 show a clear recovery in operating and economic performance, marking a decisive shift from the second half of 2015, with which Fincantieri left behind the industry's longest period of crisis.

In the first six months of 2016 Fincantieri has confirmed its position as leader in all its main sectors of activity, finalizing important contracts not only in the cruise ship business but above all in the naval business with the winning of a maxi contract from the Qatari Ministry of Defense which saw Fincantieri prevail over other naval shipbuilders thanks to a project recognized as the most advanced and innovative of all. This contract will allow Fincantieri to build a true partnership with the Emirate of Qatar's naval forces and to become a world leader in the defense sector, like in the cruise and offshore ones. The contract, worth euro 3.8 billion, involves the supply of seven new-generation surface vessels for the Qatari Navy, of which four corvettes, one amphibious vessel and two patrol boats, as well as the provision of support services in Qatar for an additional 15 years after vessel delivery. All the vessels will be built entirely by the Group's Italian shipyards commencing 2018 and assuring six years of work and important ramifications for the major Italian defense companies.

Following these commercial successes, the Group has seen its order book grow for the eighth semester running, and is able to count on a total backlog at 30 June 2016 of approximately euro 21.8 billion, of which some euro 19.3 billion in firm order backlog (the residual value of firm orders not yet completed) and euro 2.5 billion in soft backlog (representing the value of existing contract options and letters of intent as well as of contracts at an advanced stage of negotiation, none of which yet reflected in the order backlog), a large part of which Fincantieri believes it can shortly convert into firm orders.

With reference to the various operating segments, the Shipbuilding segment has not only finalized the contract with the Qatari Navy but also orders for two new cruise ships, one for the Princess brand owned by Carnival Corporation and one for the Regent Seven Seas Cruises brand owned by Norwegian Cruise Line Holdings.

Also in the naval vessels business, the US Navy has awarded the Fincantieri Group, through its subsidiary Marinette Marine Corporation, an order to build another "Freedom" class LCS (LCS 25). In the first few days of July Fincantieri signed a major agreement with China State Shipbuilding Corporation (CSSC), China's largest shipbuilding conglomerate, for the formation of a joint venture aimed at developing and supporting the growth of the Chinese cruise industry. This step,

letting Fincantieri gain a leading role in a high-potential strategic market, confirms the Group's ability to be the first to seize such highly strategic opportunities and to secure global leadership of all its business sectors.

In addition to the major commercial successes achieved in the first half of the year, Fincantieri has also confirmed that it is able to complete highly complex projects within contractual deadlines, with the first six months of the year seeing delivery of 4 cruise ships by 4 different shipyards for 4 different brands, including three prototypes, namely the "Koningsdam" for Holland America Line, the "Carnival Vista" for Carnival Cruise Lines and "Seven Seas Explorer" for Regent Seven Seas Cruises. It is important to remember that Fincantieri currently finds itself managing a virtual doubling of cruise ship production volumes following the tremendous market growth of the last two years and having completed in 2015 the restructuring process undertaken in response to the global economic and financial crisis.

At the end of the first half of 2016, Fincantieri agreed with the main trade unions the terms for renewing the supplementary labor agreement applying to all employees of Fincantieri S.p.A. and of some of the Group's Italian companies. At the core of the agreement, signed jointly by the unions, is the payment of a bonus linked to service and continuity of presence, and to the effective performance of each individual worker. It also defines an innovative participatory model which, by focusing on the shared responsibility of workers, will ensure standards of efficiency that will help promote improved business competitiveness.

The Offshore segment, whose global market environment remains extremely depressed following the steep decline in oil prices, has started to see the fruits of VARD's actions to diversify into new sectors and new markets. As a result of this strategy, during the first half of the year the VARD Group signed an agreement with PONANT to build 4 small cruise ships and a letter of intent with an international cruise company to build 2 expedition cruise vessels. Both orders involve support and supply of key components by Fincantieri. During the same period VARD also won an important order to design and build 15 module carrier vessels for Topaz Energy and Marine and an order to build a stern trawler for HAVFISK ASA. Despite the still highly depressed market environment, the first timid signs of interest are starting to emerge in the high-tech, highly innovative products developed by Fincantieri's Oil&Gas division in recent years.

VARD has continued in the first half of 2016 with its programs to reorganize and rationalize its operations in Norway, Romania and Brazil, with the aim of achieving a structural reduction in the cost base. In line with the subsidiary's business plan, steps are in progress in Brazil to steadily reduce the risk pertaining to the current backlog, leading to the delivery of 3 vessels in this country during the six-month period and the consequent cessation of activities at the Niterói shipyard. In terms of diversification, the subsidiary has continued to develop synergies with the Italian cruise business, through the construction of sections for large cruise ships being built at the Italian yards. From a revenue point of view, compared with the same period in 2015, the first half of 2016 has been characterized by positive performances by the Shipbuilding segment, mainly thanks to the steady increase in cruise ship production volumes, and by the Equipment, Systems and Services segment, while the value of production of the Offshore segment was down, as expected, primarily because of the Oil&Gas market crisis, pending new production volumes as a result of diversification, and because of the reduction in activity at the VARD Niterói yard, where the phasing-out of shipbuilding activities was completed.

Having left behind the industry's longest period of crisis with its 2015 second-half results, the Group's margins are seeing a gradual improvement after completing delivery of low-margin prototype cruise ships ordered in the past in the midst of a market depression. Moreover, Fincantieri, which is

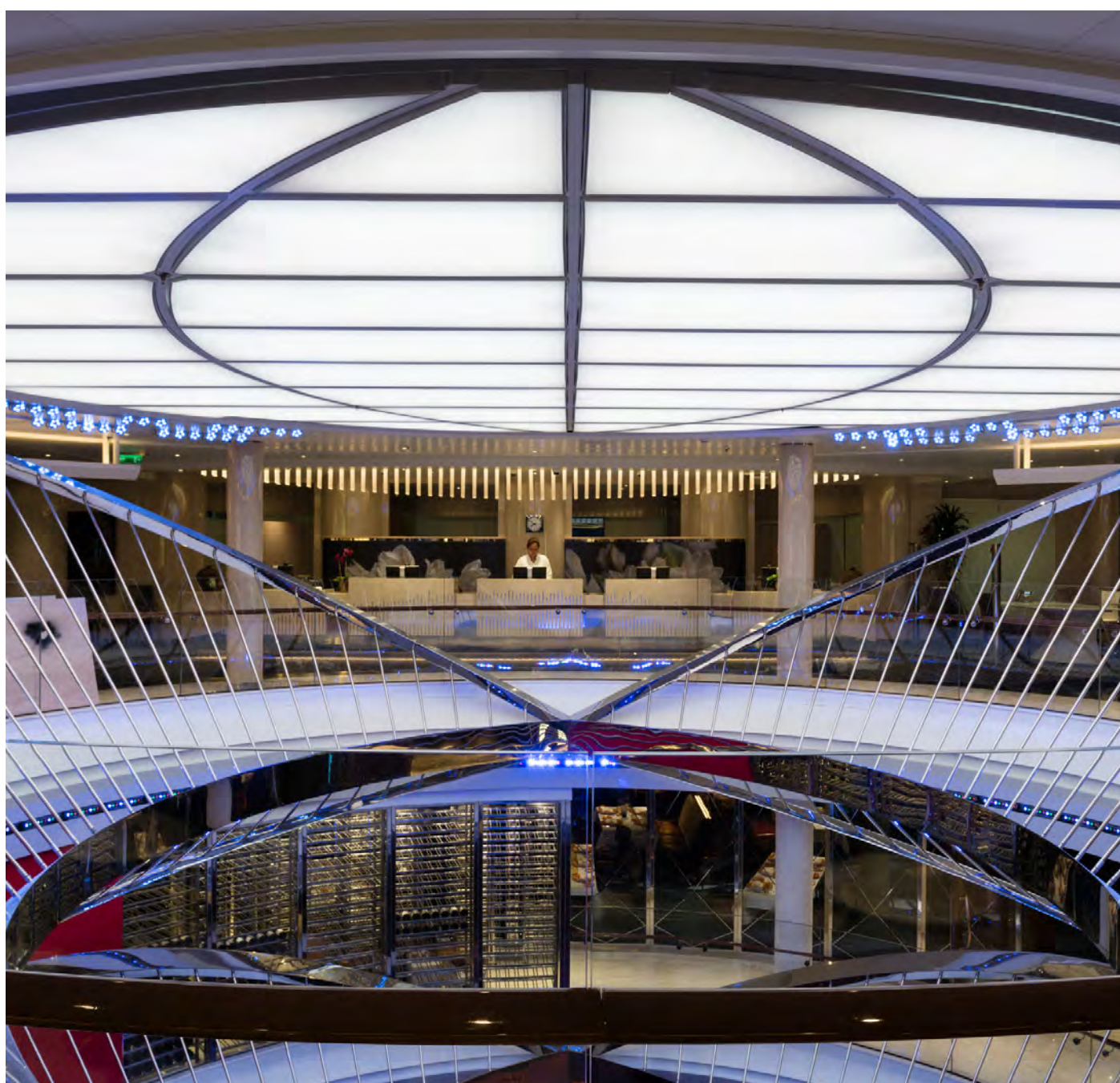
gearing up to manage the significant growth in activity envisaged in its business plan, will benefit in coming semesters from higher production volumes expected in the naval vessels business and from the strategic actions in progress which will consolidate the recovery in profitability.

Profit/(loss) before extraordinary and non-recurring income and expenses reports a net profit of euro 19 million (net loss of euro 7 million at 30 June 2015).

Profit/(loss) for the period is a net profit of euro 5 million (net loss of euro 19 million at 30 June 2015).

Headcount has decreased from 20,019 at 31 December 2015 (of whom 7,771 in Italy) to 18,825 at 30 June 2016 (of whom 7,838 in Italy). This is mainly due to a reduction in the number of resources employed at VARD's Brazilian yards, particularly the one in Niterói.

The first-half results confirm the expectations of the 2016 guidance and the short and medium-term growth forecasts.



Key financials

31.12.2015	Economic data		30.06.2016	30.06.2015
4,183	Revenue and income	Euro/million	2,266	2,220
[26]	EBITDA	Euro/million	113	128
[0.6]%	EBITDA margin ^(*)	Percentage	5.0%	5.8%
[137]	EBIT	Euro/million	61	74
[3.3]%	EBIT margin ^(**)	Percentage	2.7%	3.3%
[252]	Profit/(loss) before extraordinary and non-recurring income and expenses	Euro/million	19	[7]
[50]	Extraordinary and non-recurring income and [expenses]	Euro/million	[18]	[16]
[289]	Profit/(loss) for the period	Euro/million	5	[19]
[175]	Group share of profit/(loss) for the period	Euro/million	7	12

31.12.2015	Financial data		30.06.2016	30.06.2015
1,704	Net invested capital	Euro/million	1,663	1,784
1,266	Equity	Euro/million	1,255	1,564
[438]	Net financial position	Euro/million	[408]	[220]

31.12.2015	Other indicators		30.06.2016	30.06.2015
10,087	Order intake ^(***)	Euro/million	5,851	4,170
22,061	Order book ^(****)	Euro/million	25,038	15,968
15,721	Order backlog ^(****)	Euro/million	19,290	12,044
3.0	Soft backlog	Euro/billion	2.5	7.2
161	Capital expenditure	Euro/million	94	68
[459]	Free cash flow	Euro/million	37	[256]
90	Research and Development costs	Euro/million	49	48
20,019	Employees at the end of the period	Number	18,825	21,553
21	Vessels delivered ^(*****)	Number	15	15

31.12.2015	Ratios		30.06.2016	30.06.2015
[8.6]%	ROI ^(*****)	Percentage	[8.7]%	11.2%
[20.7]%	ROE ^(*****)	Percentage	[18.8]%	0.3%
0.7	Total debt/Total equity	Number	0.6	0.5
n.s.	Net financial position/EBITDA ^(*****)	Number	n.s.	0.8
0.3	Net financial position/Total equity	Number	0.3	0.1

^(*) Ratio between EBITDA and Revenue and income

^(**) Ratio between EBIT and Revenue and income

^(***) Net of eliminations and consolidation adjustments

^(****) Number of vessels over 40 meters long

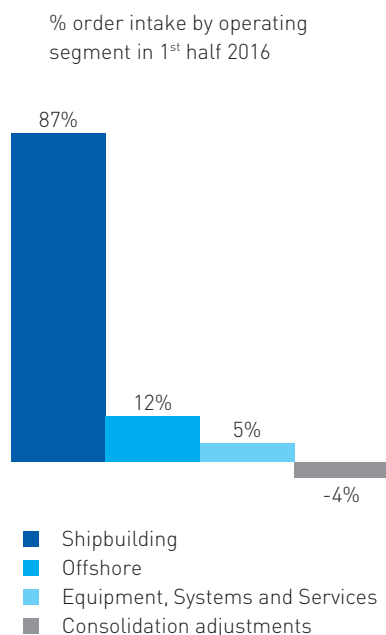
^(*****) Performance measures calculated using 12-month economic parameters (1 July – 30 June)

n.s. not significant

The percentages contained in this report have been calculated with reference to amounts expressed in thousands of euros.

Group operational performance

Order intake



During the first six months of 2016, the Group recorded euro 5,851 million in new orders, compared with euro 4,170 million in the corresponding period of 2015, with a book-to-bill ratio (order intake/revenue) of 2.6 (1.9 at 30 June 2015). Before intersegment consolidation adjustments, the Shipbuilding segment accounted for 87% of the period's total order intake (90% in the first half of 2015), the Offshore segment for 12% (3% in the first half of 2015) and the Equipment, Systems and Services segment for 5% (8% in the first half of 2015). With reference to the cruise ship business, during the early part of 2016, Fincantieri secured an order from Carnival Corporation for another ship for the Princess Cruises brand on top of the four contained in the memorandum of agreement made in December, and it finalized an agreement with Norwegian Cruise Line Holdings for the construction of a second ultra-luxury cruise ship for the Regent Seven Seas Cruises brand.

With reference to the naval vessels business, Fincantieri has signed a contract with the Qatari Ministry of Defense for the construction of seven new-generation surface vessels, of which four corvettes in excess of 100 meters long, one amphibious vessel (LPD - Landing Platform Dock), and two patrol vessels (OPV - Offshore Patrol Vessel), and for the provision of support services in Qatar for an additional 15 years after vessel delivery.

Still in the naval vessels business, the US Navy has awarded the Fincantieri Group, through its subsidiary Marinette Marine Corporation, an order to build another fully funded "Freedom" class LCS (LCS 25), with delivery scheduled for 2020.

In addition, an order was placed during the period for an ATB (Articulated Tug Barge) for chemical/petroleum transportation, which will be built at the Sturgeon Bay shipyard.

In the Offshore segment, as a result of the strategy to diversify revenue sources in response to the Oil&Gas market crisis, the VARD Group signed an agreement in the first half of the year with PONANT for the construction of four small cruise ships and a letter of intent with an international cruise company, included in the soft backlog, for the construction of two expedition cruise vessels. Both orders involve support and supply of key components by Fincantieri.

During the same period VARD also won an important order to design and build 15 module carrier vessels for Topaz Energy and Marine, ensuring a significant workload for the yards in Romania and Vietnam, and an order to build a stern trawler for HAVFISK ASA.

31.12.2015		Order intake analysis (Euro/million)	30.06.2016		30.06.2015	
Amounts	%		Amounts	%	Amounts	%
9,155	91	FINCANTIERI S.p.A.	4,847	83	3,680	88
932	9	Rest of Group	1,004	17	490	12
10,087	100	Total	5,851	100	4,170	100
9,262	92	Shipbuilding	5,112	87	3,752	90
402	4	Offshore	729	12	140	3
639	6	Equipment, Systems and Services	271	5	306	8
(216)	(2)	Consolidation adjustments	(261)	(4)	(28)	(1)
10,087	100	Total	5,851	100	4,170	100

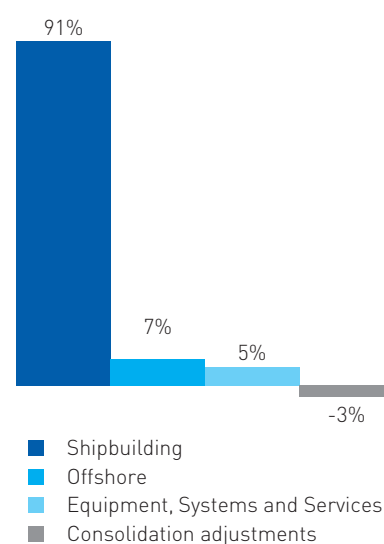
Backlog and Soft backlog

The Group's total backlog amounts to euro 21.8 billion at 30 June 2016, of which euro 19.3 billion in backlog (euro 12.0 billion at 30 June 2015) and euro 2.5 billion in soft backlog (euro 7.2 billion at 30 June 2015), with the order delivery profile extending until 2026. The backlog and total backlog guarantee about 4.6 years and 5.2 years of work respectively in relation to the 2015 level of revenue, with most of it in the Shipbuilding segment. Before intersegment consolidation adjustments, the Shipbuilding segment accounts for 91% of the Group's backlog (83% in the first half of 2015), the Offshore segment for 7% (13% in the first half of 2015) and the Equipment, Systems and Services segment for 5% (4% in the first half of 2015).

The growth in backlog on the same period last year confirms the Group's ability to transform soft backlog, representing the value of existing contract options and letters of intent as well as of contracts at an advanced stage of negotiation, into firm orders.

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

% order backlog by segment at 30 June 2016



31.12.2015		Backlog analysis (Euro/million)	30.06.2016		30.06.2015	
Amounts	%		Amounts	%	Amounts	%
13,607	87	FINCANTIERI S.p.A.	17,004	88	9,383	78
2,114	13	Rest of Group	2,286	12	2,661	22
15,721	100	Total	19,290	100	12,044	100
14,067	89	Shipbuilding	17,565	91	9,995	83
1,143	7	Offshore	1,266	7	1,609	13
732	5	Equipment, Systems and Services	873	5	513	4
(221)	(1)	Consolidation adjustments	(414)	(3)	(73)	-
15,721	100	Total	19,290	100	12,044	100

The soft backlog is estimated at around euro 2.5 billion at 30 June 2016 (euro 7.2 billion at 30 June 2015).

31.12.2015	Soft backlog (Euro/billion)	30.06.2016	30.06.2015
Amounts		Amounts	Amounts
3.0	Group total	2.5	7.2

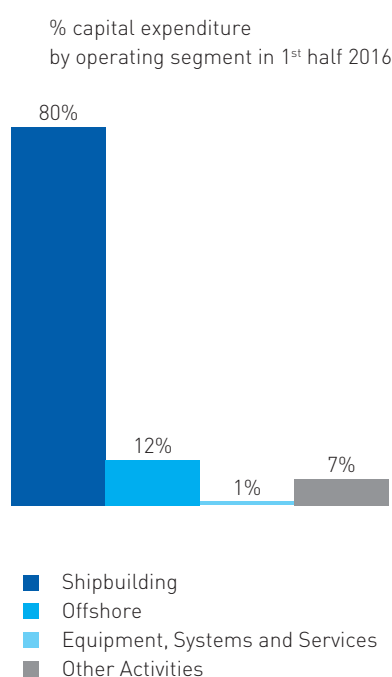
The following table shows the deliveries scheduled each year for vessels currently in the order book, analyzed by the main business units. With reference to the current year, the table presents deliveries completed as at 30 June 2016 in addition to the total number of deliveries scheduled for the full year 2016.

Deliveries							
number	30.06.16 completed	2016	2017	2018	2019	2020	Beyond 2020
Cruise ships	4	5	5	5	4	4	2
Naval > 40 m	3	10	8	5	5	2	16
Offshore	8	17	16	12	2		

Compared with the situation presented at 31 December 2015, the VARD Group has suspended delivery of an OSCV previously scheduled for delivery in 2016 to Harkand which has entered administration, and of an AHTS previously due for delivery in 2018 to Rem Offshore Asa with whom the related contract is in the process of being terminated.

Capital expenditure

Capital expenditure amounts to euro 94 million in the first six months of 2016, of which euro 31 million for intangible assets (including euro 22 million for development projects) and euro 63 million for property, plant and equipment. Capital expenditure represents 4.1% of the Group's revenue in the first six months of 2016 compared with 3.1% in the first six months of 2015. Capital expenditure on property, plant and equipment in the first six months of 2016 mainly relates to work to support growth in production volumes, including by using the Vard Tulcea shipyard to produce cruise ship sections and blocks for the Italian yards, and to improve health and safety and compliance with environmental regulations within the production sites. In more detail, this work has involved enlarging the semi-submersible barge used to float out ships at the Vard Tulcea yard, making technological upgrades to hull-building infrastructure to increase weld quality, and reorganizing operational areas at production sites and renewing shipyard equipment. Lastly, there has been continued investment in developing new technologies, particularly with regard to the large number of cruise ships in the order book.



31.12.2015		Capital expenditure analysis (Euro/million)	30.06.2016		30.06.2015	
Amounts	%		Amounts	%	Amounts	%
112	70	FINCANTIERI S.p.A.	78	83	44	65
49	30	Rest of Group	16	17	24	35
161	100	Total	94	100	68	100
112	70	Shipbuilding	75	80	46	68
31	19	Offshore	11	12	16	24
5	3	Equipment, Systems and Services	1	1	3	4
13	8	Other activities	7	7	3	4
161	100	Total	94	100	68	100
39	24	Intangible assets	31	33	12	18
122	76	Property, plant and equipment	63	67	56	82
161	100	Total	94	100	68	100

Group financial results

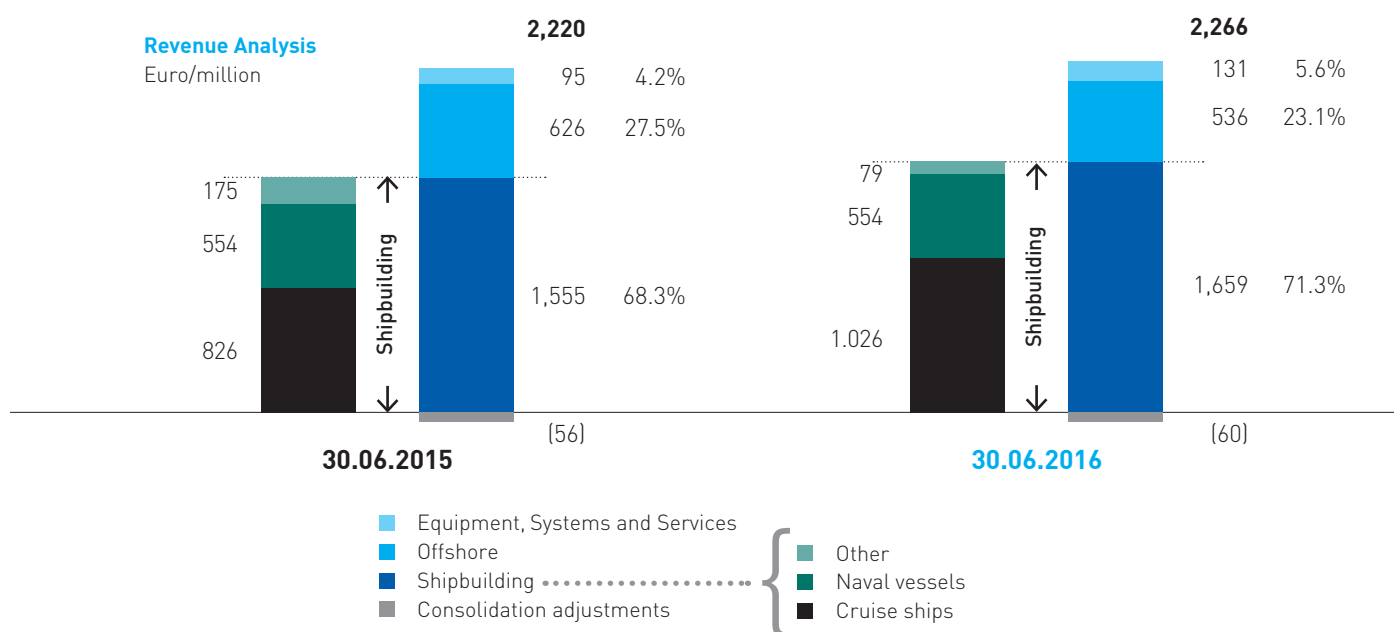
Presented below are the reclassified consolidated versions of the income statement, statement of financial position and statement of cash flows, the breakdown of consolidated net financial position and the principal economic and financial indicators used by management to monitor business performance.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

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

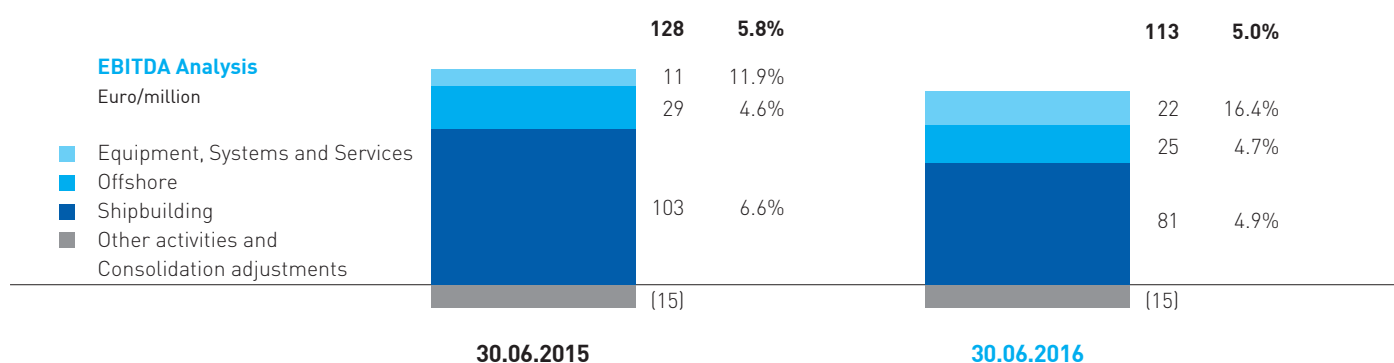
31.12.2015	(Euro/million)	30.06.2016	30.06.2015
4,183	Revenue and income	2,266	2,220
(3,337)	Materials, services and other costs	(1,712)	(1,636)
(865)	Personnel costs	(431)	(459)
(7)	Provisions	(10)	3
(26)	EBITDA	113	128
(0,6)%	EBITDA margin	5.0%	5.8%
(111)	Depreciation, amortization and impairment	(52)	(54)
(137)	EBIT	61	74
(3,3)%	EBIT margin	2.7%	3.3%
(135)	Finance income/(costs)	(32)	(62)
(3)	Income/(expense) from investments	(4)	-
23	Income taxes	(6)	(19)
(252)	Profit/(loss) before extraordinary and non-recurring income and expenses	19	(7)
(141)	of which attributable to Group	19	23
(50)	Extraordinary and non-recurring income and (expenses)	(18)	(16)
13	Tax effect of extraordinary and non-recurring income and expenses	4	4
(289)	Profit/(loss) for the period	5	(19)
(175)	Group share of profit/(loss) for the period	7	12

Revenue and income amount to euro 2,266 million in the first six months of 2016, reporting an increase of euro 46 million (or 2.1%) on the same period of 2015 mainly due to the continuous growth in volumes for the cruise ship business, which accounted for 44% of the Group's total revenue for the period (37% in the first six months of 2015). Revenue from the Offshore segment however was down due not only to the slowdown in production activities but also to the negative impact of changes in the Norwegian krone/Euro exchange rate.

Revenue generated by foreign clients accounts for 85% of the total in the period ended 30 June 2016, up from 84% in the corresponding period of 2015.



EBITDA amounts to euro 113 million at 30 June 2016 (euro 128 million in the first half of 2015) with an EBITDA margin of 5.0% (5.8% in the first half of 2015); this marks a return to positive territory, primarily thanks to recovery by the Shipbuilding segment which saw 3 highly complex prototypes delivered in the first half, pending the start of full-swing work on the Italian Navy's fleet renewal program and the recently awarded program for the Qatari Navy.



EBIT amounts to euro 61 million in the first six months of 2016, compared with euro 74 million in the first six months of 2015. The EBIT margin (EBIT expressed as percentage of Revenue and income) is 2.7% at 30 June 2016 (3.3% in the first half of 2015).

Finance income/(costs) report a net expense of euro 32 million (euro 62 million at 30 June 2015). The improvement is primarily attributable to the recognition of euro 19 million in unrealized exchange gains on translating a loan held by Vard Promar from US dollars into Brazilian reals (the same loan had generated euro 16 million in unrealized exchange losses at 30 June 2015). Finance costs for construction loans came to euro 20 million in the first half of the year (euro 18 million in the first half of 2015).

Income taxes present a net charge of euro 6 million in the first six months of 2015, compared with a net charge of euro 19 million in the same period of 2015.

Profit/(loss) before extraordinary and non-recurring income and expenses reports a profit of euro 19 million at 30 June 2016, having improved from a loss of euro 7 million at 30 June 2015.

Extraordinary and non-recurring income and expenses report euro 18 million in net expenses (euro 16 million at 30 June 2015) and mainly include costs for claims under asbestos-related lawsuits (euro 12 million) and charges for business reorganization plans, mainly within VARD (euro 5 million).

Taxes relating to extraordinary and non-recurring income and expenses have had a net positive impact of euro 4 million at 30 June 2016.

Profit/(loss) for the period, reflecting the factors described above, is a net profit of euro 5 million (net loss of euro 19 million at 30 June 2015). The Group share of this result is a net profit of euro 7 million, compared with a net profit of euro 12 million in the same period of the previous year.

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30.06.2015	(Euro/million)	30.06.2016	31.12.2015
533	Intangible assets	546	518
977	Property, plant and equipment	1,014	974
69	Investments	57	62
(36)	Other non-current assets and liabilities	(28)	(44)
(58)	Employee benefits	(61)	(57)
1,485	Net fixed capital	1,528	1,453
461	Inventories and advances	530	405
1,566	Construction contracts and client advances	1,442	1,876
(868)	Construction loans	(937)	(1,103)
432	Trade receivables	419	560
(1,017)	Trade payables	(1,170)	(1,179)
(111)	Provisions for risks and charges	(105)	(112)
(164)	Other current assets and liabilities	(44)	(196)
299	Net working capital	135	251
1,784	Net invested capital	1,663	1,704
863	Share capital	863	863
488	Reserves and retained earnings attributable to the Group	286	274
213	Non-controlling interests in equity	106	129
1,564	Equity	1,255	1,266
220	Net financial position	408	438
1,784	Sources of funding	1,663	1,704

Net invested capital amounts to euro 1,663 million at 30 June 2016, down from euro 1,704 million at 31 December 2015.

Net fixed capital has increased by euro 75 million to euro 1,528 million (from euro 1,453 million at 31 December 2015), mainly due to the growth of euro 68 million in the value of Intangible assets and Property, plant and equipment (reflecting capital expenditure in the period less depreciation and amortization and euro 27 million in exchange rate differences) and to the positive change of euro 16 million in Other non-current assets and liabilities arising from the fair value measurement of currency derivatives.

Net working capital reports a positive balance of euro 135 million (euro 251 million at 31 December 2015). The main changes relate to: an increase of euro 125 million in Inventories and advances, mainly due to reclassification from Construction contracts of the value of a vessel being built for Harkand, a client that has entered administration; a reduction of euro

434 million in Construction contracts and client advances following cruise ship deliveries in the period and the downturn in VARD's production activities; a reduction of euro 141 million in Trade receivables. Lastly, it is noted that Other current assets and liabilities report a net negative balance of euro 44 million at 30 June 2016 (negative euro 196 million at the end of 2015); the change is mainly due to a reduction in the negative fair value of currency derivatives, also as a result of closing contracts referring to the deliveries made in the period.

Construction loans amount to euro 937 million at 30 June 2016 (euro 1,103 million at 31 December 2015) and relate solely to the subsidiary VARD. The construction loan of euro 120 million recorded for the Parent Company at 31 December 2015 has been repaid in full during the first half of 2016.

Equity reports a decrease of euro 11 million, mainly reflecting the negative change of euro 16 million in the currency translation reserve caused by movements in the Norwegian krone and US dollar against the euro.

CONSOLIDATED NET FINANCIAL POSITION

30.06.2015	(Euro/million)	30.06.2016	31.12.2015
406	Cash and cash equivalents	186	260
58	Current financial receivables	85	53
(42)	Current bank debt	(140)	(187)
(111)	Current portion of bank loans and credit facilities	(131)	(63)
(37)	Other current financial liabilities	-	(13)
(190)	Current debt	(271)	(263)
274	Net current cash/(debt)	-	50
99	Non-current financial receivables	115	113
(295)	Non-current bank debt	(223)	(299)
(297)	Bonds	(298)	(298)
(1)	Other non-current financial liabilities	(2)	(4)
(593)	Non-current debt	(523)	(601)
(220)	Net financial position	(408)	(438)

The **Consolidated net financial position**, which excludes construction loans, reports a net debt balance of euro 408 million (euro 438 million in net debt at 31 December 2015). The change is primarily attributable to liquidity generated by deliveries in the period as partially offset by the cash used for investing activities and to repay certain working capital loans.

RECLASSIFIED CONSOLIDATED STATEMENT OF CASH FLOWS

31.12.2015	(Euro/million)	30.06.2016	30.06.2015
(287)	Net cash flows from operating activities	131	(177)
(172)	Net cash flows from investing activities	(94)	(79)
167	Net cash flows from financing activities	(117)	100
(292)	Net cash flows for the period	(80)	(156)
552	Cash and cash equivalents at beginning of period	260	552
	Effects of currency translation difference on opening cash and cash equivalents	6	10
260	Cash and cash equivalents at end of period	186	406

31.12.2015	(Euro/million)	30.06.2016	30.06.2015
(459)	Free cash flow	37	(256)

The **Reclassified consolidated statement of cash flows** reports positive **Free cash flow** (the sum of cash flow from operating activities and cash flow from investing activities) of euro 37 million and negative net cash flows from financing activities of euro 117 million. **Net cash flows for the period** report a negative euro 80 million, improving from the negative euro 156 million posted in the same period of 2015.

Net cash flows from operating activities also include the change in construction loans which used euro 227 million in cash flow in the first half of 2016, compared with the euro 17 million in cash used in the first half of 2015.

ECONOMIC AND FINANCIAL INDICATORS

The following table presents additional economic and financial measures used by the Group's management to monitor the performance of its main business indicators in the periods considered. The following table shows the trend in the main profitability ratios and the strength and efficiency of the capital structure in terms of the relative importance of sources of finance between net debt and equity for the periods ended 30 June 2016 and 2015.

The ratios presented in the table have been calculated on the basis of economic parameters referring to a 12-month period, namely from 1 July 2015 to 30 June 2016 and from 1 July 2014 to 30 June 2015.

31.12.2015		30.06.2016	30.06.2015
(8.6)%	ROI	(8.7)%	11.2%
(20.7)%	ROE	(18.8)%	0.3%
0.7	Total debt/Total equity	0.6	0.5
n.s.	Net financial position/EBITDA	n.s.	0.8
0.3	Net financial position /Total equity	0.3	0.1

n.a. not applicable

n.s. not significant

ROI and ROE at 30 June 2016 have been affected by the negative results in the second half of 2015 and so are not immediately comparable with those at 30 June 2015.

The indicators of the strength and efficiency of the capital structure at 30 June 2016 are largely in line with those at 30 June 2015 and 31 December 2015, except for the Net financial position/EBITDA ratio, which is not significant since the reference EBITDA has a negative value.

Operational review by segment

SHIPBUILDING

The Shipbuilding operating segment is engaged in the design and construction of cruise ships, ferries, naval vessels and mega-yachts, as well as in ship repair and conversion activities. Production is carried out at the Italian shipyards and, in the case of vessels intended for the American market, at the Group's American shipyards.

31.12.2015	(Euro/million)	30.06.2016	30.06.2015
2,847	Revenue and income ^(*)	1,659	1,555
[23]	EBITDA ^(*)	81	103
[0.8]%	EBITDA <i>margin</i> ^(*) ^(**)	4.9%	6.6%
9,262	Order intake ^(*)	5,112	3,752
18,540	Order book ^(*)	21,804	12,353
14,067	Order backlog ^(*)	17,565	9,995
112	Capital expenditure	75	46
9	Vessels delivered (number) ^(***)	7	6

^(*) Before eliminations between operating segments

^(**) Ratio between segment EBITDA and Revenue and income

^(***) Vessels over 40 meters long

Revenue and income

Revenue from the Shipbuilding segment amounts to euro 1,659 million at 30 June 2016, up 6.7% from euro 1,555 million in the first half of 2015, and comprises euro 1,026 million from the cruise ships business (euro 826 million at 30 June 2015) and euro 554 million from the naval vessels business (euro 554 million at 30 June 2015). Compared with the first six months of 2015, cruise ship production volumes have continued to increase, with 13 ships under construction at the Group's Italian yards (of which 4 delivered in the period) versus 11 ships under construction at 30 June 2015. Other activities report euro 79 million in revenue, down from euro 175 million at 30 June 2015, mainly due to a smaller contribution from conversions which, in the previous year, had benefited from the Renaissance program for the client MSC.

EBITDA

Segment EBITDA of euro 81 million at 30 June 2016 (euro 103 million at 30 June 2015), with an EBITDA margin of 4.9% (6.6% at 30 June 2015), marks a return to positive territory after the negative result recorded in the second half of 2015 (-9.8%). First-half profitability continued to be affected by

the low margins on the substantial number of highly complex prototype cruise ships delivered in the period. Having left behind the industry's longest period of crisis with its 2015 second-half results, Shipbuilding margins are seeing a gradual improvement after completing delivery of low-margin prototype cruise ships ordered in the past during the market downturn. Moreover, Fincantieri, which is gearing up to manage the significant growth in activity envisaged in its business plan, will benefit in coming semesters from higher production volumes expected in the naval vessels business and from the strategic actions in progress which will consolidate the recovery in profitability.

Order intake

New order intake of euro 5,112 million in the first six months of 2016 refers to:

- one new cruise ship for the Princess Cruises brand, owned by the US group Carnival Corporation, representing the fifth under the memorandum of agreement signed at the end of 2015;
- one new cruise ship for the Regent Seven Seas Cruises brand owned by Norwegian Cruise Line Holdings;
- seven new-generation surface vessels for the Qatari Ministry of Defense, of which four corvettes in excess of 100 meters long, one amphibious vessel (LPD - Landing Platform Dock), and two patrol vessels (OPV - Offshore Patrol Vessel), as well as in situ support services;
- one new "Freedom" class ship (LCS 25) to be built by the subsidiary Marinette Marine Corporation for the Littoral Combat Ship program, under an option exercised by the US Navy;
- one ATB (Articulated Tug Barge), comprising 1 tug and 1 barge, for petroleum/chemical transportation, which will be built at the Sturgeon Bay shipyard.

Capital expenditure

Capital expenditure on Property, plant and equipment in the first six months of 2016 has mostly involved continuation of activities to introduce new technology for reducing the environmental impact of operations, particularly at the Monfalcone yard, to optimize logistics at the main production sites by reorganizing work areas and to improve the safety standards of machinery, equipment and buildings. The Sturgeon Bay yard in the United States has acquired production assets next to the facility in order to increase production capacity for its current large order book. Lastly, work is in progress to enlarge the Atlante II semi-submersible barge at the Vard Tulcea shipyard in Romania to allow the float-out of larger hulls as part of the multi-year program to build pre-fitted cruise ship blocks and sections for the Fincantieri production network. As far as Intangible assets are concerned, there has been continued expenditure on developing new technologies that comply with new international rules on cruise ship safety and pollution reduction.

Production

The number of ships delivered in the first six months of 2016 is analyzed as follows:

(number)	Deliveries
Cruise ships	4
Cruise ferries	-
Naval vessels > 40 m	3
Mega-yachts	-
Naval vessels < 40 m	-

In particular, the main deliveries were:

- "Viking Sea", the second of a series of six cruise ships for Viking Ocean Cruises, was delivered at the Ancona shipyard;
- "Koningsdam", a prototype ship for Holland America Line, a brand of the Carnival Group, the world's largest cruise operator, was delivered at the Marghera shipyard;
- "Carnival Vista", a prototype and new flagship of the fleet of Carnival cruise line, a Carnival group brand, was delivered at the Monfalcone shipyard;
- "Seven Seas Explorer", the new super-luxury prototype ship for Regent Seven Seas Cruises, a brand of Norwegian Cruise Line Holdings, was delivered at the Sestri Ponente shipyard;
- "Itarus", a semi-submersible floating platform for RosRAO, Russia's federal state unitary enterprise for radioactive waste management, was delivered at the Muggiano shipyard in La Spezia;
- 1 ATB (comprising tug and barge) for petroleum/chemical transportation were delivered to Moran Towing by the Sturgeon Bay shipyard.

OFFSHORE

The Offshore operating segment is engaged in the design and construction of high-end offshore support vessels, specialized ships, and vessels for offshore wind farms and open ocean aquaculture, and also offers innovative products in the field of drillships and semi-submersible drilling rigs. Fincantieri operates in this market through the VARD Group, FINCANTIERI S.p.A. and Fincantieri Oil&Gas S.p.A..

The VARD Group also provides its clients with turnkey electrical systems, inclusive of engineering, manufacturing, installation, integration testing and commissioning.

31.12.2015	(Euro/million)	30.06.2016	30.06.2015
1,199	Revenue and income ^(*)	536	626
[3]	EBITDA ^(*)	25	29
(0.2)%	EBITDA margin ^(*) ^(**)	4.7%	4.6%
402	Order intake ^(*)	729	140
2,729	Order book ^(*)	2,447	2,917
1,143	Order backlog ^(*)	1,266	1,609
31	Capital expenditure	11	16
12	Vessels delivered (number)	8	9

^(*) Before eliminations between operating segments

^(**) Ratio between segment EBITDA and Revenue and income

Revenue and income

Revenue from the Offshore segment amounts to euro 536 million at 30 June 2016, down 14.4% from euro 626 million in the first six months of 2015, primarily due to the reduction in activities at VARD's European and Brazilian shipyards, particularly the Niterói yard where newbuilding activity was finally phased out, and to the negative impact of changes in the Norwegian krone/Euro exchange rate (euro 48 million).

EBITDA

Offshore segment EBITDA of euro 25 million at 30 June 2016 compares with euro 29 million in the first six months of 2015 and reports a margin of 4.7% versus 4.6% in the first six months of 2015. The period under review has seen progressive derisking of the VARD Group's Brazilian

business following delivery of three vessels by the Promar and Niterói yards and the consequent termination of shipbuilding activities at the latter. The profitability of European yards in the first half of 2016 continued to be affected by the drop since fourth quarter 2014 in order intake on the core offshore market, pending the start of work on the newly won cruise ship orders. First-half margins in 2016 were also affected by the possible cancellation of a shipbuilding contract by a subsidiary of Rem Offshore ASA. It is recalled that VARD is pursuing a strategy that involves not only the reorganization of its operations, with the aim of achieving a structural reduction in the cost base, but also the stepping up of actions to develop synergies with the Italian cruise ship business.

Order intake

The Offshore segment, whose global market environment remains extremely depressed following the steep decline in oil prices, has started to see the fruits of VARD's actions to diversify into new sectors and new markets. New order intake of euro 729 million by the VARD Group refers to:

- an order to design and build fifteen module carrier vessels for Topaz Energy and Marine;
- four expedition cruise ships for Ponant, to be built entirely in Romania and Norway with the support and supply of key components by Fincantieri;
- an order to design and build a stern trawler for HAVFISK ASA.

Capital expenditure

Capital expenditure in the first six months of 2016 has primarily related to projects for technological upgrades at the yards in Romania and to augment process automation for more efficient production at the yards in Romania and Brazil.

Production

The following vessels were delivered during the period:

(number)	Deliveries
AHTS	2
PSV (including MRV)	3
OSCV	1
Other	2

2 AHTS (Anchor Handling Tug Supply)

- "Bourbon Artic" was delivered to Bourbon at the Vard Brattvag shipyard (Norway);
- "Skandi Paraty" was delivered to DOF at the VARD Niterói shipyard (Brazil).

3 PSV (Platform Supply Vessel)

- "MMA Brewster" was delivered to Mermaid Marine Australia Offshore at the Vard Vung Tau shipyard (Vietnam);
- "NAO Galaxy" and "NAO Horizon" were delivered to Nordic American Offshore at the Vard Aukra shipyard (Norway).

1 OSCV

- "Skandi Açú" was delivered to Techdof Brasil at the Vard Søviknes shipyard (Norway).

2 Others

- "Barbosa Lima Sobrinho" and "Darcy Ribeiro", both LPG carriers, were delivered to Transpetro at the Vard Promar shipyard (Brazil).

EQUIPMENT, SYSTEMS AND SERVICES

The Equipment, Systems and Services operating segment is engaged in the design and manufacture of systems and equipment and the provision of after-sales services. These activities are carried out by FINCANTIERI S.p.A. and its subsidiaries Isotta Fraschini Motori S.p.A., Delfi S.r.l., Seastema S.p.A. and FMSNA Inc..

31.12.2015	(Euro/million)	30.06.2016	30.06.2015
226	Revenue and income ^(*)	131	95
31	EBITDA ^(*)	22	11
13.8%	EBITDA <i>margin</i> ^(*) ^(**)	16.4%	11.9%
639	Order intake ^(*)	271	306
1,181	Order book ^(*)	1,390	932
732	Order backlog ^(*)	873	513
5	Capital expenditure	1	3
44	Engines produced in workshops (number)	15	18

^(*) Before eliminations between operating segments

^(**) Ratio between segment EBITDA and Revenue and income

Revenue and income

Revenue from the Equipment, Systems and Services segment amounts to euro 131 million at 30 June 2016, an increase of 37.9% on the prior year corresponding figure of euro 95 million. This improvement is primarily due to higher volumes of both after-sales services for naval vessels and sales of ship automation systems, in line with the development prospects for this business envisaged in the Fincantieri business plan.

EBITDA

Segment EBITDA is euro 22 million at 30 June 2016 (euro 11 million at 30 June 2015), with the margin improving to 16.4% from 11.9% in the first six months of 2015, thanks to good performance by all the segment's lines of business.

Order intake

New order intake of euro 271 million for Equipment, Systems and Services in the first six months of 2016 mainly refers to:

- supply of In Service Support (ISS) to the Italian Navy;
- 17 stabilization systems and 13 thruster positioning systems for naval and cruise orders;
- 7 steering systems for naval orders;
- Propeller systems and shaft lines for naval orders;
- 7 lifts, 7 shipset hangar doors, watertight door and stern modular area for naval orders;
- 1 propulsion reducer for a naval order;
- supply of new automation equipment and upgrades and modifications to existing systems for naval contracts and for Merchant Division ships and other clients such as HAL, Azimut Benetti, Princess;
- supply of entertainment systems and assistance to the cruise ships MSC Seaside and Carnival Vista and to mega-yachts;
- after-sales services and supply of spare parts for programs of the US Navy and US Coast Guard, for programs of the Italian Navy, for cruise clients and other smaller clients.

OTHER ACTIVITIES

Other activities primarily refer to the costs incurred by corporate headquarters for directing, controlling and coordinating the business, that are not allocated to other operating segments.

31.12.2015	(Euro/million)	30.06.2016	30.06.2015
-	Revenue and income	-	-
(31)	EBITDA	(15)	(15)
<i>n.a.</i>	EBITDA margin	<i>n.a.</i>	<i>n.a.</i>
13	Capital expenditure	7	3

n.a. not applicable

Capital expenditure

The most relevant item of expenditure has related to development of the information systems that support the Group's business; in particular, work has continued to implement an integrated system for ship design (CAD) and project lifecycle management (PLM), aimed at improving the efficiency and effectiveness of the design process.



Other information

MARKET CAPITALIZATION

The market capitalization of Fincantieri, at the closing price on 30 June 2016, was approximately euro 549 million. In terms of stock liquidity, around 219.5 million shares were traded from the start of the year to 30 June 2016, with a daily average trading volume in the period of around 1.7 million shares.

31.12.2015			30.06.2016	30.06.2015
0.68	Average share price in the period	Euro	0.35	0.76
0.40	Share price at period end	Euro	0.32	0.68
1,692	Number of shares outstanding at period end	Million	1,692	1,692
677	Market capitalization ^(*)	Euro/million	549	1,184

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

OTHER SIGNIFICANT EVENTS IN THE PERIOD

On 2 March 2016, Fincantieri and Huarun Dadong Dockyard (HRDD), one of the largest Chinese shipyards specialized in ship repair and refitting, signed in Shanghai an exclusive cooperation agreement in the field of ship repair and conversions for cruise ships based in China. The understanding includes the development of technical skills, project management, and logistics procedures.

On 7 March 2016, Fincantieri and Rhode Island University (U.S.A), through its International Engineering Program (IEP), signed an important understanding for the start of mutual collaboration to develop academic and cultural interchange. The agreement, with an initial three-year duration and an option to renew, will activate in the first half of 2017 and will be dedicated to fourth and fifth year students at Rhode Island University.

VARD has announced receipt of a notification that its client Harkand Group had entered administration on 6 May 2016. VARD is currently considering its position with regard to Harkand. If the client decides to terminate the contract unilaterally, VARD will be contractually entitled to withhold the payments already received, equal to 20% of the original agreed price, and to resell the vessel, with the possibility of claiming against Harkand Group for any reductions in the sale price given to a new client to complete the sale. The bank has confirmed that the construction loan given to build the vessel will be extended until September 2016 even if the contract is terminated.

On 19 May 2016, following approval of the financial statements of Fincantieri S.p.A. at 31 December 2015, the ordinary shareholders' meeting appointed the new Board of Directors which will remain in office until the date of the shareholders' meeting called to approve the 2018 financial statements.

On 26 May 2016, the Fincantieri Board of Directors confirmed Giuseppe Bono as the Company's Chief Executive Officer.

On 17 June 2016, during the 20th International Economic Forum in St. Petersburg, Fincantieri and Rosneft signed a letter of intent to form a joint venture for the design of a new type of vessel to be built at the Zvezda shipbuilding complex. Under this agreement, the parties will also explore the possible development of professional competencies to help support the building phase of this vessel. This cooperation will be conducted in conformity with and will be conditional on compliance with all applicable EU, US and international trade rules.

On 24 June 2016, Fincantieri and the FIM, FIOM and UILM trade unions signed the Group's new supplementary labor agreement at the national headquarters of Confindustria (the Italian employers' federation). The agreement, which will be submitted for review by the workers, will be in force from 1.7.2016 to 31.12.2019 and will apply to all employees of Fincantieri S.p.A. and those of Isotta Fraschini Motori S.p.A., Orizzonte Sistemi Navali S.p.A. and Cetena S.p.A..

On 28 June 2016, the VARD Board of Directors announced that Rem Offshore ASA, with whom VARD had signed an agreement in June 2014 to build an Anchor Handling Vessel ("AHV"), had presented a debt restructuring plan to its banks and main stakeholders. As far as VARD is concerned, the plan envisages the termination of the AHV construction contract in return for 4% of the post-restructuring share capital of Rem Offshore ASA. The delivery of the AHV, currently at an early stage of construction, had previously been postponed by the client to first quarter 2018. VARD has accepted the client's proposal to terminate the contract which will become legally binding from the date the Rem Offshore ASA restructuring plan is approved.

KEY EVENTS AFTER THE REPORTING PERIOD ENDED 30.06.2016

On 4 July 2016, Fincantieri signed an agreement with China State Shipbuilding Corporation (CSSC), China's largest shipbuilding conglomerate, for the formation of a joint venture aimed at developing and supporting the growth of the Chinese cruise industry. The agreement specifically provides that the joint venture will develop and sell cruise ships exclusively intended and specially customized for the Chinese and Asian market. These ships will be built by Shanghai Waigaoqiao Shipbuilding Co (SWS), one of CSSC's shipyards, using a technological platform licensed to the joint venture and to the SWS shipyard by Fincantieri, which will therefore perform the activities within its responsibility through the joint venture. The agreement also envisages that Fincantieri will provide the joint venture and the SWS shipyard with specific consultancy services and certain key components for the vessels.

On 6 July 2016, the submarine "Pietro Venuti" was delivered at the Fincantieri shipyard in Muggiano (La Spezia). This is the third in the U212A "Todaro" class, a series of four sister vessels ordered from Fincantieri by the Central Unit for Naval Armament (NAVARM) for the Italian Navy.

BUSINESS OUTLOOK

The Group confirms the guidance for 2016 provided when presenting the Business Plan 2016-2020, in other words revenue growth of 4-6%, an EBITDA margin of around 5% and a positive net result. As for the Shipbuilding segment, Fincantieri expects another prototype cruise ship to be delivered in the second half of the year, on top of the four ships already delivered in the first six months; it also expects a gradual recovery in volumes in the naval business as the first vessel in the Italian Navy's fleet renewal program enters full-swing production and to see design and planning activities commence for the Qatari Ministry of Defense contract. Furthermore, to cope with the significant increase in volumes expected over the planning period, particularly within the cruise business, the Company is engaged in developing important production synergies with VARD by using the Romanian shipyard in Tulcea to support the Italian production network. Moreover, Fincantieri, will benefit in coming semesters from the strategic actions in progress to consolidate expected profitability.

As for the Offshore segment, the remainder of 2016 will be characterized by a still very challenging global market environment, with limited new opportunities for further orders in the short term. VARD will confront this market situation by carrying on the actions already successfully initiated to diversify and reorganize, and by concentrating its activities in Brazil at the VARD Promar yard.

The Equipment, Systems and Services segment is expected to confirm its positive six-month results in the second half of 2016, with consolidation of the upward trend in volumes and profits.

TRANSACTIONS WITH THE CONTROLLING COMPANY AND OTHER GROUP COMPANIES

Direction and coordination by Fintecna S.p.A., the main shareholder of FINCANTIERI S.p.A., ceased as from 3 July 2014.

In compliance with the provisions of the Regulations concerning related party transactions adopted under Consob Resolution no. 17221 of 12 March 2010 and subsequent amendments and additions, FINCANTIERI S.p.A. has adopted a "Procedure for Related Party Transactions" with effect from 3 July 2014.

As far as related party transactions are concerned, these do not qualify as either atypical or unusual, since they fall within the normal course of business by the Group's companies. Such transactions are conducted under market conditions, taking into account the characteristics of the goods and services involved.

Information about related party transactions, including the disclosures required by the Consob Communication dated 28 July 2006, is presented in Note 28 of the Notes to the Condensed Consolidated Interim Financial Statements at 30 June 2016.

PURCHASE OF OWN SHARES

No purchases of the Parent Company's own shares were made on the market during the first half of 2016.

INFORMATION REGARDING CORPORATE GOVERNANCE

The "Report on Corporate Governance and Ownership Structure" (the "Report") required by art. 123-bis of Italy's Consolidated Law on Finance is a stand-alone document approved by the Board of Directors on 31 March 2016, and published in the "Corporate Governance" section of the Company's website at www.fincantieri.it.

The Report contains a general and complete overview of the corporate governance system adopted by FINCANTIERI S.p.A.. It illustrates the Company's profile and the principles underlying the way it conducts its business; it provides information about the ownership structure and adoption of the Corporate Governance Code, including the main governance practices applied and the main characteristics of the system of internal control and risk management; it contains a description of the operation and composition of the governing and supervisory bodies and their committees, roles, duties and responsibilities.

The criteria for determining the compensation of the directors are set out in the "Remuneration Report", prepared in compliance with the requirements of art. 123-ter of Italy's Consolidated Law on Finance and art. 84-quater of the Consob Issuer Regulations, and published in the "Corporate Governance" section of the Company's website.

Enterprise risk management

The Fincantieri Group is exposed in the normal course of its business activities to various financial and non-financial risk factors, which, if they should materialize, could have an impact on the results of operations and financial condition of the Group. Based on operating performance in the first six months of the year and the macroeconomic context, the risk factors foreseeable for the next six months of 2016 are described below according to their nature.

RISKS RELATED TO OPERATIONAL COMPLEXITY

Description of risk

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

- not guaranteeing adequate control of project management activities;
- not adequately managing the operational, logistical and organizational complexity that characterizes the Group;
- not adequately managing the complexity arising from its product diversification;
- failing to efficiently distribute workloads according to production capacity (plant and labor) or that excess capacity might impede the achievement of competitive margins;
- not meeting market demand due to insufficient production capacity.

Impact

If the Group was unable to implement adequate project management activities, with sufficient or effective procedures and actions to control the proper completion and efficiency of its shipbuilding processes, or if it was unable to adequately manage the complexity arising from its product diversification or if it failed to efficiently distribute workloads according to production capacity (plant and labor) available on each occasion at the different production facilities, revenue and profitability might decline, with possible negative effects on its results of operations and financial condition.

Mitigation

To manage processes of such complexity, the Group implements procedures and work plans designed to manage and monitor the implementation of each project throughout its duration. In addition, the Group has adopted a flexible production structure in order to respond efficiently to fluctuations in demand for ships in the various business areas. This flexible approach allows the Group to overcome capacity constraints at individual shipyards and to work on more than one contract at the same time while ensuring that delivery dates are met.

RISKS RELATED TO NATURE OF THE MARKET

Description of risk

The Fincantieri Group has many years of experience of building cruise ships for Carnival, an American shipowner and key player in the cruise industry, which operates not only through the Carnival line but also through other prestigious lines such as P&O, Princess Cruises, Holland America Line, Cunard and Costa Cruises. The special relationship with the Carnival Group is certainly a strength for the Fincantieri Group, but also potentially a weakness if the client concentration aspect is considered. In the naval vessels business, the bulk of revenue has traditionally come from the Italian Navy, representing a strategic asset for the Group, but whose demand for new ships is heavily dependent on defense spending policy. The subsidiary VARD operates in the offshore vessels market, where it has longstanding relationships with shipowners and companies operating in this sector, such as DOF, Technip and Island Offshore. In addition, VARD is building a number of ships in Brazil for Transpetro, a subsidiary of Petrobras.

The shipbuilding market in general is historically characterized by cycles, sensitive to trends in the industries served. The Group's offshore and cruise clients base their investment plans on demand by their own clientele; in the case of offshore, the main influence is energy demand and oil price forecasts, which in turn drive investment in exploration and production, while the main influences on the cruise industry are trends in the leisure market.

Impact

Postponement of fleet renewal programs or other events affecting the order backlog with the Fincantieri Group's principal cruise ship client could impact capacity utilization and business profitability; similarly a downturn in the offshore market has led to a reduction in the level of orders for the subsidiary VARD, exposing it to the risk of cancellation or postponement of current orders. Equally, the availability of resources earmarked by the State for defense spending on fleet modernization programs is a variable that could influence the Group's economic and financial performance.

Mitigation

The Fincantieri Group's policy of diversifying its cruise ship clients, while continuing to satisfy Carnival's requirements, has allowed it to enlarge the client base. In the naval vessels business, participation in international projects, like the FREMM program between Italy and France, has been of importance, as has the Group's expansion into the United States aimed at securing opportunities to expand production for the US defense sector, along with its efforts to develop international business through an active presence in the defense markets of other foreign countries with no domestic shipbuilding industry or, even if present, that lack the right technical skills, know-how or infrastructure for vessels of this kind. In this context, of particular importance is the order worth some euro 3.8 billion for the Qatari Ministry of Defense.

In order to mitigate the impact of the shipbuilding market cycle, the Group has pursued a diversification strategy in recent years, expanding its business both in terms of products and geographical coverage. Since 2005 the Group has expanded into the businesses of offshore, mega-yachts, marine systems and components, repairs, refitting and after-sales service. In parallel, the Group has expanded its business internationally, including through acquisitions.

Given the current decline in offshore market volumes, the subsidiary VARD is actively working to diversify its products and target new market segments in order to reduce its exposure to the cyclical nature of the offshore Oil&Gas industry. In addition, VARD has initiated a program to scale back the workforce at its facilities in Norway and Romania. This program includes actions to improve efficiency and cut costs so as to adjust production capacity flexibly in line with new order development, by reducing the workforce while preserving the core competencies needed to capture any opportunities once recovery sets in.

RISKS RELATED TO MAINTENANCE OF COMPETITIVENESS IN CORE MARKETS

Description of risk

The production of standard vessels is now dominated by Asian shipyards, meaning that competitiveness can only be maintained by specializing in high value-added markets. As far as civilian vessels are concerned, the Parent Company has been focusing for several years on the cruise ship and cruise ferry segments, where it has a long track record; following the acquisition of VARD, it has recently extended this focus to the production of offshore support vessels. Additional factors that may affect competitiveness are the risk that due attention is not given to client needs, or that standards of quality and product safety are not in line with market demands and new regulations. Moreover, aggressive commercial policies, development of new products and new technologies, or increases in production capacity by competitors may lead to increased price competition, consequently impacting the required level of competitiveness.

Impact

Inattentive monitoring of the Group's markets and slow responses to the challenges posed by competitors and client needs may lead to a reduction in competitiveness, with an associated impact on production volumes, and/or less remunerative pricing, resulting in a drop in profit margins.

Mitigation

The Group endeavors to maintain competitive position in its business areas by ensuring a high quality, innovative product, and by seeking optimal costing as well as flexible technical and financial solutions in order to be able to propose more attractive offers than the competition. Despite the difficult market environment, the subsidiary VARD remains highly focused on research and development, having launched the "A step forward" project for the development of new design concepts for highly innovative vessels able to generate higher returns on investment for shipowners.

Description of risk

The difficult political and economic context and worsening regulatory environment of countries in which the Group operates, particularly for VARD's activities in Brazil, may adversely impact operations and future cash flows. In addition, the pursuit of business opportunities in emerging markets, particularly in the defense sector, leads to increased exposure to country risk and/or risk of international bribery and corruption.

Impact

Situations involving country risk may have negative effects on the Group's results of operations and financial condition due to loss of clients, profits and competitive advantage.

Mitigation

In pursuing business opportunities in emerging markets, the Group safeguards itself by favoring commercial prospects that are supported by inter-governmental agreements or other forms of cooperation between States, as well as by establishing, within its own organization, appropriate safeguards to monitor the processes at risk.

RISKS RELATED TO CONTRACT MANAGEMENT

Description of risk

The shipbuilding contracts managed by the Group are mostly multi-year contracts for a fixed consideration, any change in which must be agreed with the client. Contract pricing must necessarily involve careful evaluation of the costs of raw materials, machinery, components, sub-contracts and all other construction-related costs (including personnel and overheads); this process is more complicated in the case of prototype or particularly complex ships.

Impact

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

Mitigation

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

Description of risk

Many factors can influence production schedules, as well as capacity utilization, and so impact agreed vessel delivery dates with possible penalties payable by the Group. These factors include,

inter alia, strikes, poor industrial productivity, inadequate logistics and warehouse management, unexpected problems during design, engineering and production, events linked to adverse weather conditions, design changes or problems in procuring key supplies.

Impact

When the causes of late delivery are not recognized by contract, shipbuilding contracts provide for the payment of penalties that generally increase the longer the delay.

Mitigation

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

Description of risk

The operational management of contracts carries a risk that a counterparty with whom the Group is doing business is unable to meet its commitments, more specifically involving client default on contractual payments, or supplier failure to discharge its obligations for operational or financial reasons. The Offshore industry is in the midst of a profound global market deterioration affecting all its players with a significant number of shipowners initiating restructuring processes, in turn giving rise to increased counterparty risk.

Impact

Bankruptcy, whether by a client or supplier, can have serious effects on the Group's production and cash flows, given the high unit value of shipbuilding orders and the strategic nature of certain supplies for the production process.

Mitigation

When acquiring shipbuilding orders, and where deemed necessary, the Group performs checks on the financial strength of its counterparties, including by obtaining information from the banking system. Suppliers are subject to a strict qualification process, including evaluation of the potential risks associated with the counterparty concerned. As regards the financial aspect, the Group offers suppliers the opportunity to use instruments that facilitate their access to credit. To address the difficult situation in the offshore market, the subsidiary VARD is taking steps with clients and financial institutions to secure the current order book.

Description of risk

A significant number of the Group's shipbuilding contracts (in general, for merchant vessels like cruise ships and offshore support vessels) establish that clients pay only a part of the contract price during ship construction; the balance of the price is paid upon delivery.

As a result, the Group incurs significant upfront costs, assuming the risk of incurring such costs before receiving full payment of the price from its clients and thus having to finance the working capital absorbed by ships during construction.

Impact

If the Group was unable to finance the working capital needs of ships during construction, it might not be able to complete contracts or win new ones, with negative effects on its results of operations and financial condition.

Mitigation

The Group's objective is to maintain a more than sufficient level of committed and uncommitted credit lines and construction loans to guarantee coverage of the working capital needs generated by its operations.

Description of risk

The Group's clients often make use of financing to finalize the placement of orders.

Overseas clients may be eligible for export finance schemes structured in accordance with OECD rules.

Under such schemes, overseas buyers of ships can obtain bank credit against receipt of a guarantee by a national export credit agency, which in the case of Italy is SACE S.p.A..

The availability of export financing is therefore a key condition for allowing overseas clients to award contracts to the Group, especially where cruise ship construction is concerned.

Impact

The lack of available finance for the Group's clients could have a highly negative impact on the Group's ability to obtain new orders as well as on the ability of clients to comply with the contractual terms of payment.

Mitigation

Fincantieri supports overseas clients during the process of finalizing export finance and particularly in managing relations with the agencies and companies involved in structuring such finance (for example, SACE, Simest and the banks). In addition, the process of structuring finance is managed in parallel with the process of finalizing the commercial contract, the enforceability of which is often subject to the shipowner's receipt of the commitment by SACE and the banks to provide an export credit guarantee.

As an additional safeguard for the Group, in the event of a client default on its contractual obligations, Fincantieri has the right to terminate the contract. In such a case, it is entitled to withhold the payments received and the ship under construction. The client may also be held liable for any uncovered costs.

RISKS RELATED TO PRODUCTION OUTSOURCING AND RELATIONS WITH SUPPLIERS AND LOCAL COMMUNITIES

Description of risk

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

Dependence on suppliers for certain business activities may result in the inability to ensure high standards of quality, failure to meet delivery dates, the acquisition of excessive supplier bargaining power, and a lack of access to new technologies.

In addition, the significant presence of suppliers in the production process has an impact on local communities, possibly requiring the Group to address social, political and legality issues.

Impact

A negative performance by suppliers in terms of quality, timing or costs causes production costs to rise, and the client's perception of the quality of the Fincantieri product to deteriorate. As for other partners at the local level, non-optimal relations may impact the Group's ability to compete.

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 carefully selects its "strategic suppliers", which must meet the highest standards of performance. The Parent Company has developed a precise program of supplier performance evaluation in this regard, ranging from measurement of the services rendered, both in terms of quality of service offered and punctuality of delivery, to the strict observation of safety regulations, in line with the Group's "Towards Zero Accidents" objective. In addition, particular attention is paid in general to relations with the local communities that interact with the Group's shipyards, involving appropriate institutional relationships, as sometimes supplemented by the conclusion of suitable legality and/or transparency protocols with the local authorities.

RISKS RELATED TO KNOWLEDGE MANAGEMENT

Description of risk

The Fincantieri Group has a vast accumulation of experience, know-how and business knowledge. As far as the workforce is concerned, the domestic labor market is not always able to satisfy the needs of production, either in terms of numbers or skills. The effective management of the Group's business is also linked to the ability to attract highly professional resources for key roles, and the ability to retain such talents within the Group; this involves suitable skills management based on a continuous improvement model, achieved by investing in staff training and performance evaluation.

Impact

The inadequacy of the domestic labor market to meet the Group's needs, the inability to acquire the necessary skills and the failure to transfer specific knowledge to the Group's resources, particularly in the technical sphere, could have negative effects on product quality.

Mitigation

The Human Resources Department constantly monitors the labor market and maintains frequent contact with universities, vocational schools and training institutes. The Group also makes a significant investment in training its staff, not only in technical-specialist and managerial-relational skills, but also regarding safety and quality. Lastly, specific training activities are planned to ensure that key management positions are covered in the event of staff turnover.

RISKS RELATED TO LEGAL AND REGULATORY ENVIRONMENT

Description of risk

The Fincantieri Group must abide by the rules, regulations and laws in force in the countries where it operates, including those to safeguard the environment and health and safety at work. Any breaches of such rules and regulations could result in civil, administrative or criminal sanctions, along with an obligation to do all that is necessary to conform with such regulations, the costs and liability for which could have a negative impact on the Group's business and results.

Impact

Any breaches of safety or environmental standards, any changes in the local legal and regulatory framework, as well as the occurrence of exceptional or unforeseen events, could cause the Fincantieri Group to incur extraordinary costs relating to the environment or 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. Accordingly, in order to prevent and manage the risk of occurrence of unlawful acts, the Parent Company has adopted an organizational, management and control model under Italian Legislative Decree 231 of 8 June 2001, which is also binding for suppliers and, in general, for third parties working with Fincantieri. In particular, the Parent Company has applied the provisions of Italian Legislative Decree 81/2008 - "Implementation of art. 1 of Law no. 123 dated 3 August 2007, concerning health and safety at work" (known as the "Health and Safety at Work Act"). Fincantieri has adopted suitable organizational models for preventing breach of these regulations, and sees that such models are reviewed and updated on an ongoing basis. The commitment to pursue and promote principles of environmental sustainability has been reaffirmed in the Parent Company's Environmental Policy document, which binds the Group to uphold regulatory compliance and to monitor working activities so as to ensure effective observance of the rules and regulations. The subsidiary VARD is also committed to minimizing the impact of its activities on the environment, involving actions in terms of resources, policies and procedures to improve its environmental performance. Fincantieri and VARD have started to implement and operate an Environmental Management System at their sites with a view to obtaining certification under UNI EN ISO 14001:2004.

Description of risk

Working in the defense and security sector, the Group is exposed to the risk that the evolving tendency in this sector could lead in the near future to restrictions on the currently permitted exceptions to competition law, with consequent limitations on the direct award of business in order to ensure greater competition in this particular market.

Impact

Possible limitations on the direct award of business could prevent the Group from being awarded work through negotiated procedures, without any prior publication of a public tender notice.

Mitigation

The Group is monitoring the possible evolution of national and Community legislation that could open up the possibility of competing in the defense and security sector including in other countries.

RISKS RELATED TO INFORMATION ACCESS AND OPERATION OF THE COMPUTER SYSTEM

Description of risk

The Group's business could be adversely affected by:

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

Impact

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

Mitigation

The Group considers it has taken all necessary steps to minimize these risks, by drawing on best practice for its governance systems and continuously monitoring the management of its IT infrastructure and applications. The ways of accessing and operating on the computer system are managed and maintained to ensure proper segregation of duties, enhanced with the adoption of a new access management procedure using special software, allowing prior identification and treatment of the risks of segregation of duties (SoD) resulting from inappropriate attribution of access credentials.

RISKS RELATED TO EXCHANGE RATES

Description of risk

The Group is exposed to exchange rate risk on loans, on sales and purchase contracts and on assets and liabilities denominated in a currency other than the functional one (economic risk and transaction risk). In addition, translation risk can arise when preparing the consolidated financial statements, through translation of the income statements and balance sheets of consolidated companies that prepare their financial statements in a functional currency other than the Euro (mainly NOK, USD and BRL).

Impact

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

Mitigation

Fincantieri has a policy for managing economic and transaction financial risks that defines instruments, responsibilities and reporting procedures, with which it mitigates currency market risks. The Group does not take out any hedges against currency risk related to the translation of financial statements of subsidiaries that use functional currencies other than the Euro (translation risk).

RISKS RELATED TO FINANCIAL DEBT

Description of risk

Some of the loan agreements entered into by the Group require it or some of its companies to comply with conditions, commitments and constraints of a financial and legal nature (such as the occurrence of events of default, even potential ones, cross-default clauses and covenants), non-observance of which could lead to early repayment of the loans. In addition, future increases in interest rates could lead to higher payments depending on the level of indebtedness outstanding at the time. The Group might not be able to access sufficient credit to properly finance its activities (such as in the case of particularly poor financial performance) or it might be able to access it only under particularly onerous terms and conditions. As for the Offshore industry, the worsening of medium-term growth prospects is causing banks to reduce their credit exposure to the sector's operators, with the risk of consequent implications for the ability to access construction loans, including by VARD.

Impact

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

Mitigation

The Group constantly monitors both the circumstances that could adversely affect its results of operations and financial condition and its current and future capital and financial structure in order to ensure access to adequate types of finance in terms of amount and conditions. In particular, to mitigate liquidity risk and maintain a sufficient level of financial flexibility, the Group diversifies its sources of funding in terms of duration, counterparty and technical form.

Alternative performance measures

Fincantieri's management reviews the performance of the Group and its business segments using certain non-GAAP measures not defined under IFRS. In particular, EBITDA is used as the main earnings indicator, as it enables the Group's underlying profitability to be assessed, by eliminating the impact of volatility associated with non-recurring items or extraordinary items outside the ordinary course of business.

As required by Consob Communication no. 0092543 of 3 December 2015 which implements the ESMA Guidelines on Alternative Performance Measures (document no. ESMA/2015/1415), the components of each of these measures are described below:

- EBITDA this is equal to earnings before taxes, before finance income and costs, before income and expenses from investments and before depreciation, amortization and impairment, as reported in the financial statements, adjusted by the following items:
 - company costs for the Extraordinary Wage Guarantee Fund;
 - costs relating to reorganization plans and non-recurring other personnel costs;
 - provisions for costs and legal expenses associated with lawsuits brought by employees for asbestos-related damages;
 - other expenses or income outside the ordinary course of business due to particularly significant non-recurring events.
- EBITDA margin: EBITDA expressed as a percentage of Revenue and income.
- EBIT: this is equal to EBITDA after deducting depreciation, amortization and recurring impairment (this excludes impairment of goodwill, intangible assets and property, plant and equipment recognized as a result of impairment tests).
- EBIT margin: EBIT expressed as a percentage of Revenue and income.
- Profit/(loss) before extraordinary and non-recurring income and expenses: this is equal to profit (loss) for the period before adjustments for non-recurring items or those outside the ordinary course of business, which are reported before the related tax effect.
- Net fixed capital: this reports the fixed assets used in the business and includes the following items: Intangible assets, Property, plant and equipment, Investments and Other non-current assets (including the fair value of derivatives classified in non-current Financial assets and non-current Financial liabilities) net of Employee benefits.
- Net working capital: this is equal to capital employed in ordinary operations which includes Inventories and advances, Construction contracts and client advances, Construction loans, Trade receivables, Trade payables, Provisions for risks and charges, and Other current assets and liabilities (including Income tax assets, Income tax liabilities, Deferred tax assets and Deferred tax liabilities, as well as the fair value of derivatives classified in current Financial assets and current Financial liabilities).
- Net invested capital: this is equal to the total of Net fixed capital and Net working capital.
- Free cash flow: this is equal to the sum of (i) net cash flows from operating activities, (ii) net cash flows from investing activities and (iii) cash flows arising from the change in construction loans.
- ROI: ROI (Return on investment) is calculated as the ratio between EBIT (calculated on a 12-month basis for 1 July - 30 June) and the arithmetic mean of Net invested capital at the beginning and end of the reporting period.
- ROE: ROE (Return on equity) is calculated as the ratio between Profit/(loss) for the period (calculated on a 12-month basis for 1 July - 30 June) and the arithmetic mean of Total Equity at the beginning and end of the reporting period.
- Total debt/Total equity: this is calculated as the ratio between Total debt and Total equity.
- Net financial position/EBITDA: this is calculated as the ratio between the Net financial position, as monitored by the Group, and EBITDA.
- Net financial position/Total equity: this is calculated as the ratio between the Net financial position, as monitored by the Group, and Total equity.
- Provisions: these refer to increases in the Provisions for risks and charges, and impairment of Trade receivables and Other non-current and current assets.

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

CONSOLIDATED INCOME STATEMENT

	30.06.2016	30.06.2015
(Euro/million)	Amounts in IFRS statement	Amounts in IFRS statement
	Amounts in reclassified statement	Amounts in reclassified statement
A – Revenue	2,266	2,220
Operating revenue	2,232	2,179
Other revenue and income	34	41
B - Materials, services and other costs	(1,712)	(1,636)
Materials, services and other costs	(1,715)	(1,640)
Recl. to I – Extraordinary and non-recurring income and expenses	3	4
C - Personnel costs	(431)	(459)
Personnel costs	(436)	(462)
Recl. to I – Extraordinary and non-recurring income and expenses	5	3
D – Provisions	(10)	3
Provisions	(20)	(6)
Recl. to I – Extraordinary and non-recurring income and expenses	10	9
E – Depreciation, amortization and impairment	(52)	(54)
Depreciation, amortization and impairment	(52)	(54)
F – Finance income and (costs)	(32)	(62)
Finance income and (costs)	(32)	(62)
G - Income/(expense) from investments	(4)	
Income/(expense) from investments	(4)	
H - Income taxes	(6)	(19)
Income taxes	(2)	(15)
Recl. to I – Extraordinary and non-recurring income and expenses	(4)	(4)
I - Extraordinary and non-recurring income and expenses	(18)	(16)
Recl. from B- Materials, services and other costs	(3)	(4)
Recl. from C- Personnel costs	(5)	(3)
Recl. from D- Provisions	(10)	(9)
L- Tax effect of extraordinary and non-recurring income and expenses	4	4
Recl. from H – Income taxes	4	4
Profit/(loss) for the period	5	(19)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Euro/million)	30.06.2016		31.12.2015	
	Amounts in IFRS statement	Amounts in reclassified statement	Amounts in IFRS statement	Amounts in reclassified statement
A) Intangible assets		546		518
<i>Intangible assets</i>	546		518	
B) Property, plant and equipment		1,014		974
<i>Property, plant and equipment</i>	1,014		974	
C) Investments		57		62
<i>Investments</i>	57		62	
D) Other non-current assets and liabilities		(28)		(44)
<i>Derivative assets</i>	5		2	
<i>Other non-current assets</i>	10		11	
<i>Other liabilities</i>	(39)		(47)	
<i>Derivative liabilities</i>	(4)		(10)	
E) Employee benefits		(61)		(57)
<i>Employee benefits</i>	(61)		(57)	
F) Inventories and advances		530		405
<i>Inventories and advances</i>	530		405	
G) Construction contracts and client advances		1,442		1,876
<i>Construction contracts - assets</i>	2,060		2,554	
<i>Construction contracts - liabilities and client advances</i>	(618)		(678)	
H) Construction loans		(937)		(1,103)
<i>Construction loans</i>	(937)		(1,103)	
I) Trade receivables		419		560
<i>Trade receivables and other current assets</i>	700		888	
<i>Recl. to N) Other assets</i>	(281)		(328)	
L) Trade payables		(1,170)		(1,179)
<i>Trade payables and other current liabilities</i>	(1,376)		(1,366)	
<i>Recl. to N) Other liabilities</i>	206		187	
M) Provisions for risks and charges		(105)		(112)
<i>Provisions for risks and charges</i>	(105)		(112)	
N) Other current assets and liabilities		(44)		(196)
<i>Deferred tax assets</i>	151		151	
<i>Income tax assets</i>	29		35	
<i>Derivative assets</i>	13		37	
<i>Recl. from I) Other current assets</i>	281		328	
<i>Deferred tax liabilities</i>	(89)		(82)	
<i>Income tax liabilities</i>	(2)		(3)	
<i>Derivative liabilities and option fair value</i>	(221)		(475)	
<i>Recl. from L) Other current liabilities</i>	(206)		(187)	
NET INVESTED CAPITAL	1,663		1,704	1,704
O) Equity		1,255		1,266
P) Net financial position		408		438
SOURCES OF FUNDING	1,663		1,704	1,704





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Consolidated statement of financial position

(Euro/000)	Note	30.06.2016	<i>of which related parties Note 28</i>	31.12.2015	<i>of which related parties Note 28</i>
ASSETS					
NON-CURRENT ASSETS					
Intangible assets	5	545,895		517,977	
Property, plant and equipment	6	1,014,229		973,905	
Investments accounted for using the equity method	7	55,044		57,076	
Other investments	7	2,180		5,146	
Financial assets	8	143,424	9,398	141,586	9,061
Other assets	9	9,949	708	10,728	704
Deferred tax assets	10	150,902		150,974	
Total non-current assets		1,921,623		1,857,392	
CURRENT ASSETS					
Inventories and advances	11	529,883	3,308	404,908	3,319
Construction contracts – assets	12	2,059,908		2,554,122	
Trade receivables and other current assets	13	700,288	127,863	888,033	145,401
Income tax assets	14	28,817		34,866	
Financial assets	15	104,856	642	97,918	752
Cash and cash equivalents	16	185,445		259,507	
Total current assets		3,609,197		4,239,354	
TOTAL ASSETS		5,530,820		6,096,746	
EQUITY AND LIABILITIES					
EQUITY	17				
Equity attributable to owners of the parent					
Share capital		862,981		862,981	
Reserves and retained earnings		285,946		275,038	
Total Equity attributable to owners of the parent		1,148,927		1,138,019	
Non-controlling interests		105,649		128,079	
Total Equity		1,254,576		1,266,098	
NON-CURRENT LIABILITIES					
Provisions for risks and charges	18	91,256		98,765	
Employee benefits	19	60,891		56,574	
Financial liabilities	20	550,491	28,697	637,698	30,164
Other liabilities	21	39,039		46,544	
Deferred tax liabilities	10	88,835		81,546	
Total non-current liabilities		830,512		921,127	
CURRENT LIABILITIES					
Provisions for risks and charges	18	13,473		13,200	
Construction contracts – liabilities	12	617,672		678,627	
Trade payables and other current liabilities	22	1,375,674	9,437	1,366,765	17,052
Income tax liabilities		1,828		3,068	
Financial liabilities	23	1,437,085	23,231	1,847,861	35,902
Total current liabilities		3,445,732		3,909,521	
TOTAL EQUITY AND LIABILITIES		5,530,820		6,096,746	

Consolidated statement of comprehensive income

(Euro/000)	Note	30.06.2016	of which related parties Note 28	30.06.2015	of which related parties Note 28
Operating revenue	24	2,232,051	163,727	2,179,221	210,228
Other revenue and income	24	33,502	983	40,835	781
Materials, services and other costs of which non-recurring	25 28	(1,714,408) (389)	(7,495)	(1,640,082) (2,951)	(15,158)
Personnel costs of which non-recurring	25 28	(436,007) (5,484)		(461,463) (851)	
Depreciation, amortization and impairment	25	(52,623)		(54,578)	
Provisions	25	(19,852)		(5,471)	
Finance income	26	37,702	155	25,370	161
Finance costs	26	(69,980)	(565)	(87,423)	(396)
Income/(expense) from investments		(3,054)		(404)	
Share of profit/(loss) of investments accounted for using the equity method		(897)		781	
Income taxes	27	(1,692)		(15,737)	
PROFIT/(LOSS) FOR THE PERIOD (A)		4,742		(18,951)	
Attributable to owners of the parent		6,946		12,489	
Attributable to non-controlling interests		(2,204)		(31,440)	
Basic/diluted earnings/(loss) per share (Euro)	28	0.00410		0.00738	
Other comprehensive income/(losses), net of tax (OCI)					
Gains/(losses) from remeasurement of employee defined benefit plans	17- 19	(3,380)		2,709	
Total gains/(losses) that will not be reclassified to profit or loss, net of tax attributable to non-controlling interests	17	(3,380)		2,709	
Effective portion of gains/(losses) on cash flow hedging instruments	17	3,349		(5,716)	
Gains/(losses) arising from changes in OCI of investments accounted for using the equity method		(2,379)			
Gains/(losses) arising from fair value measurement of available-for-sale securities and bonds					
Exchange gains/(losses) arising on translation of foreign subsidiaries' financial statements	17	(16,144)		53,970	
Total gains/(losses) that may be subsequently reclassified to profit or loss, net of tax attributable to non-controlling interests	17	(15,174) (22,514)		48,254 22,328	
Total other comprehensive income/(losses), net of tax (B) attributable to non-controlling interests	17	(18,554) (22,514)		50,963 22,328	
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD (A) + (B)		(13,812)		32,012	
Attributable to owners of the parent		10,906		41,124	
Attributable to non-controlling interests		(24,718)		(9,112)	

Consolidated statement of changes in equity

(Euro/000)	Note	Share capital	Reserves and retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total
01.01.2015	17	862,981	447,036	1,310,017	219,875	1,529,892
Business combinations					1,893	1,893
Share capital increase						
Acquisition of non-controlling interests						
Dividend distribution						
Other changes/roundings			4	4	(9)	(5)
Total transactions with owners			4	4	1,884	1,888
Profit/(Loss) for the period			12,489	12,489	(31,440)	(18,951)
Other components						
OCI for the period			28,635	28,635	22,328	50,963
Total comprehensive income for the period			41,124	41,124	(9,112)	32,012
30.06.2015	17	862,981	488,164	1,351,145	212,647	1,563,792
01.01.2016	17	862,981	275,038	1,138,019	128,079	1,266,098
Business combinations						
Share capital increase					2,286	2,286
Acquisition of non-controlling interests						
Dividend distribution						
Other changes/roundings			2	2	2	4
Total transactions with owners			2	2	2,288	2,290
Profit/(Loss) for the period			6,946	6,946	(2,204)	4,742
Other components						
OCI for the period			3,960	3,960	(22,514)	(18,554)
Total comprehensive income for the period			10,906	10,906	(24,718)	(13,812)
30.06.2016	17	862,981	285,946	1,148,927	105,649	1,254,576

Consolidated statement of cash flows

(Euro/000)	Note	30.06.2016	30.06.2015
NET CASH FLOWS FROM OPERATING ACTIVITIES	29	357,071	(163,248)
- of which related parties		9,931	28,755
Investments in:			
- intangible assets		(31,488)	(12,005)
- property, plant and equipment		(62,565)	(55,670)
- equity investments		(207)	(6,350)
- business combinations, net of cash acquired			(5,234)
Disposals:			
- intangible assets		114	102
- property, plant and equipment		77	91
- equity investments			
CASH FLOWS FROM INVESTING ACTIVITIES		(94,069)	(79,066)
Change in non-current loans:			
- disbursements		16,773	134,270
- repayments		(32,354)	(82,163)
Change in non-current financial receivables:			
- disbursements			(7,769)
- repayments		106	2,441
Change in current bank loans and credit facilities:			
- disbursements		356,903	359,808
- repayments		(639,478)	(378,875)
Change in other current financial liabilities/receivables		(43,810)	57,055
Change in receivables for held-for-trading financial instruments		796	
Change in payables for held-for-trading financial instruments		(4,426)	1,327
Net capital contributions by non-controlling interests		2,286	
Change in non-controlling interests			
CASH FLOWS FROM FINANCING ACTIVITIES		(343,204)	86,094
- of which related parties		(5,635)	4,092
NET CASH FLOWS FOR THE PERIOD		(80,202)	(156,220)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		259,507	552,285
Effect of exchange rate changes on cash and cash equivalents		6,140	9,893
CASH AND CASH EQUIVALENTS AT END OF PERIOD		185,445	405,958



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Note 1 - Form, contents and other general information

The Parent Company

FINCANTIERI S.p.A. (hereinafter “Fincantieri” or the “Company” or the “Parent Company” and, together with its subsidiaries, the “Group” or the “Fincantieri Group”) is a public limited company with its registered office in Via Genova no. 1, Trieste (Italy), and is listed on the Mercato Telematico Azionario (Italy’s electronic stock market) organized and managed by Borsa Italiana S.p.A..

As at 30 June 2016, 71.6% of the Company’s share capital of euro 862,980,725.70 was held by Fintecna S.p.A.; the remainder of share capital was distributed between a number of private investors, none of whom held significant interests of 2% or above. It should be noted that 100% of the share capital of Fintecna S.p.A. is owned by Cassa Depositi e Prestiti S.p.A. (hereinafter also referred to as “CDP”), 80.1% of whose share capital is in turn owned by Italy’s Ministry of Economy and Finance.

IFRS CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In 2007 Fincantieri took up the option permitted by Italian Legislative Decree 38 dated 28 February 2005, governing the exercise of the options contained in article 5 of European Regulation no.1606/2002 concerning international accounting standards.

Therefore, starting from the year ended 31 December 2007, the consolidated financial statements of the Fincantieri Group have been prepared in compliance with IFRS, meaning all the International Financial Reporting Standards, all the International Accounting Standards (“IAS”), and all the interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) previously known as the Standing Interpretations Committee (“SIC”), which, at the reporting date of the consolidated financial statements, have been endorsed by the European Union in accordance with the procedure laid down in Regulation (EC) no. 1606/2002 of the European Parliament and European Council dated 19 July 2002.

The condensed consolidated interim financial statements as at and for the six months ended 30 June 2016 (the “Condensed Consolidated Interim Financial Statements”), were approved by the Company’s Board of Directors on 20 July 2016.

PricewaterhouseCoopers S.p.A., the firm appointed to perform the statutory audit of the separate financial statements of the Parent Company and its main subsidiaries, has performed a limited review of the Condensed Consolidated Interim Financial Statements.

BASIS OF PREPARATION

The Half-Year Financial Report of the Fincantieri Group as at 30 June 2016 has been prepared in accordance with the provisions of art. 154-ter par. 2 of Italian Legislative Decree no. 58/98 (known as the “Consolidated Law on Finance”) and subsequent amendments and additions.

The Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34 - Interim Financial Reporting. IAS 34 allows the preparation of financial statements in a “condensed” format, in which the minimum level of disclosure is less than that required by the IFRSs, as long as the reporting entity has previously published a complete set of financial statements

prepared in accordance with IFRS. Since the contents of the Condensed Consolidated Interim Financial Statements are presented in a condensed format, they must be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2015, prepared in accordance with IFRS (the "2015 Consolidated Financial Statements").

With regard to the main financial risks to which the Group is exposed - credit risk, liquidity risk and market risk (in particular currency, interest rate and commodity price risk) - the management of these financial risks is the responsibility of the Parent Company which decides, in close collaboration with its operating units, whether and how to hedge these risks. There have been no significant changes in the major financial risks faced compared with those described in the 2015 Consolidated Financial Statements which should be consulted for more details. The following table shows the financial assets and liabilities that are measured at fair value at 30 June 2016 and 31 December 2015 according to their level in the fair value hierarchy:

(Euro/000)	30.06.2016			31.12.2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Available-for-sale financial assets						
<i>Equity instruments</i>	94		946	3,124		916
<i>Debt instruments</i>						
Hedging derivatives		16,938			38,435	
Held-for-trading derivatives					796	
Total assets	94	16,938	946	3,124	39,231	916
Liabilities						
Financial liabilities at fair value through profit or loss			17,144			17,452
Hedging derivatives		205,845			460,392	
Held-for-trading derivatives		2,945			7,371	
Total liabilities		208,790	17,144		467,763	17,452

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

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

Available-for-sale financial assets classified as Level 3 relate to equity investments carried at fair value. Level 3 also includes the financial liabilities relating to the fair value of options on equity investments calculated using valuation techniques whose inputs are not observable on the market. Movements in financial assets and liabilities classified as Level 3 are basically due to currency translation differences, which have had no impact on profit or loss.

PRESENTATION OF FINANCIAL STATEMENTS

The Group presents its statement of financial position using a “non-current/current” distinction, its statement of comprehensive income using a classification based on the nature of expenses, and its statement of cash flows using the indirect method. It is also noted that the Group has applied the provisions of Consob Resolution no. 15519 of 27 July 2006 concerning financial statement formats. Please note, with reference to the Statement of Comprehensive Income, that “Depreciation and amortization” has been changed to “Depreciation, amortization and impairment”, which reports depreciation, amortization and impairment of Intangible assets and Property, plant and equipment, and “Provisions and impairment” has been changed to “Provisions”, which report increases and releases of provisions for risks and of provisions for the impairment of assets other than Intangible assets and Property, plant and equipment. This descriptive change has not involved any significant reclassifications of the comparative figures.

Also with reference to the Statement of Comprehensive Income, the composition of non-recurring income and expenses has been changed according to the clarifications provided in Consob Communication no. 0092543 of 3 December 2015; as a result, some items, although considered outside the ordinary course of business, have been excluded from non-recurring items and the related comparative figures have been restated accordingly (see also Note 28).

Note 2 - Scope and basis of consolidation

As previously stated, the scope and basis of consolidation adopted for the preparation of the Condensed Consolidated Interim Financial Statements are in line with those used to prepare the 2015 Consolidated Financial Statements, except as reported in Note 3.

The scope of consolidation includes the following companies that were incorporated during the first half of 2016:

- Vard Electro Canada Inc. incorporated in Canada by Vard Electro AS. The new company, 100% owned by Vard Electro AS, will install and integrate electrical systems for the VARD Group;
- CDP AS incorporated in Norway by SEAONICS AS, which owns 100% of the shares. The new company will focus on research and development of new technology.

The following other changes have also taken place:

- ICD Polska sp. z.o.o., based in Poland, has been merged into Seaonics Polska sp. z.o.o., a 100% indirect subsidiary;
- Faster Imaging AS, based in Norway, has been merged into ICD Software AS, a 100% direct subsidiary;
- Aja Ship Design AS, 60% owned by Vard Braila SA, was liquidated on 20 April 2016;
- On 30 June 2016, FINCANTIERI S.p.A. acquired 144 shares in Fincantieri USA Inc., equating to 13.98% of its share capital, from SIMEST S.p.A., thus becoming sole owner of this company. This transaction was envisaged in the agreement made with SIMEST S.p.A. on 19 December 2008 in connection with the acquisition of the US shipyards.

No significant transactions or unusual events have taken place during the first half of 2016 or of 2015, except as reported in the Condensed Consolidated Interim Financial Statements as at and for the six months ended 30 June 2016. It is also noted that the Group’s business is not subject to seasonal trends.

Translation of the financial statements of foreign operations

The exchange rates used to translate the financial statements of Group companies with a “functional currency” other than the Euro are as follows:

	30.06.2016		31.12.2015		30.06.2015	
	Average rate	Closing rate	Average rate	Closing rate	Average rate	Closing rate
US Dollar (USD)	1.1159	1.1102	1.1095	1.0887	1.1158	1.1189
UAE Dirham (AED)	4.0966	4.0755	4.0733	3.9966	4.0967	4.1075
Brazilian Real (BRL)	4.1295	3.5898	3.7004	4.3117	3.3102	3.4699
Norwegian Krone (NOK)	9.4197	9.3008	8.9496	9.603	8.6483	8.7910
Indian Rupee (INR)	75.0019	74.9603	71.1956	72.0215	70.1244	71.1873
Romanian Leu (RON)	4.4956	4.5234	4.4454	4.524	4.4479	4.4725
Chinese Yuan (CNY)	7.2965	7.3755	6.9733	7.0608	6.9408	6.9366
Swedish Krona (SEK)	9.3019	9.4242	9.3535	9.1895	9.3400	9.215

Note 3 - Accounting standards

The Group has not adopted early any accounting standards and interpretations whose application is not mandatory from 1 January 2016.

Note 4 - Critical accounting estimates and assumptions

A full description of the use of accounting estimates can be found in the Consolidated Financial Statements at 31 December 2015.

Certain valuation processes, particularly the more complex ones, such as the determination of any impairment of non-current assets, are generally carried out in full only at the time of preparing the annual financial statements when all the necessary information is available, unless there are indicators of impairment that require the immediate assessment of any impairment losses.

Note 5 - Intangible assets

Movements in this line item are as follows:

(Euro/000)	Goodwill	Client relationships and order backlog	Development costs	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other intangibles	Intangibles in progress and advances	Total
- cost	263,614	192,085	55,918	94,038	19,119	13,009	44,973	682,756
- accumulated amortization and impairment losses		(58,016)	(14,712)	(83,992)	(1,347)	(6,712)		(164,779)
Net carrying amount at 01.01.2016	263,614	134,069	41,206	10,046	17,772	6,297	44,973	517,977
Movements								
- business combinations								
- additions			8,702	76	894		21,816	31,488
- net disposals					(57)	15		(42)
- reclassifications/other			21,677	478	123	(57)	(22,285)	(64)
- amortization		(4,785)	(4,320)	(1,675)	(390)	(679)		(11,849)
- impairment losses								
- exchange rate differences	4,839	3,549	94	145	(269)	38	(11)	8,385
Closing net carrying amount	268,453	132,833	67,359	9,070	18,073	5,614	44,493	545,895
- cost	268,453	196,856	86,427	94,739	19,821	12,797	44,493	723,586
- accumulated amortization and impairment losses		(64,023)	(19,068)	(85,669)	(1,748)	(7,183)		(177,691)
Net carrying amount at 30.06.2016	268,453	132,833	67,359	9,070	18,073	5,614	44,493	545,895

“Goodwill” amounts to euro 268,453 thousand at 30 June 2016, of which euro 72 million allocated to the FMG Group cash-generating unit (CGU) within the Shipbuilding operating segment, and euro 196 million to the VARD Group CGU within the Offshore operating segment. The increase for the period is entirely due to exchange rate differences reflecting movements by the Norwegian krone and the US dollar against the euro.

“Concession, licenses, trademarks and similar rights” include euro 16,664 thousand for trademarks with indefinite useful lives, reflecting the expectation for their use.

In accordance with the provisions of IAS 36, the Group is of the opinion that the conditions exist as at 30 June 2016 to confirm the value of goodwill, of trademarks with indefinite useful lives and of the other intangible assets recognized as a result of business combinations, since no evidence of impairment has emerged indicating a reduction in their value.

Capital expenditure in the first half of 2016 has involved additions of euro 31,488 thousand (euro 12,005 thousand at 30 June 2015), of which euro 21,533 thousand (euro 8,930 thousand at 30 June 2015) for continued work not only on projects to develop new technologies for products made obsolete by the introduction of new regulations but also on the large number of new cruise ship prototypes in the order book. The rest of the expenditure relates to the development of information systems in support of the Group’s business.

Note 6 - Property, plant and equipment

Movements in this line item are as follows:

(Euro/000)	Land and buildings	Leased buildings	Industrial plant, machinery and equipment	Assets under concession	Extraordinary maintenance on leased assets	Other assets	Assets under construction and advances	Total
- cost	570,647	2,985	1,135,900	180,612	28,378	163,854	119,447	2,201,823
- accumulated depreciation and impairment losses	(197,300)	(2,494)	(779,045)	(122,586)	(21,027)	(105,466)		(1,227,918)
Net carrying amount at 01.01.2016	373,347	491	356,855	58,026	7,351	58,388	119,447	973,905
Movements								
- business combinations								
- additions	6,668		2,616	7	37	54	53,182	62,564
- net disposals	(6)		(75)			(23)	(224)	(328)
- reclassifications/ other changes	10,537	1	11,689	663	215	1,766	(24,870)	1
- depreciation	(7,716)	(195)	(27,451)	(1,876)	(541)	(2,968)		(40,747)
- impairment losses	(27)							(27)
- exchange rate differences	9,762	(10)	8,297			(97)	909	18,861
Closing net carrying amount	392,565	287	351,931	56,820	7,062	57,120	148,444	1,014,229
- cost	597,188	2,928	1,160,902	181,282	28,624	165,432	148,444	2,284,800
- accumulated depreciation and impairment losses	(204,623)	(2,641)	(808,971)	(124,462)	(21,562)	(108,312)		(1,270,571)
Net carrying amount at 30.06.2016	392,565	287	351,931	56,820	7,062	57,120	148,444	1,014,229

Capital expenditure in the first half of 2016 has resulted in additions of euro 62,564 thousand (euro 55,670 thousand in the first half of 2015), mainly related to:

- enlargement of the semi-submersible barge Atlante II, work to upgrade hull-building infrastructure at the Palermo shipyard and enlargement of the covered construction areas at the Marghera and Ancona shipyards;
- work to optimize production unit logistical facilities within the Monfalcone, Marghera and Sestri shipyards;
- continuation of activities to introduce new technology for reducing the environmental impact of operations at the Monfalcone shipyard, with reference to sanding and painting processes;
- acquisition of production assets next to the Sturgeon Bay shipyard (USA);
- completion of construction of new premises for Vard Electro (Norway) started during 2015;
- start of work at the Vard Tulcea shipyard in Romania to support construction of cruise ship hulls for Norway and the multi-year program to build pre-fitted cruise ship blocks and sections for the Fincantieri production network;
- technological upgrading of safety of machinery and systems at all the Group's main shipyards.

Note 7 - Investments accounted for using the equity method and other investments

These are analyzed as follows:

(Euro/000)	Associates	Joint ventures	Total investments accounted for using the equity method	Other companies carried at cost	Other companies carried at fair value	Total other investments	Total
01.01.2016	35,552	21,524	57,076	1,106	4,040	5,146	62,222
Business combinations							
Additions	173		173	34		34	207
Revaluations/ (Impairment losses) through profit or loss	(903)	6	(897)		(3,092)	(3,092)	(3,989)
Revaluations/ (Impairment losses) through equity	(2,379)		(2,379)				(2,379)
Disposals							
Dividends from investments accounted for using the equity method							
Reclassifications/Other	(3)		(3)				(3)
Exchange rate differences	1,081	(7)	1,074		92	92	1,166
30.06.2016	33,521	21,523	55,044	1,140	1,040	2,180	57,224

There have been no significant changes in investments during the period.

“Revaluations/(impairment losses) through profit or loss” of investments accounted for using the equity method (associates and joint ventures) include euro 897 thousand for the recognition of the Group’s share of the loss for the period of associates and joint ventures; “revaluations/ (impairment losses) through equity” report a negative balance of euro 2,379 thousand.

“Other investments” include euro 1,040 thousand in investments carried at fair value, calculated either on the basis of the related prices if quoted in active markets (Level 1), or using valuation techniques whose inputs are not observable on the market (Level 3). The change in the fair value of such investments has resulted in the recognition of net impairment losses of euro 3,092 thousand during the period.

Note 8 - Non-current financial assets

These are analyzed as follows:

(Euro/000)	30.06.2016	31.12.2015
Grants financed by BIIS	23,612	27,177
Derivative assets	4,587	1,598
Other non-current financial receivables	105,827	103,750
Non-current financial receivables from investee companies	9,398	9,061
NON-CURRENT FINANCIAL ASSETS	143,424	141,586

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

Note 9 - Other non-current assets

Other non-current assets are analyzed as follows:

(Euro/000)	30.06.2016	31.12.2015
Other receivables from investee companies	708	704
Government grants receivable	1,236	1,573
Firm commitments		1,065
Other receivables	8,005	7,386
OTHER NON-CURRENT ASSETS	9,949	10,728

Other non-current assets are all stated net of the related provision for impairment.

The following table presents the amount of and movements in the provision for impairment of other non-current receivables:

(Euro/000)	Provision for impairment of other receivables
Total at 01.01.2016	16,104
Utilizations	
Increases	
Releases	
Total at 30.06.2016	16,104

Note 10 - Deferred tax assets and liabilities

Movements in deferred tax assets are analyzed as follows:

(Euro/000)	Total
01.01.2016	150,974
Business combinations	
Through profit or loss	7,540
Impairment losses	
Through other comprehensive income	(6,996)
Other changes	(30)
Exchange rate differences	(586)
30.06.2016	150,902

Deferred tax assets have been recognized on items for which the tax is likely to be recovered against forecast future taxable income of Group companies. The above deferred tax assets include euro 27 million which can be offset against the deferred tax liabilities shown below.

No deferred tax assets have been recognized on euro 83 million (euro 72 million at 31 December 2015) in carryforward losses of subsidiaries which are thought unlikely to be recovered against future taxable income.

Movements in deferred tax liabilities are analyzed as follows:

(Euro/000)	Total
01.01.2016	81,546
Business combinations	
Through profit or loss	6,605
Impairment losses	
Through other comprehensive income	
Other changes	30
Exchange rate differences	654
30.06.2016	88,835

Note 11 - Inventories and advances

These are analyzed as follows:

(Euro/000)	30.06.2016	31.12.2015
Raw materials and consumables	225,432	200,935
Work in progress and semi-finished goods	124,404	33,290
Finished products	31,312	31,263
Merchandise		
Total inventories	381,148	265,488
Advances to suppliers	148,735	139,420
TOTAL INVENTORIES AND ADVANCES	529,883	404,908

The increase in “Work in progress and semi-finished goods” is due to the reclassification made by the Vard Group during the period from “Construction contracts - assets” in relation to a shipbuilding contract with the Harkand Group which entered administration on 6 May 2016. Inventories and advances are stated net of relevant provisions for impairment. The following table presents the amount of and movements in such provisions for impairment:

(Euro/000)	Provision for impairment - raw materials	Provision for impairment - finished products
01.01.2016	13,972	2,708
Increases	62	
Utilizations	(329)	(136)
Releases		
Exchange rate differences	(4)	(19)
30.06.2016	13,701	2,553

Note 12 - Construction contracts – net assets and liabilities

“Construction contracts - net assets” are analyzed as follows:

	30.06.2016			31.12.2015		
(Euro/000)	Construction contracts - gross	Invoices issued and provision for future losses	Construction contracts - net assets	Construction contracts - gross	Invoices issued and provision for future losses	Construction contracts - net assets
Shipbuilding contracts	6,319,988	4,277,404	2,042,584	5,766,765	3,224,293	2,542,472
Other contracts for third parties	37,721	20,397	17,324	23,760	12,110	11,650
Total	6,357,709	4,297,801	2,059,908	5,790,525	3,236,403	2,554,122

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

	30.06.2016			31.12.2015		
(Euro/000)	Construction contracts - gross	Invoices issued and provision for future losses	Construction contracts - net liabilities	Construction contracts - gross	Invoices issued and provision for future losses	Construction contracts - net liabilities
Shipbuilding contracts	3,893,042	4,480,317	587,275	3,482,960	4,138,947	655,987
Other contracts for third parties	151,951	159,402	7,451	115,969	120,356	4,387
Client advances		22,946	22,946		18,253	18,253
Total	4,044,993	4,662,665	617,672	3,598,929	4,277,556	678,627

Note 13 - Trade receivables and other current assets

These are analyzed as follows:

(Euro/000)	30.06.2016	31.12.2015
Trade receivables	418,760	560,018
Receivables from controlling companies (tax consolidation)	22,253	24,068
Government grants receivable	11,776	13,733
Other sundry receivables	157,552	90,027
Indirect tax receivables	33,593	32,916
<i>Firm commitments</i>	25,635	133,439
Accrued income	30,157	32,771
Prepayments	562	1,061
TOTAL TRADE RECEIVABLES AND OTHER CURRENT ASSETS	700,288	888,033

The above receivables are shown net of provisions for the impairment of receivables. These provisions relate to receivables that are no longer considered fully recoverable, including those involving legal action and judicial and out-of-court proceedings in cases of debtor default. A provision for interest charged on past due trade receivables has been recognized in a "Provision for past due interest".

The amount of and movements in the overall provisions for impairment of receivables are as follows:

(Euro/000)	Provision for impairment of receivables
01.01.2016	39.937
Business combinations	
Utilizations	(1,006)
Increases/(Releases)	250
Exchange rate differences	198
30.06.2016	39,379

"Firm commitments" reflect the fair value of hedged items in fair value hedges used by the Group to hedge currency risk arising on construction contracts in currencies other than the functional currency.

Note 14 - Income tax assets

These are analyzed as follows:

(Euro/000)	30.06.2016	31.12.2015
Italian corporate income taxation (IRES)	21,249	23,663
Italian regional tax on productive activities (IRAP)	3,604	4,446
Foreign tax	3,964	6,757
TOTAL INCOME TAX ASSETS	28,817	34,866

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

(Euro/000)	Provision for impairment of income tax assets
Balance at 1.1.2016	2,042
Increases	
Releases	
Other changes	
Total at 30.06.2016	2,042

Note 15 - Current financial assets

These are analyzed as follows:

(Euro/000)	30.06.2016	31.12.2015
Derivative assets	12,351	37,633
Other receivables	84,324	51,326
Government grants financed by BIIS	7,063	6,933
Accrued interest income	1,064	1,169
Prepaid interest and other financial expense	54	857
TOTAL CURRENT FINANCIAL ASSETS	104,856	97,918

“Derivative assets” represent the reporting-date fair value of derivatives with a maturity of less than 12 months. The fair value of derivative financial instruments has been calculated considering market parameters and using widely accepted measurement techniques (Level 2). “Other receivables” include interest-bearing loans to clients and deposits made by the VARD Group as security against contractual obligations to its lenders.

Note 16 - Cash and cash equivalents

These are analyzed as follows:

(Euro/000)	30.06.2016	31.12.2015
Bank and postal accounts	185,314	259,377
Checks		
Cash on hand	131	130
TOTAL CASH AND CASH EQUIVALENTS	185,445	259,507

Cash and cash equivalents at period end include euro 19,570 thousand in term bank deposits maturing within 3 months; the remainder refers to the balances on current accounts held with a number of banks.

Note 17 - Equity

EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT

The composition of equity is analyzed in the following table:

(Euro/000)	30.06.2016	31.12.2015
Attributable to owners of the parent		
Share capital	862,981	862,981
Share premium reserve	110,499	110,499
Legal reserve	33,392	33,392
Cash flow hedge reserve	2,113	(1,886)
Available-for-sale fair value reserve	(226)	(226)
Currency translation reserve	(74,224)	(78,889)
Other reserves and retained earnings	207,446	386,755
Profit/(loss) for the period	6,946	(174,607)
	1,148,927	1,138,019
Attributable to non-controlling interests		
Capital and reserves	143,800	257,364
Available-for-sale fair value reserve	(180)	(180)
Currency translation reserve	(35,767)	(14,958)
Profit/(loss) for the period	(2,204)	(114,147)
	105,649	128,079
TOTAL EQUITY	1,254,576	1,266,098

SHARE CAPITAL

The share capital of FINCANTIERI S.p.A. amounts to euro 862,980,726, fully paid-in, divided into 1,692,119,070 ordinary shares with no par value.

The number of shares is unchanged with respect to 31 December 2015.

SHARE PREMIUM RESERVE

This reserve has been recorded as a result of the capital increase accompanying the Company's listing on the Italian Electronic Stock Market on 3 July 2014. Listing costs of euro 11,072 thousand (net of tax effects) referring to the capital increase have been accounted for as a deduction from the share premium reserve, in compliance with IAS 32.

CASH FLOW HEDGE RESERVE

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

CURRENCY TRANSLATION RESERVE

The currency translation reserve reflects exchange differences arising from the translation into Euro of financial statements of foreign operations prepared in currencies other than the Euro.

OTHER RESERVES AND RETAINED EARNINGS

These mainly comprise: i) surplus earnings after making allocations to the legal reserve and distributions in the form of shareholder dividends; ii) actuarial gains and losses on employee benefit plans.

NON-CONTROLLING INTERESTS

Most of the change since 31 December 2015 is due to comprehensive income for the period attributable to non-controlling interests. The overall change includes an increase of euro 2,286 thousand for the share capital increase during the first half of 2016 attributable to non-controlling interests in ICD Software AS.

OTHER COMPREHENSIVE INCOME/LOSSES

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

	30.06.2016			30.06.2015		
(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	4,868	(1,519)	3,349	(8,366)	2,650	(5,716)
Gains/(losses) from remeasurement of employee defined benefit plans	(4,447)	1,067	(3,380)	3,737	(1,028)	2,709
Gains/(losses) arising from changes in OCI of investments accounted for using the equity method	(2,379)		(2,379)			
Gains/(losses) arising on translation of financial statements of foreign operations	(16,144)		(16,144)	53,529	441	53,970
Total other comprehensive income/(losses)	(18,102)	(452)	(18,554)	48,900	2,063	50,963

(Euro/000)	30.06.2016	31.12.2015
Effective portion of profits/(losses) arising in period on cash flow hedging instruments	2,125	(2,743)
Effective portion of profits/(losses) on cash flow hedging instruments reclassified to profit or loss	2,743	248
Effective portion of profits/(losses) on cash flow hedging instruments	4,868	(2,495)
Tax effect of other components of comprehensive income	(1,519)	803
TOTAL OTHER COMPREHENSIVE INCOME/(LOSSES), NET OF TAX	3,349	(1,692)

MOVEMENTS IN THE CASH FLOW HEDGE RESERVE

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

(Euro/000)	Equity			Profit or loss
	Gross	Taxes	Net	
1.1.2015	(248)	54	(194)	(60,465)
Change in fair value	(2,743)	857	(1,886)	
Utilization	248	(54)	194	(194)
Other income/(expenses) for risk hedging				(49,088)
Finance income/(costs) relating to held-for-trading derivatives and time-value component of hedging derivatives				(12,912)
31.12.2015	(2,743)	857	(1,886)	(62,194)
(Euro/000)	Equity			Profit or loss
	Gross	Taxes	Net	
Change in fair value	4,868	(1,519)	3,349	
Utilization	2,743	(857)	1,886	
Other income/(expenses) for risk hedging				16,522
Finance income/(costs) relating to held-for-trading derivatives and time-value component of hedging derivatives				(5,380)
30.06.2016	4,868	(1,519)	3,349	11,142

Note 18 - Provisions for risks and charges

These are analyzed as follows:

(Euro/000)	Litigation	Product warranty	Agent indemnity benefit	Business reorganization	Other risks and charges	Total
<i>Non-current portion</i>	44,256	30,375	118		24,016	98,765
<i>Current portion</i>	1,293	7,699		1,649	2,559	13,200
01.01.2016	45,549	38,074	118	1,649	26,575	111,965
Business combinations						
Other movements		(1)			(1,886)	(1,887)
Increases	11,135	11,780			273	23,188
Utilizations	(16,081)	(8,628)		(572)	(126)	(25,407)
Releases	(150)	(328)			(3,147)	(3,625)
Exchange rate differences	32	115		37	311	495
30.06.2016	40,485	41,012	118	1,114	22,000	104,729
<i>Non-current portion</i>	39,107	32,463	118		19,568	91,256
<i>Current portion</i>	1,378	8,549		1,114	2,432	13,473

The main component of the “Litigation” provision relates to precautionary provisions for claims brought by employees, authorities or third parties for damages arising from asbestos exposure. The remainder of the litigation provision relates to lawsuits with employees and suppliers and to other legal proceedings.

The “Product warranty” provision relates to the estimated cost of carrying out work under contractual guarantee after vessel delivery. The warranty period normally lasts for 1 or 2 years after delivery, but in some cases it may be longer.

The provision for “Other risks and charges” includes euro 8,664 thousand for environmental clean-up costs, while the remainder relates to various kinds of disputes, mostly of a contractual, technical or fiscal nature, which might be settled at the Group’s expense either in or out of court.

Note 19 - Employee benefits

Movements in this line item are as follows:

(Euro/000)	30.06.2016	31.12.2015
Opening balance	56,638	62,220
Business combinations		
Interest cost	589	1,012
Actuarial (gains)/losses	4,447	(3,418)
Utilizations for benefits and advances paid	(716)	(4,003)
Staff transfers and other movements		826
Exchange rate differences		1
Closing balance	60,958	56,638
Plan assets	(67)	(64)
Closing balance	60,891	56,574

The amount of Italian employee severance benefit recognized in the financial statements is calculated on an actuarial basis using the projected unit credit method; the discount rate used by this method to calculate the present value of the defined benefit obligation reflects the market yield on bonds with the same maturity as that expected for the obligation. The assumptions adopted are in line with those used for the financial statements at 31 December 2015 except for the discount rate, changed to 1.22% at the end of June 2016.

Note 20 - Non-current financial liabilities

These are analyzed as follows:

(Euro/000)	30.06.2016	31.12.2015
Bond	298,003	297,604
Bank loans and credit facilities - non-current portion	223,383	298,490
Loans from BIIS - non-current portion	23,612	27,177
Liabilities to other lenders	1,965	4,300
Finance lease obligations	10	19
Financial liabilities for the acquisition of equity investments		
Derivative liabilities	3,518	10,108
TOTAL NON-CURRENT FINANCIAL LIABILITIES	550,491	637,698

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

With reference to “Bank loans and credit facilities - non-current portion”, during the first half of 2016, the Parent Company obtained a new medium-term loan for euro 15 million, repayable in full at maturity during the third quarter of 2017.

In addition, a medium-term bullet loan to Fincantieri S.p.A. for euro 65 million, classified in “Non-current financial liabilities” at 31 December 2015 and maturing in May 2017, has been reclassified to “Bank loans and credit facilities - current portion”.

Note 21 - Other non-current liabilities

These are analyzed as follows:

(Euro/000)	30.06.2016	31.12.2015
Capital grants	27,342	29,161
Other liabilities	11,697	17,383
TOTAL OTHER NON-CURRENT LIABILITIES	39,039	46,544

“Capital grants” mainly comprise deferred income associated with grants for property, plant and equipment and innovation grants which will be released to income in future years to match the related depreciation/amortization of these assets.

Note 22 - Trade payables and other current liabilities

These are analyzed as follows:

(Euro/000)	30.06.2016	31.12.2015
Payables to suppliers	1,159,509	1,179,401
Payables to suppliers for reverse factoring	10,185	
Social security payables	41,541	31,265
Other payables to employees	91,310	57,000
Other payables	53,308	66,864
Indirect tax payables	10,909	11,694
Firm commitments	4,651	15,690
Accrued expenses	3,890	4,476
Deferred income	371	375
TOTAL TRADE PAYABLES AND OTHER CURRENT LIABILITIES	1,375,674	1,366,765

“Social security payables” include amounts due to INPS (the Italian social security authorities) for employer and employee contributions on June’s wages and salaries and contributions on end-of-period wage adjustments. This balance also includes the 2016 premium due to INAIL, Italy’s provider of national insurance against occupational injury and illness, which is being paid in instalments.

“Other payables to employees” reported at 30 June 2016 include the effects of renewing the in-house supplementary labor agreement with the trade unions.

“Other payables” include employee income tax withholdings payable to tax authorities, sundry payables for insurance premiums, advances received against research grants, amounts payable to employee supplementary pension funds, security deposits received and various liabilities for disputes in the process of being settled financially.

“Firm commitments” reflect the fair value of hedged items in fair value hedges used by the Group to hedge currency risk arising on construction contracts in currencies other than the functional currency.

Note 23 - Current financial liabilities

These are analyzed as follows:

(Euro/000)	30.06.2016	31.12.2015
Bank loans and credit facilities - current portion	123,662	59,713
Loans from BUIS - current portion	7,063	6,933
Bank loans and credit facilities - Construction loans	936,657	1,102,556
Other short-term bank debt	75,048	185,917
Liabilities to other lenders - current portion	309	366
Bank credit facilities repayable on demand	63,218	1,278
Financial liabilities for the acquisition of equity investments		11,770
Payables to joint ventures	301	1,156
Finance lease obligations - current portion	97	298
<i>Fair value of options on equity investments</i>	17,114	17,452
Derivative liabilities	205,572	457,655
Accrued interest expense	8,044	2,767
TOTAL CURRENT FINANCIAL LIABILITIES	1,437,085	1,847,861

“Bank loans and credit facilities - current portion” include a medium-term bullet loan for euro 65 million, classified in “Non-current financial liabilities” at 31 December 2015 and repayable in full by the Parent Company in May 2017.

On 15 June 2016, the Parent Company repaid a construction loan for euro 147 million obtained in 2015 from a leading international bank. This means that at 30 June 2016 “Bank loans and credit facilities - Construction loans” refer solely to the construction loans drawn down by the VARD Group.

“Financial liabilities for the acquisition of equity investments” at 31 December 2015 reported the fair value (Level 3) of a put option held by the minority shareholders of Fincantieri USA to sell their shareholding to Fincantieri at a fixed price. This option was exercised on 30 June 2016, with the Parent Company purchasing the minority shareholder’s interest in Fincantieri USA. The extinguishment of this liability has generated euro 1 million in finance income.

The fair value of derivative financial instruments has been calculated considering market parameters and using widely accepted measurement techniques (Level 2).

Note 24 - Revenue and income

These are analyzed as follows:

(Euro/000)	30.06.2016	30.06.2015
Sales and service revenue	725,683	1,441,359
Change in construction contracts	1,506,368	737,862
Operating revenue	2,232,051	2,179,221
Gains on disposal	49	22
Sundry revenue and income	29,732	36,777
Government grants	3,721	4,036
Total other revenue and income	33,502	40,835
TOTAL REVENUE AND INCOME	2,265,553	2,220,056

Note 25 - Operating costs

MATERIALS, SERVICES AND OTHER COSTS

Materials, services and other costs are analyzed as follows:

(Euro/000)	30.06.2016	30.06.2015
Raw materials and consumables	(1,150,618)	(1,069,480)
Services	(544,587)	(514,346)
Leases and rentals	(21,424)	(22,035)
Change in inventories of raw materials and consumables	5,989	22,676
Change in work in progress	2,345	3,911
Sundry operating costs	(19,481)	(66,028)
Cost of materials and services capitalized in fixed assets	13,368	5,220
Total materials, services and other costs	(1,714,408)	(1,640,082)

PERSONNEL COSTS

(Euro/000)	30.06.2016	30.06.2015
Personnel costs:		
- wages and salaries	(316,040)	(335,541)
- social security	(94,834)	(98,512)
- costs for defined contribution plans	(15,614)	(17,031)
- other personnel costs	(15,535)	(12,449)
Personnel costs capitalized in fixed assets	6,016	2,070
Total personnel costs	(436,007)	(461,463)

“Personnel costs” represent the total cost incurred for employees, including wages and salaries, employer social security contributions, gifts and travel allowances.

HEADCOUNT

The Fincantieri Group had 18,825 employees at 30 June 2016, broken down as follows:

(number)	30.06.2016	30.06.2015
Employees at period end:		
Total at period end	18,825	21,553
- of whom in Italy	7,838	7,780
- of whom in Parent Company	7,372	7,377
- of whom in VARD	8,739	11,495
Average number of employees	19,300	21,718
- of whom in Italy	7,769	7,699
- of whom in Parent Company	7,321	7,303
- of whom in VARD	9,277	11,799

DEPRECIATION, AMORTIZATION AND IMPAIRMENT AND PROVISIONS

(Euro/000)	30.06.2016	30.06.2015
Depreciation and amortization:		
- amortization of intangible assets	(11,850)	(14,199)
- depreciation of property, plant and equipment	(40,746)	(39,802)
Impairment:		
- impairment of goodwill		
- impairment of intangible assets		
- impairment of property, plant and equipment	(27)	(577)
Total depreciation, amortization and impairment	(52,623)	(54,578)
Provisions:		
- impairment of receivables		(465)
- increases in provisions for risks and charges	(23,188)	(20,775)
- release of provisions and impairment reversals	3,336	15,769
Total provisions	(19,852)	(5,471)

Details of “Depreciation, amortization and impairment” can be found in Notes 5 and 6.

Details of “Provisions” can be found in Notes 9,13 and 18.

Note 26 - Finance income and costs

These are analyzed as follows:

(Euro/000)	30.06.2016	30.06.2015
FINANCE INCOME		
Interest and other income from financial assets	1,532	1,576
Income from derivative financial instruments	1,353	
Bank interest and fees and other income	3,374	2,920
Foreign exchange gains	31,443	20,874
Total finance income	37,702	25,370
FINANCE COSTS		
Interest and fees charged by joint ventures	(167)	
Interest and fees charged by controlling companies	(83)	
Expenses from derivative financial instruments	(6,896)	(6,541)
Interest on employee benefit plans	(533)	(434)
Interest and fees on bonds	(5,989)	(5,960)
Interest and fees on construction loans	(18,930)	(18,383)
Bank interest and fees and other expense	(18,573)	(15,451)
Foreign exchange losses	(18,809)	(40,654)
Total finance costs	(69,980)	(87,423)
TOTAL FINANCE INCOME AND COSTS	(32,278)	(62,053)

“Finance income” includes euro 575 thousand (euro 703 thousand in the first half of 2015) in interest formally paid by the Italian State to the Parent Company, but effectively paid to Banca Infrastrutture Innovazione e Sviluppo (with an equal amount recognized as finance expense), under the structure in place to disburse government grants.

Foreign exchange gains and losses include euro 19 million in unrealized gains (with no corresponding monetary impact) in connection with financial liabilities recorded by the VARD Group’s Brazilian subsidiaries.

Note 27 - Income taxes

Income taxes have been calculated on the basis of the result for the period. Deferred income taxes are analyzed in Note 10.

Note 28 - Other information

NET FINANCIAL POSITION

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

(Euro/000)	30.06.2016	31.12.2015
A. Cash	131	130
B. Other cash equivalents	185,314	259,377
C. Held-for-trading securities		
D. Cash and cash equivalents (A)+(B)+(C)	185,445	259,507
E. Current financial receivables	85,442	53,352
- of which related parties	642	752
F. Current bank debt	(138,566)	(187,195)
- of which related parties	(20,000)	(20,000)
G. Current portion of non-current debt	(131,706)	(62,480)
- of which related parties	(2,930)	(2,976)
H. Other current financial liabilities	(707)	(13,590)
- of which related parties	(301)	(12,926)
I. Current debt (F)+(G)+(H)	(270,979)	(263,265)
J. Net current debt (D)+(E)+(I)	(92)	49,594
K. Non-current financial receivables	115,225	112,811
- of which related parties	9,398	9,061
L. Non-current bank debt	(223,383)	(298,490)
- of which related parties	(28,697)	(30,164)
M. Bond	(298,003)	(297,604)
N. Other non-current financial liabilities	(1,975)	(4,319)
- of which related parties	-	-
O. Non-current debt (L)+(M)+(N)	(523,361)	(600,413)
P. Net non-current debt (K)+(O)	(408,136)	(487,602)
Q. Net financial position (J)+(P)	(408,228)	(438,008)

For the purposes of complying with Consob Communication no. DEM/6064293/2006, the following table reconciles the above net financial position with the disclosure recommended by the European Securities and Markets Authority (ESMA).

(Euro/000)	30.06.2016	31.12.2015
Net financial position	(408,228)	(438,008)
Non-current financial receivables	(115,225)	(112,811)
Construction loans	(936,657)	(1,102,556)
Net financial position as per ESMA recommendation	(1,460,110)	(1,653,375)

SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

As required by CONSOB Resolution no. 15519 of 27 July 2006, the following table summarizes the income and expenses arising from non-recurring events or transactions that have been recorded in profit or loss in the first half of 2016 and of 2015; these amounts, presented before tax effects, have been classified in the following line items:

(Euro/000)		30.06.2016	30.06.2015
Description	Income statement line		
Costs relating to reorganization plans and non-recurring other personnel costs	Materials, services and other costs	389	2,951
	Personnel costs	5,484	851
Total extraordinary and non-recurring income and expenses		5,873	3,802

Tax on non-recurring items is euro 404 thousand at 30 June 2016 (euro 596 thousand at 30 June 2015).

Non-recurring income and expenses refer to items which by their nature can be considered non-recurring, meaning those arising from transactions or events that do not occur in the ordinary course of business, and which can be of significant amount. This interpretation has been revised in the light of Consob Communication no. 0092543 dated 3 December 2015, and some items, although considered outside the ordinary course of business, have been excluded from non-recurring items and the related comparative figures restated accordingly.

In light of the above, the following items previously classified as “Extraordinary and non-recurring income and expenses” are no longer presented as such within the statement of comprehensive income: costs associated with the “Extraordinary Wage Guarantee Fund” (euro 518 thousand at 30 June 2016 and euro 1,939 thousand at 30 June 2015) and provisions for costs and legal expenses associated with asbestos-related lawsuits (euro 11,616 thousand at 30 June 2016 and euro 9,931 thousand at 30 June 2015).

ATYPICAL AND/OR UNUSUAL TRANSACTIONS

In accordance with the disclosures required by Consob Communication no. DEM/6064293 dated 28 July 2006, it is reported that no atypical and/or unusual transactions were carried out during the first half of 2016.

RELATED PARTY TRANSACTIONS

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



The figures for related party transactions and balances are reported in the following tables:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION		30.06.2016						
(Euro/000)	Non-current financial assets	Current financial assets	Advances ^(*)	Trade receivables and other current assets	Trade receivables and other non-current assets	Non-current financial liabilities	Current financial liabilities	Trade payables and other current liabilities
FINTECNA S.p.A.								
CASSA DEPOSITI E PRESTITI S.p.A.				22,254		(28,697)	(2,930)	(7)
TOTAL CONTROLLING COMPANIES				22,254		(28,697)	(2,930)	(7)
ORIZZONTE SISTEMI NAVALI S.p.A.				70,973			(301)	(257)
CAMPER & NICHOLSONS INT. SA		176						
ETIHAD SHIP BUILDING LLC			2,100	20,274				(2,751)
TOTAL JOINT VENTURES		176	2,100	91,247			(301)	(3,007)
BRIDGE EIENDOM AS	462							
ISLAND OFFSHORE LNG AS								
REM SUPPLY AS	573	12						
OLYMPIC GREEN ENERGY KS	1,334	28						
DOF ICEMAN AS	6,863							
BREVIK TECHNOLOGY AS		378						
CSS DESIGN					708			
OLYMPIC CHALLENGER KS		48						
CASTOR DRILLING SOLUTION AS								
TOTAL ASSOCIATES	9,232	466			708			
CDP IMMOBILIARE S.r.l.				3,250				
TIRRENIA DI NAVIGAZIONE S.p.A.				10,760				
SIMEST S.p.A.								
SACE S.p.A.								
SACE BT S.p.A.								
PENSION FUND FOR SENIOR MANAGERS OF FINCANTIERI S.p.A.								(566)
COMETA NATIONAL PENSION FUND								(1,759)
OTHER	166							(105)
TOTAL CDP GROUP	166			14,010				(2,430)
QUANTA S.p.A.								(166)
EXPERIS S.r.l.								
HORIZON SAS								(1)
BANCA DEL MEZZOGIORNO - MEDIOCREDITO CENT. S.p.A.							(20,000)	
LEONARDO GROUP Finmeccanica			1,208	86				(3,752)
ENI GROUP				189				(74)
ENEL GROUP								
COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE				78				
TOTAL OTHER RELATED PARTIES			1,208	353			(20,000)	(3,993)
TOTAL RELATED PARTIES	9,398	642	3,308	127,863	708	(28,697)	(23,231)	(9,437)
TOTAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION	143,424	104,856	529,883	700,288	9,949	550,491	1,437,085	1,375,674
% on consolidated statement of financial position	7%	1%	1%	18%	7%	5%	2%	1%

^(*) "Advances" are classified in "Inventories and advances", as detailed in Note 12

**CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**
31.12.2015

(Euro/000)	Non-current financial assets	Current financial assets	Advances ^(*)	Trade receivables and other current assets	Trade receivables and other non-current assets	Non-current financial liabilities	Current financial liabilities	Trade payables and other current liabilities
FINTECNA S.p.A.								(25)
CASSA DEPOSITI E PRESTITI S.p.A.				24,068		(30,164)	(2,976)	(90)
TOTAL CONTROLLING COMPANIES				24,068		(30,164)	(2,976)	(115)
ORIZZONTE SISTEMI NAVALI S.p.A.				86,535			(1,156)	(1,376)
CAMPER & NICHOLSONS INT. SA		264						
ETIHAD SHIP BUILDING LLC			2,100	19,513				(3,837)
TOTAL JOINT VENTURES		264	2,100	106,048			(1,156)	(5,213)
BRIDGE EIENDOM AS	448							
ISLAND OFFSHORE LNG AS								
REM SUPPLY AS	555							
OLYMPIC GREEN ENERGY KS	1,250	82						
DOF ICEMAN AS	6,543							
BREVIK TECHNOLOGY AS		357						
CSS DESIGN					704			
OLYMPIC CHALLENGER KS		49						
CASTOR DRILLING SOLUTION AS	104							
TOTAL ASSOCIATES	8,900	488			704			
CDP IMMOBILIARE S.r.l.				3,250				
TIRRENIA DI NAVIGAZIONE S.p.A.				10,760				
SIMEST S.p.A.							(11,770)	(464)
SACE S.p.A.								
SACE BT S.p.A.								
PENSION FUND FOR SENIOR MANAGERS OF FINCANTIERI S.p.A.								(1,207)
COMETA NATIONAL PENSION FUND								(2,858)
OTHER	161			18				(173)
TOTAL CDP GROUP	161			14,028			(11,770)	(4,702)
HORIZON SAS								(1)
BANCA DEL MEZZOGIORNO - MEDIOCREDITO CENT. S.p.A.							(20,000)	
LEONARDO GROUP Finmeccanica			1,219	165				(5,595)
ENI GROUP				721				(1,426)
ENEL GROUP				342				
COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE				29				
TOTAL OTHER RELATED PARTIES			1,219	1,257			(20,000)	(7,022)
TOTAL RELATED PARTIES	9,061	752	3,319	145,401	704	(30,164)	(35,902)	(17,052)
TOTAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION	141,586	97,918	404,908	888,033	10,728	637,698	1,847,861	1,366,765
% on consolidated statement of financial position	6%	1%	1%	16%	7%	5%	2%	1%

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

**CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**
30.06.2016

(Euro/000)	Operating revenue	Other revenue and income	Materials, services and other costs	Finance income	Finance costs
FINTECNA S.p.A.			(10)		
CASSA DEPOSITI E PRESTITI S.p.A.			(32)		(284)
TOTAL CONTROLLING COMPANIES			(43)		(284)
ORIZZONTE SISTEMI NAVALI S.p.A.	162,658	369	(359)		(167)
CAMPER & NICHOLSONS INTERNATIONAL SA					
ETIHAD SHIP BUILDING LLC	753	533	(174)		
TOTAL JOINT VENTURES	163.410	901	(533)		(167)
BRIDGE EIENDOM AS					
BREVIK TECHNOLOGY AS				9	
REM SUPPLY AS				12	
OLYMPIC GREEN ENERGY KS				28	
DOF ICEMAN AS				106	
TOTAL ASSOCIATES				155	
CDP IMMOBILIARE S.r.l.					
TIRRENIA DI NAVIGAZIONE S.p.A.					
SIMEST S.p.A.			(347)		
SACE S.p.A.					
SACE BT S.p.A.					(114)
PENSION FUND FOR SENIOR MANAGERS OF FINCANTIERI S.p.A.			(471)		
COMETA NATIONAL PENSION FUND			(4,367)		
OTHER		9	(168)		
TOTAL CDP GROUP		9	(5,352)		(114)
QUANTA S.p.A.			(381)		
EXPERIS S.r.l.			(147)		
HORIZON SAS		11			
LEONARDO GROUP Finmeccanica	2	44	(763)		
ENI GROUP		18	(258)		
ENEL GROUP	315				
COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE			(18)		
TOTAL OTHER RELATED PARTIES	317	73	(1,567)		
TOTAL RELATED PARTIES	163,727	983	(7,495)	155	(565)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	2,232,051	33,502	(1,714,408)	37,702	(69,980)
% on consolidated statement of comprehensive income	7%	3%	0%	0%	1%

**CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**
30.06.2015

(Euro/000)	Operating revenue	Other revenue and income	Materials, services and other costs	Finance income	Finance costs
FINTECNA S.p.A.					
CASSA DEPOSITI E PRESTITI S.p.A.			(57)		(25)
TOTAL CONTROLLING COMPANIES			(57)		(25)
ORIZZONTE SISTEMI NAVALI S.p.A.	208,812	442	(2)		(9)
ETIHAD SHIP BUILDING LLC	797	291	(688)		
TOTAL JOINT VENTURES	209,609	733	(690)		(9)
BREVIK TECHNOLOGY AS				1	
REM SUPPLY AS				20	
OLYMPIC GREEN ENERGY KS				32	
DOF ICEMAN AS				108	
TOTAL ASSOCIATES				161	
TIRRENIA DI NAVIGAZIONE S.p.A.					
SIMEST S.p.A.			(345)		
SACE S.p.A.					(147)
SACE BT S.p.A.					(215)
PENSION FUND FOR SENIOR MANAGERS OF FINCANTIERI S.p.A.			(1,931)		
COMETA NATIONAL PENSION FUND			(3,254)		
FONDO STRATEGICO ITALIANO S.p.A.		9			
OTHER			(49)		
TOTAL CDP GROUP		9	(5,579)		(362)
HORIZON SAS					
LEONARDO GROUP Finmeccanica	164	2	(6,470)		
ENI GROUP	124	37	(2,362)		
ENEL GROUP	331				
COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE					
TOTAL OTHER RELATED PARTIES	619	39	(8,832)		
TOTAL RELATED PARTIES	210,228	781	(15,158)	161	(396)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	2,179,221	40,835	(1,640,082)	25,370	(87,423)
% on consolidated statement of comprehensive income	10%	2%	1%	1%	0%

Among the transactions falling under art. 13, par. 3 (c) of the Consob Regulations concerning related party transactions, it is reported that during the first half of 2016 FINCANTIERI S.p.A. entered into one Indemnity and Guarantee Agreement with SACE S.p.A. as coverage for any breach of obligations under export credit insurance policies, with a total maximum payout of euro 349 million.

It is also reported that FINCANTIERI S.p.A. entered into one Exporter Indemnity Agreement with SIMEST S.p.A., qualifying as a standard related party transaction of less significance. Also among standard transactions of less significance, it is noted that SACE FCT and SACE BT have entered into a reverse factoring agreement that allows the Parent Company's suppliers to factor their receivables from the same for a maximum amount payable of euro 50 million.

During the first half of 2016, Directors, Statutory Auditors, General Managers and other Key Management Personnel were paid a total of euro 2,079 thousand in remuneration by the Parent company, of which euro 1,033 thousand classified in personnel costs and euro 1,046 thousand in the cost of services.

BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE

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

Basic/Diluted Earnings/(Loss) Per Share		30.06.2016	30.06.2015
Profit/(loss) attributable to owners of the Parent	Euro/000	6,946	12,489
Weighted average number of shares outstanding	Number	1,692,119,070	1,692,119,070
Basic/Diluted Earnings/(Loss) Per Share	Euro	0.00410	0.00738

Diluted earnings per share are the same as basic earnings per share since there is no dilution.

LITIGATION

The following is an update on the status of litigation described in the Notes to the 2015 Consolidated Financial Statements:

Foreign litigation

With reference to the “Iraq” dispute, described in detail in the Notes to the Consolidated Financial Statements at 31 December 2015, although the Iraqi Government has not denied its intention of signing the operating contracts in completion of this deal (Refurbishment Contract and Combat System Contract – negotiated in July 2014 in execution of the Settlement Agreement defining the terms for ending the dispute), it has requested and received from Fincantieri an extension to the existing agreements, initially until the end of 2015 and subsequently until 30 June 2016, in the hope that in the meantime it will be possible to overcome the stalemate arising primarily from conflicts within the country and the related internal political problems. The prudent approach already adopted therefore remains confirmed.

As regards the “Serene” dispute, in July 2015 Fincantieri lodged its opposition with the Trieste Court of Appeal (against the shipowner’s request for recognition of foreign arbitration awards in Italy) in order to have the awards confirmed as contrary to domestic and international public order, as well as to enforce the revocation of the awards themselves for procedural fraud. Serena Equity Limited appeared at the first hearing on 1 December 2015 and after the exchange of briefs, authorized by the judge, at the hearing on 22 March 2016 the Court of Appeal issued an order which rejected not only the injunction for provisional enforceability of the award (arguing the absence in this specific case of *fumus boni iuris* (prima facie case) and *periculum in mora* (danger in delay), but also the testimonial evidence; the court accepted all the documents filed by the parties and scheduled the concluding hearing for 28 June 2016. At the same time, with reference to the verification action brought early in February 2015 in the specialized industrial property division of the Court of Venice, intended to confirm that the shipowner is not the owner of any intellectual property rights (which, as erroneously recognized by the Arbitration Panel, places a latent constraint on Fincantieri’s freedom to do business), the judge has ordered a new notification of the initial proceedings to be sent the shipowner, successfully delivered, and the first hearing has been scheduled for 21 September 2016. In May 2016, the shipowner also initiated proceedings for award recognition in the Netherlands and has already requested and obtained, as a precautionary measure, an order of dstraint (i) on any amount owed by Fincantieri Holding BV to Fincantieri, (ii) on the shares or assets held by Fincantieri Holding BV on Fincantieri’s behalf. Fincantieri will present in the Netherlands the reasons of objection presented to the Trieste Court of Appeal and any other appropriate defense. The favorable opinion expressed by our lawyers about these court cases remains confirmed.

With reference to the Papanikolaou litigation, the case's judge rapporteur has proposed that the Greek Court of Cassation uphold most of Fincantieri's arguments, noting that consumer protection law does not apply in this particular case and that the Court of Appeal's arguments concerning a design fault attributable to Fincantieri are contradictory. The outcome of this case will also affect a second lawsuit, brought by Papanikolaou against Fincantieri in the Patras Court for the alleged loss of income from 2012 to 2052, the first hearing for which is scheduled for 6 June 2017. With reference to the Yuzwa litigation, on 29 March 2016, the Florida State Court rejected Fincantieri's petition concerning lack of jurisdiction, based on arguments not shared by our lawyers. Fincantieri lodged an appeal against this decision on 13 May 2016 and awaiting a date for the relevant hearing.

Italian litigation

Client credit recovery

With reference to legal action against customers that are insolvent, bankrupt or the subject of other reorganization measures, with whom disputes have arisen that could not be resolved commercially, it is reported that legal actions are continuing against Tirrenia and Siremar (under special administration), with the Company winning a legal victory regarding its request for preferential payment of part of the Tirrenia receivable, even though no payment had been received as at 30 June 2016.

As for recovery of the amount owed by Energy Recuperator S.p.A., which had made significant counterclaims, a settlement was reached in April 2016 allowing the case to be closed with receipt of part of the contested credit; we are currently waiting to receive the final payment.

Criminal prosecutions under Italian Legislative Decree 231/2001

With reference to the criminal prosecutions brought under Italian Legislative Decree 231/2001 in the Court of Gorizia, described in detail in the Notes to the 2015 Consolidated Financial Statements, it is reported as follows:

- In June 2016, notices of conclusion of preliminary investigation were served on the former Monfalcone shipyard manager, under investigation for the offense of "bodily harm" under art. 590 of the Italian Criminal Code in relation to the violation of certain provisions of Legislative Decree no. 81/2008 and in general art. 2087 of the Italian Civil Code, in connection with an accident on 25 August 2010 at the Monfalcone shipyard involving an employee of a contractor with a contusion to his left knee, requiring more than forty days to get better.
- With reference to the preliminary investigations into the offenses of "willful removal or omission of precautions against workplace accidents" and "wrongful death" under articles 437 and 589 of the Criminal Code and of violation of certain provisions of Legislative Decree no. 81/2008, and under art. 25-septies of Legislative Decree no. 231/2001, in connection with the death of an employee of a contractor on 21 February 2011 after falling into a ventilation shaft at the Monfalcone shipyard, the Company and former Monfalcone shipyard manager were notified early in July 2016 that they would be brought to trial, with a preliminary hearing scheduled for 8 November 2016.

TAX POSITION

There are no updates to report on the information contained in the Notes to the 2015 Consolidated Financial Statements.

Note 29 – Cash flows from operating activities

These are analyzed as follows:

(Euro/000)	30.06.2016	30.06.2015
Profit/(loss) for the period	4,742	(18,951)
Depreciation and amortization	52,596	54,001
(Gains)/losses from disposal of property, plant and equipment	250	403
(Revaluation)/impairment of property, plant and equipment, intangible assets and equity investments	4,016	(204)
Increases/(releases) of provisions for risks and charges	19,563	5,553
Interest on employee benefits	589	465
Interest income	(4,906)	(4,496)
Interest expense	43,742	39,794
Income taxes	1,692	15,737
Unrealized foreign exchange (gains)/losses	(22,183)	15,334
Gross cash flows from operating activities	100,101	107,636
CHANGES IN WORKING CAPITAL		
- inventories	(120,199)	(67,292)
- construction contracts and client advances	386,596	(343,305)
- trade receivables	141,240	182,485
- other current assets and liabilities	(106,229)	47,131
- other non-current assets and liabilities	(3,840)	3,619
- trade payables	(14,021)	(43,744)
Cash flows from working capital	383,648	(113,470)
Dividends paid		
Interest income received	4,973	5,380
Interest expense paid	(16,115)	(32,255)
Income taxes (paid)/collected	10,691	1,526
Utilization of provisions for risks and charges and for employee benefits	(26,126)	(24,429)
NET CASH FLOWS FROM OPERATING ACTIVITIES	357,071	(163,248)
- of which related parties	9,927	28,755

Note 30 – Segment information

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

The Shipbuilding operating segment is engaged in the design and construction of cruise ships, ferries, naval vessels (for the Italian and foreign navies) and mega-yachts, as well as in ship repair and conversion activities. Production is carried out at the Group's shipyards in Italy and the United States. The Offshore operating segment is engaged in the design and construction of support vessels for the oil & gas exploration and production market, of specialized ships, and vessels for offshore wind farms and open ocean aquaculture, and in the provision of electronic systems, power and automation systems, services, pipe systems, interior fittings and technical systems for all such vessels. Fincantieri operates in this market primarily through the VARD Group.

The Equipment, Systems and Services operating segment is engaged in the manufacture of mechanical products and the provision of after-sales services for products sold.

Other activities primarily refer to the cost of activities by corporate headquarters, which are not allocated to other operating segments.

The Group evaluates the performance of its operating segments and the allocation of financial resources on the basis of revenue and EBITDA, defined as Profit/(loss) for the period adjusted for the following items: (i) Income taxes, (ii) Share of profit/(loss) of investments accounted for using the equity method, (iii) Income/(expense) from investments, (iv) Finance costs, (v) Finance income, (vi) Depreciation, amortization and impairment, (vii) costs associated with the "Extraordinary Wage Guarantee Fund", (viii) costs relating to reorganization plans and other non-recurring personnel costs, (ix) provisions for costs and legal expenses associated with lawsuits brought by employees for asbestos-related damages, and (x) other particularly material expenses or income outside the ordinary course of business arising from non-recurring events.

The results of the operating segments at 30 June 2016 and 30 June 2015 are reported in the following pages:

	30.06.2016				
(Euro/000)	Shipbuilding	Offshore	Equipment, Systems and Services	Other Activities	Group
Segment revenue	1,659,310	536,118	131,034	582	2,327,044
Intersegment elimination	(3,506)	(17,757)	(39,769)	(459)	(61,491)
Revenue (*)	1,655,804	518,361	91,264	123	2,265,553
EBITDA	81,443	24,952	21,524	(14,628)	113,291
EBITDA margin	4.9%	4.7%	16.4%		5.0%
Depreciation, amortization and impairment					(52,623)
Finance income					37,702
Finance costs					(69,980)
Income/(expense) from investments					(3,054)
Share of profit of investments accounted for using the equity method					(897)
Income taxes					(1,692)
Extraordinary and non-recurring income and expenses					(18,005)
Profit/(loss) for the period					4,742

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

Details of “Extraordinary and non-recurring income and expenses” (gross of the tax effect of euro 3,934 thousand) are presented in the following table.

(Euro/000)	30.06.2016
Costs associated with the “Extraordinary Wage Guarantee Fund” ⁽¹⁾	(518)
Costs relating to reorganization plans and other non-recurring personnel costs ⁽²⁾	(5,873)
Provisions for costs and legal expenses associated with asbestos-related lawsuits ⁽³⁾	(11,614)
Extraordinary and non-recurring income and expenses	(18,005)

(1) Amount included in “Personnel costs”.

(2) Of which euro 0.4 million included in “Materials, services and other costs” and euro 5.5 million in “Personnel costs”.

(3) Of which euro 1.6 million included in “Materials, services and other costs” and euro 10 million in “Provisions”.

	30.06.2015				
(Euro/000)	Shipbuilding	Offshore	Equipment, Systems and Services	Other Activities	Group
Segment revenue	1,554,965	625,566	95,090	579	2,276,200
Intersegment elimination	(16,781)	(7,454)	(31,469)	(440)	(56,144)
Revenue ^(*)	1,538,184	618,112	63,621	139	2,220,056
EBITDA	103,305	28,865	11,356	(15,391)	128,135
EBITDA margin	6.6%	4.6%	11.9%		5.8%
Depreciation, amortization and impairment					(54,001)
Finance income					25,370
Finance costs					(87,423)
Income/(expense) from investments					(404)
Share of profit of investments accounted for using the equity method					781
Income taxes					(15,737)
Extraordinary and non-recurring income and expenses					(15,672)
Profit/(loss) for the period					(18,951)

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

Details of “Extraordinary and non-recurring income and expenses” (gross of the tax effect of euro 3,860 thousand) are presented in the following table.

(Euro/000)	30.06.2015
Costs associated with the “Extraordinary Wage Guarantee Fund” ⁽¹⁾	(1,939)
Costs relating to reorganization plans and other non-recurring personnel costs ⁽²⁾	(3,802)
Provisions for costs and legal expenses associated with asbestos-related lawsuits ⁽³⁾	(9,931)
Extraordinary and non-recurring income and expenses	(15,672)

(1) Amount included in “Personnel costs”.

(2) Of which euro 3 million included in “Materials, services and other costs” and euro 0.8 million in “Personnel costs”.

(3) Of which euro 1 million included in “Materials, services and other costs” and euro 9 million in “Provisions”.

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

(Euro/million)	30.06.2016	31.12.2015
Italy	621	601
Other countries	393	372
Total Property, plant and equipment	1,014	973

Capital expenditure in the first half of 2016 on Intangible assets and Property, plant and equipment amounted to euro 94 million, of which euro 75 million in Italy and the remainder in other countries. The following table shows a breakdown of revenue and income between Italy and other countries, according to client country of residence:

(Euro/million)	30.06.2016		30.06.2015	
	Revenue and income	%	Revenue and income	%
Italy	340	15%	350	16%
Other countries	1,926	85%	1,870	84%
Total Revenue and income	2,266		2,220	

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

(Euro/million)	30.06.2016		30.06.2015	
	Revenue and income	%	Revenue and income	%
Client 1	524	23%	445	20%
Client 2	223	10%	233	10%
Total Revenue and income	2,266		2,220	

Note 31 – Events after 30 June 2016

On 4 July 2016, Fincantieri signed an agreement with China State Shipbuilding Corporation (CSSC), China's largest shipbuilding conglomerate, for the formation of a joint venture aimed at developing and supporting the growth of the Chinese cruise industry. The agreement specifically provides that the joint venture will develop and sell cruise ships exclusively intended and specially customized for the Chinese and Asian market. These ships will be built by the SWS facility, one of CSSC's shipyards, using a technological platform licensed to the joint venture and to the SWS shipyard by Fincantieri, which will therefore perform the activities within its responsibility through the joint venture. The agreement also envisages that Fincantieri will provide the joint venture and the SWS shipyard with specific consultancy services and certain key components for the vessels.

On 6 July 2016, the submarine "Pietro Venuti" was delivered at the Fincantieri shipyard in Muggiano (La Spezia). This is the third in the U212A "Todaro" class, a series of four sister vessels ordered from Fincantieri by the Central Unit for Naval Armament (NAVARM) for the Italian Navy.

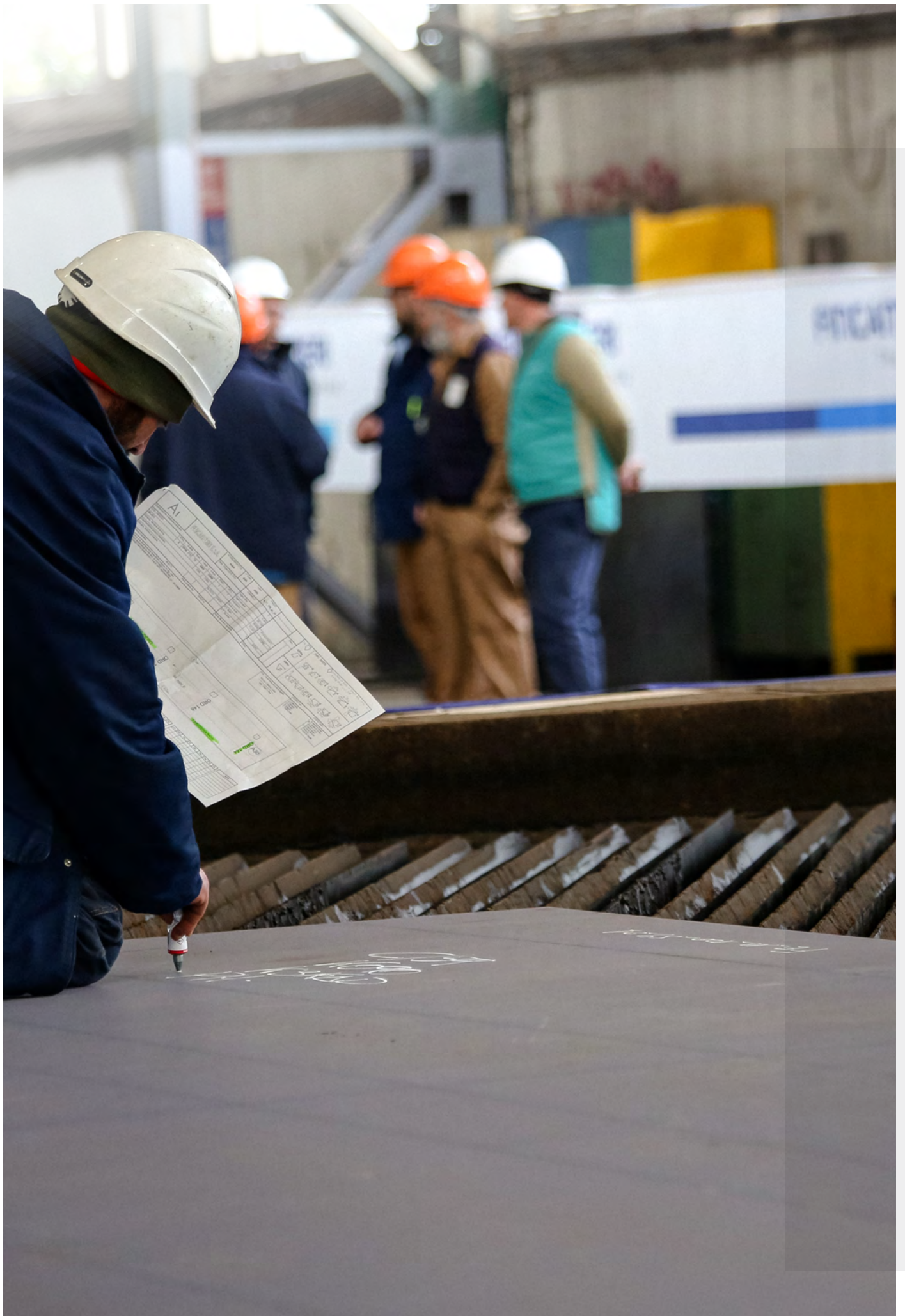
Companies included in the scope of consolidation

COMPANY NAME						
Principal activity	Registered office	Share capital		[%] interest held		% con- solidated by Group
Subsidiaries consolidated line-by-line						
BACINI DI PALERMO S.p.A. Dry-dock management	Palermo (Italy)	EUR	1,032,000.00	100.00	Fincantieri S.p.A.	100.00
CENTRO PER GLI STUDI DI TECNICA NAVALE CETENA S.p.A. Ship research and experimentation	Genoa (Italy)	EUR	1,000,000.00	71.10 15.00	Fincantieri S.p.A. Seaf S.p.A.	86.10
FINCANTIERI OIL & GAS S.p.A. Holding company	Trieste (Italy)	EUR	21,000,000.00	100.00	Fincantieri S.p.A.	100.00
FINCANTIERI HOLDING B.V. Holding company for foreign investments	Netherlands	EUR	9,529,384.54	100.00	Fincantieri S.p.A.	100.00
FINCANTIERI MARINE SYSTEMS NORTH AMERICA Inc. Sale and after-sale services relating to mechanical products	USA	USD	501,000.00	100.00	Fincantieri Holding B.V.	100.00
FMSNA YK Servicing and sale of spare parts	Japan	JPY	3,000,000.00	100.00	Fincantieri Marine Systems North America Inc.	100.00
GESTIONE BACINI LA SPEZIA S.p.A. Dry-dock management	Muggiano (La Spezia) (Italy)	EUR	260,000.00	99.89	Fincantieri S.p.A.	99.89
ISOTTA FRASCHINI MOTORI S.p.A. Design, construction, sale and after-sale services relating to fast medium-duty diesel engines	Bari (Italy)	EUR	3,300,000.00	100.00	Fincantieri S.p.A.	100.00
SOCIETÀ PER L'ESERCIZIO DI ATTIVITÀ FINANZIARIE SEAF S.p.A. Financial support for Group companies	Trieste (Italy)	EUR	6,032,000.00	100.00	Fincantieri S.p.A.	100.00
DELFI S.r.l. Technical and logistics engineering	Follo (La Spezia) (Italy)	EUR	400,000.00	100.00	Fincantieri S.p.A.	100.00
SEASTEMA S.p.A. Design and development of integrated automation systems	Genoa (Italy)	EUR	300,000.00	100.00	Fincantieri S.p.A.	100.00
FINCANTIERI USA Inc. Holding company	USA	USD	1,029.75	100.00	Fincantieri S.p.A.	100.00
FINCANTIERI MARINE GROUP HOLDINGS Inc. Holding company	USA	USD	1,027.97	87.44	Fincantieri USA Inc.	87.44
FINCANTIERI MARINE GROUP LLC. Ship building and repair	USA	USD	1,000.00	100.00	Fincantieri Marine Group Holdings Inc.	87.44
MARINETTE MARINE CORPORATION Ship building and repair	USA	USD	146,706.00	100.00	Fincantieri Marine Group LLC.	87.44
ACE MARINE LLC. Building of small aluminum ships	USA	USD	1,000.00	100.00	Fincantieri Marine Group LLC.	87.44
FINCANTIERI DO BRASIL PARTICIPAÇÕES SA Holding company	Brazil	BRL	1,310,000.00	80.00 20.00	Fincantieri S.p.A. Fincantieri Holding B.V.	100.00
FINCANTIERI INDIA Pte. Ltd. Design, technical support and marketing	India	INR	10,500,000.00	99.00 1.00	Fincantieri Holding B.V. Fincantieri S.p.A.	100.00
MARINE INTERIORS S.p.A. Ship interiors	Trieste (Italy)	EUR	5,120,000.00	100.00	Seaf S.p.A.	100.00

COMPANY NAME						
Principal activity	Registered office	Share capital		[%] interest held		% consolidated by Group
FINCANTIERI SI S.p.A. Electric, electronic and electromechanical industrial solutions	Trieste (Italy)	EUR	500,000.00	100.00	Seaf S.p.A.	100.00
FINCANTIERI SWEDEN AB Sale, maintenance and after-sales service for a series of systems, equipment and related activities	Sweden	SEK	5,000,000.00	100.00	Fincantieri S.p.A.	100.00
FINCANTIERI (SHANGHAI) TRADING Co. Ltd Engineering design, consulting and development	China	RMB	3,500,000.00	100.00	Fincantieri S.p.A.	100.00
VARD HOLDINGS Ltd. Holding company	Singapore	SGD	932,200,000.00	55.63	Fincantieri Oil&Gas S.p.A.	55.63
VARD GROUP AS Shipbuilding	Norway	NOK	100,000.00	100.00	Vard Holdings Ltd.	55.63
VARD SHIPHOLDING SINGAPORE Pte. Ltd. Charter of boats, ships and barges	Singapore	USD	1,00	100,00	Vard Holdings Ltd.	55,63
VARD ELECTRO AS Electrical / automation installation	Norway	NOK	1.000.000,00	100,00	Vard Group AS	55,63
VARD ELECTRO ITALY S.r.l. Installation, production, sale and assistance for electrical equipment and parts	Genoa (Italy)	EUR	200,000.00	100.00	Vard Group AS	55.63
VARD RO HOLDING S.r.l. Holding company	Romania	RON	82,573,830.00	100.00	Vard Group AS	55.63
VARD NITERÓI SA Shipbuilding	Brazil	BRL	339,383,790.00	99.99 0.01	Vard Group AS Vard Electro Brazil (Instalações Elétricas) Ltda.	55.63
VARD PROMAR SA Shipbuilding	Brazil	BRL	57,600,000.00	50.50	Vard Group AS	28.09
ESTALEIRO QUISSAMÃ Ltda. Project development	Brazil	BRL	400,000.00	50.50	Vard Group AS	28.09
VARD SINGAPORE Pte. Ltd. Sales and holding company	Singapore	USD	6,000,000.00	100.00	Vard Group AS	55.63
VARD DESIGN AS Design and engineering	Norway	NOK	4,000,000.00	100.00	Vard Group AS	55.63
VARD ACCOMMODATION AS Accommodation installation	Norway	NOK	500,000.00	100.00	Vard Group AS	55.63
VARD PIPING AS Pipe installation	Norway	NOK	100,000.00	100.00	Vard Group AS	55.63
VARD BREVIK HOLDING AS Holding company	Norway	NOK	5,810,000.00	100.00	Vard Group AS	55.63
SEAONICS AS Offshore handling systems	Norway	NOK	29,130,000.00	51.00	Vard Group AS	28.37
VARD SEAONICS HOLDING AS Holding company	Norway	NOK	30,000.00	100.00	Vard Group AS	55.63
SEAONICS POLSKA SP. Z O.O. Engineering services	Poland	PLN	300,000.00	100.00	Seaonics AS	28.37

COMPANY NAME						
Principal activity	Registered office	Share capital		[%] interest held		% consolidated by Group
AAKRE EIGENDOM AS Real estate	Norway	NOK	100,000.00	100.00	Vard Group AS	55.63
VARD DESIGN LIBURNA Ltd. Design and engineering	Croatia	HRK	20,000.00	51.00	Vard Design AS	28.37
VARD ELECTRO TULCEA S.r.l. Electrical installation	Romania	RON	4,149,525.00	99.96	Vard Electro AS	55.61
VARD ELECTRO BRAZIL (INSTALAÇÕES ELETRICAS) LTDA. Electrical installation	Brazil	BRL	3,000,000.00	99.00 1.00	Vard Electro AS Vard Group AS	55.63
VARD ELECTRO BRAILA S.r.l. Electrical installation	Romania	RON	45,000.00	100.00	Vard Electro AS	55.63
VARD ELECTRICAL INSTALLATION AND ENGINEERING (INDIA) Pte. Ltd. Electrical installation	India	INR	7,000,000.00	99.00 1.00	Vard Electro AS Vard Electro Tulcea S.r.l.	55.63
VARD TULCEA SA Shipbuilding	Romania	RON	151,606,459.00	100.00	Vard RO Holding S.r.l.	55.63
VARD BRAILA SA Shipbuilding	Romania	RON	165,862,177.50	94.12 5.88	Vard RO Holding S.r.l. Vard Group AS	55.63
VARD ENGINEERING CONSTANTA S.r.l. Engineering	Romania	RON	1,408,000.00	70.00 30.00	Vard RO Holding S.r.l. Vard Braila S.A.	55.63
VARD VUNG TAU Ltd. Shipbuilding	Vietnam	USD	8,000,000.00	100.00	Vard Singapore Pte. Ltd.	55.63
VARD ACCOMMODATION TULCEA S.r.l. Accommodation installation	Romania	RON	436,000.00	99.77 0.23	Vard Accommodation AS Vard Electro Tulcea S.r.l.	55.63
MULTIFAG AS Onshore industrial services and installation	Norway	NOK	20,000,000.00	100.00	Vard Brevik Holding AS	55.63
VARD ENGINEERING BREVIK AS Design and engineering	Norway	NOK	105,000.00	70.00	Vard Brevik Holding AS	38.94
VARD OFFSHORE BREVIK AS Offshore industrial services and installation	Norway	NOK	100,000.00	100.00	Vard Brevik Holding AS	55.63
VARD SHIP REPAIR BRAILA SA Ship repair	Romania	RON	7,798,340.00	68.58 31.42	Vard Braila SA Vard Brevik Holding AS	55.63
BREVIK ELEKTRO AS Onshore electrical installation	Norway	NOK	100,000.00	100.00	Multifag AS	55.63
VARD MARINE INC. Ship design and marine engineering	Canada	CAD	12,783,700.00	100.00	Vard Group AS	55.63
VARD MARINE US INC. Ship design and marine engineering	USA	USD	10,000.00	100.00	Vard Marine Inc.	55.63
VARD ENGINEERING GDANSK Sp. Z.o.o. Offshore design and engineering activities	Poland	PLN	50,000.00	100.00	Vard Engineering Brevik AS	38.94
VARD CONTRACTING AS Various shipbuilding services	Norway	NOK	3,000,000.00	100.00	Vard Group AS	55.63
ICD SOFTWARE AS Automation and control system software	Norway	NOK	839,000.00	100.00	Seasonics AS	28.37
ICD INDUSTRIES ESTONIA OÜ Automation and control system software	Estonia	EUR	5,200.00	100.00	ICD Software AS	28.37
SIA ICD INDUSTRIES LATVIA Automation and control system software	Latvia	EUR	33,164.00	100.00	ICD Software AS	28.37

COMPANY NAME						
Principal activity	Registered office	Share capital		[%] interest held		% consolidated by Group
INDUSTRIAL CONTROL DESIGN AS Automation and control system software	Norway	NOK	30,000.00	100.00	ICD Software AS	28.37
VARD ELECTRO CANADA Inc. Installation and integration of electrical systems	Canada	CAD	100,000.00	100.00	Vard Electro As	55.63
CDP AS Research and development of technology	Norway	NOK	302,204.00	100.00	Seaonics AS	28.37
Joint ventures consolidated using the equity method						
ORIZZONTE SISTEMI NAVALI S.p.A. Management of large naval vessel contracts	Genoa (Italy)	EUR	20,000,000.00	51.00	Fincantieri S.p.A.	51.00
ETIHAD SHIP BUILDING LLC. Design, production and sale of civilian and naval ships	Arab Emirates	AED	2,500,000.00	35.00	Fincantieri S.p.A.	35.00
CAMPER & NICHOLSON INTERNATIONAL SA Luxury yachting broker Various services relating to luxury yachts	Luxembourg	EUR	940,850.00	17.63	Fincantieri S.p.A.	17.63
Associates consolidated using the equity method						
UNIFER NAVALE S.r.l. (Emilia branch – Modena)	Modena (Italy)	EUR	150,000.00	20.00	Seaf S.p.A.	20.00
CASTOR DRILLING SOLUTION AS Offshore drilling technology	Norway	NOK	212,896.00	34.07	Seaonics AS	9.67
OLYMPIC CHALLENGER KS Shipowner	Norway	NOK	84,000,000.00	35.00	Vard Group AS	19.47
BRIDGE EIENDOM AS Real estate	Norway	NOK	3,100,000.00	50.00	Vard Brevik Holding AS	27.82
BREVIK TECHNOLOGY AS Holding of technology licenses and patents	Norway	NOK	45,000.00	34.00	Vard Brevik Holding AS	18.91
MOKSTER SUPPLY AS Shipowner	Norway	NOK	13,296,000.00	40.00	Vard Group AS	22.25
MOKSTER SUPPLY KS Shipowner	Norway	NOK	120,000,000.00	36.00	Vard Group AS	20.03
REM SUPPLY AS Shipowner	Norway	NOK	345,000.00	26.66	Vard Group AS	14.83
OLYMPIC GREEN ENERGY KS Shipowner	Norway	NOK	125,000,000.00	30.00	Vard Group AS	16.69
DOF ICEMAN AS Shipowner	Norway	NOK	23,600,000.00	50.00	Vard Group AS	27.82
TAKLIFT AS Floating cranes	Norway	NOK	2,450,000.00	25.47	Vard Brevik Holding AS	14.17
DAMECO AS Maintenance services	Norway	NOK	606,000.00	34.00	Vard Offshore Brevik AS	18.91
CSS DESIGN LIMITED Design and engineering	British Virgin Islands	GBP	100.00	31.00	Vard Marine Inc.	17.25
CANADIAN SUBSEA SHIPPING COMPANY AS Shipowner	Norway	NOK	100,800.00	45.00	Vard Group AS	25.03



management representation on the condensed consolidated half-year financial statements pursuant to art. 81-ter of consob regulation 11971 dated 14 may 1999 and subsequent amendments and additions

1. The undersigned Giuseppe Bono, in his capacity as Chief Executive Officer, and Carlo Gainelli, as Manager Responsible for Preparing Financial Reports of FINCANTIERI S.p.A. ("Fincantieri"), with reference to the requirements of art. 154-bis, paragraphs 3 and 4, of Italian Legislative Decree 58 dated 24 February 1998, hereby represent:
 - the suitability in relation to the business's organization and,
 - the effective application,of the administrative and accounting processes for the preparation of the condensed consolidated half-year financial statements at 30 June 2016, during the first half of 2016.
2. The adequacy of the administrative and accounting processes for preparing the condensed consolidated half-year financial statements at 30 June 2016 has been evaluated on the basis of a procedure established by Fincantieri in compliance with the Internal Control - Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission, which is the generally accepted standard model internationally.
3. The undersigned also represent that:
 - 3.1 the condensed consolidated half-year financial statements at 30 June 2016:
 - a) have been prepared in accordance with the International Financial Reporting Standards endorsed by the European Union under Regulation (EC) 1606/2002 of the European Parliament and Council dated 19 July 2002;
 - b) correspond to the underlying accounting records and books of account;
 - c) are able to give a true and fair view of the assets, liabilities, financial position and results of operations of the issuer and the group of companies included in the consolidation.
 - 3.2 the report on operations includes a fair review of the important events taking place in the first six months of the year and their impact on the condensed consolidated half-year financial statements, together with a description of the principal risks and uncertainties to which the Group is exposed.

20 July 2016

chief executive office
Giuseppe Bono

manager responsible for
preparing financial reports
Carlo Gainelli



independent auditors' report on the review
of the condensed consolidated interim financial statements
as at and for the six months ended 30 June 2016



**REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL
STATEMENTS**

To the Shareholders of
Fincantieri SpA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of Fincantieri SpA and its subsidiaries (the Fincantieri Group) as of 30 June 2016, comprising the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes. The directors of Fincantieri SpA are responsible for the preparation of the consolidated condensed interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution No. 10867 of 31 July 1997. A review of consolidated condensed interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated condensed interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements of the Fincantieri Group as of 30 June 2016 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Trieste, 21 July 2016

PricewaterhouseCoopers SpA

Signed copy

Maria Cristina Landro
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

PricewaterhouseCoopers SpA

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