



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	980 100 820
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	VARD GROUP AS
Forretningsadresse:	Skansekaia 2 6002 ÅLESUND

Regnskapsår

Årsregnskapets periode:	01.01.2020 - 31.12.2020
-------------------------	-------------------------

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	-

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Frode Waksvik
Dato for fastsettelse av årsregnskapet:	29.03.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 09.06.2023



Resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Operating revenues	4	6 528 688 000	7 931 907 000
Other operating revenues		11 816 000	6 523 000
Sum inntekter		6 540 504 000	7 938 430 000
Kostnader			
Cost of raw materials and semi-finished goods	22	6 642 254 000	8 316 962 000
Wages and other personnel expenses	2	612 636 000	767 820 000
Depreciation and amortization	6,7	33 721 000	84 608 000
Other operating expenses	2	253 450 000	337 469 000
Sum kostnader		7 542 061 000	9 506 859 000
Driftsresultat		-1 001 557 000	-1 568 429 000
Finansinntekter og finanskostnader			
Financial income	3	350 886 000	333 557 000
Sum finansinntekter		350 886 000	333 557 000
Financial expenses	3	1 191 977 000	744 966 000
Sum finanskostnader		1 191 977 000	744 966 000
Netto finans		-841 091 000	-411 409 000
Ordinært resultat før skattekostnad		-1 842 648 000	-1 979 838 000
Tax expenses /(Income)	14	16 518 000	252 451 000
Ordinært resultat etter skattekostnad		-1 859 166 000	-2 232 289 000
Årsresultat		-1 859 166 000	-2 232 289 000
Overføringer og disponeringer			
Transferred other equity/accumulated loss	15	-1 859 166 000	-2 232 288 000
Sum overføringer og disponeringer		-1 859 166 000	-2 232 288 000



Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Other intangible assets	7	91 770 000	62 946 000
Utsatt skattefordel	14		11 000 000
Sum immaterielle eiendeler		91 770 000	73 946 000
Varige driftsmidler			
Land, buildings, and other real estate	6	275 001 000	296 488 000
Machinery and equipment	6	99 103 000	76 566 000
Asset under constructions	6	207 892 000	126 697 000
Sum varige driftsmidler		581 996 000	499 751 000
Finansielle anleggsmidler			
Investering i datterselskap	8	420 726 000	473 541 000
Lån til foretak i samme konsern	11,13	622 075 000	808 769 000
Investeringer i tilknyttet selskap	8	425 585 000	167 839 000
Investements in other shares	9	1 451 000	6 451 000
Other receivables	11	609 116 000	583 024 000
Sum finansielle anleggsmidler		2 078 953 000	2 039 624 000
Sum anleggsmidler		2 752 719 000	2 613 321 000
Omløpsmidler			
Varer			
Inventory	18	6 485 000	6 685 000
Projects under constructions	5	3 719 237 000	2 933 682 000
Sum varer		3 725 722 000	2 940 367 000
Fordringer			
Account receivables		141 350 000	56 419 000
Other receivables		436 725 000	437 447 000
Konsernfordringer	13	3 000 514 000	1 797 621 000
Sum fordringer		3 578 589 000	2 291 487 000
Bankinnskudd, kontanter og lignende			



Balanse

Beløp i: NOK	Note	2020	2019
Bank deposit, cash and cash equivalent	19,20	691 351 000	213 830 000
Sum bankinnskudd, kontanter og lignende		691 351 000	213 830 000
Sum omløpsmidler		7 995 662 000	5 445 684 000
SUM EIENDELER		10 748 381 000	8 059 005 000

BALANSE - EGENKAPITAL OG GJELD

Egenkapital

Innskutt egenkapital

Share capital	15,16	26 796 000	26 796 000
Overkurs	15	2 308 940 000	2 308 940 000
Annen innskutt egenkapital	15	6 384 016 000	955 625 000
Sum innskutt egenkapital		8 719 752 000	3 291 361 000

Opptjent egenkapital

Other equity/accumulated losses	15	-7 416 031 000	-5 556 864 000
Sum opptjent egenkapital		-7 416 031 000	-5 556 864 000

Sum egenkapital		1 303 721 000	-2 265 503 000
------------------------	--	----------------------	-----------------------

Gjeld

Langsiktig gjeld

Other provision	21	50 000 000	50 000 000
Sum avsetninger for forpliktelser		50 000 000	50 000 000

Annen langsiktig gjeld

Gjeld til kredittinstitusjoner	11,19	43 376 000	81 782 000
Sum annen langsiktig gjeld		43 376 000	81 782 000

Sum langsiktig gjeld		93 376 000	131 782 000
-----------------------------	--	-------------------	--------------------

Kortsiktig gjeld

Liability to financial institutions	19	3 638 882 000	3 809 566 000
Leverandørgjeld		1 144 133 000	1 485 470 000
Public duties payables		44 141 000	49 371 000
Kortsiktig konserngjeld	5,13	2 880 476 000	2 936 321 000



Balanse

Beløp i: NOK	Note	2020	2019
Other current liabilities	5,10,1 2	1 643 652 000	1 911 999 000
Sum kortsiktig gjeld		9 351 284 000	10 192 727 000
Sum gjeld		9 444 660 000	10 324 509 000
SUM EGENKAPITAL OG GJELD		10 748 381 000	8 059 006 000



Skattedirektoratet

Saksbehandler
Rune Tystad

Deres dato
14.04.2014

Vår dato
24.04.2014

Telefon
977 59 464

Deres referanse
GI

Vår referanse
2014/262824

VARD GROUP AS
Postboks 76
6001 ÅLESUND

Fritak for konsernregnskapsplikten for underkonsernet Vard Group AS, org.nr. 980 100 820

- Det vises til deres brev av 14. april 2014 hvor det søkes om fritak fra plikten til å utarbeide konsernregnskap for Vard Group AS.

Konsernets ultimate morselskap Fincantieri S.p.A som er hjemmehørende i Italia, utarbeider konsernregnskap som omfatter Vard Group AS. Det norske konsernet er imidlertid eid 100 % av Vard Holdings Limited som er hjemmehørende og børsnotert på SGX i Singapore. Dette selskapet utarbeider konsernregnskap på engelsk i henhold til Singapore Financial Reporting Standards. Dette regnskapsspråket anses å være samsvarende med IFRS. Ledelsen i Vard Group AS er av den oppfatning at det vil være av større verdi for brukerne av regnskapene å vedlegge konsernregnskapet utarbeidet for Vard Holdings Limited ved innsendelse av årsregnskapet enn konsernregnskapet til Fincantieri S.p.A, og søker derfor om unntak fra konsernregnskapsplikten.

Skattedirektoratet finner med hjemmel i regnskapsloven av 17. juni 1998 nr. 56 § 3-7 fjerde ledd å kunne gi tillatelse til at det gjøres unntak for konsernregnskapsplikten for Vard Group AS. Det forutsettes at Vard Holdings Limited utarbeider konsernregnskap som omfatter den regnskapspliktige og dennes datterselskap. Det legges til grunn at dette konsernregnskapet er utarbeidet i samsvar med Singapore Financial Reporting Standards og at kravene i regnskapsloven § 3-7 med forskrifter for øvrig følges. Bestemmelsene i regnskapsloven kapittel 8 gjelder tilsvarende for dette konsernregnskapet.

Når det gjelder hvilket språk morselskapet skal utarbeide konsernregnskapet på, vises det til forskrift av. 7.9.2006 nr. 1062 til utfylling og gjennomføring mv. av regnskapsloven. Det følger av § 3-7-1 at konsernregnskapet foruten på norsk, kan være på svensk, dansk eller engelsk.

Kopi av dette brev må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet mv. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Postadresse
Postboks 9200 Grønland
0134 Oslo

Besøksadresse:
Se www.skatteetaten.no
Org.nr: 996250318
E-post: skatteetaten.no/sendepost

Sentralbord
800 80 000
Telefaks
22 17 08 60



2014/262824 Side 2 av 2

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Torstein Kinden Helleland
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Rune Tystad



Skattedirektoratet

Saksbehandler
Rune Tystad

Deres dato
14.04.2014

Vår dato
24.04.2014

Telefon
977 59 464

Deres referanse
GI

Vår referanse
2014/262817

VARD GROUP AS
Postboks 76
6001 ÅLESUND

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Vard Group AS, org.nr. 980 100 820

- Vi viser til deres brev av 14. april 2014 hvor dere søker om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Vard Group AS.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Vard Group AS tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn

Vard Group AS eies 100 % av Vard Holdings Limited, som er hjemmehørende i Singapore. Vard Holdings Limited er notert på børsen i Singapore (SGX), hvor årsregnskap og årsberetning blir avgitt på engelsk. Majoriteten av aksjene i Vard Holdings Limited eies av Fincantieri S.p.A mens de resterende aksjene eies av utenlandske og norske institusjonelle og private investorer, hvor majoriteten er utenlandske institusjonelle investorer. Selskapet må bruke engelsk for at eierne skal forstå regnskapet til Vard Group AS, hvor styret p.t. består av fire ikke norsk språklige medlemmer, herunder også styrets leder. Majoriteten av selskapets kommunikasjon er på engelsk og arbeidsspråket innad i konsernet er på engelsk. Vard Group AS er sammen med sine datterselskaper en av de store globale designere og skipsbyggere av offshore- og spesialskip som brukes i offshore olje og gassrelatert lete- og produksjonsvirksomhet og i oljeservice virksomhet. Vard Group AS retter seg utelukkende til bedriftsmarkedet.

Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal årsregnskapet og årsberetningen være på norsk. Departementet kan ved enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk.

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

Postadresse
Postboks 9200 Grønland
0134 Oslo

Besøksadresse:
Se www.skatteetaten.no
Org.nr: 996250318
E-post: skatteetaten.no/sendepost

Sentralbord
800 80 000
Telefaks
22 17 08 60



Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til “*informative regnskaper for ulike grupper av regnskapsbrukere*”. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

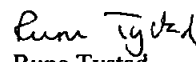
Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Som nevnt ovenfor er det særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt vekt på at selskapet eies 100 % av et utenlandsk selskap og at konsernspråket er engelsk. Videre er det vektlagt at selskapet opererer innen en internasjonal bransje og at selskapet utelukkende retter seg til bedriftsmarkedet.

Vennligst oppgi vår referanse ved henvendelser i saken.

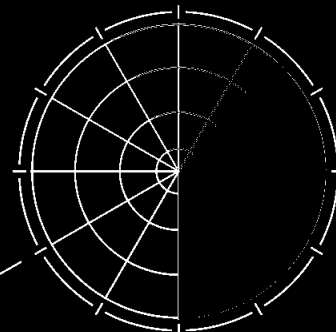
Med hilsen


Torstein Kinden Helleland
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet


Rune Tystad



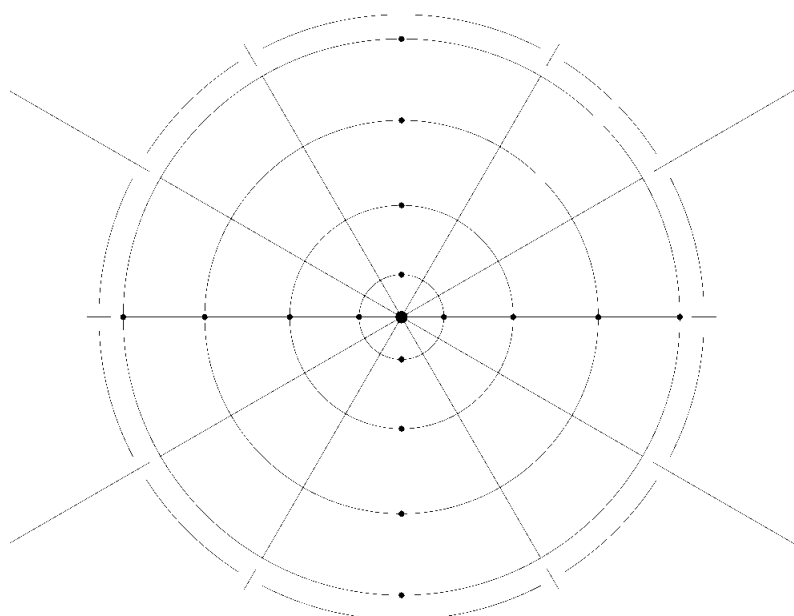
FINCANTIERI



ANNUAL REPORT 2020



ANNUAL REPORT 2020



FINCANTIERI



This sector's development with the movement of wind farms into deep waters and away from the coast, together with the introduction of innovative solutions, i.e. floating wind farms, pushes towards new technological frontiers and necessitates the design of new generation vessels.

The pandemic, however, did not put a whole series of long-standing initiatives on hold, particularly those related to sustainability. As part of a path aimed at achieving sustainable success, we have further integrated the Business Plan's strategy with the Sustainability Plan, with the aim of pursuing the Sustainable Development Goals (SDGs). We have also renewed our participation in the United Nations Global Compact, the world's largest initiative for business sustainability on a voluntary basis, inspired by ten universal principles relating to human rights, labour, the environment and the fight against corruption, through political actions, corporate practices, as well as social and civil behaviour.

Fincantieri was the recipient of the MIKE award in both the national and international Global Companies sections for our future-oriented strategic approach and our vision based on the challenges of sustainability and innovation.

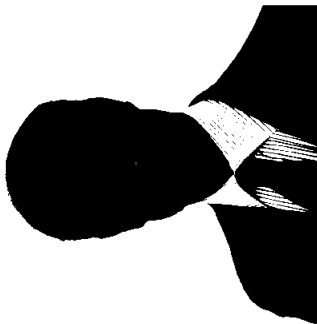
In terms of technological development, energy efficiency and reduction of environmental impact, we have undertaken important projects, both in the naval sector and in new business segments. To cite a few, Fincantieri NexTech, Autostrade Tech and IBM have signed an agreement for the implementation of a new-generation system for monitoring motorway infrastructure and keeping it safe. In the field of cyber security, Fincantieri NexTech has been awarded a European tender to supply a programmable emulator for checking the effectiveness of countermeasures in electronic defence systems. At the shipyard Castellammare di Stabia construction continues on Zeus, the first prototype hydrogen-powered ship, developed with CNR, prestigious Italian universities, the National Research and Promotion Agency for Standardization and RINA. And in our core business, we installed new air sanitation systems on board cruise ships, in partnership with the virology laboratory ICGEB (International Centre for Genetic Engineering and Biotechnology) in Trieste.

In 2021, the Company intends to return to growth and build a solid future amidst an environment that remains uncertain and complicated by the pandemic.

We would like to thank all the workforces, our suppliers and the institutions for everything that has been done to overcome the difficulties and achieve a new normality, and for their future commitment and passion that will contribute to the success of this company.



Giampiero Massolo
Chairman of Fincantieri



To our Shareholders,

2020 was a very difficult year for the global economy; unexpectedly, despite every medical-scientific and technological advance, the world was unable to prevent and stop the pandemic and demonstrated in its interconnectedness how fragile it is. That very feature that made ideas, goods and people flow, fuelling growth and progress became a factor of weakness.

Virtually all sectors have come to a standstill; in the case of Fincantieri, restrictions on movement and the segregation of territories have halted tourism and the cruise industry.

The spread of the COVID-19 epidemic caused the suspension of cruise activity from mid-March 2020, the immobilization of the entire fleet, the cancellation of revenues for all the companies and a damage in image due to some episodes of infection on board. It is estimated that 2020 closed with the number of passengers carried at around 7 million (volume consolidated almost exclusively in the first quarter of the year).

In 2021, the start of the vaccination phase will encourage a gradual recovery, concentrated in the second half of the year and led by the more mature markets. Initially, it will involve relatively few ships, in national or similar areas in terms of destinations and nationality of passengers and with low occupancy rates, subject to the application of strict health protocols agreed with the various local authorities.

However, in the light of statements made by the main players, but also the indications of the World Tourism Organization on the subject of a recovery in the sector, a normalization of the market can be expected in 2023 or, more optimistically, as early as 2022.

In contrast to the civilian sector, the naval sector currently seems to have been less affected by the pandemic. Given the long development times for naval programs, those that have already been launched are unlikely to be interrupted, while new ones that have not been finalized may, at most, be delayed.

On the other hand, the pandemic further delayed the recovery of the offshore oil & gas industry in the face of the collapse in oil prices triggered by the widespread drop in consumption. However, new opportunities have arisen in the field of renewable energies linked to the European Union's ambitious decarbonization objectives. Brussels wants to increase the continent's offshore wind capacity 25-fold: from the current 12 GW it intends to increase it to at least 60 GW by 2030, and 300 GW by 2050. The objective requires a significant amount of investment and demand for know-how and specialized naval vessels, to which Fincantieri can certainly contribute.



collaboration with our long-standing German partner TKMS, with whom we have entered into a partnership.

In Europe, we are shaping the consolidation process in the naval sector through Naviris, the joint venture established with Naval Group. The company achieved an important milestone by signing a Memorandum of Understanding with Spain's Navantia to extend industrial cooperation for the European Patrol Corvette program, as part of the Permanent Structured Cooperation (PESCO). The goal of the project, which four countries have joined so far (Italy as coordinator, France, Spain and Greece), is to involve other European partners to develop a new naval platform that could become common to all.

In the Offshore and Specialized Vessels segment, the Norwegian subsidiary shifted its focus from oil & gas to the fast-growing world of renewable energies, achieving important successes for vessels that support activities in offshore wind farms and cable laying. At the same time, on the technological frontier of autonomous ships, it has finalized a contract for robotic ships on which it will be possible to reduce human presence on board to manage the ship to a minimum.

With a view to broadening its expertise, the Group has established itself in the infrastructure, electronics and cyber security sectors by leveraging its project management and system integrator skills and carrying out a number of important operations such as the acquisition of INSO and SOF, active in the construction of hospitals, and Fincantieri NexTech (formerly INSIS), with capabilities ranging from cyber security to security and telecommunications systems.

In parallel with the progress expected from the scientific world in terms of treatments and vaccinations, in 2021 we intend to go ahead with our plans and make up for what was lost in 2020: we therefore expect a growth of over 25%, guaranteed by the high number of orders in the order book, and a return to profit as margins improve. At the same time, we were the first to agree to vaccinate our personnel.

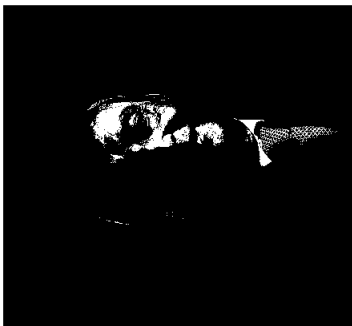
We are determined to build the Group's sustainability using a long-term vision, which has enabled us to withstand the interruptions caused by the pandemic better than others.

In the light of the opportunities for the country's relaunch offered by the Recovery Plan, for the coming years we will make our experience and spirit as builders available to the Italian government.

We are able to undertake numerous projects in the field of maritime and land infrastructures, providing expertise in digital and green technologies, and we have an over-arching vision when tackling complex and high-value projects with engineering and organizational skills suited to managing and bringing together the country's other leaders in excellence.

This year my thanks to the Fincantieri workforce and to those in the supply network, which is an integral part of the Group, is even more heartfelt. My thanks also go to all the Group's personnel, many of whom are now based in many countries, but who we have managed to make feel part of Fincantieri all the same. It has not been easy work: we as a company have set up an organizational machine to protect health, but without the seriousness, commitment and above all the sense of responsibility of everyone the results achieved would have been impossible.

Giuseppe Bono
Giuseppe Bono
CEO of Fincantieri



To our Shareholders,

2020 was undoubtedly an unusual year: the pandemic affected everyone, with no exceptions. I am proud of Fincantieri's strong resolve in its response, safeguarding its people, its operations and its backlog.

To date, the strategy adopted has enabled us to avoid order cancellations and we enter 2021 with our total backlog, comprising of 116 ships with deliveries up to 2029 and a value of euro 35.7 billion (soft backlog of around euro 7.2 billion), intact.

Revenues of euro 5,191 million, excluding pass-through activities, decreased by 11% compared to the previous year, mainly due to the loss of 20% of production hours compared to that scheduled for the Group's Italian sites. The health emergency was tackled with the participation of everyone, ensuring the safety of resources at all its production sites and deciding to only restart activities very gradually.

In spite of everything, we were able to keep to the delivery program, which had been rescheduled with customers following the loss of production due to the pandemic, delivering seven vessels, including our 100th ship, the Enchanted Princess of Princess Cruises, a Carnival Group brand. The Italian and foreign production network delivered a further 12 vessels (naval, offshore and specialized vessels), including a FREMM frigate and an LCS, produced by the Muggiano and US Marinette Marine yards respectively.

We firmly believe in the resilience of the cruise industry and its recovery, and one of our primary objectives during the year was, as noted previously, to secure the backlog by meeting our customers' needs to extend payment terms.

With the same spirit that distinguished us in the crises we have faced and overcome in the past, we do not want to limit ourselves to tackling the emergency but rather focus on becoming more resilient while thinking ahead so that we grow stronger. It is no coincidence that we have achieved significant results in the year of the pandemic: acquiring orders for euro 4.5 billion and, last but not least, creating more than 500 direct jobs in Italy and 2,500 in the supplier network thanks to the increase in workforce.

Over the next few years, one in two cruise ships in the world will be built by Fincantieri, confirming its leadership in the naval segment, thanks to the excellence and breadth of our product range, we became, for the first time, prime contractor for the US Navy in the FFG(X) program. In Italy, the collaboration between Fincantieri and the Italian Navy was once again reconfirmed with the award of a contract for two U212 Near Future Submarines (NFS), which are being built, as in the past, in

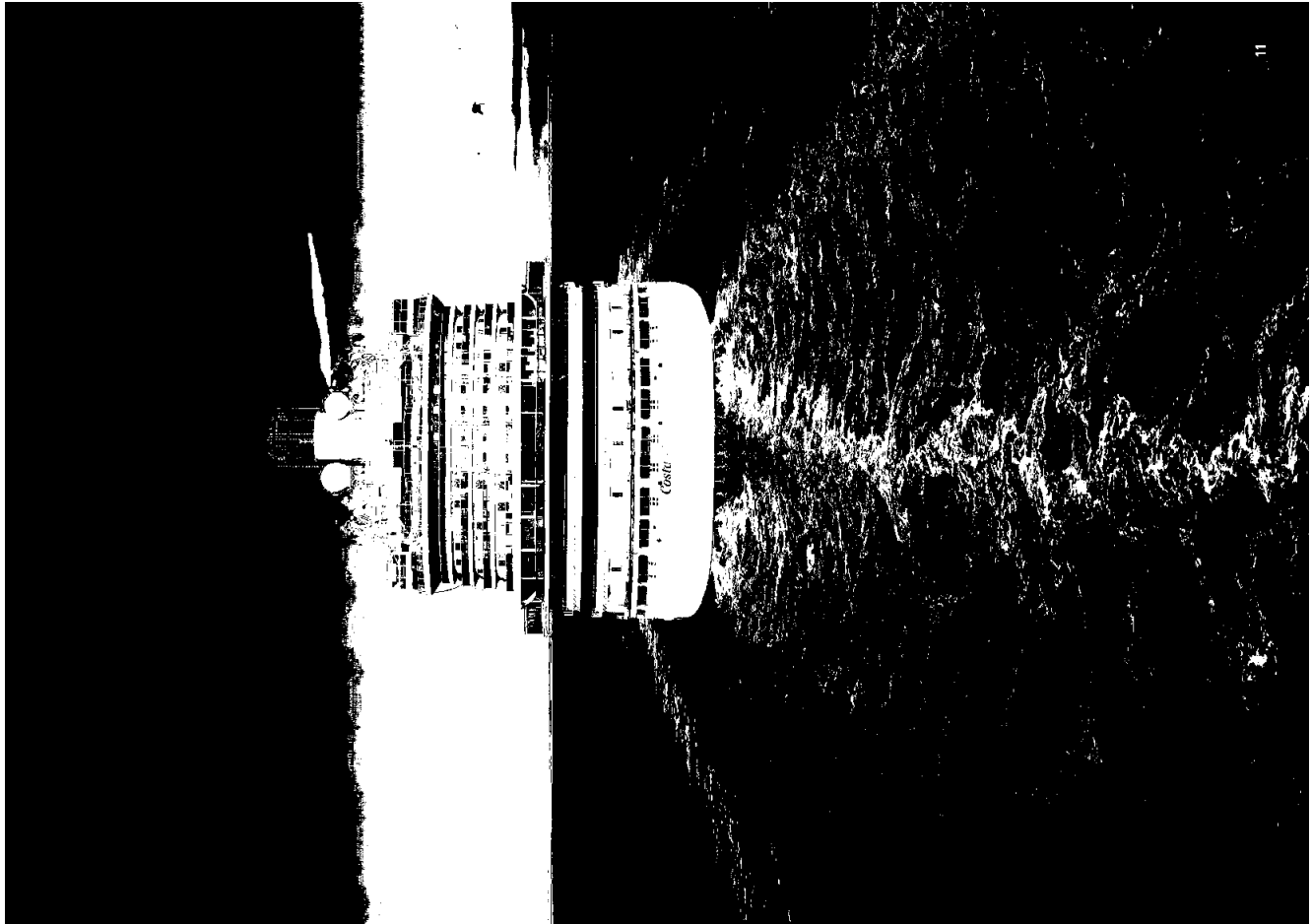


Index

Letter to shareholders	4	Fincantieri Group Consolidated Financial Statements	103
Parent Company directors and officers	9	Index	105
		Consolidated statement of financial position	106
The Fincantieri Group	13	Consolidated statement of comprehensive income	107
Our vision	14	Consolidated statement of changes in equity	108
Our mission	14	Consolidated statement of cash flows	109
Who we are	15	Notes to the Consolidated Financial Statements	111
Group overview	18	Management representation on the consolidated financial statements	236
Group report on operations	23	Report by the independent auditors	238
Highlights	24	Glossary	246
Overview	25		
Key financials	32		
Group performance	33		
Operational review by segment	46		
Core markets	53		
Research and innovation	57		
Our people	63		
Commitment to health and safety	68		
Environmental policy	72		
Data and information protection	73		
Enterprise risk management	75		
Corporate governance	88		
Other information	89		
Reconciliation of Parent Company profit/(loss) for the year and equity with the consolidated figures	99		
Reconciliation of the reclassified financial statements used in the report on operations with the mandatory IFRS statements	100		



COMPANY DIRECTORS AND OFFICERS



Parent Company Directors and Officers

BOARD OF DIRECTORS 2019-2021

CHAIRMAN

Giampiero Massolo

CHIEF EXECUTIVE OFFICER

Giuseppe Bono

ADVISERS

Barbara Alemani
Massimiliano Cesare

CHAIRMAN

Luca Errico

Paola Muratorio

Elisabetta Oliveri

Fabrizio Palermo

Federica Santini

Federica Seganti

SECRETARY

Giuseppe Cannizzaro

BOARD OF STATUTORY AUDITORS 2020-2022

CHAIRMAN

Gianluca Ferrero

STANDING AUDITORS

Pasquale De Falco

Rossella Tosini

ALTERNATE AUDITORS

Aldo Anelucci

Alberto De Nigro

Valeria Maria Scuteri

MANAGER RESPONSIBLE FOR PREPARING FINANCIAL REPORTS

Felice Bonavolontà

SUPERVISORY BODY

Leg. Decree 231/01
2018-2020

CHAIRMAN

Guido Zanardi

MEMBERS

Stefano Dentilli

Giorgio Pani

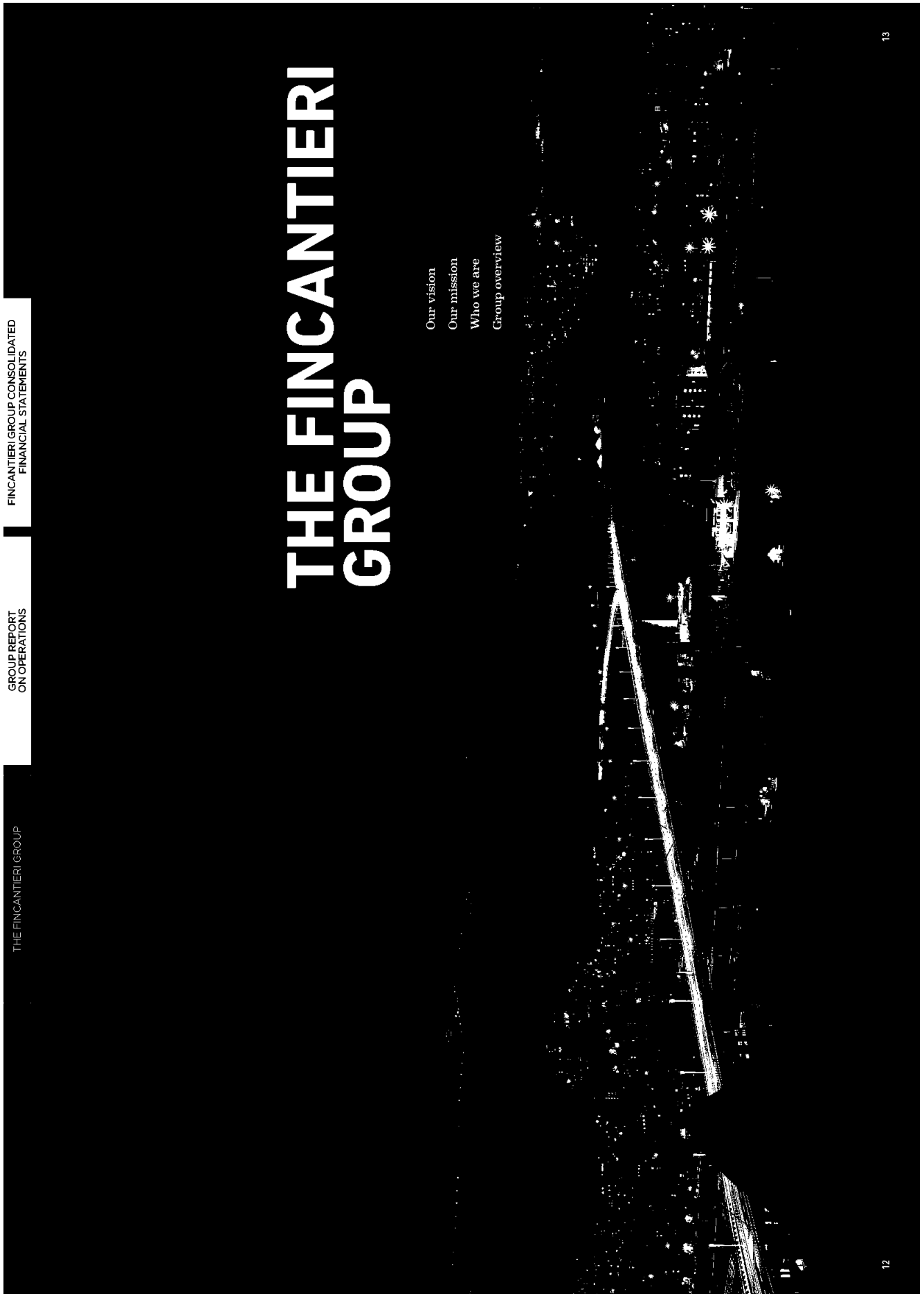
INDEPENDENT AUDITORS 2020-2028

Deloitte & Touche S.p.A.

Information regarding the composition and functions of the Board, Committees (the Internal Control and Risk Committee, which is also operating as an advisory body to the committee responsible for risk management), the Remuneration Committee, the Information Committee and the Sustainability Committee is provided in the "Ethics and Governance" section of the Fininvest website at www.finvest.com.

DISCLAIMER

Forward data and information must be regarded as forward-looking statements and therefore, based on simple historical facts, contain by their nature, an element of risk. Forward-looking statements are statements that are not historical facts, but rather, statements about future performance or events. Forward-looking statements are subject to various risks and uncertainties, which may cause actual results to differ materially from those expressed in forward-looking statements. Forward-looking statements refer to the information available at the date of their publication. FININVEST 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 are not constitutive 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 source of truth for the Company.





Our vision

We aspire to be world leaders in the industrial sectors where we operate, becoming a reference point for our customers, always selecting high value-added sectors and standing out for our diversification and innovation. The Sea Ahead! all those who work at Fincantieri Group steer for this course: talented men and women working responsibly to help develop our idea of a future increasingly characterized by innovation, performance and sustainability.

Our mission

Technological transformation and continuous improvement are the goals that we have set for ourselves, and we are determined to pursue them.

Our every action, project, initiative or decision is based on strict observance of the law, labour protection and protection of the environment, safeguarding the interests of our shareholders, employees, clients, trade and financial partners, local communities and groups, creating value for every stakeholder.



Who we are

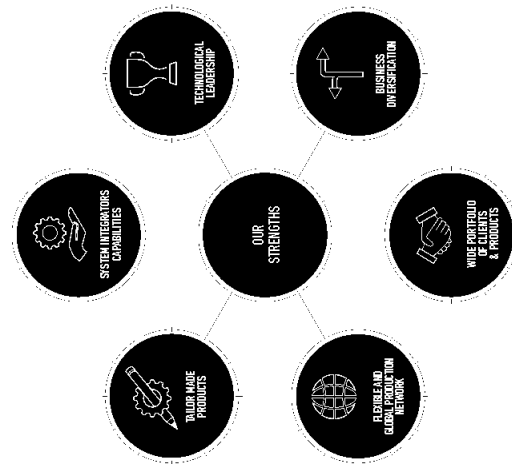
Fincantieri is one of the most important shipbuilding groups in the world, Italian leader at global level in cruise ship design and construction, a reference player in all high-tech shipbuilding industry sectors, from ships for Defence to offshore and specialized vessels, from high value-added ferries to mega yachts, as well as in ship repairs and conversions, production of systems and components for the mechanical and electrical sectors, ship interior solutions, electronic systems and software, infrastructure, maritime works and after-sales support services.

With over 230 years of history and more than 7,000 ships built, Fincantieri maintains its know-how and management centres in Italy, where it employs 10,000 people and generates around 90,000 jobs, which double on a global scale thanks to a production network of 18 shipyards on four continents and more than 20,000 direct workers.

The Group's customers include major cruise operators and it is the sole supplier of the Italian Navy, a reference partner for the US Navy and many foreign navies, and a key player in some of Europe's major defence partnership programs.

Broadening competencies is Fincantieri's main strategic and competitive lever, which allows it to operate successfully not only in its core business, but also in different sectors and markets, united by the high added value in terms of organizational model, complexity management, innovation and sustainability.

71.32% of Fincantieri's share capital of 862,980,725.70 euro is held, through the subsidiary CDP Industria S.p.A., by Cassa Depositi e Prestiti (CDP) S.p.A., a company controlled by the Ministry of Economy and Finance. The remainder of share capital was distributed between a number of private investors (none of whom held significant interests of 3% or above) and own shares (of around 0.27% of shares representing the share capital).





SHIPYARDS AND DOCKS

Europe

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

Norway

Brattvaag
Langøien
Søviknes

Romania

Braila
Tulcea

Asia

Vietnam
Vung Tau

Americas

Usa

Marinette
Sturgeon Bay
Green Bay

Brazil

Suape



MAIN SUBSIDIARIES

Europe

Italy

Celena
Seastena
Isotta Fraschini Motori
Fincantieri Oil&Gas
Marine Interiors
Marine Interiors Cabins
Fincantieri NavTech

Seanergy A Marine

Interiors Company
Fincantieri SI

Fincantieri Infrastructure

Opere Maritime
Issel Nord
MI

E-Phor's

BOP6

Norway

Vard Group
Vard Design
Vard Piping
Vard Electro

Vard Accommodation

Seanotics

Romania

Vard Tulcea
Vard Braila

Croatia

Vard Design Liburnia

Sweden

Fincantieri Sweden

Poland

Seanotics Polska

Asia

China

Fincantieri (Shanghai)
Trading

India

Fincantieri India

Vard Electrical Installation
and Engineering (India)

Qatar

Fincantieri
Services Middle East

Singapore

Vard Holdings
Vard Shipholdings
Singapore

Japan

FMSMA YK

Vietnam

Vard Vung Tau

Americas

Usa

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

Fincantieri Infrastructure
Wisconsin

Canada

Vard Marine

Brazil

Vard Promar

Oceania

Australia

Fincantieri Australia



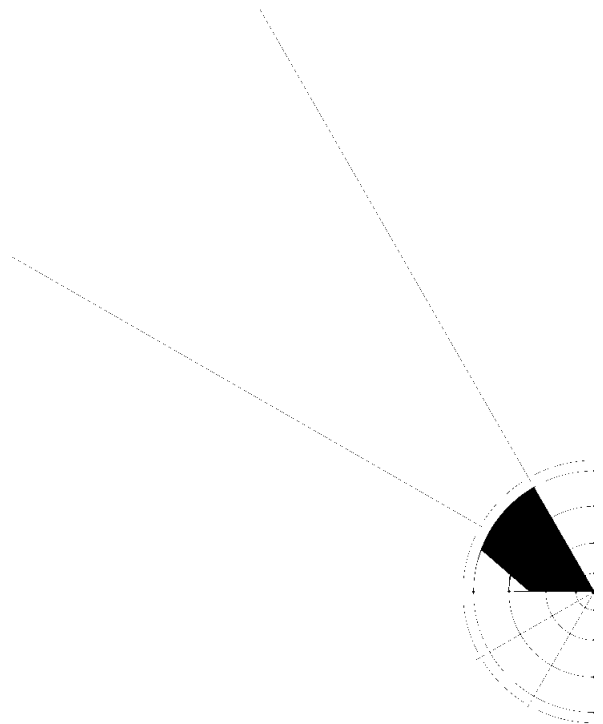
Group overview

The Group operates through the following three segments:

- Shipbuilding: encompassing the business areas cruise ships and expedition cruise vessels, naval vessels, ferries and mega yachts;
- Offshore and Specialized Vessels: encompassing the design and construction of high-end offshore support vessels, specialized ships, vessels for offshore wind farms and open ocean aquaculture, as well as the offer of innovative products in the field of drillships and semi-submersible drilling rigs;
- Equipment, Systems and Services: includes the following business areas i) Services, which includes ship repairs and conversions, logistic support, refitting, training and after-sales services, ii) Complete Accommodation, which includes the fitting out of cabins, public areas, catering, wet units and windows, iii) Electronics, Systems and Software, which focuses on advanced technological solutions, from the design and integration of complex systems (system integration) to telecommunications and critical infrastructure, iv) Energy, which includes the design and construction of energy generation and storage systems, and v) Infrastructure, which includes the design, construction and assembly of steel structures for large civil and maritime projects.

It should be noted that as from 2020 Vard Electro's activities were reallocated from the Offshore and Specialized Vessels segment to the Shipbuilding segment and the comparison data at 31 December 2019 were consequently restated.

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



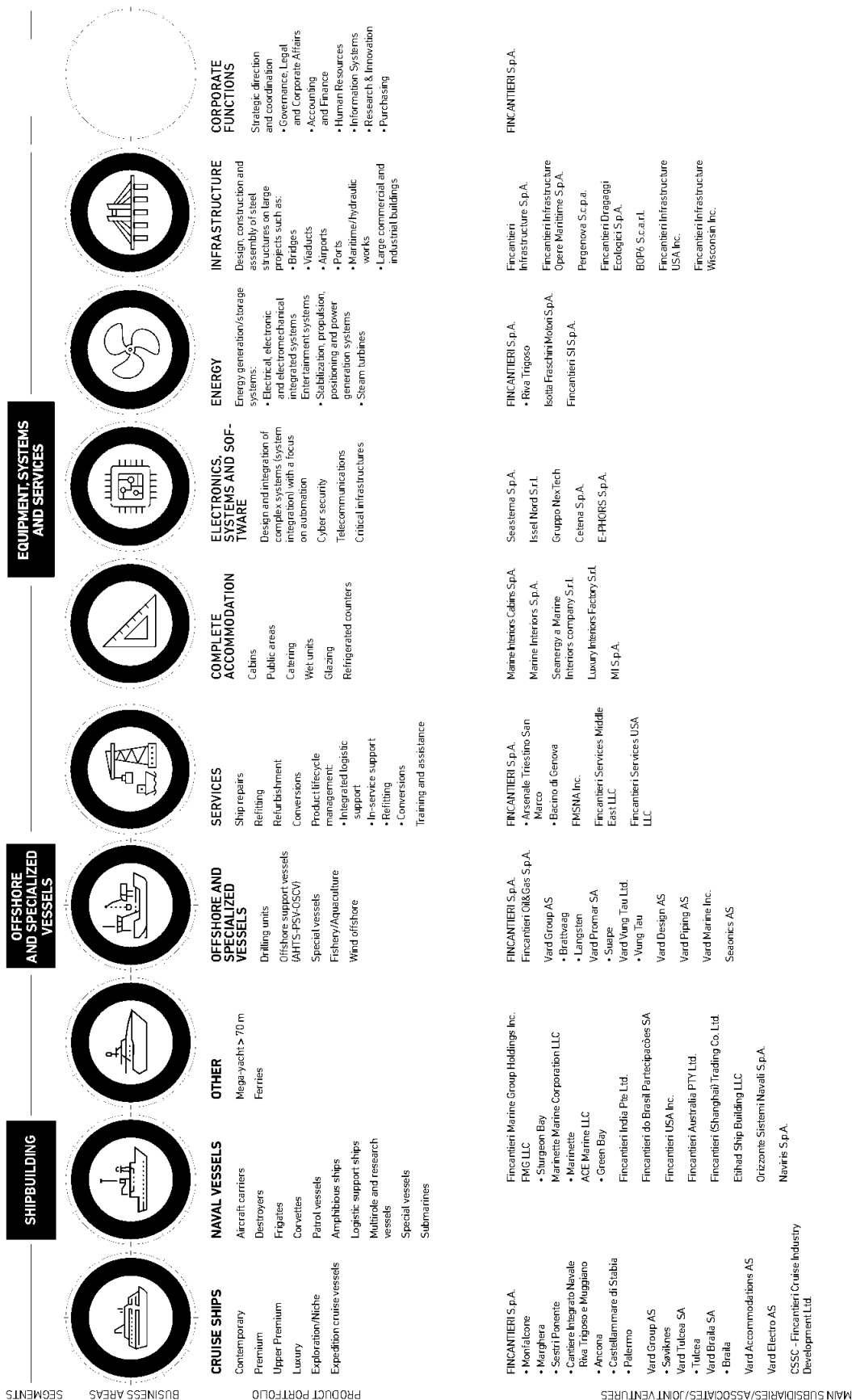


FINCANTIERI GROUP CONSOLIDATED FINANCIAL STATEMENTS

GROUP REPORT ON OPERATIONS

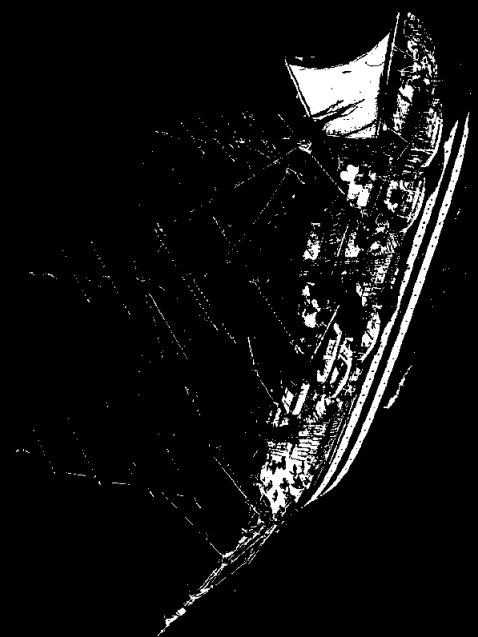
THE FINCANTIERI GROUP

Group overview





GROUP REPORT ON OPERATIONS



Highlights

Overview

Key financials

Group performance

Reclassified consolidated income statement

Core markets

Research and innovation

Our people

Commitment to health and safety

Environmental policy

Data and information protection

Enterprise risk management

Corporate governance

Other information

Reconciliation of parent company profit/(loss) for the year and equity with the consolidated figures

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



Highlights

OPERATIONAL PERFORMANCE

- **PLANNED DELIVERIES OF CRUISE VESSELS MET, EVEN WITH THE POSTPONEMENT OF PRODUCTION PROGRAMS:** 7 CRUISE SHIPS DELIVERED, 4 OF WHICH IN THE SECOND HALF OF THE YEAR
- **ENCHANTED PRINCESS: 100TH CRUISE SHIP**
- **NO CANCELLATION OF ORDERS AND CONTINUATION OF THE RESCHEDULED PRODUCTION PROGRAM**
- **Q4 2020: OPERATIONAL PERFORMANCE CONFIRMED WITH REVENUES AT EURO 1,657 MILLION EXCLUDING PASS-THROUGH ACTIVITIES¹ AND EBITDA² AT EURO 114 MILLION (42% AND -40% COMPARED TO THE ALREADY POSITIVE Q3 RESULTS)**
- **SOLID FINANCIAL POSITION:** AVAILABLE LIQUIDITY AND CREDIT LINES OF EURO 2.3 BILLION, SUFFICIENT TO MEET THE GROUP'S FINANCIAL NEEDS
- **TOTAL BACKLOG³ WITH 116 SHIPS, WITH DELIVERIES UNTIL 2029, AND EURO 35.7 BILLION EQUIVALENT TO 6.1 TIMES REVENUES**
 - BACKLOG OF EURO 27.8 BILLION WITH 97 VESSELS ON DELIVERY UNTIL 2029
 - SOFT BACKLOG AT EURO 7.9 BILLION
- **DELIVERED 19 VESSELS FROM 11 SHIPYARDS**
 - ORDER INTAKE OF EURO 4.5 BILLION FOR 18 VESSELS, INCLUDING 3 NAVAL VESSELS AND 2 FOR OPERATIONS ON OFFSHORE WIND FARMS
- **MORE THAN 500 DIRECT JOBS CREATED IN ITALY AND 2,500 IN THE SUPPLY CHAIN**
- **INVESTMENTS AMOUNTING TO EURO 309 MILLION:** OPERATIONAL EFFICIENCY IMPROVEMENTS CONTINUE AT ITALIAN AND FOREIGN SITES

- **REVENUES:** EURO 5,191 MILLION EXCLUDING PASS-THROUGH ACTIVITIES¹ -11% COMPARED TO 2019 (EURO 5,849 MILLION). REVENUES REFLECT THE EFFECTS OF COVID-19 WITH A LOSS OF 3.2 MILLION PRODUCTION HOURS (-20% COMPARED TO THOSE FORECAST AT THE GROUP'S ITALIAN SHIPYARDS AND DEFERMENT OF PRODUCTION VALUE OF EURO 1,055 MILLION)
- **EBITDA² MARGIN 31.4 MILLION EURO 320 MILLION (2019) AND EBITDA² MARGIN 6.1% EXCLUDING PASS-THROUGH ACTIVITIES (6.3% IN 2019). A CONTRIBUTION SHORTFALL OF EURO 80 MILLION DUE TO THE POSTPONEMENT IN PRODUCTION SCHEDULES. VARIOUS CONFIRMS AN EBITDA THAT IS BROADLY AT BREAK-EVEN POINT**
- **ADJUSTED LOSS FOR THE PERIOD⁴ OF EURO 42 MILLION (LOSS OF EURO 7.1 MILLION IN 2019) AN IMPROVEMENT DESPITE THE EFFECTS OF THE PANDEMIC**

¹ Sum of backlog and soft backlog.
² The figure does not include extraordinary non-recurring income and expenses, including expenses from the impact of the spread of COVID-19 (euro 147 million). See also note in the section Alternative Performance Measures.
³ The figure does not include cancelled orders and orders that have been cancelled or postponed.
⁴ The figure does not include cost of financial but does include non-current financial receivables.
⁵ See the definition contained in the section Alternative Performance Measures.

Overview

The Fincantieri Group has demonstrated its resilience by managing to **further consolidate and reinforce its leadership** in the high value-added sectors of shipbuilding and in the other segments in which it operates, despite an extremely uncertain context triggered by the spread of the COVID-19 virus. The sound structure of the Group and the expertise acquired - also thanks to a constant search for innovation - allowed, to date, the sizable backlog in the cruise segment to be fully preserved, its position in the naval segment to be strengthened, and new opportunities in the other segments to be seized, extending its presence to new business areas.

Over the years, the Group has achieved its leadership position also thanks to the development of its know-how. The latter, though a fundamental part of Fincantieri's assets, has never been fully expressed in the financial statements, as a result of a prudent capitalization policy that has concerned only a portion of costs relating to product and project research and innovation.

During 2020, Fincantieri reacted promptly to the outbreak, putting the health of workers first together with, during the second half of the year, the recovery of the production downturn caused by the shutdown. This tenacity allowed the Group to **successfully deliver 19 vessels in 11 different shipyards**, completing the delivery of all 7 scheduled cruise ships. Fincantieri reached a historic milestone during the year, namely the delivery of its 100th cruise ship: on 30 September 2020 Enchanted Princess was delivered at Montalcone shipyard to Princess Cruises, a brand of the Carnival group.

Thanks to the continuous dialogue with its customers, the Group can confirm that it has not received any cancellation of orders to date, safeguarding its **total backlog of euro 35.7 billion**, with 116 vessels, equal to about 6.1 times the revenues of 2020. It consists of a backlog of around euro 27.8 billion (with 97 vessels on delivery up to 2029) and a soft backlog of euro 7.9 billion. The increase in the latter, compared to 31 December 2019, is the result of the long-term vision that has allowed the Group, over the years, to pursue a strategy of internationalization and diversification that has enabled it to enter new markets and acquire the largest customer portfolio in the cruise business.

By preserving its backlog, Fincantieri can today boast excellent visibility on future revenues with the prospect, for the years to come, of returning to the margins included in the current order book. The fourth quarter results, with Revenues up on the third quarter (+4.2% excluding pass-through activities) and an EBITDA of euro 114 million (+40%), confirm the positive trend already shown in the previous quarter. In fact, the second half of 2020 closed with Revenues and EBITDA in line with those before COVID-19 and a margin which, excluding revenues from contracts with pass-through activities, stood at around 7%, in line with growth forecasts.

At the first signs of the **health emergency**, the Group immediately placed the health and safety of its own personnel and that of its supplier network at the centre of its priorities, suspending, before the regulations were laid down, all activities at its Italian shipyards from 16 March. Production restarted gradually from 20 April 2020 only after extraordinary protocols and extensive safety measures were implemented, reaching 90% of the workforce on sites only by the end of June.

The **timely implementation of safety measures** and actions to combat the spread of the virus have made it possible to limit the number of cases of infection among all resources employed at the Group's Italian sites to around 4%. The efforts made during these months have been recognized by its employees, 91% of whom are satisfied with the prevention and safety policies adopted by the company. Fincantieri has also offered to share its testing and screening capabilities with the communities in which it operates, easing pressure on the local health system. One example is the Montalcone shipyard, where, since November, weekly antigen and/or molecular tests have been carried out not only on employees and those in the supplier network but also on teachers, school staff and students.

Together with the necessary rescheduling of the deliveries and revision of the production program in the Shipbuilding segment, these decisions entailed a loss of 3.2 million production hours during the year compared to those scheduled in the Group's Italian shipyards (+20%), of which 2.7 million only in the first half of the year. The operating decisions led to a deferral of revenues calculated at approximately euro 1,055 million together with a shortfall of EBITDA calculated at approximately euro 80 million under normal operating conditions and on the basis



of the original forecasts. The 2020 results, however, demonstrate the resilience of the operational performance which, without the COVID-19 induced effects, would have led to the growth levels expected for the year. In the **crucial ship** business area, Fincantieri's long-standing focus on its customers has enabled it to establish close cooperation with the shipbuilding companies, which have been particularly hard hit by the pandemic, succeeding in preserving production schedules and the sizable backlog and ensuring production for its shipyards until 2027. The Group proceeded to redefine the delivery schedule, and to suspend the scheduled instalments for ships under construction. Fincantieri has therefore taken on the responsibility not only to protect the health of its own people and those in its supply chain, but also to make an active contribution to the country's economic recovery, protecting the jobs of its direct workers and the 6,000 small and medium-sized enterprises that work alongside it.

The **crucial business** was strongly affected by the spread and resurgence of the pandemic, significantly impacting its activities and leading to the pause of cruises. In particular, while the European cruise market slowly and gradually resumed its activities in 2020, the United States, the world's largest market, had to comply with the measures issued by the CDC (Centers for Disease Control and Prevention): first the "no sail order", issued on 14 March 2020, and then the "Framework for conditional sailing", from 30 October 2020. Although the latter allowed the resumption of operations, implementing the high safety standards contained in it led the shipowners to extend the voluntary cruising suspension once again. However, in the light of statements made by the main cruise operators and the dawn of the vaccination campaign, the prospect of cruises restarting in spring 2021 is becoming increasingly realistic. The objective, shared among operators in the sector, is to bring almost all fleets back in use by the end of the year, albeit with reduced rates of occupancy, in view of the **prospects for recovery**, the strategy of decommissioning older vessels and maintaining orders will enable shipowning companies to appear in the market with a renewed, more competitive and efficient fleet, while complying with health and environmental safety standards.

In order to respond to the new needs expressed by the market, Fincantieri is further investing in its continuous process of **research and innovation** (investments in 2020 amounting to euro 164 million, financed for the most part directly) which has always enabled the Group to create cutting-edge solutions in full compliance with the requirements of international regulators. The Group thus continues to consolidate its position as a key player in the field of innovation, with **ships that are safer and more comfortable** for passengers and crews, while at the same time complying with the **principles of sustainability** (e.g. energy efficiency limits (EEDI) set out in MARPOL Annex VI). In this context, it should be remembered that when the pandemic broke out Fincantieri immediately took steps to develop an efficient air sanitation system, "Safe Air", based on UV-C lamp technology. The project was carried out in collaboration with the virology laboratory of the International Centre for Genetic Engineering and Biotechnology (ICGEB). Moreover, Fincantieri's commitment to environmental sustainability also took concrete form with the start of construction work on Zeus - Zero Emission Ultimate Ship - an experimental ship powered by fuel cells, the first capable of sailing with zero emissions.

In the **naval segment**, the Group's ability to deliver excellent products and manage highly complex projects was once again recognized with the US subsidiary Fincantieri Marinette Marine being awarded the contract to design and build the new class of future frigates (FFGX) program), the missile launching frigates for the US Navy. The contract also includes options for the construction of further 9 vessels. This success, which has seen Fincantieri Marinette Marine prevail over the world's leading shipbuilding groups, represents an important evolution in the American company's strategic profile: for the first time, the subsidiary will act as prime contractor in a contract for the US Navy. The US subsidiary was also selected for the design and engineering of LUSVs - Large Unmanned Surface Vessels - capable of operating without a crew on board. Also on the international front, a contract was finalized during the fourth quarter which led to the sale of two FREMM vessels, one of which was delivered in December 2020 and the second to be delivered in 2021. This has allowed Fincantieri to continue the FREMM program since the sold vessels, the 9th and 10th FREMM previously ordered by the Italian Navy, are to be replaced with two new builds in the next few years to be delivered to the Italian Navy. Cooperation between Fincantieri and the Italian Navy has also been intensified. The Group was awarded a contract for the order of two U212 (NF5 (Near Future Submarines)) from OCCAR, the Joint Organisation for

Armaments Cooperation, for the Italian Navy fleet. The order also includes the provision of training, technical and logistical services, as well as the option for two subsequent vessels of the same class. The contract was formalized early this year. Achievement of these milestones represents further recognition of the Group's know-how and capabilities and allows it to enter new markets and expand its customer base.

2020 also marks a recovery in the **Offshore and Specialized Vessels segment**, thanks to the diversification strategy adopted by the Parent Company that has seen VARD's ability to build products characterized by innovative technologies and reduced environmental impact rewarded. Among the most important orders of the year there were two vessels for offshore wind farms: a Service Operation Vessel (SOV) for wind farm maintenance and a cable-laying vessel. The orders mark the Norwegian subsidiary's entry into the fast-growing renewable energy sector, confirming the Group's transition to markets with sustainable products and processes. The high technology in the product portfolio enabled VARD to finalize in 2020 a contract for the design and construction of eight robotic vessels for Ocean Infinity. The vessels will be able to be controlled from the shore and will feature next-generation technologies to reduce the environmental impact.

Also in the **Equipment, Systems and Services** segment, which has five business areas (Services, Complete Accommodation, Electronics, Systems and Software, Energy, and Infrastructure), the Group has consolidated its position in the reference markets thanks to its skills and its renowned ability to manage complex projects by producing products with high added value.

Through the **Services** business area, the Group is committed to developing the backlog already acquired by providing support and Life Cycle Management services to a number of naval and civil projects completed in past years and currently in progress. These services enable Fincantieri to sustain prospective revenues and margins and thus ensure long-term visibility.

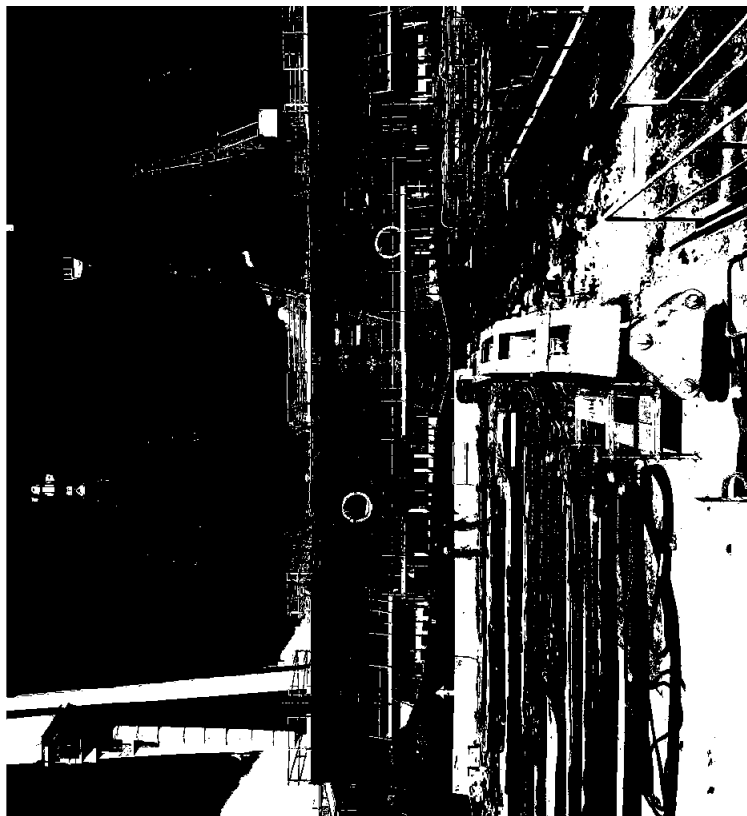
In **Complete Accommodation**, the subsidiary Marine Interiors is continuing its internalization of systems and solutions for ship furnishings. In August, the company finalized the lease of the naval branch of MétalSigma Tunesi, a company active in the design, construction and turnkey supply of curtain walls and glazing, thus expanding the range of products offered. It is also worth mentioning the commercial success achieved by Marine Interiors during the year: the company was awarded a contract, by Shanghai Waigaoqiao Shipbuilding Co., Ltd (SWS), for the supply of around 2,800 cabins for the first cruise vessel that SWS is building especially for the Chinese market. This result demonstrates the validity of Fincantieri's vision to control and enhance the supply chain. The project will have positive repercussions for the Italian territory thanks to the export of materials and components which, in line with the principles of CIE*, will subsequently be installed in China, under the supervision of the subsidiary Fincantieri China.

With regard to the **Electronics, Systems and Software** business area, the Group's growth, diversification and innovation strategy, achieved also through the expansion of its know-how, led to the completion of the acquisition of Insis S.p.A. - renamed Fincantieri NexTech - and the acquisition of a majority stake in Support Logistic Services S.r.l. (SLS), a company specializing in the construction, installation and maintenance of satellite communication, radar and radio communication systems for naval and civil applications. Both operations allow Fincantieri to have direct access to highly qualified technological skills, diversifying its product portfolio and increasing the value of the newly established high-tech centre of excellence dedicated to the development of IT and electronic skills in cyber security, big data, software and Internet of Things. In November, the subsidiary Fincantieri NexTech signed a multi-year agreement with Autostrade Tech, an Autostrade per l'Italia (ASPI) Group company, and IBM for the implementation, marketing and joint maintenance of a new-generation system for monitoring motorway infrastructure and keeping it safe.

The segment also includes the **Energy** business area, which develops **energy generation and storage solutions** aimed at maximizing energy efficiency and environmental sustainability. An example is the order received by the subsidiary Fincantieri SI for ITER (International Thermonuclear Experimental Reactor), a project for the construction of an experimental nuclear fusion reactor. As part of ITER, Fincantieri SI will supply and install high-profile equipment.

*China International Import Export.

In the area of **Infrastructure**, it should be mentioned that, during 2020, the Group, through its subsidiary Fincantieri Infrastructure, managed to deliver to the city of Genoa the new San Giorgio Bridge over the Polcevera River in the record time of one year from the cutting of the first sheet metal, which took place in spring 2019. Fincantieri is further strengthening its presence in the large infrastructure segment with the acquisition, to be finalized in 2021, of INSO - Sistemi per le Infrastrutture Sociali S.p.A., and its subsidiary SOF, formerly part of the Condotte group, under special administration since 2018. The transaction once again underscores the Group's determination to be a point of reference also in the large infrastructure sector. The latter is part of the strategy to diversify Fincantieri's business by entering the healthcare infrastructure sector, offering facility management services and also taking on the role of systems integrator in the supply of medical equipment and technology. In terms of **economic results**, 2020 closed with revenues of euro 5,879 million (euro 5,849 million at 31 December 2019). Excluding pass-through activities, amounting to approximately euro 690 million related to the progress of orders for the sale of two naval vessels, revenues amounted to euro 5,191 million, -11% compared to the final 2019 figure, despite the postponement of production programs, which have been rescheduled following



the shutdown of activities, and the slowdowns following the resumption of production at the Group's Italian sites, which led to a deferral of revenues of around euro 1,055 million (-20% of production hours compared to those scheduled).

EBITDA² stood at euro 314 million (euro 320 million at 31 December 2019), with the fourth quarter closing with an EBITDA of euro 114 million, +40% compared to the previous quarter which already reflected the positive performance of the Group. On an annual basis, EBITDA was affected by the reduction in production volumes and the loss of productivity due to the closure and subsequent gradual reopening of the Group's Italian sites, which led to a shortfall in margins, due to the postponement of production programs, calculated at euro 80 million under normal operating conditions and on the basis of the original forecasts. The **EBITDA margin** in 2020, excluding pass-through activities, was 6.1% year-on-year and approximately 7.0% in the fourth quarter.

Adjusted profit/(loss) was negative euro 42 million (negative euro 71 million at 31 December 2019). **Loss for the period** of euro 245 million (loss of euro 148 million at 31 December 2019) which reflects the costs associated with COVID-19 calculated at euro 196 million and asbestos-related litigation for euro 52 million. The costs related to COVID-19 refer to the failure to absorb fixed production costs during the shutdown period (including depreciation and amortization calculated at around euro 20 million), the impact of reduced production efficiency in the shipyards resulting from the implementation of the preventive measures adopted, and the costs for sanitary aids and expenses to ensure employee health and safety.

Net debt of euro 1,042 million (euro 736 million at 31 December 2019), which does not include construction loans, was affected by investments made in the period and the absorption of working capital due to the cruise ship construction cycle, accentuated by the deferment, agreed with the shipowners, of part of receipts from instalments during construction that were expected in the period. This rescheduling is part of the Group's strategy to safeguard its large backlog and strengthen its relationships with customers committed to making their fleet more efficient with new vessels that fully comply with health safety and environmental standards.

The impact of the measures taken, resulting mainly from agreements to postpone part of the collection of instalments due during construction, is around euro 450 million and it is in line with forecasts. Payment of these amounts is expected on the basis of the new schedules agreed with shipowners.

With regard to the **economic results of the various sectors**, the **Shipbuilding** segment closed 2020 with an increase in revenues (+1.6%) including pass-through activities of euro 690 million and a margin of 6.3% (excluding pass-through activities). This performance reflects the postponement of cruise ship construction and the naval programs in Italy following the shutdown of the Group's Italian shipyards, which led to non-accounted revenues calculated at around euro 909 million and EBITDA of around 58 million under normal operating conditions and on the basis of the original forecasts. It should be noted that the EBITDA of VARD's cruise business is substantially at break-even point and in line with the restructuring launched in 2019, which also resulted in a revised cost estimate at the completion of the vessels in the order book.

The **Offshore and Specialized Vessels** segment recorded an increase in revenue (+19%) and EBITDA that was broadly at break-even, again confirming the results of the reorganization launched at the end of 2019 and the measures adopted to offset the impacts and production slowdowns resulting from the spread of the pandemic, which have enabled the scheduled objectives to be maintained to date.

The **Equipment, Systems and Services** segment shows an increase in revenue (+4%) compared to the total at 31 December 2019, despite the impact calculated at approximately euro 222 million of undeveloped revenue during the production shutdown of certain activities in Italy. This result was achieved thanks to the strategic choices to diversify activities in the infrastructure and high-tech sectors (electronics and cyber security). The margin for the segment, equal to 8.1%, reflects the EBITDA contribution shortfall due to the postponement of production programs, calculated, under normal operating conditions, at euro 22 million, and the diverse mix of products and services sold during the period compared to the previous year.

The **headcount in Italy** grew by 5.5% compared to 31 December 2019 (+ 510 resources). This increase is mainly due to the adjustment of the workforce to the current backlog which also foresees a significant increase in the involvement of the supplier network. The overall level of the **workforce** increased from 19,823 employees at

²This figure does not include extraordinary and non-recurring income and expenses, including expenses from the impact of the spread of COVID-19. See the descriptions contained in the action alternative performance measure.



31 December 2019 to 20,150 employees at 31 December 2020; the reduction of the workforce abroad is mainly attributable to Norway, following the closure of the Aukra and Brevik shipyards, and Romania as a result of the efficiency measures undertaken by the Group.

In 2020, Fincantieri renewed its commitment to **social and environmental sustainability** by integrating its principles into the company's growth strategy. The Group's seriousness has been recognized by the Carbon Disclosure Project (CDP) and Vigeo Eiris, two independent organizations that assess the integration of and compliance with sustainability principles within the company's operations. The first, CDP, awarded the Group an A- rating, an improvement on the previous year's B rating, for its commitment to combating climate change. CDP also recognized Fincantieri's leadership in the Supplier Engagement Rating, which assesses the effectiveness with which companies raise their suppliers' awareness of the fight against climate change. Vigeo Eiris confirmed Fincantieri's position in the highest range of its ranking (Advanced), placing the Group in first place in the "Mechanical Components and Equipment" segment. Fincantieri's Sustainability Report was also awarded the Oscar for Financial Statements, a prize promoted and organized by FERPI (Federazione Relazioni Pubbliche Italiane, the Italian Public Relations Federation), for the completeness and transparency of the information it contains.

If there are no negative developments arising from the pandemic with currently unforeseeable repercussions, the Group expects to return to pre-COVID-19 growth levels by 2021 thanks to the development of the substantial backlog acquired. In this context, revenues in 2021 are expected to increase by 25%-30% compared to 2020 (excluding pass-through activities), confirming the growth paths outlined by the Group before the pandemic and a consequent improvement in margins which are expected to be around 7%. These results could enable a return to a sustainable dividend policy from 2022.

The Net Financial Position is expected to increase during the first half of 2021, due to the financial dynamics typical of cruise ship construction, and reach, after the delivery of the ships expected in the third quarter, the 2020 year end value at 31 December 2021.

For the **Shipbuilding** segment, the volume of activity is expected to be significantly higher than the levels reached in 2020, due to both the return to full capacity and the development of the significant backlog already acquired. In the cruise sector, during 2021, 5 ships are scheduled to be delivered by the Group's Italian shipyards (Silver Dawn, Viking Venus, HAL Rotterdam, MSC Seashore and Virgin Valiant Lady) and 2 vessels in the luxury-niche segment by VARD's cruise division (Pontant Icebreaker and Hapag-Lloyd). In order to support the increase in volumes in this business area, the completion of **investments** to upgrade the Marghera and Montalcone shipyards has been planned, as well as the greater integration of all the shipyards dedicated to cruise ship construction, both Italian and Romanian.

In the **naval vessels** business area, the volume of business is guaranteed by the development of existing programs. In particular, 5 ships are expected to be delivered by the Italian shipyards, in addition to 3 vessels being delivered in the Group's US shipyards. 2021 will see the start of operations for the FFG(X) programme for the US Navy, which will be accompanied by a significant **investment** program to upgrade the US shipyards.

In the **Offshore and Specialized Vessels** segment, in terms of commercial activities for 2021, orders are expected to be in line with those of 2020, with a strong focus on the main segments of the diversification strategy (offshore wind farms and fishing). In operational terms, it is expected that the construction activities related to the acquired backlog will continue, with the **delivery of 4 ships in 2021** and the continuous focus on execution aimed at recovering margins.

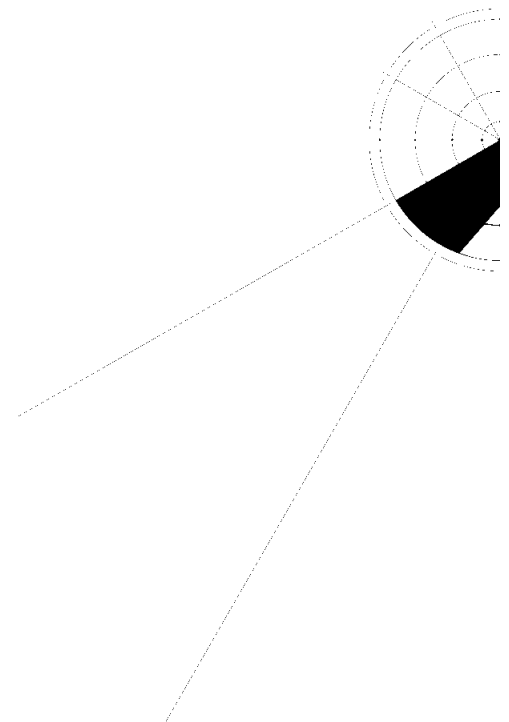
For the **Equipment, Systems and Services** segment, the following is expected:

- in the Services business area, the development of the backlog with contracts for the Italian Navy and the Qatari Ministry of Defence, as well as the completion of repair and conversion activities for the customer Windstar;
- in Complete Accommodation, a growth in volumes from the supply of cabins, wet units and public rooms, as well as the development of new businesses (windows and catering);
- for Electronics, Systems and Software, growth particularly in the business lines related to defence systems in the naval sector and in solutions for the monitoring and security of critical infrastructure;
- in the Energy business area, the consolidation of the supply of naval components and systems, which is strategic for the Group's activities in the cruise ship and naval sectors, as well as the supply of high-tech equipment for related sectors;
- for Infrastructure, growth of the volume of activity in the reference markets in line with the Group's expertise (large steel infrastructures, port modernization, dredging, integration of complex projects, as well as health infrastructures) and penetration of the international market.

In the medium-long term, the visibility achieved with the backlog acquired to date, which sees Fincantieri engaged in the execution of production programs until 2029, can be extended both thanks to the conversion of the substantial soft backlog into firm orders and through the business opportunities that will be seized in the areas where the Group is establishing its presence.

In addition to continuing its diversification strategy, the Group confirms its position as an innovative leader, increasing its technological capacity by developing cutting-edge solutions that anticipate the demands of the market for safer, greener and more competitive products. In operational terms, Fincantieri will further invest in the optimization of its industrial processes, increasing its competitiveness, enhancing efficiency and, at the same time, reducing production lead times.

The results achieved in such a challenging year as the one just ended provide concrete evidence of the effectiveness of the strategic choices made and indicate the Group's return to the projected growth path, with a view to returning to the margins expected in the development of the current order book.





Key financials

	31.12.2020		31.12.2019	
ECONOMIC DATA	Group	FINCANTIERI S.p.A.	Group	FINCANTIERI S.p.A.
Revenue and income	5,879	4,391	5,849	4,314
Revenue and income excluding pass-through activities ¹	5,191	3,703	320	489
EBITDA ²	314	281	5,55%	11,33%
EBITDA margin ³	5,33%	6,44%	7,66%	17,5
EBITDA margin * excluding pass-through activities ¹	6,11%	7,66%	153	390
EBIT	148	175	2,6%	9,08%
EBIT margin ⁴	2,5%	4,0%	4,7%	185
EBIT margin ** excluding pass-through activities ¹	2,9%	4,7%	(71)	(65)
Adjusted profit/(loss) for the year ¹	(42)	155	(124)	151
Extraordinary and non-recurring income and (expenses)	(258)	(203)	(67)	(45)
Profit/(loss) for the year from continued operations	(245)	(245)	(148)	(141)
Profit/(loss) for the year	(245)	1	(148)	(141)
Group share of profit/(loss) for the year	(246)			
FINANCIAL DATA	Group	FINCANTIERI S.p.A.	Group	FINCANTIERI S.p.A.
Net invested capital	1,839	2,540	1,786	1,391
Equity	777	1,435	1,060	1,430
Net financial position ⁴	(1,062)	(905)	(736)	239
OTHER INDICATORS	Group	FINCANTIERI S.p.A.	Group	FINCANTIERI S.p.A.
Order intake ⁵	4,526	2,969	8,692	6,359
Order book ⁶	36,770	30,704	37,127	31,296
Total backlog ⁶ ***	35,681	27,225	32,690	28,307
- of which backlog ⁶ ***	27,781	23,953	28,590	24,707
Capital expenditure	309	193	279	215
Net cash flows for the period	901	762	(296)	(315)
Research and Development costs	144	113	134	103
Employees at the end of the period	20,150	8,510	19,823	8,287
Vessels delivered	19	6	26	5
Vessels ordered	18	4	28	15
Vessels in order book	97	57	98	59
RATIOS	Group	FINCANTIERI S.p.A.	Group	FINCANTIERI S.p.A.
ROI	8,1%	8,9%	8,7%	29,7%
ROE	-26,8%	0,1%	-12,9%	9,6%
Total debt ⁷ / Total equity	3,2	1,4	1,2	0,6
Net financial position ⁴ / EBITDA ²	3,4	3,2	2,3	n.a.
Net financial position ⁴ / Total equity	1,4	0,6	0,7	n.a.

¹ EBITDA margin ** excluding pass-through activities ¹

² EBITDA margin * excluding pass-through activities ¹

³ EBITDA margin ** excluding pass-through activities ¹

⁴ EBITDA margin * excluding pass-through activities ¹

⁵ EBITDA margin ** excluding pass-through activities ¹

⁶ EBITDA margin * excluding pass-through activities ¹

⁷ EBITDA margin ** excluding pass-through activities ¹

⁸ EBITDA margin * excluding pass-through activities ¹

⁹ EBITDA margin ** excluding pass-through activities ¹

¹⁰ EBITDA margin * excluding pass-through activities ¹

¹¹ EBITDA margin ** excluding pass-through activities ¹

¹² EBITDA margin * excluding pass-through activities ¹

¹³ EBITDA margin ** excluding pass-through activities ¹

¹⁴ EBITDA margin * excluding pass-through activities ¹

¹⁵ EBITDA margin ** excluding pass-through activities ¹

¹⁶ EBITDA margin * excluding pass-through activities ¹

¹⁷ EBITDA margin ** excluding pass-through activities ¹

¹⁸ EBITDA margin * excluding pass-through activities ¹

¹⁹ EBITDA margin ** excluding pass-through activities ¹

²⁰ EBITDA margin * excluding pass-through activities ¹

²¹ EBITDA margin ** excluding pass-through activities ¹

²² EBITDA margin * excluding pass-through activities ¹

²³ EBITDA margin ** excluding pass-through activities ¹

²⁴ EBITDA margin * excluding pass-through activities ¹

²⁵ EBITDA margin ** excluding pass-through activities ¹

²⁶ EBITDA margin * excluding pass-through activities ¹

²⁷ EBITDA margin ** excluding pass-through activities ¹

²⁸ EBITDA margin * excluding pass-through activities ¹

²⁹ EBITDA margin ** excluding pass-through activities ¹

³⁰ EBITDA margin * excluding pass-through activities ¹

³¹ EBITDA margin ** excluding pass-through activities ¹

³² EBITDA margin * excluding pass-through activities ¹

³³ EBITDA margin ** excluding pass-through activities ¹

³⁴ EBITDA margin * excluding pass-through activities ¹

³⁵ EBITDA margin ** excluding pass-through activities ¹

³⁶ EBITDA margin * excluding pass-through activities ¹

³⁷ EBITDA margin ** excluding pass-through activities ¹

³⁸ EBITDA margin * excluding pass-through activities ¹

³⁹ EBITDA margin ** excluding pass-through activities ¹

⁴⁰ EBITDA margin * excluding pass-through activities ¹

⁴¹ EBITDA margin ** excluding pass-through activities ¹

⁴² EBITDA margin * excluding pass-through activities ¹

⁴³ EBITDA margin ** excluding pass-through activities ¹

⁴⁴ EBITDA margin * excluding pass-through activities ¹

⁴⁵ EBITDA margin ** excluding pass-through activities ¹

⁴⁶ EBITDA margin * excluding pass-through activities ¹

⁴⁷ EBITDA margin ** excluding pass-through activities ¹

⁴⁸ EBITDA margin * excluding pass-through activities ¹

⁴⁹ EBITDA margin ** excluding pass-through activities ¹

⁵⁰ EBITDA margin * excluding pass-through activities ¹

⁵¹ EBITDA margin ** excluding pass-through activities ¹

⁵² EBITDA margin * excluding pass-through activities ¹

⁵³ EBITDA margin ** excluding pass-through activities ¹

⁵⁴ EBITDA margin * excluding pass-through activities ¹

⁵⁵ EBITDA margin ** excluding pass-through activities ¹

⁵⁶ EBITDA margin * excluding pass-through activities ¹

⁵⁷ EBITDA margin ** excluding pass-through activities ¹

⁵⁸ EBITDA margin * excluding pass-through activities ¹

⁵⁹ EBITDA margin ** excluding pass-through activities ¹

⁶⁰ EBITDA margin * excluding pass-through activities ¹

⁶¹ EBITDA margin ** excluding pass-through activities ¹

⁶² EBITDA margin * excluding pass-through activities ¹

⁶³ EBITDA margin ** excluding pass-through activities ¹

⁶⁴ EBITDA margin * excluding pass-through activities ¹

⁶⁵ EBITDA margin ** excluding pass-through activities ¹

⁶⁶ EBITDA margin * excluding pass-through activities ¹

⁶⁷ EBITDA margin ** excluding pass-through activities ¹

⁶⁸ EBITDA margin * excluding pass-through activities ¹

⁶⁹ EBITDA margin ** excluding pass-through activities ¹

⁷⁰ EBITDA margin * excluding pass-through activities ¹

⁷¹ EBITDA margin ** excluding pass-through activities ¹

⁷² EBITDA margin * excluding pass-through activities ¹

⁷³ EBITDA margin ** excluding pass-through activities ¹

⁷⁴ EBITDA margin * excluding pass-through activities ¹

⁷⁵ EBITDA margin ** excluding pass-through activities ¹

⁷⁶ EBITDA margin * excluding pass-through activities ¹

⁷⁷ EBITDA margin ** excluding pass-through activities ¹

⁷⁸ EBITDA margin * excluding pass-through activities ¹

⁷⁹ EBITDA margin ** excluding pass-through activities ¹

⁸⁰ EBITDA margin * excluding pass-through activities ¹

⁸¹ EBITDA margin ** excluding pass-through activities ¹

⁸² EBITDA margin * excluding pass-through activities ¹

⁸³ EBITDA margin ** excluding pass-through activities ¹

⁸⁴ EBITDA margin * excluding pass-through activities ¹

⁸⁵ EBITDA margin ** excluding pass-through activities ¹

⁸⁶ EBITDA margin * excluding pass-through activities ¹

⁸⁷ EBITDA margin ** excluding pass-through activities ¹

⁸⁸ EBITDA margin * excluding pass-through activities ¹

⁸⁹ EBITDA margin ** excluding pass-through activities ¹

⁹⁰ EBITDA margin * excluding pass-through activities ¹

⁹¹ EBITDA margin ** excluding pass-through activities ¹

⁹² EBITDA margin * excluding pass-through activities ¹

⁹³ EBITDA margin ** excluding pass-through activities ¹

⁹⁴ EBITDA margin * excluding pass-through activities ¹

⁹⁵ EBITDA margin ** excluding pass-through activities ¹

⁹⁶ EBITDA margin * excluding pass-through activities ¹

⁹⁷ EBITDA margin ** excluding pass-through activities ¹

⁹⁸ EBITDA margin * excluding pass-through activities ¹

⁹⁹ EBITDA margin ** excluding pass-through activities ¹

¹⁰⁰ EBITDA margin * excluding pass-through activities ¹

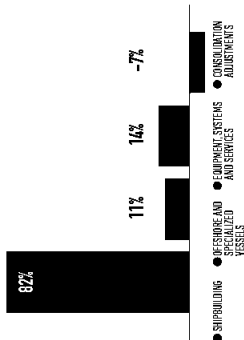
Group performance

Group operational performance

Order intake

New orders in 2020 amounted to euro 4,526 million (euro 8,692 million in 2019), for 18 new ships and with a book-to-bill ratio (for order intake/revenue) of 0.8 (1.5 in 2019). It should be remembered that in 2019, the Group recorded a record level of order intake with 13 cruise ships. Before intersegment consolidation adjustments, the Shipbuilding segment accounted for 82% of the total order intake (93% in 2019), the Offshore and Specialized Vessels segment for 11% (2% in 2019) and the Equipment, Systems and Services segment for 14% (10% in 2019); 7% of the orders are intercompany.

% ORDER INTAKE BY OPERATING SEGMENT IN 2020



In the Shipbuilding segment, with reference to the cruise ships business area, it should be noted that the order received from Norwegian Cruise Line includes the extension and further changes agreed on the 4 cruise vessels already in the order book.

With reference to the naval business, the Group has been awarded the contract for the first flagship unit of the new guided-missile frigates for the US Navy under the **FFG(X) program**. The Group, through its American subsidiary Fincantieri Marinette Marine, has prevailed over the world's major shipbuilding groups in the detailed design and construction of the program's flagship unit. The contract also includes options for the construction of further 9 vessels, with deliveries scheduled until 2035. The award represents an important evolution in the strategic profile of the American operations: for the first time, Fincantieri Marinette Marine will act as prime contractor in a project for the US Navy. In addition, the Department of Defense and the US Navy have awarded Fincantieri's subsidiary Marinette Marine a contract to develop the design and engineering of the **Large Unmanned Surface Vessel (LUSV)**, the future large surface vessels capable of unmanned operation.

A contract was finalized during the fourth quarter for the sale of two FREMM vessels, one of which was delivered in December 2020 and the other to be delivered in 2021. The sale, carried out by Fincantieri, involves the transfer of two vessels in the FREMM program that Orizzonti Sistemi Navali S.p.A. (joint venture with Leonardo) purchased as prime contractor for the Italian Navy under agreements with OCCAR (Organisation for Joint Armament Cooperation). As part of the operation, Orizzonti Sistemi Navali S.p.A. has ordered two platforms for the construction of two new FREMM vessels for the Italian Navy under the above program.

The Group was awarded a contract for the order of two U212 NF5 (Near Future Submarines) with OCCAR, the European Organisation for Armaments Cooperation, for the Italian Navy fleet. The order also includes the provision of training, technical and logistical services, as well as the option for two subsequent vessels of the same class. The contract was formalized early this year.



Also in the naval vessel business, Naviris, a 50/50 joint venture between Fincantieri and Naval Group, has signed its first R&T Research and technology contract with OCCAR for a program of 5 research projects, which will be the basis for long-term cooperation between Fincantieri and Naval Group. Naviris, as prime contractor, will coordinate the technical activities entrusted to the two companies and will have the intellectual property resulting from the research developed.

In the **Offshore and Specialized Vessels** segment, the subsidiary VARD signed the first order for the design and construction of a Service Operation Vessel (SOV), specifically for the maintenance of the Greater Changhai marine wind farms operated by the Danish electricity company Ørsted. The subsidiary was then selected by the Dutch company Van Oord to construct a cable-laying vessel, equipped with state-of-the-art technology, to operate in deep-water wind farms. These orders, which mark the Norwegian subsidiary's entry into the promising offshore renewable energy sector, confirm the diversification strategy defined by the Parent Company. Also during the year, VARD signed a contract for the design and construction of eight robotic vessels for Ocean Infinity to provide maritime services in the United States and United Kingdom.

Lastly, in the **Equipment, Systems and Services** segment, the Group, through its subsidiary Fincantieri Infrastructure Opere Maritime, signed the contract for the reconstruction, reinforcement and upgrading of the historic international marina of Rapallo, which was significantly damaged by the storm surges of October 2018. The works to reconstruct the marina will also aim to secure the town and the marine area of Rapallo. In addition, in the Electronics, Systems and Software it should be noted that the subsidiary Fincantieri Nextech (formerly Insis S.p.A.) signed a multi-year agreement with Autostrade Tech, an Autostrade per l'Italia (ASPI) Group company, and IBM for the implementation, marketing and joint maintenance of a new-generation system for monitoring motorway infrastructure and keeping it safe, which has already entered into operation in the ASPI network. It is also worth mentioning the commercial success achieved by Marine Interiors during the year: the company was awarded a contract, with Shanghai Waigaoqiao Shipbuilding Co. Ltd (SWS), for the supply of around 2,800 cabins for the first cruise vessel that SWS is building especially for the Chinese market. This result demonstrates the validity of Fincantieri's vision to control and enhance the supply chain. This result demonstrates the validity of Fincantieri's vision to control and enhance the supply chain.

(euro/million)

ORDER INTAKE ANALYSIS	31.12.2020		31.12.2019*	
	Amounts	%	Amounts	%
FINCANTIERI S.p.A.	2,969	66	6,359	73
Rest of Group	1,557	34	2,333	27
Total	4,526	100	8,692	100
Shipbuilding	3,716	82	8,098	93
Offshore and Specialized Vessels	487	11	165	2
Equipment, Systems and Services	649	14	842	10
Consolidation adjustments	(326)	(7)	(413)	(5)
Total	4,526	100	8,692	100

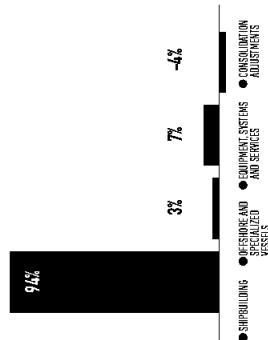
* The comparative figures have been restated following revaluation of the segments.

Backlog and Soft backlog

The total backlog as at 31 December 2020 includes 116 ships and amounts to euro 35.7 billion, of which euro 27.8 billion is backlog as at 31 December 2019 and amounts to euro 27.9 billion soft backlog.

The backlog and the total backlog guarantee respectively about 4.7 and 6.1 years of work, based on the revenues recorded in the year, with a clear focus on the Shipbuilding segment. Before intersegment consolidation adjustments, the Shipbuilding operating segment accounts for 94% of the Group backlog (94% in 2019), the Offshore and Specialized Vessels operating segment 3% (3% in 2019) and the Equipment, Systems and Services operating segment 7% (6% in 2019); 4% of the backlog is intercompany.

% BACKLOG BY SEGMENT AT 31 DECEMBER 2020



The integrity of the backlog highlights, even in uncertain times such as these, the Group's ability to be a strategic ally for its customers. The long-term and solid relations that Fincantieri has built up over the years have allowed dialogue and negotiations, enabling the backlog to be fully retained to date.

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

BACKLOG ANALYSIS	31.12.2020		31.12.2019*	
	Amounts	%	Amounts	%
FINCANTIERI S.p.A.	23,953	86	24,707	86
Rest of Group	3,828	14	3,883	14
Total	27,781	100	28,590	100
Shipbuilding	26,068	94	26,633	94
Offshore and Specialized Vessels	874	3	883	3
Equipment, Systems and Services	1,839	7	1,736	6
Consolidation adjustments	(1,020)	(4)	(842)	(3)
Total	27,781	100	28,590	100

* The comparative figures have been restated following revaluation of the segments.



The soft backlog, representing the value of existing contract options and letters of intent as well as of contracts at an advanced stage of negotiation, none of which are yet reflected in the backlog, amounted to approximately euro 79 billion at 31 December 2020, compared with euro 4.1 billion at 31 December 2019.

(euro/billion)	31.12.2020	31.12.2019
SOFT BACKLOG	Amounts	Amounts
Group total	7.9	4.1

The following table shows the deliveries in 2020 and those scheduled in future years for vessels currently in the order book, analysed by the main business areas and by year.

(number)	2020	2021	2022	2023	2024	2025	Beyond 2025
Cruise ships and expedition cruise vessels	8 ¹	7	8	9	5	5	4
Naval	4	8	9	5	6	5	5
Offshore and Specialized Vessels	7	4	11	5	1		

¹ For organizational reasons, MSC's deliveries are shared between Cruise and Offshore. One delivery vessel for the shipowner Harfisk, was not used among the deliveries of cruise ships.

The scheduled deliveries reflect the agreements concluded to date with the shipowning companies on the basis of the expected full resumption of production activities and a response from the supplier network that is consistent with production requirements.



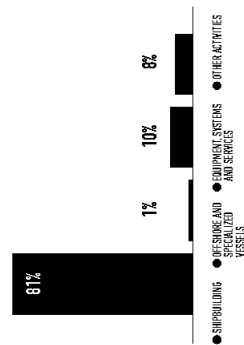
Capital expenditure

Capital expenditure amounted to euro 309 million in 2020, of which euro 77 million for intangible assets (including euro 20 million for capitalized development projects) and euro 232 million for property, plant and equipment. The Parent Company accounted for 62% of total capital expenditure.

Capital expenditure represented 5.3% of the Group's revenue in 2020 (4.8% in 2019).

Capital expenditure on Property, Plant and equipment made in 2020, although hampered by the slowdowns due to the effects caused by COVID-19, have been developed in line with the ones initiated in previous years and mainly related to i) continued work to upgrade the operational areas and infrastructure at some Italian shipyards to meet new production scenarios; ii) an increase in the safety standards of the plant, equipment and buildings; iii) the continuation of work to increase the efficiency of the production processes at the Yard Tulaea and Braila shipyards engaged in the construction of hulls and in the development of the multi-year program to construct pre-fitted sections of cruise ships in support of Fincantieri's production network; and iv) the start-up of the program to modernize and increase the efficiency of US shipyards, which is needed in order to support the backlog resulting from the recently acquired programs.

% CAPITAL EXPENDITURE BY OPERATING SEGMENT IN 2020



(euro/million)	31.12.2020	31.12.2019
CAPITAL EXPENDITURE ANALYSIS	Amounts	Amounts
FINCANTIERI S.p.A.	193	215
Rest of Group	116	64
Total	309	279
Shipbuilding	250	222
Offshore and Specialized Vessels	3	6
Equipment, Systems and Services	32	30
Other assets	24	21
Total	309	279
Intangible assets	77	61
Property, plant and equipment	232	218
Total	309	279



R&D and innovation

The Group is well aware that Research and Innovation are the foundations for success and future competitiveness. Accordingly, its 2020 income statement accounts euro 144 million in Research and Development expenditure on numerous projects involving product and process innovation; the Group systematically carries out such activities, seen as a strategic prerequisite for retaining its leadership of all high-tech market sectors, now and in the future.

In addition, the Group capitalized euro 20 million in development costs in 2020 for projects with long-term utility. These capitalized projects mainly relate to the development of innovative solutions and systems to optimize on-board operations and improve the efficiency of cruise ships, both in terms of energy balance and reducing environmental impact, as well as the realization of innovative systems to upgrade the technological capacity of certain types of naval vessels.

Group financial results

Presented beside are the reclassified versions of the income statement, statement of financial position and statement of cash flows and the breakdown of net financial position, used by management to monitor business performance. It should be noted, with reference to the economic indicators, that the results as at 31 December 2020 do not include the costs associated with the impact of the COVID-19 outbreak, mainly related to the production downtime caused by the pandemic emergency and the costs of ensuring staff health and safety.

This representation excludes elements that the management does not consider indicative of the Group's operating performance and also allows a clearer comparison with previous periods.

A reconciliation of these reclassified statements to the IFRS statements can be found later on in this report.

The definition of the alternative performance measures is given in the relevant note.

Reclassified consolidated income statement

(euro/million)	31.12.2020 Including pass-through activities		31.12.2020	31.12.2019
Revenue and income	5,191	5,879	5,849	
Materials, services and other costs	(3,925)	(4,613)	(4,597)	
Personnel costs	(917)	(917)	(986)	
Provisions	(35)	(35)	(36)	
EBITDA¹	314	314	320	
EBITDA margin	6.1%	5.3%	5.5%	
Depreciation, amortization and impairment	(166)	(167)	(167)	
EBIT	148	148	153	
EBIT margin	2.9%	2.5%	2.6%	
Finance income/(costs)		(131)	(134)	
Income/(expense) from investments		(13)	(3)	
Income taxes		(66)	(87)	
Adjusted profit/(loss) for the year¹	(42)	(42)	(71)	
of which attributable to Group	(37)	(37)	(64)	
Extraordinary and non-recurring income and expenses		(258)	(67)	
- of which costs relating to the impacts deriving from the spread of COVID-19 ²		(194)	-	
- of which costs relating to asbestos litigation ³		(52)	(40)	
- of which costs relating to reorganization plans and non-recurring other personnel costs		-	(9)	
- of which other costs linked to non-recurring activities		(10)	(18)	
Tax effect of extraordinary and non-recurring income and expenses		55	14	
Profit/(loss) for the year from continued operations	(245)	(245)	(124)	
of which attributable to Group	(177)	(240)	(117)	
Net profit/(loss) from discontinued operations	(245)	(245)	(148)	
of which attributable to Group	(240)	(240)	(141)	

See the annexes, relative to the section Alternative Performance Measures.

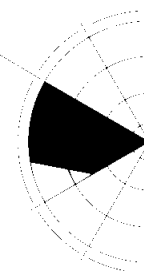
This figure does not include extraordinary and non-recurring income and expenses, including expenses from the impact of the spread of COVID-19; see the annexes in the section Alternative performance measures.

¹ Of which depreciation amortization and impairment for euro 20 million and Finance costs for 5 million.

Revenue and income, amounting to euro 5,879 million, include approximately euro 690 million for pass-through activities related to the progress of orders for the sale of two naval vessels; euro 5,191 million excluding pass-through activities and 11% lower than that reported for the previous year. The trend in revenue is influenced by the postponement of production programs caused by the shutdown of activities and the slowdowns following the resumption of production at the Group's Italian shipyards and facilities, as a result of the spread of the pandemic.

The impacts of COVID-19, mainly referring to the Shipbuilding segment, entailed a loss during the year of 3.2 million production hours compared to those scheduled (-20%), of which 2.7 million only in the first half of the year, and a corresponding loss of progress in revenues totalling euro 1,055 million (euro 790 million referring to the first half of the year) calculated under normal operating conditions and on the basis of the original forecasts.

In order to respond to the health emergency caused by COVID-19, the Group deemed it necessary to protect its resources by suspending, in advance of regulatory measures, all activities in the Italian shipyards and gradually resuming them only after the implementation of high safety standards. The postponement of production is also due to the revised production program following the rescheduling of delivery plans defined with shipowners.





FINCANTIERI GROUP CONSOLIDATED FINANCIAL STATEMENTS

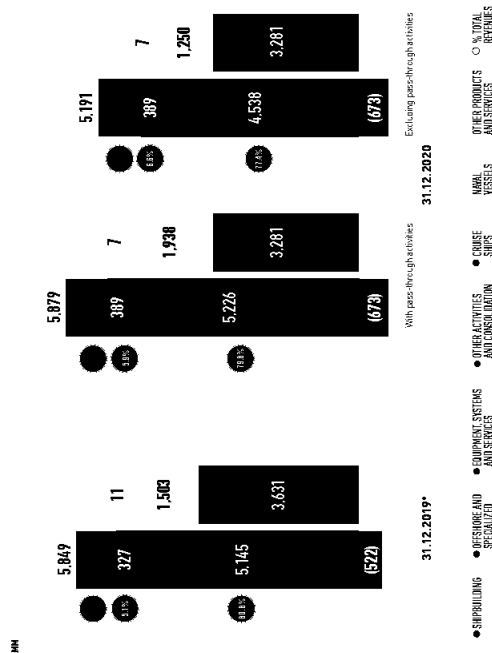
GROUP REPORT ON OPERATIONS

THE FINCANTIERI GROUP

The change in revenues also reflects the net negative impact (euro 68 million) of the translation into euro of revenues in Norwegian Krone and US Dollars generated by foreign subsidiaries.

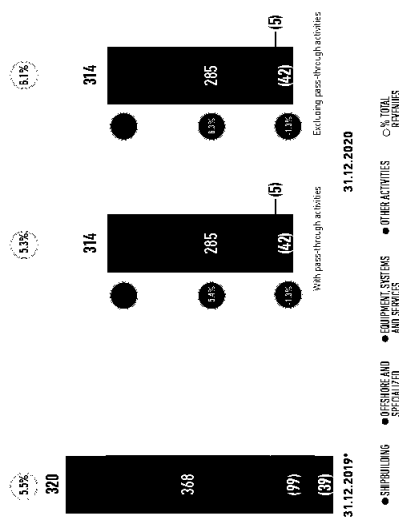
The impact of revenue generated by foreign clients accounted for 87% of total revenues in 2020 (82% at 31 December 2019).

REVENUES ANALYSIS



EBITDA is equal to euro 314 million (euro 320 million in 2019). The fourth quarter closed with an EBITDA of euro 114 million, +40% compared to the previous quarter which already reflected the positive performance of the Group. EBITDA for the year was affected by the contribution shortfall of around euro 80 million, calculated under normal operating conditions and on the basis of the original forecasts, due to the reduction in production volumes and the loss of productivity owing to the shutdown and then gradual reopening of the Group's Italian sites (of which euro 65 million related to the first half of the year only). This impacted on the Shipbuilding segment for euro 58 million (euro 48 million in the first half alone) and the Equipment, Systems and Services segment for euro 22 million (euro 17 million in the first half alone). The Offshore and Specialized Vessels segment has an EBITDA that is substantially at break-even, confirming the positive effects of the restructuring plan launched during 2019. EBITDA margin for 2020, excluding pass-through activities, was 6.1%, on a year-on-year basis (5.3% considering total revenues), and approximately 7.0% in the fourth quarter, an improvement on 2019 despite the margin contribution shortfall of around euro 80 million due to the effects of COVID-19.

EBITDA ANALYSIS



EBIT came to euro 148 million in 2020 (euro 153 million in 2019), with an EBIT margin (EBIT expressed as a percentage on Revenue and Income) of 2.5% (2.6% in 2019) and 2.5% excluding pass-through activities. The reduction in EBIT is attributable to the reasons already explained above with reference to the Group's EBITDA. There was a lower incidence of depreciation, amortization and impairment compared to the previous period due to the reclassification of operating depreciation and amortization relating to the period of production shutdown due to COVID-19 to extraordinary expenses in the reclassified income statement.

Finance income/(costs) and income/(expense) from investments record a net expense of euro 144 million (net expense of euro 137 million at 31 December 2019). Finance income and costs included unrealized expenses (euro 19 million) arising from the conversion of the loan granted to the Brazilian subsidiary Vard Promar into US dollars, offset by income related to the early termination of the option to purchase minority stakes in Fincantieri NexTech Group (euro 10 million) and net income from changes made to a loan agreement as a result of entering into a derivative to hedge the risk of interest rate changes.

Income taxes record a net balance of euro 46 million in 2020, compared with a net balance of euro 87 million in 2019, mainly due to the Parent Company.

Adjusted profit/(loss) shows a loss of euro 42 million at 31 December 2020 (loss of euro 71 million at 31 December 2019), reflecting the factors discussed above. The Group share of this result is a loss of euro 37 million (loss of euro 64 million in 2019).

Extraordinary and non-recurring income and expenses amount to euro 258 million in net expenses and include costs associated with the impacts arising from the spread of COVID-19 calculated at euro 196 million, costs related to asbestos litigation for euro 52 million and other costs linked to non-recurring operations for euro 10 million. The COVID-19 costs refer mainly to the failure to absorb fixed production costs for the period of production shutdown (including euro 20 million in depreciation and amortization), the impacts of reduced efficiency and delays resulting from the prevention measures adopted as well as the costs for sanitary aids and expenses to ensure employee health and safety. Extraordinary and non-recurring income and expenses at 31 December 2019 amounted to euro 67 million and included costs for legal disputes (euro 53 million, of which euro 40 million are to asbestos-related litigation), charges for business reorganization plans related to the subsidiary VARD (euro 9 million) and other costs linked to non-recurring operations (euro 5 million).



Tax effect of extraordinary and non-recurring income and expenses was a net positive amounting to euro 55 million at 31 December 2020.

Profit/(loss) for the year 2020 reports a negative balance of euro 245 million (negative for euro 148 million at 31 December 2019). The Group share of this result is a loss of euro 240 million (loss of euro 141 million in 2019).

Reclassified consolidated statement of financial position

(euro/million)	31.12.2020	31.12.2019
Intangible assets	629	654
Rights of use	85	90
Property, plant and equipment	1,301	1,225
Investments	105	75
Other non-current assets and liabilities	(25)	(79)
Employee benefits	(60)	(60)
Net fixed capital	2,035	1,905
Inventories and advances	881	828
Construction contracts and client advances	1,963	1,415
Construction loans	(1,325)	(811)
Trade receivables	602	677
Trade payables	(2,561)	(2,270)
Provisions for risks and charges	(73)	(89)
Other current assets and liabilities	111	125
Net working capital	(202)	(125)
Net assets (liabilities) held for sale and discontinued operations	6	6
Net invested capital	1,839	1,786
Share capital	863	863
Reserves and retained earnings attributable to the Group	(101)	156
Non-controlling interests in equity	15	31
Equity	777	1,050
Net financial position¹	1,062	736
Sources of funding	1,839	1,786

¹ This figure does not include construction and business non-current financial receivables.

The **Reclassified consolidated statement of financial position** reports an increase in Net invested capital at 31 December 2020 of euro 53 million compared to the end of the previous year, mainly due to the following factors:

- **Net fixed capital** shows an overall increase of euro 130 million. The most significant effects in particular are i) the increase in Property, plant and equipment of euro 76 million, where investments for the period (euro 232 million) were partly offset by depreciation and amortization for the period (euro 91 million), the negative impact of the foreign currency translation of the financial statements (euro 43 million) and the reduction in fixed assets (euro 20 million); ii) the increase in the item investments (euro 30 million) due to VARD's purchase of a stake in the capital of a shipowner company operating in the Offshore sector; in addition to the transfer to the same of a ship previously recorded under fixed assets; and iii) the increase in the item Other non-current assets and liabilities mainly due to the reduction of the liability recognized in the 2019 financial statements for the acquisition of the minority stake in Fincantieri NexTech S.p.A., a transaction concluded in 2020.
- **Net working capital** reports a negative balance of euro 202 million (negative for euro 125 million at 31 December 2019). The main changes related to i) the increase in Construction contracts and client advances

(euro 548 million) due to the progress of contracts and the deferral of part of receipts from instalments due during construction (around euro 450 million); ii) the increase in Payables to suppliers (euro 91 million) is mainly due to the increase in production volumes in the fourth quarter of 2020.

Construction loans at 31 June 2020 amounted to euro 1,325 million overall, with a reduction of euro 514 million compared to 31 December 2019, with euro 1,000 million related to the Parent Company and euro 325 million to the VARD subsidiary. The increase in construction loans is related to the progress of the financed projects. Given the operational nature of construction loans and particularly the fact that these types of loan are obtained and can be used exclusively to finance the contracts to which they refer, management treats them in the same way as client advances and so classifies them as part of Net working capital.

- **Net assets (liabilities) held for sale and discontinued operations** - equal to euro 6 million, they refer to the Norwegian shipyard of Aukra which is being divested. The divestment should have been completed by 2020, but was postponed due to COVID-19. Management still considers this transaction highly probable.
- **Equity**, amounting to euro 777 million, fell by euro 273 million, mainly due to the loss for the period of euro 245 million and the currency translation reserve (euro 31 million).

Consolidated net financial position

(euro/million)	31.12.2020	31.12.2019
Cash and cash equivalents	1,275	382
Current financial receivables	76	2
Current bank debt	(130)	(163)
Bonds issued and commercial papers - current portion	(100)	(75)
Current portion of bank loans and credit facilities	(122)	(143)
Other current financial liabilities	(23)	(18)
Current debt	(375)	(399)
Net current cash/debt	976	(15)
Non-current financial receivables	96	91
Non-current bank debt	(2,034)	(730)
Bonds - non-current portion		
Other non-current financial liabilities	(100)	(82)
Non-current debt	(2,134)	(812)
Net financial position	(1,062)	(736)

The reconciliation with the net financial position in the configuration results by ICONS (B) communications, DEM/664293 of 28 July 2024 is provided in Note 33 of the Notes to the Consolidated Financial Statements.

The **Consolidated net financial position**, which excludes construction loans, reports a net debt balance of euro 1,062 million (euro 736 million in net debt at 31 December 2019). The increase in the level of debt is mainly the result of the investments made during the period and the typical dynamics of the working capital related to cruise ship construction, accentuated by the deferral of part of the expected commercial receipts for the period. The deferrals granted to its customers reflect the Group's strategy to safeguard its large backlog and strengthen its relationships with shipowning companies, committed to making their fleet more efficient with new vessels that fully comply with stringent health safety and environmental standards. The impact of the measures taken, resulting mainly from the postponement agreements made with shipowners, is around euro 450 million and it is in line with forecasts. Payment of these amounts is expected on the basis of the new schedules agreed with shipowner.

The increase in the amount of cash and cash equivalents is mainly due to funds from the payment in October 2020 of the loan pursuant to Decree Law No. 23 of 2020, for euro 1,150 million.



Reclassified consolidated statement of cash flows

(euro/million)	31.12.2020	31.12.2019
Net cash flows from operating activities	(14)	209
Net cash flows from discontinued operations	(22)	(22)
Net cash flows from investing activities	(376)	(322)
Net cash flows from financing activities	1,291	(161)
Net cash flows for the period	901	(296)
Cash and cash equivalents at beginning of period	382	677
Effects of currency translation difference on opening cash and cash equivalents	(8)	1
Cash and cash equivalents at end of period	1,275	382

The **Reclassified consolidated statement of cash flows** shows positive **net cash flows for the period** of euro 901 million (negative for euro 296 million in 2019). The cash flow for the period generated by financing activities, in addition to covering investments for the period and the amount absorbed by operating activities, reflects the Group's decision to use, at a time of great uncertainty following the outbreak of the pandemic, a considerable part of the available short-term forms of financing to create a liquidity buffer that is capable of meeting the financial requirements expected.

At 31 December 2020, construction loans generated cash flows of 529 million (at 31 December 2019 they had generated cash flows amounting to euro 165 million).

Economic and financial indicators

The following table presents additional economic and financial measures used by the Group's management to monitor the performance of its main business indicators in the periods considered. The following table shows the trend in the main profitability ratios and the strength and efficiency of the capital structure in terms of the relative importance of sources of finance between net debt and equity for the years ended 31 December 2020 and 2019.

	31.12.2020	31.12.2019
ROI *	8.1%	8.7%
ROE *	-26.8%	-12.9%
Total debt ¹ / Total equity	3.2	1.2
Net financial position ² / EBITDA ³	3.4	2.3
Net financial position ⁴ / Total equity	1.4	0.7

* See the definition contained in the section Alternative Performance Measures.

¹ The figure does not include construction loans but does include non-current financial receivables.

² The figure does not include construction loans but does include non-current financial receivables.

³ The figure does not include construction loans but does include non-current financial receivables.

⁴ The figure does not include construction loans but does include non-current financial receivables.

ROE reflects the negative net result of euro 245 million which includes costs related to COVID-19 calculated at euro 196 million, due to the failure to absorb fixed production costs during the shutdown period, the impact of reduced efficiency resulting from the implementation of the preventive measures adopted, and the costs for sanitary aids and expenses to ensure employee health and safety as well as the shortfall in margins due to the postponement of production schedules calculated at euro 80 million.

The indicators of the strength and efficiency of the capital structure reflect the increase in the Group's Total debt and Net Financial Position and the EBITDA loss and loss for the year, with the consequent impact on Equity, due to the effects of COVID-19 on the Group's performance.



Operational review by segment

Shipbuilding

The Shipbuilding segment is engaged in the design and construction of cruise ships, ferries, naval vessels and mega yachts. Production is carried out at the Group's shipyards in Italy, Europe and the United States. It should be noted that, following the reallocation of Vard Electro's activities from the Offshore and Specialized Vessels segment to the Shipbuilding segment, the comparison data at 31 December 2019 reported below refer to the restated values.

(euro/million)	31/12/2020	31/12/2019 ^{restated} ***	31/12/2019 ^{published}
Revenue and income *	5,226	5,145	5,088
Revenue and income excluding pass-through activities [†]	4,538		
EBITDA **	285	348	375
EBITDA margin **	5.4%	7.2%	7.4%
EBITDA margin ** excluding pass-through activities [†]	6.3%		
Order intake *	3,716	8,098	8,057
Order book *	33,979	34,239	34,206
Backlog *	26,088	26,833	26,828
Capital expenditure	250	222	222
Vessels delivered	12	11	11

^{*} Before adjustment between segments

^{**} Ratio between segment EBITDA and Revenue and income

^{***} The comparison figures have been restated to reflect the reallocation of Vard Electro's activities from the Offshore and Specialized Vessels to the Shipbuilding segment.

[†] The comparison figures have been restated to reflect the impact of COVID-19 on the segment's operations.

[‡] This line item includes extraordinary and non-recurring items and expenses, including expenses from the impact of the spread of COVID-19. See the definition contained in the section Alternative Performance Measures.

Revenue and income

Shipbuilding sector revenues at 31 December 2020 amounted to euro 5,226 million and, excluding pass-through activities of around euro 690 million, amounted to euro 4,538 million, down 11.8% compared to 31 December 2019. This trend has been affected by the postponement of production programs following the shutdown of the Group's Italian shipyards, which led to non-developed revenues of about euro 909 million during the year, calculated against original estimates made under the assumption of normal operating conditions.

Revenues for the year include euro 3,281 million from the cruise ship business (euro 3,631 million at 31 December 2019), a decrease of 9.6%, and also reflect the negative impact of the change in the euro/Norwegian Krone exchange rate (about euro 41 million) generated by translation of the financial statements of the Norwegian subsidiaries. Revenues from the naval vessels business area, excluding pass-through activities, amounted to euro 1,250 million (euro 1,503 million at 31 December 2019), a decrease of 16.8%, and were also affected by the negative impact of the euro/USD exchange rate change from the translation of the financial statements of the US subsidiaries (about euro 10 million).

EBITDA

Segment EBITDA was euro 285 million at 31 December 2020 (euro 348 million at 31 December 2019). The fourth quarter closed with an EBITDA of euro 94 million, confirming the positive trend in the sector already seen in the previous quarter. On an annual basis, EBITDA is affected by the slower progress of cruise ship construction and military programs in Italy following the postponement of production programs which led to a non-developed EBITDA of approximately euro 58 million, calculated against original estimates made under the assumption

of normal operating conditions. It should be noted that VARD's cruise business is substantially at break-even point and in line with the subsidiary's restructuring plan launched in 2019, which also resulted in a revised cost estimate at completion of the vessels in the order book. The EBITDA margin in 2020 was 6.3% year-on-year and 6.5% in the quarter, excluding pass-through activities (5.4% considering the total revenues).

Order intake

In 2020, the new order intake of euro 3,716 million mainly refers to:

- the construction of the flagship vessel of the new guided-missile frigates program FFAG(X) for the US Navy;
- two U212 NFS (Near Future Submarines) with OCCAR for the Italian Navy fleet;
- development of the design and engineering of Large Unmanned Surface Vessels (LUSV) capable of operating without a crew on board and the order for the shipowner Norwegian Cruise Line;
- the extension and further changes agreed on the 4 cruise vessels already in the order book for the shipowner Norwegian Cruise Line.

Capital expenditure

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

- the continuation of the updating activities on the working areas and infrastructure at some shipyards, in particular Montalcone and Marghera, to meet the new production scenarios and upgrading and improvement of the safety standards of machinery, equipment and buildings;
- the continuation of activities to introduce new technologies, in particular at the Montalcone shipyard, as part of the requirements of the Integrated Environmental Authorization (IEA).

Capital expenditure by VARD in 2020 mainly related to the continuation of activities to increase production capacity and raise the efficiency of production processes at the Tulcea yard, in order to guarantee adequate support both for hull construction and the long-term program to produce pre-fitted sections of cruise ships for the Group's Italian shipyards.

Capital expenditure in the US shipyards during 2020 is mainly related to the launch of the modernization and efficiency enhancement program for the shipyards necessary to support the backlog resulting from the recently acquired programs.

Production

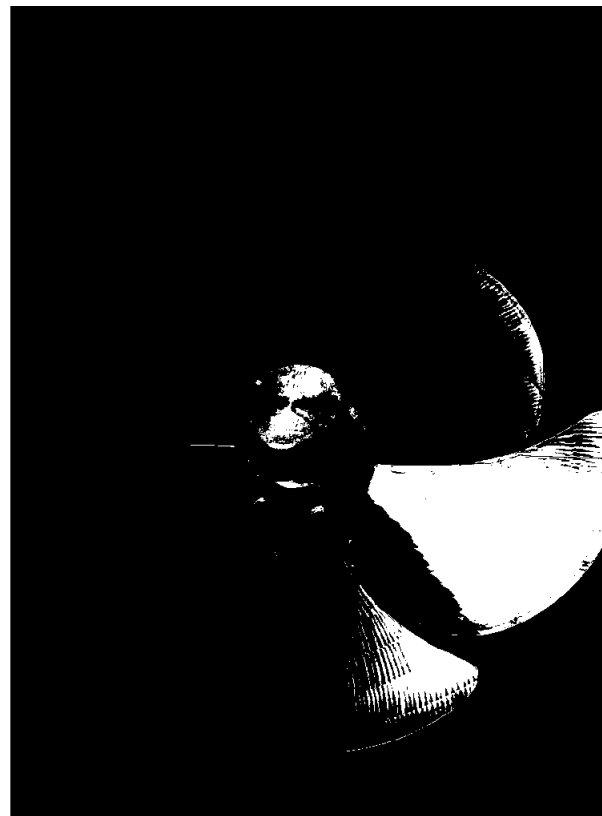
The number of vessels delivered during 2020 is summarized as follows:

(number)	Delivers
Cruise ships	7
Naval vessels	4
Fishery vessels	1



The vessels delivered were:

- "Seven Seas Splendor", the second vessel for the customer Regent Seven Seas Cruises, a brand of the Norwegian Cruise Line group, at the Ancona shipyard;
- "Scarlet Lady", the first of four vessels for the shipowner Virgin Voyages, a new operator in the cruise sector, at the Sestri Ponente shipyard;
- "Enchanted Princess", the fifth vessel of the series for the customer Princess Cruises, a brand of the Carnival Cruise Line group, at the Montalcone shipyard;
- "Silver Moon", the second of three ultra-luxury cruise ships for the customer Silversea, a brand of the Royal Caribbean group, at the Ancona shipyard;
- "Costa Firenze", the second vessel for the Chinese market commissioned by the customer Costa Crociere, a brand of the Carnival Cruise Line group, at the Marghera shipyard;
- "Le Bellot" and "Le Jacques Cartier", the last of the six cruise vessels of the Explorer series for the customer Ponant at the Søviknes shipyard (Norway);
- one fishery vessel for the customer Finnmark Havfiske AS at the Søviknes shipyard (Norway);
- LCS 19 "St. Louis", the tenth vessel for the US Navy, as part of the LCS program, at the US Marinette shipyard (Wisconsin);
- "Madonna" ferry for the customer Washington Island at the US Sturgeon Bay shipyard (Wisconsin);
- a multi-role frigate (FREMM), at the Muggiano shipyard (La Spezia);
- a barge for Van Enkevort, at the US Marinette shipyard (Wisconsin).



Offshore and specialized vessels

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

It should be noted that, following the reallocation of Vard Electro's activities from the Offshore and Specialized Vessels segment to the Shipbuilding segment, the comparison data at 31 December 2019 reported below refer to the restated values.

(euro/million)	31.12.2020	31.12.2019 restated***	31.12.2019 published
Revenue and income *	389	327	440
EBITDA 1 **	(5)	(99)	(107)
EBITDA margin ***	-1.3%	-30.4%	-24.2%
Order intake *	487	165	207
Order book *	1,436	1,416	1,449
Backlog *	874	883	888
Capital expenditure	3	6	6
Vessels delivered	number	15	15

* Before and after effects of business reorganizations.
** Ratio between segment EBITDA and Revenue and income.
*** The comparison figures have been restated to reflect the reallocation of Vard Electro's activities from the Offshore and Specialized Vessels to the Shipbuilding segment.
This figure does not include extraordinary and non-recurring income and expenses, including expenses from the impact of the spread of COVID-19. See the activities contained in the section "Management Performance Indicators".

Revenue and income

Revenues for the Offshore and Specialized Vessels segment at 31 December 2020 amounted to euro 389 million, an increase of 19.0% compared to the same period in 2019, despite the negative impact deriving from the change in the Euro/Norwegian Krone exchange rate (euro 26 million) due to the conversion of the Norwegian subsidiary's financial statements. The measures adopted to offset the impacts and production slowdowns resulting from the spread of the pandemic, and have enabled the scheduled objectives to be maintained to date.

EBITDA

The substantial break-even of EBITDA in 2020 highlights the effects of the restructuring plan launched by the Group's management during 2019, which also resulted in the revision of the final costs of the order book and the downsizing of production capacity and saw the shutdown of two Norwegian shipyards in Aukra and Brevik and the exit from unprofitable sectors.

Order intake

New order intake by the VARD group in 2020 amounted to euro 487 million and mainly related to:

- two innovative vessels for the fish farming sector;
- a Service Operation Vessel (SOV) for the maintenance of offshore wind farms, confirming the diversification strategy defined by Fincantieri for the subsidiary;
- a state-of-the-art fishery vessel for Luntos Co. Ltd.
- a cable-laying vessel for the customer Van Oord;
- an order for the design and construction of eight robotic vessels for Ocean Infinity to provide maritime services in the United States and United Kingdom.



Capital expenditure

Capital expenditure in 2020 relates to measures to maintain production efficiency in European and Non-European shipyards.

Production

The number of vessels delivered during 2020 is summarized as follows:

	(number)	Deliveries
Ferries	2	
OSCV	1	
Fishery/Aqua	3	
Other	1	

In detail:

- one OSCV (Offshore Subsea Construction Vessel) was delivered to the shipowner Island Offshore AS at the Brevik shipyard (Norway);
- one fishery vessel delivered to the shipowner Nergard Havfiske AS at the Brattvåg shipyard (Norway);
- one fishery vessel delivered to the Australian shipowner Longline Vessel at the Vung Tau shipyard (Vietnam);
- two ferries delivered to the shipowner Boreal Sje AS at the Langsten shipyard (Norway);
- one fishery vessel delivered to the shipowner Remøybuen AS at the Langsten shipyard (Norway);
- one vessel delivered to the shipowner Yara Norge AS at the Brattvåg shipyard (Norway).

Equipment, systems and services

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

(euro/million)	31.12.2020	31.12.2019
Revenue and income *	937	899
EBITDA **	76	90
EBITDA margin ***	8.1 %	10.0 %
Order intake *	649	842
Order book *	3,045	2,951
Backlog *	1,839	1,736
Capital expenditure	32	30

* Before adjustments between segments.

** Before segment EBITDA and Revenue and income.

*** Figures are calculated as the ratio between EBITDA and Revenue and income. See the definition contained in the section about the Performance Indicators.

Revenue and income

The revenues of the Equipment, Systems and Services segment amounted to euro 937 million, despite the impact calculated at euro 222 million of revenue postponement due to the shutdown of some activities in Italy, confirming the growth trend and consolidation in the segment. This trend reflects the Group's strategic choices to diversify activities in the infrastructure and high-tech sectors (electronics and cyber security), in complete accommodation for the Cruise Ship segment and in after-sales services for Equipment, Systems and Services.

EBITDA

The EBITDA of the segment at 31 December 2020 is euro 76 million (euro 90 million at 31 December 2019), with an EBITDA margin of 8.1%. The decrease in the margin compared to 31 December 2019 is due to the postponement of production programs, with an EBITDA contribution shortfall calculated at euro 22 million (of which euro 17 million pertaining to the first half of the year), and the diverse mix of products and services sold during the year compared to the previous year.

Order intake

New order intake for Equipment, Systems and Services amounted to euro 649 million in 2020 and for the business areas mostly comprises:

- Services: after-sales service and supply of spare parts for the Italian Navy, the U.S. Navy and Coast Guard, for cruise orders and other minor customers, services and other mechanical processing for LCS orders, supply of In Service Support (LSS) to the Italian Navy on the "Orizzonte Class" frigates and "Dattilo Class" patrol vessels, feasibility study on the mid-life upgrade of the Orizzonte Class vessels, as part of the collaboration between Fincantieri and Naval Group, additional activities on the Through Life Sustainment Management program for the Italian Navy's FREMM vessels;
- Complete Accommodation: after-sales services and supply of cabins, wet units, public areas, kitchens and "complete accommodation" packages for the first cruise ship that Shanghai Waigaoqiao Shipbuilding Co. Ltd is building especially for the Chinese market;
- Electronics, Systems and Software: agreement for the implementation, marketing and joint maintenance of a new-generation system for monitoring motorway infrastructure and keeping it safe with Autostrade Tech and IBM, supply of packages related to IT infrastructure and security, automation and logistics systems and plants, supply of Transport & Mobile Solutions and 14 IBS (Integrated Bridge System) Bridge Consoles for the customer Azimut Benetti S.p.A., eight devices for automatic thermographic detection of body temperature in environments with a high influx of people for the Fincantieri Group and ten for third-party customers, mainly for companies belonging to the CDP group and RFI group;
- Energy: more than ten stabilization systems and five positioning systems for cruise projects, two propulsion gearboxes for the two new FREMM units for the Italian Navy, two biomass steam turbines for foreign customers, revamping of a stabilization system for cruise ships with pollution free technology and grease lubrication, supply of the electromechanical package for four vessels for MSC, supply of a shore supply container for Multipurpose Offshore Patrol Vessel (PPA) and Landing Helicopter Dock (LHD), additional works for the construction of electrical systems for the ITER yard at the Cadarache nuclear site (France), supply of two back-up generators for VARD orders and two motors for generator sets for Expeditionary Fast Transport (EPF) orders;
- Infrastructure: reconstruction, reinforcement and updating of the international marina in Rapallo.

Mobile container: used for emergency solutions which, put on online, is electronically powered by the ship and in turn is connected to other land-based systems.



Capital expenditure

Capital expenditure in 2020 mainly relates to:

- completion of the upgrading of the operating areas and infrastructure of the new Fincantieri Infrastructure plant in Valeggio sul Mincio following the award of major contracts for steel structures and for the development of activities to support the core business of FINCANTIERI S.p.A.;
- development of assets and technologies aimed at entering new sectors (eg. maritime work);
- interventions to maintain the efficiency and safety of production facilities in order to ensure business operations.

Other activities

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

(euro/million)	31.12.2020		31.12.2019	
Revenue and income	2	(4)	2	(38)
EBITDA ¹				
EBITDA margin	n.a.		n.a.	
Capital expenditure	24		21	

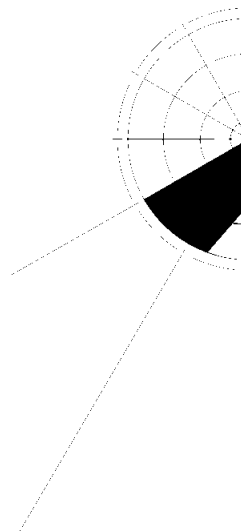
¹ n.a. not applicable.
² See the definitions contained in the section Alternative Performance Measures.

Capital expenditure

The main initiatives relate to capital expenditure on:

- ongoing work to implement an integrated system for ship design (CAD) and project lifecycle management (PLM), aimed at improving the efficiency and effectiveness of the engineering process;
- the development of information systems to support the Group's growing activities and optimise process management, with particular reference to the upgrading of management systems and the exporting of these systems to the main subsidiaries of the Group.

As in previous years, capital expenditure to renew the Group's network infrastructure and hardware continued in addition to the strengthening of cyber security.



Core markets

Cruise Ships

The pandemic crisis abruptly interrupted the long phase of expanding demand for cruise ships. The few orders acquired in 2020 at world level concern the confirmation of options: more specifically, the 3 vessels in the range of large ships (gross tonnage above 10,000) and 4 vessels for the same shipowner in the range below 10,000 tonnes.

The growth of tourism, particularly cruise tourism, had led to a target of 30 million passengers in 2019 and a forecast of 32 million in 2020.

The spread of the COVID-19 epidemic caused the suspension of cruise activity from mid-March 2020, the immobilization of the entire fleet, the cancellation of revenues for all the companies and a damage in image due to some episodes of infection on board. It is estimated that 2020 closed with the number of passengers carried at around 7 million, almost exclusively in the first quarter.

The start of the vaccination phase will encourage a gradual recovery, concentrated in the second half of 2021 and led by the more mature markets. The relaunch is expected to initially involve a few ships, in national or similar areas in terms of destinations and nationality of passengers and with low occupancy rates, subject to the application of strict health protocols agreed with the various local authorities.

To date, however, there remain uncertainties related to the scale and speed of the vaccination campaign, the state of the world economy, travel restrictions resulting from asymmetrical government measures, and the timing and conditions for the recovery of consumer confidence.

Also in the light of statements made by the main players, a normalization of the market can be expected in 2023 or, more optimistically, in 2022. If the public interest in this type of holiday remains unchanged, the market could return to growth in the following years at an annual rate of 5%, the same as that recorded in the decade 2009-2019. These forecasts would lead to a target of 42-44 million passengers by 2030, creating a surplus of demand compared to fleet potential, whose growth in the coming years will be slowed by the exit of older ships, accelerated by the pandemic and the environmental push. This scenario would justify a resumption of orders from 2023-2024, which would initially focus on the reconfirmation of vessels under option.

Today, the priority of cruise ship builders is to preserve their order books, including by renegotiating payment terms and ship delivery dates, which allows shipowners to maintain liquidity by postponing disbursements until after cruises have resumed.

The order book of shipyards at 31 December 2020 remains high however, comprising 84 ships of more than 10,000 gross tonnage with a total of 221 thousand lower berths.

As regards Fincantieri, the Group remains committed to developing the considerable backlog acquired, with ships on delivery until 2027, and in converting the soft backlog into firm orders.

Naval Vessels

According to preliminary data, the global market for naval vessels in 2020 was down on the previous year, with contracts totalling more than euro 26 billion (-29%), almost exclusively for domestic shipbuilders.

The pandemic had less intense effects in the naval sector than in the civil sector. In fact, the expected cuts in defence budgets are not particularly significant and take the form of a slight reduction in spending in the 2021-2022 period, followed by a rapid recovery. The slowdown in budget growth is mainly reflected in a postponement of some programs and a purchasing bias towards national suppliers to support local industry in a counter-cyclical way.

¹ Source: CLIA - Cruise Lines International Association.



For the year 2020, mention should be made, among others, of the prestigious contract signed by Fincantieri Marinette Marine with the US Department of Defense for the design and construction of the flagship vessels of the program for the new FFG(X) future generation multi-role frigates, based on a customized version of the FREMM project. The contract includes an option for 9 additional vessels, as well as after-sales support and crew training.

As regards the Naviris subsidiary, a 50/50 joint venture between Fincantieri and Naval Group, during the year the company signed a contract with OCCAR for a feasibility study for the mid-life upgrade (MLU) of the four Horizon-class destroyers. In addition, it finalized a Research & Technology contract with OCCAR for a program of 5 projects on the topics of the digital ship, optimization of energy consumption, fuel cells for surface ships, logistics of the future, and engineering methods, tools and solutions to enable ships to safely conduct daily operations in adverse environmental conditions. The technologies developed through these projects will find their first application in the new European Patrol Corvette (EPC) program undertaken by Italy, France, Spain and Greece. Lastly, in October Fincantieri signed a Memorandum of Understanding (MoU) with the Indian shipyard Cochin Shipyard Limited (CSL), promoting collaboration in the design, procurement and on-site construction of naval vessels for the Indian Defence market; on-site production of mechanical products; ship automation and repair; training and support in shipyard design or construction or modernization processes.

Offshore

In 2020, the Oil & Gas sector was marked by a deeply deteriorating market situation, exacerbated by the pandemic-related oil price collapse.

In early 2020, the price of oil fell below USD 20 per barrel, reaching an all-time low of around USD 9 per barrel in April. From June, the price gradually rose again, hovering between USD 50 and 51 per barrel since mid-December. Total spending on offshore Exploration & Production in 2020 is estimated at \$130 billion, 20% lower than in 2019 and the lowest since 2005.

Demand for offshore support vessels, which has been declining since 2014, saw 2020 close with orders for around twenty vessels, mainly for maintenance and support activities, which is still very low.

In contrast to the Oil & Gas sector, the renewable energy industry, particularly wind offshore, does not seem to have been overly affected by the spread of the epidemic. According to analysts, annual installed capacity in wind offshore could increase by 3.7 times by 2030, from 7 GW in 2020 to 26 GW, with Europe retaining the leadership in the sector in terms of installed wind capacity with over 40%.

The growth in investment in the wind offshore sector generates demand for new vessels involved in the various stages of building and operating wind farms, which tend to be installed in waters that are deeper and more distant from shore, impacting on product characteristics.

In this sector, demand is expected to grow for Service Operation Vessels (SOVs), including walk-to-work vessels, vessels for laying cables in the wind farm (inter-array cables) or to the mainland (export cables), and vessels dedicated to installing foundations and turbines.

More specifically, two prestigious orders were acquired for the subsidiary VARD: a contract with the Dutch company Van Oord for the design and construction of a green cable-laying vessel that support the activities of offshore wind farms, and a contract with Ocean Infinity for the supply of 8 state-of-the-art multi-role vessels that can be remotely controlled from the shore. The latter will feature next-generation technologies to reduce environmental impact, such as fuel cells, and will be among the first vessels in the world to be designed to use green ammonia as fuel.

Finally, as regards the aquaculture and fisheries sector covered by VARD, demand is expected to be stable in the coming years, with moderate growth rates.

Equipment, Systems and Services

The Equipment, Systems and Services segment, which has a highly diversified product and service portfolio, including non-shipbuilding sectors, was only marginally affected by the pandemic.

In the **ship repair and conversion** sector, the expected growth in demand for work to bring ships in line with the standards imposed by the entry into force of new regulations on emissions and ballast water treatment has been held back by shipowners' propensity to save money on maintenance work, especially the more expensive ones, in the face of a gradual slowdown in traffic or its effective elimination in some shipping sectors (cruise ships, ferries).

In this context, Fincantieri has in any case continued with its planned interventions; in particular, in the autumn it completed the extension of the "Star Breeze", the first vessel of the shipowner Windstar Cruises (Xanterra Travel Collection group) as part of a contract signed in 2018 for the extension and modernization of three ships. The intervention regarded the insertion of a section of about 26 meters, and the almost total renewal of the machinery and refitting of the engine rooms, public areas and cabins.

With a view to the long term, the Group also signed a Letter of Intent with the Ministry of Economic Development and Labour of the State of Yucatán (Mexico) to participate in the design and construction of a shipyard for ship repair, conversion and maintenance. The site, part of the Progreso port expansion and modernization project, will have two dry docks, the largest in the Americas, capable of accommodating ships up to 400 meters long, and will be completed in 2027.





The **complete accommodation** market depends on the demand for outfitting new and refitted cruise ships, which is expected to slow down in the coming years; however, this business area will continue to benefit from the high backlog of the Shipbuilding business unit. During 2020, the order for the supply of cabins for the first cruise ship under construction at the Chinese shipyard Shanghai Waigaoqiao Shipbuilding was also finalized.

Macro trends relating to digitalization and widespread automation are fueling the new **Electronics, Systems & Software** division, which is active in the field of information technology and cyber security. The sector is growing rapidly and offers excellent opportunities to support both the naval market, with automation and navigation systems, advanced radar and combat systems, and the non-maritime markets, with monitoring, protection and physical and logical security services for critical infrastructures (motorways, bridges, railways, airports and stations). This sector includes the previously mentioned contract that the Fincantieri subsidiary Nextech (formerly Insis S.p.A.) signed with Autostrade Tech and IBM. Furthermore, in the naval field Seastema successfully delivered to the Benetti shipyard the new "Light Bridge Console", an innovative bridge console for a yacht.

In the **Energy** business area, actions were taken to renew the product range and broaden the offering, to mitigate the effects of a slowdown in the naval market and meet new environmental requirements. In particular, a new family of thrusters has been introduced to complete the offer of a "Green Package" that maximizes the energy efficiency and environmental sustainability of the naval system, as well as meeting the most stringent comfort requirements and ensuring easy maintenance.

In addition to the traditional markets, this business area is expected to benefit in the future from the numerous port cold ironing projects that respond to the need to maximize environmental sustainability in maritime transport.

In the **infrastructure** sector, which is typically anti-cyclical and fuelled by both public and private investment, a positive outlook on expected growth is confirmed, with a possible return to pre-crisis activity levels as early as 2021. The need to renew and upgrade obsolete national infrastructures, both at sea and on land, should provide the Group with further opportunities in the coming years, also in light of the guidelines contained in the Next Generation EU plan for Italy's recovery and resilience.

During the year, Fincantieri Infrastructure completed the bridge over the Polcevera River and was awarded contracts for the reconstruction of the international marina of Rapallo and the relocation and extension of the breakwater in the port of Vado Ligure.

Research and innovation

The Fincantieri Group wants to contribute to a low-carbon economy by developing the latest technologies, products and services because innovation is growth and Fincantieri never ceases to innovate.

Fincantieri's main objective has always been to dominate, in its role as world leader, all the high-value-added segments of the shipbuilding industry. The Group's competitive advantage lies in its capacity to provide highly technological and customized solutions and is evident whenever the need to apply solid know-how in system integration emerges.

Fincantieri has repeatedly confirmed its position as one of the most competitive global players, thanks to its flexibility and ability to adapt to significant and cyclical changes in market needs. These fluctuations require a continuous process of change able to generate product innovations, applicable to all types of ships, and process innovations, which are necessary in order to apply new technologies and recover productivity.

The Group aims to be proactive towards its customers by always offering innovative solutions and anticipating the technological evolutions in the market. The constant updating of products and processes is one of the fundamental values that have led Fincantieri to being one of the most competitive players globally. In this sense, the capacity to seize on the promising synergies in terms of innovation at international level characterizes the Group's actions and makes it gradually more integrated with and sensitive to market dynamics.

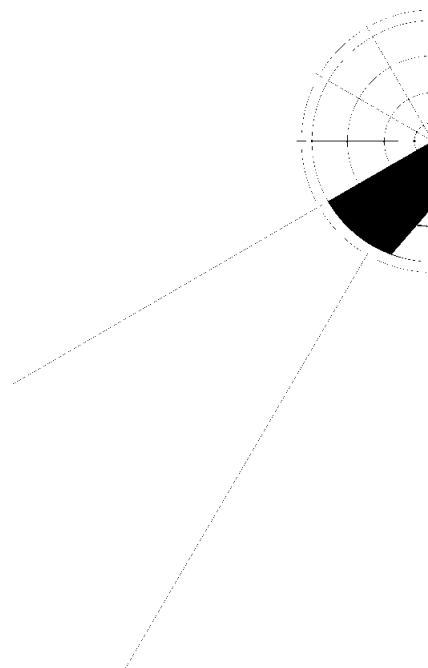
We are innovators

The Group is constantly engaged in industrial research, experimental development and process innovation in order to improve existing products, processes and services and to expand its knowledge base to support its entry into promising new market sectors worldwide.

Long-term activities are defined by the Parent Company and by the subsidiaries, starting from an analysis of the significant economic and technological megatrends for the maritime segment over the next decade. An analysis of the policy documents produced by international organizations, research centres and, more generally, by our stakeholders, allows us to define the areas which have not yet been explored and where the Group's resources can be invested.

As regards the medium and short term, the Group's commitment is aimed at anticipating the demands of shipowners in order to meet the needs of end users and satisfying the demands raised by our customers. In the first case, the Group is committed to off-the-shelf innovation, i.e. those activities that are not directly applicable to orders, but strategic in anticipating the needs of the product's end customers. The directions to be taken suggested by recent market surveys show the importance of focusing efforts on issues such as energy efficiency and reduction of operating costs, maximizing payload and at the same time perceived quality, and improving safety. In the short term, however, the focus is on developing and innovating technologies and applying them to each individual order. Timely fulfilment of the shipowner's requests often needs the development of technological solutions or the study of innovative materials and systems to be applied during the ship design phase.

A Research and Innovation Plan (R&I Plan) is drawn up each year: it is the tool used by the Group to effectively implement its strategy and the cornerstone of the other Research and Innovation processes. The annual redefinition of the projects is essential in order to maintain consistency between the activities carried out during the previous year, new corporate objectives and the market needs envisaged in the near future.



Our main projects

Over 100 Research and Innovation projects were launched during 2020. The Group funded them through its own resources and through Research and Innovation programmes funded at European, national and regional level. Some of the projects are carried out through close cooperation with universities and research institutes, through the awarding of specific assignments or the funding of doctoral fellowships, research grants, or positions in partner universities. All the projects can be classified within 5 development trajectories, which are Fincantieri's vision for the sector:

Green Ship

For the past several years, the concept of greening has established itself as one of the guidelines for innovation processes and has acquired fundamental importance in the eyes of the public. The European Union, with the recent European Green Deal, the International Maritime Organization (IMO) and the Cruise Line International Association (CLIA), have defined precise objectives to reduce polluting emissions (in particular CO₂) for the next decades.

Fincantieri considers Green Ship as a milestone for its vision and the activities carried out in 2020 confirm this commitment. Recent contracts, whether they are related to the sectors of new builds or refitting, feature the use of advanced technologies, such as Liquefied Natural Gas (LNG), batteries, modern pollutant reducing and energy saving systems.

Fincantieri applies a holistic approach in design and building, integrating in the best way the systems on board, pursuing continuous improvement in energy efficiency, and supporting the introduction of new green fuels, technologies for de-carbonization, including fuel cells, as well as the study of high-performance materials.

Smart Ship and Autonomous Ship

In the context of the development model proposed by the Industry 4.0 paradigm, the enhancement of IoT (Internet of Things) and smart devices has taken on fundamental importance. These devices are pervading all industries and ships are no exception to this smart revolution. The improvement of monitoring systems, support systems for navigation and on-board activities gives value added to the whole ship product and helps to improve operational safety.

Lastly, one of the most interesting challenges for the shipbuilding industry is to develop autonomous ships for on maintenance and after-sales activities, as well as strong implications on cyber security aspects. These aspects of the ship product are studied and developed both in specifically dedicated projects (e.g. ECHO) and to assess the impacts of projects activated with the aim of increasing digital integration and on-board autonomy (e.g. STESS). Great importance is given to the modelling of possible cyber attack risks and the countermeasures to be taken both in system terms and physically to prevent these eventualities.

These logics and models are applied to the Group's products and infrastructures, in the naval and civil segments equally.

Studies on the subject of remote control have led to significant commercial repercussions in the 2020s. In particular, the subsidiary VARD acquired an order for the construction of eight robotic ships on which it will be possible to reduce human presence on board dedicated to management of the ship.

Smart Yard

Fincantieri has set itself several development objectives as regards safety and productivity at work with a view to improving all the design and construction phases in the shipyard. The introduction and application of innovative computer models, logistics and quality control procedures in line with Industry 4.0 guidelines will drive the evolution of the next shipyards. This area has also given rise to studies and developments related to the cyber security aspects of production processes, with particular emphasis on the security of Information Technology (IT) infrastructures and the OT infrastructures linked to the world of Operational Technology, such as, for example,

the networks that control automatic machines) of the shipyards, with a pilot project started as part of the production process innovation project at the Marghera site in 2020.

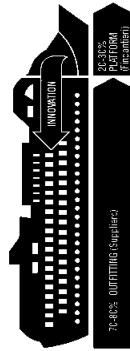
In the next few years, the aim will be to follow a ship throughout its entire life cycle, including trying to facilitate the last phase - decommissioning - by studying new welding and joining procedures.

Smart Offshore Infrastructure

An important part of Fincantieri's business is the offshore market. Current trends in this sector are driven by the need to more efficiently harness the maritime environment through the use of structures aimed at work and life at sea as well as clean energy production. The displacement of offshore activities to ever remote areas will require the study of support vehicles for transferring people and materials to and from land.

We cooperate in order to create value

In order to take full advantage of its Research and Innovation processes, the Group makes the most of its internal expertise and, aware of its role as an integrator, wholeheartedly adopts the Open Innovation paradigm, researches and proposes collaborations with partners operating upstream in the value chain, or with other stakeholders working to innovate tools, products and services in the maritime field.



The Group often promotes long-term relationships through the creation of wide-ranging cooperative development programs. Aware of the significant boost that these can provide, the Group continuously aims to expand its partnership networks at local and international level, both within the projects it finances independently and by cooperating in the creation of consortia that respond to the innovation challenges raised by public actors, such as the Horizon 2020 programme. Preparatory activities began in 2020 to enable active participation in the future Horizon Europe programme. In addition, the Fincantieri Group participated in the preparatory activities of the European Defence Fund (EDF) for the multiannual financial plan 2021-2027 and in the preliminary studies for the realization of the future European Patrol Corvette (EPC).

In fully embracing the Open Innovation model, Fincantieri takes into account a wide range of stakeholders:

- **Suppliers:** these are involved in numerous projects, also thanks to the Innovation process that identifies partners with whom a common technological development strategy can be built;
- **Network of universities and research institutions:** the methods of cooperation range from joint participation in collaborative projects and direct collaboration on specific topics to developing innovative ideas to transfer to the product;
- **Classification societies:** these are constantly involved in the development of new prototypes in order to ensure product consistency and the appropriateness of production methods. In addition, the Group shares activities with the Classification Societies in various collaborative projects, also entering into specific agreements to facilitate Research and Innovation activities;
- **Customers:** the ability to forecast customer needs is a significant competitive advantage for the Group. Therefore, it is fundamentally important to always keep active all those activities aimed at identifying the technological priorities to be developed in the short, medium and long term.



- Trade associations and industry forums: represent an unmissable opportunity to exchange ideas and are often a starting point for cultivating numerous beneficial partnerships that consolidate a shared vision on the main Research and Innovation issues;
- Start-ups: constantly monitored, they often guarantee the first steps towards the industrialization of new technologies.

The Group strongly believes in the possibility of creating value in a collaborative way and, for this reason, has created a dense network of collaborations and participations in various industry round tables both in Italy and in the main countries where the Group operates.

A common strategy: from global to local level

In the context of the Group's collaborations, those activated to define its medium-long term vision and to jointly define the documents that set out the sector's priorities, at local, national and supranational level, are particularly important.

In addition to maintaining numerous bilateral relationships with other companies in our sector, and with universities and research institutes, the Group is active in various associations and forums, with the aim of:

- contributing to the definition of sector roadmaps at a general level;
- providing its contribution on individual technical or technological issues, including through the activation of pre-competitive research projects.

During 2020, Fincantieri actively participated in the work of European sectoral technology associations. One of the most important strategic partners of the European Commission is represented by the European Technology Platform Waterborne TP, of which Fincantieri is an active member. The platform aims to maintain continuous dialogue between all stakeholders in the maritime, naval, port and logistics fields and blue growth operators (an expression that brings together various economic activities including, for example, fisheries, aquaculture and maritime tourism, maritime biotechnology, collection of renewable energy from oceans, mining from the ocean floor), through the consolidation of a shared consensus aimed at identifying European priorities for Research and Technological Innovation. The Waterborne TP platform played a key role in proposing the establishment of the co-programmed European partnership "Zero-emission waterborne transport", preparing, during 2020, the formal European Partnership proposal and the Strategic Research and Innovation Agenda (SRIA), which constitutes the roadmap of the R&D activities – to be updated annually – that will be pursued in the framework of the partnership. In parallel, Waterborne TP is also developing its own SRIA, focusing on activities outside the scope of the Partnership, such as those related to digitalization, port infrastructure and logistics and Blue Growth. Fincantieri has contributed to the policy papers of the industry associations Sea Europe and Hydrogen Europe. The former is the European association of shipyards and manufacturers of maritime systems, while the latter is the European association representing the industry and research for the development of hydrogen technologies and fuel cells. In particular, Hydrogen Europe supported the candidature of the institutionalized European partnership Clean Hydrogen for Europe in the Horizon Europe programme and the activities of the "Fuel Cells and Hydrogen" Joint Undertaking (FCH JU) of Horizon 2020. In addition, the Association played an important role in the launch of the new European Clean Hydrogen Alliance, of which Fincantieri SI is a member. The Alliance is a European Commission initiative to bring together industrial partners with the aim of facilitating cooperation between different actors and pooling investment in order to implement projects for scaling up hydrogen production and use, for the benefit of the entire value chain.

Within the Fincantieri Group at a European level, activities continued within the ASD - AeroSpace and Defence Industries Association of Europe - mainly aimed at contributing to the finalization, by the European Commission, of the future European Defence Fund (EDF).

At European level, the Group also cooperates with:

- EuroYards, association of leading European manufacturers, where it actively contributes to the activities of the technical committee and the working group on product and process digitalization;
- the Cooperative Research Ships consortium, focused on the study of hydrodynamic, structural and general issues related to large ships interpreted both from an operational and design point of view;
- European Council For Maritime Applied R&D (ECMAR), sector association that aims to develop a common strategy for European research in the maritime sector.

As part of our Italian activities, the Group has contributed to the work of the Trasporti Italia 2020 NTC and the Blue Italian Growth NTC. Both clusters have started to implement their respective action plans published in 2019, after a participatory definition process, contributing to the drafting of the National Research Program (NRP). In addition, they are renewing the national strategic innovation agenda in their respective sectors and supporting regions in the definition of their smart specialization strategy for research and innovation, a guideline for the 2021-2027 programming period.

At Italian level, the Group cooperates with several industry associations:

- AIRI, the Italian Association for Industrial Research, with which Fincantieri has contributed in the definition of the technical analysis documents, which are often taken as a reference for evaluating actions that support innovation, which are activated by public administrations;
- H2T, Italian Hydrogen and Fuel Cell Association. The association is dedicated to supporting its member companies on the path to a hydrogen economy, offering institutions the necessary support in defining a coherent regulatory framework and raising public awareness of hydrogen-related issues;
- AIAD (Italian Federation of Enterprises for Aerospace, Defence and Security), with which Fincantieri collaborates on activities primarily aimed at coordinating with the Ministry of Defence in the definition of the future European Defence Fund (EDF) and participation in EDA (European Defence Agency) and NATO activities.

Over the year Fincantieri contributed, through its representatives present in the Italian regional technological districts, to the analysis of the context and local application of the sector's development strategies, contributing, in particular, to the definition of intelligent development strategies (S3) of the regional territories in which the Company is located. The districts involved in cooperation relationships with the Group are:

- Maritime Technology Cluster Friuli Venezia Giulia (MareTC FVG);
- Distretto Ligure delle Tecnologie Marine (DLTM);
- Distretto Tecnologico Ligure sui Sistemi Intelligenti Integrati (SIIIT);
- Distretto sull'Ingegneria dei Materiali polimerici e composti e Strutture (IMAST);
- Distretto Tecnologico sui Trasporti Navali, Commerciali e da Diporto (NAVTEC).

Through Celena, the Group also participates in the activities of the START4.0 and MedTech Competence Centres aimed at stimulating the development and adoption of new Industry 4.0 solutions in the infrastructure and engineering sectors respectively.



Norway: the main partnerships

The Group benefits from the relationships that the subsidiary VARD maintains with the Norwegian academic and research world. We are currently involved in active collaborations with NTNU - the Norwegian University of Science and Technology - and SINTEF - The Foundation for Industrial and Technical Research - one of the main independent research centres in northern Europe.

This close cooperation has led to the establishment of two centres for research-based innovation (SFI):

- Smart Marine SFI: the centre's main focus is to increase the potential of the Norwegian maritime sector within the sustainable waterborne transport segment;
- Move SFI: the centre's activities are focused on increasing the value of maritime operations by developing IT knowledge, methods and tools.

Furthermore, during 2020, VARD continued activities under the Joint Industry Project (JIP), the Open Simulation Platform, with the aim of creating an open source digital platform based on common standards to be used during the development of new ships.

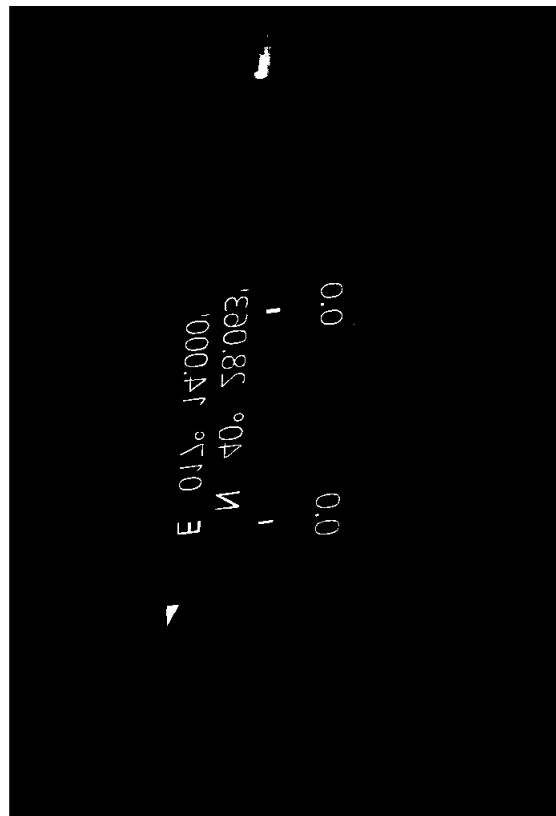
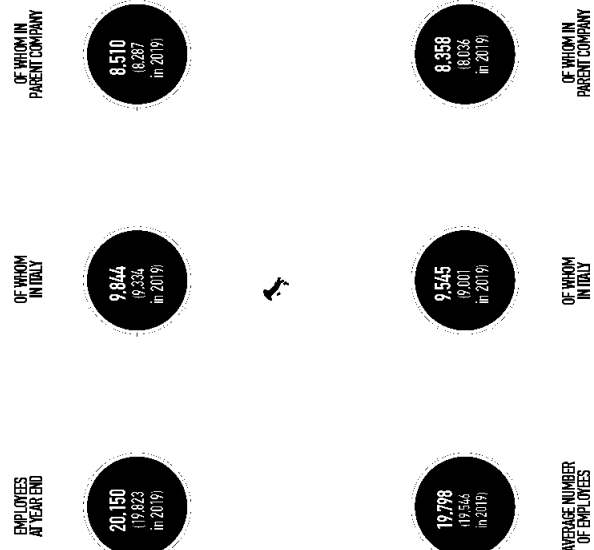
United States: National Shipbuilding Research Program

The American subsidiary Marinette Marine actively collaborates with research centres and universities, through the National Shipbuilding Research Program (NSRP) funded by the US Government in order to carry out research and innovation initiatives. The program has the dual objective of reducing total cost and improving the capabilities of commercial vessels by providing a cooperative framework for managing, focusing, developing and sharing research and development and exploiting best practices in shipbuilding and ship repair.

Our people

The COVID-19 pandemic had a global impact in 2020 and affected all human activities across the board, with important consequences on individual paths to personal and professional development and growth. Even in this complex and critical situation, People remained the focus of attention for Fincantieri. The Group has promptly developed and adopted safety protocols against COVID-19 to ensure the health and safety of its workers, continuing to invest in the development of its employees also through training and development initiatives, using innovative digital and virtual solutions. Fincantieri has never stopped its recruiting activities either, aware of the need to constantly increase the skills and capacities within the company, and to meet the new needs arising from the development of new markets and products and the ever increasing cross-cutting nature of the business. Developing a globally shared vision, spreading a common culture and promoting an increasingly motivating and inclusive work environment that is able to respond quickly to business needs are the challenges the Group set itself in 2020. This was done through the implementation of a shared People Strategy among the Group's companies, set out in the One Vision project, an ambitious transformation program that aims to achieve these objectives at global level.

HEADCOUNT





The Group's headcount in Italy recorded a net increase of 510 resources, as the balance of the 685 people hired, net of leavers.

In an increasingly complex labour market, where there is a growing professional mismatch between supply and demand for profiles with technical and technological skills, Fincantieri works constantly to improve selection processes and to enhance its recruiting and employer branding policies and strategies. The latter are translated into a presence on social networks that is increasingly active and above all in a synergistic network of education and training actors at national and international level.

To create a growing synergy between the world of work and the world of education and training, in 2020 Fincantieri consolidated its partnerships with secondary schools, universities and business schools.

Training and development

Fincantieri is committed to the development and enhancement of its people, so that they can make a practical contribution to the Company's sustainable growth. The Talent Management process established by the Group aims to develop and retain its talent, facilitating growth from within. Through training, assessment, feedback, development and job rotation activities, the Group has invested in the growth of skills and in the enhancement of the potential and professionalism of individuals, encouraging their motivation and involvement. In 2020,

Fincantieri invested euro 2.8 million in training, coaching and mentoring programs aimed at ensuring the continuous improvement of the technical and professional know-how of its resources, effective monitoring of roles and the dissemination of cross-functional skills. The average hours of training per capita were 19.5. Training is provided to all Group employees regardless of contract, level, classification or organizational position.

The assessment processes adopted by Fincantieri are based on the Company Skills Model, which aims to enhance and encourage consistent behaviour at all levels of the organization and to develop appropriate skills to face future challenges. They are structured in order to guarantee the most complete, objective and analytical vision as possible of the various aspects being assessed (Performance Assessment, Assessment of Potential and 360° Assessment, a tool designed to assess the typical skills of team managers).

During 2020, people review activities, an active management tool for developing employees, played a key role in enhancing human capital and defining professional growth paths and succession plans. These activities have the aim of identifying resources with greater potential and usefulness in the Company, on which to invest using defined growth paths, job rotation, national and international mobility actions, training actions, coaching and mentoring paths, so that in the future they can play key roles in driving the business. During 2020, 313 resources were involved in mobility actions, in Italy and abroad.

As part of the people review activities, the first edition of the Talent Project was launched at the beginning of 2020, with the aim of enhancing the value of young people with high potential and promoting their growth and development within the Company. A development plan has been defined for the resources involved in the project, which includes a growth path, also abroad, specific training and a mentoring program. The latter provides each resource with a mentor, an experienced manager belonging to the first or second line of management who, by sharing his or her experience and disseminating the company culture, has the task of accompanying young people on their growth path, encouraging the creation of a professional network also outside their respective area.

Succession plans for key figures are updated once a year to ensure continuity, stability and oversight of the business.

Welfare model

Over the years, Fincantieri has implemented a welfare model capable of positively impacting on the well-being of its employees and, at the same time, taking advantage of the evolutionary processes of the labour market and the company, which make it possible to improve working relations and the organizational climate, increase the level of attractiveness of the organization and its working environment, seek to raise the levels of employee engagement and their sense of belonging, and demonstrate the company's interest and commitment to improving living conditions and the well-being of employees and their families.

The welfare tools, defined with the corporate agreement in 2016, are aimed at employees in general of FINCANTIERI S.p.A., including part-time and fixed term employees, and are also recognized for the employees of Italian subsidiaries and/or associates falling within the scope of the supplementary labour agreement.

The Social Bonus has particular significance in the welfare system. It is paid annually and exclusively in welfare services and any unused bonus amounts are automatically allocated to the individual employee's supplementary pension fund. To provide an incentive to allocate variable bonuses to the consolidation of the welfare system, employees who decide to convert them are awarded an increase of 10% on the value converted. In 2020, 25% of the overall performance bonus allocated was converted into welfare services. For help an employee benefit from company welfare, a dedicated website has been activated through which employees can access a wide range of goods and services. The most requested services were those intended for the family, in particular for the education of children and assistance to family members, together with welfare vouchers, which can be spent in establishments with which the employees themselves have often asked the Company to arrange special prices. The supplementary pension and health program, which supplement the measures already defined in the National Collective Bargaining Agreement (CCNL) and the company's supplementary labour agreement, were also highly appreciated. Other services that can be accessed via the portal include training courses, travel and holidays, mortgage repayments, leisure, sport and wellness.

Particular attention has also been paid to public transport and sustainable mobility issues. Employees can also apply for full or partial reimbursement of their season ticket for urban public transport or train travel, for themselves and/or for their tax-dependent family members through the Welfare Portal. Restrictions to contain the spread of Coronavirus have instead affected company car pooling.

Flexible working arrangements have been put in place in order to reconcile the protection of workers' health and safety with the need for continuity of production activities during the pandemic emergency. In particular, smart working was used in all cases where it was immediately feasible, both in the offices and in the shipyards. Considering the positive experience during the lockdown period, it was subsequently decided to implement smart working in the Company in a structural way: therefore, Fincantieri signed a Smart Working agreement with the National Trade Unions. The structured adoption of this new tool is designed to achieve significant increases employees' personal well-being, not only fostering a better balance between work and personal needs, but also developing their professional skills by enhancing their degree of autonomy and orientation towards objectives and results, while strengthening the trust relationship with their managers.

The Company's focus on work-life balance, which is already included in the National Collective Bargaining Agreement for steelworkers, where a worker dealing with serious family situations can take a period of leave of absence of up to two years. This focus has also been implemented indirectly with the involvement of company clubs, through initiatives that meet the employees' needs, such as special arrangements with day care centres and after-school activities. Due to the health emergency, the traditional holiday camps in seaside or mountain resorts were not activated in the summer of 2020; to support families, the Company's summer camps were expanded. With regard to supplementary health care, since January 2018 the Company has been a member of the Health Fund for Steelworkers, called MetaSalute, with a supplementary health care plan for employees and dependent family members, also covered free of charge. Participation in the contractual fund, reinforced by additional coverage specifically established by Fincantieri with the operator, guarantees the provision of health services that are diversified and with very high limits, insured both directly, through the facilities contracted with the operator and in the form of reimbursement.



Additionally, since March 2020, Fincantieri has taken out insurance coverage, specifically designed for the COVID-19 health emergency and aimed at all employees and those of companies in the supply chain (which have joined on a voluntary basis). This coverage provides both compensation for periods of hospitalization and convalescence as well as post-hospital care services to facilitate recovery and manage the main aspects of family life. This policy is in addition to the Supplementary Health Plan to cover influenza syndromes that are pandemic in nature, activated by MetaSalute for all employees in the metalworking sector.

Fincantieri Marine Group provides benefits to all employees working for at least 30 hours a week. Benefits include enrolment in the Group Health Medical Plan, which includes health, dental and ophthalmic cover, the cost of which is borne partly by the company and partly by the employee. Additional benefits are available that are not included in the above plans, such as the on-site clinic, vacation and holiday pay, the policy on short/long term disability, life insurance for accidental death & dismemberment, the retirement plan and the employee assistance programme.

In Norway and Vietnam, VARD provides all permanent employees with medical care, in-house catering services and life insurance, while in Romania these benefits are guaranteed for Vard Tulcea.



Industrial relations

Industrial relations in Fincantieri are characterized by a participatory model that is developed through the activities of various commissions defined by the 2016 supplementary labour agreement, which in some cases, in addition to trade unions, include workers.

A strategically important body is the Advisory Committee, composed of 6 company representatives and 6 trade union representatives, which meets annually for information and consultation between the Parties on issues such as market scenarios and competitive positioning, economic performance, alliances and strategic partnerships, business strategies, technological innovations, safety at work, training and retraining, relations with educational institutions and/or universities, and employment trends. The Committee also meets when there are changes in the company and ownership structure, considerable organizational changes, significant changes in labour policy, restructuring and/or reorganization projects and restructuring and development programmes. The supplementary agreement governs the operation of the Joint National Committee on Safety at Work and the Joint National Training Committee. Composed of 3 company representatives and 3 workers' representatives, these joint committees are responsible for analysing the characteristics and trends of the issues within internal evolution, verifying the consistency of the initiatives implemented, proposing and evaluating new general or specialized initiatives, and evaluating and approving intervention plans.

Each company site has a Bilateral Joint Technical Body and a Committee on Safety and Environment which, by systematically involving all resources, aim to increase the motivation and participation of employees in the change and innovation processes, combining the necessary increases in efficiency and productivity with the improvement of working conditions and the environment.

In relation to the growing process of internationalization and with a view to encouraging the full involvement of Group workers, Fincantieri, together with the trade unions, is committed to setting up a special working group for the establishment of the European Works Council (EWC), which will be devoted to informing and consulting the workers of EU-wide companies.

On 10 December 2020, an agreement was signed with National FIM, FIOM, UILM and with the Executive of the National Trade Union Coordination, regarding the extension of the supplementary contract, which will be valid until 31 December 2021, confirming the effects of the regulatory and economic aspects for the entire period. On the same date, an agreement was also signed on "economic relief" for workers who, following the suspension of production activities from 16 March to 30 March due to the health emergency, suffered a reduction in Performance Bonus. With this agreement, the Company wanted to take into account the efforts made by all employees to cope with the epidemic and ensure the resumption and continuity of production activities, awarding compensatory amounts for the variable bonuses lost due to lack of working activity during the closure period. The VARD group has established a model of industrial relations that is strongly oriented towards dialogue with trade unions in order to identify and provide impetus for the changes needed to ensure a stable and profitable future for the Company. Five new collective bargaining agreements were signed during 2020.



Commitment to health and safety

The COVID-19 pandemic, which greatly affected the last year, has prompted the Group to identify and implement specific measures to protect the health of workers, to allow the resumption and continuation of business activities in the presence of this new risk which has been added to those inherent to the production cycle.

The Protocols and measures adopted by FINCANTIERI S.p.A. have been shared by all Italian and foreign subsidiaries, enabling their timely adoption even in countries that had not yet put in place adequate measures to contain the spread of COVID-19.

When the epidemiological phenomenon of the Coronavirus first emerged, Fincantieri took prompt and decisive action to prevent and contain possible contagion within its operating units; protecting employees and all personnel involved in the production process was the top priority. Some of the containment measures adopted by Fincantieri to manage and combat the epidemic include:

- the return of employees from China in the last week of January, before similar indications were received from institutional bodies, and the simultaneous suspension of travel to foreign countries where the syndrome had occurred until that point;
- establishment of a Crisis Management Team for emergencies at FINCANTIERI S.p.A. level to monitor the evolution of problems related to COVID-19 coordinate the timing and scope of interventions, and implement the prevention measures that had been gradually identified to protect the health of workers and the community;
- facilitating communication and access to updates from official sources by means of an Intranet page, a dedicated telephone number and an e-mail address, as well as an internal communication to all staff that the crisis unit had been set up, providing guidance on the rules of conduct issued by the competent health authorities;
- suspension of production activities at the Group's Italian sites from 16 March 2020, extending the use of smart working to all professional positions for which it is compatible, i.e. using deferred recuperation leave within the calendar year and the use of holidays and leave without conditions;
- implementation of a recovery plan with marked gradualness and staggered over several weeks, identifying ways of reducing attendance and avoiding the spread of the virus through staggered entry, shifts, flexible working hours and smart working.

Thanks to the experience and actions taken by the parent company, Fincantieri Marinette Marine was able to adopt measures to contain the spread of COVID-19 ahead of other US-based shipbuilders, as noted by Jane's Navy International.

In September, it was judged appropriate to identify new measures, in addition to those already in place, to reinforce the action of combating and containing Coronavirus infection, through constant monitoring of the phenomenon at individual sites. With this in mind, a model has been identified to manage the phenomenon in the medium/long term, which provides for structured forms of collaboration with the health authorities of the various territories.

During the summer, an internal survey on the Company's emergency management, involving all employees and achieving a response rate of 77%, revealed a level of satisfaction with the Company's efforts of 91%.

Towards zero accidents

The continuity of the Towards Zero Accidents project is guaranteed by a tried and tested organization capable of supporting both direct employees and the workers of contractor companies in the implementation of the various initiatives.

To consolidate good practices and the constant monitoring of production processes, coordination meetings on safety and the environment are organized which, scheduled at least every two weeks, are carried out directly in the production areas and envisages the participation of all the supervisors involved in production and the workers' safety representatives.

Meetings of the Quality and Safety Committees are held periodically in each production unit. The purpose of these meetings, which are attended by plant management and first reports, is to monitor production processes in relation to quality and safety at work issues and to discuss any issues that have arisen during joint inspections of production areas and during meetings of the Safety and Environment Commission.

The percentage of employees represented in Health and Safety Committees at Group level is 45%, while at FINCANTIERI S.p.A. level it is 100%.

Similarly, in the United States, the Fincantieri Marine Group organizes monthly meetings involving Health & Safety and Environment managers and union representatives to analyse and share the results of accident monitoring, performance indicators and the main updates to the safety management system.

With the aim of preventing any kind of accident affecting both people and the environment, the subsidiary VARD is continuing with its Vision Zero project and envisages additional tools and initiatives:

- using the Safety Observation tool to report any anomalies found;
- reporting health and safety indicators at the monthly management meetings;
- organizing the prevention week to reduce internal accidents;
- monthly discussions on health and safety (compulsory under Brazilian law);
- election of an internal accident prevention commission;
- the internal distribution, based on the Group's guidelines, of a booklet with the ten golden rules for health and safety at work.

The trend in injury data and rates for employees and the workers of contractors is constantly monitored, both at Group and site level. A special monthly report is prepared to inform Top Management, all employers and all the health and safety managers. The majority of accidents consisted of falls or knocks against fixed parts, involving the lower limbs and hands of injured persons.

Quarterly prevention and protection meetings are held by the Company's Health, Safety & Environment (HSE) manager, during which the data collected is analysed, best practices and issues of common interest are shared and improvement proposals on which to focus the Group's activities are identified.

The process of assessing the specific risks present in the workplace is the subject of specific company guidelines and consequent operational procedures; the same risks are the subject of safety training provided to all employees. The Company's best performance and health and safety improvement objectives are benchmarks used to monitor and stimulate the performance result and determine the related economic impact on the people in managerial and supervision roles as part of variable remuneration mechanisms.

In Italy, the Active Safety project continued to provide training and information to all workers (direct employees and employees of contractors) present at individual sites. During working hours and directly at the workplace, the individual supervisors explain the subject to be studied in more detail to their staff, who are given an information sheet.



Together in safety

The multimedia support 'Together in Safety' is available in all Italian shipyards. It is a valid tool to protect all the resources involved in the production process and promote correct behaviour, including from an environmental perspective. This is a training video, with a duration of around three hours, aimed at employees of subcontractors (a user catchment of around 30,000 people), and it is available in the 10 languages most commonly used in Fincantieri shipyards. The tool provided specific information on each of the production units in Italy and on the occupational hazards that characterize shipbuilding activities and it must be watched in the classroom when people enter the Group's production sites for the first time.

Memorandum of understanding with INAIL

In 2019, a Memorandum of Understanding was signed between the National Institute for Insurance against Accidents at Work (INAIL) and Fincantieri which aims to develop a safety at work culture and implement activities and projects with the goal of systematically reducing accidents and occupational diseases. The MoU, which follows on from long-term cooperation, determines the scope and implementation methodologies of activities aimed at protecting workers' health and safety.

During 2020, the foundations were laid for the implementation of the this protocol through various projects, such as the organization of seminars on health and safety issues, analysis of the model mapping the near misses monitored in Fincantieri and its possible implementation.

Supplier evaluation

Contractors are already subject to evaluation from a financial, quality, contractual and production perspective and are assessed using a predefined format and also scorecards focused on health, safety and environmental issues. The assessments by the various shipyards have led to the calculation of the overall performances of the companies and are subject to permanent monitoring within Supplier Oversight. In 2020, the perimeter of suppliers evaluated was extended, although due to the pandemic, which saw the functions involved in evaluations in the front line, the target of covering 100% of main contractors could not be achieved (but it will be reached again in 2021).

Security

Owing to the increasingly frequent and widespread presence of employees travelling or on secondment abroad, Fincantieri's Travel Security program has developed ongoing mapping of risks in foreign countries to guarantee the security of travelling employees and the sustainability of the locations associated with business operations.

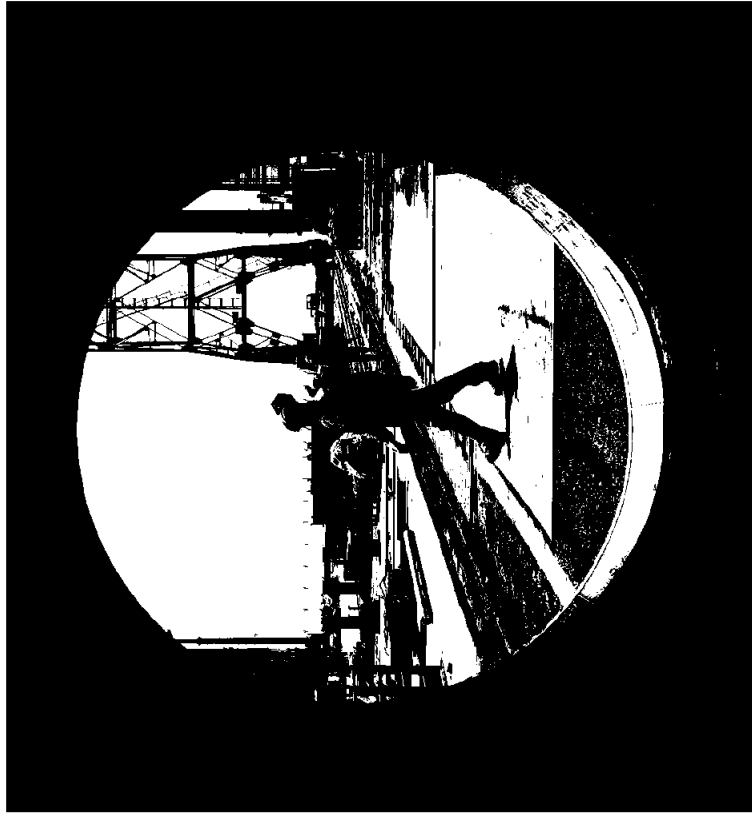
OHSAS 18001 / ISO 45001 and SA 8000 certifications

In 2020, all the Italian sites completed the migration process to the new ISO 45001 standard which defines the requirements for certifying the Health and Safety Management System.

Over the year, Fincantieri Infrastructure Opere Maritime S.p.A. also obtained ISO 45001 certification, which helps minimize risks and improve health and safety levels.

The VARD group maintained OHSAS 18001 certification for the Romanian Braila and Tulcea shipyards, as well as the Vietnamese Vung Tau shipyard and it began the process of migrating to the new ISO 45001 standard. In addition, all VARD shipyards are aligned with SA 8000 standards. In particular the Vietnamese Vung Tau shipyard has the relevant certification, which is based on the International Labour Organization (ILO) conventions and the Universal Declaration of Human Rights.

In the United States, the subsidiary Marquette Marine Corporation is certified OHSAS 18001, the validity of which has been extended until January 2021; migration to the ISO 45001 standard is planned to follow.





Environmental policy

Fincantieri is aware that its level of responsibility is judged by its ability to combine, in its work, professionalism and quality with strict respect for laws and consideration for the needs and expectations of the community in relation to the protection of public goods. The Group maintains the model of excellence which was adopted to protect the environment through the application of environmental management systems, a tool for implementing and monitoring the actions taken to carry out the commitments made.

As regards protecting the environment the commitments included in the Environment, Health and Safety Policy are:

- assess the risks and environmental impact of its activities and manage the environmental aspects using the principles of precaution and prevention;
- promote the use of the best available technologies and the use of products with a lower environmental impact;
- implement improvement plans aimed at containing and reducing its emissions to air, water and soil, the continuous efficiency of the Company's energy performance including through the use of energy from renewable sources, and the minimization and proper management of waste;
- safeguard the natural value and biodiversity of the territories affected by the presence of its sites by implementing appropriate environmental measures and protections;
- design and develop eco-sustainable products.

The Group is constantly working on its management systems in all production plants and in all business units certified according to the ISO 14001 international standard. All certified sites are subjected to environmental audits by dedicated internal structures according to an annual schedule. All reports of any environmental incident are also collected and managed in the systems.

Fincantieri asks its suppliers to share its approach to sustainability in order to achieve one of its most important corporate objectives: having a responsible and sustainable supply chain. For this reason it has adopted the Suppliers' Code of Ethics that includes among its pillars the protection of and respect for the environment. Research plays a particularly important role in the fight against climate change. The Group has the objective of activating partnerships with universities/research institutes in order to develop new solutions for energy efficiency or reduction of greenhouse gas emissions. In particular, the GreenCruise project was launched in 2020, funded by the Italian Ministry for Economic Development, to study and develop prototypes of power generation solutions using alternative fuels (e.g. LNG and fuel cells). As part of our Research and Innovation projects, we have also launched several European collaborations to study strategies to reduce the environmental impact of our products.

Data and information protection

The Company's focus on **cyber security** has gradually intensified in response to the ever-increasing complexity and frequency of cyber attacks carried out against companies with national and international strategic importance. The sophistication of cyber threats requires the constant adjustment of the company's defences and processes for protecting IT assets, as an additional element to protect the Company's industrial know-how and market competitiveness.

For this reason, the Group further strengthened its cyber security in 2020 through the creation of E-Phors, a spin-off of the Parent Company specializing in cyber security services for the Group and its main markets. In particular, with regard to the Group's cyber plan, the wide-ranging project initiatives dedicated to company technological infrastructure in 2020 include:

- implementation of a program to protect the industrial networks supporting ship production on four pilot shipyards (Montalione, Marghera, Ancona and Riva Trigoso) to allow the monitoring, protection and management of field equipment;
- development of a model to manage cyber security aspects related to product development processes;
- definition of the business model for Information Security Policy Architecture that can be extended to the group;
- investments in Artificial Intelligence technologies applicable to cyber incident detection;
- central monitoring of core corporate services.

In addition to these project elements, monitoring activities are carried out to ensure the security level of the Group's services and networks on a continuous basis, in particular:

- periodic IT security assessments aimed at identifying and remedying any gaps;
- awareness campaigns for employees, aimed at improving awareness of cyber risks and shedding light on the most widespread social engineering attack techniques and the organizational and behavioural methods for neutralizing them.

The Group is also aware of its social responsibilities and in the light of the full transposition of the principles laid down to protect personal data, during 2018, it launched a process to comply with the new regulation on personal data protection, namely "Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (the General Data Protection Regulation)" (the "GDPR"), which became fully applicable on 25 May 2018. At the end of this process, the Company adopted a privacy management system. The founding principles on which the Group's personal data protection system is based are contained in the Policy on General Principles of the Privacy Management System (Privacy Policy) which establishes, among other things, the main processes needed to ensure the protections envisaged by the legislation.

With this policy Fincantieri undertakes to establish and maintain over time a control model aimed at protecting the personal data collected and processed as part of the operational processes of its business, promoting the development of a pervasive privacy culture at Group level. With this in mind, in addition to the dissemination of privacy statements to the data subjects and instructions to personnel authorized to process personal data, Fincantieri has carried out a pervasive training campaign that reached the employees of the Parent Company and was extended to the Italian subsidiaries.

The Privacy Management System was laid out in detail in a specific Privacy Management System Manual and by operational procedures that identify certain processes that are especially critical such as management of data breaches and management of requests from data subjects asserting their rights.

As regards the security measures to be implemented to guarantee and protect data, ISO/IEC 27001:2013 certification was confirmed in 2020 for FINCANTIERI S.p.A., confirming compliance with the level of reliability



required by international standards, which represent deeper integration with the information technology required by the personal data protection obligations. In September 2020, the subsidiary Cetena was awarded ISO 27001:2013 certification.

With regard to foreign subsidiaries, the VARD group, in addition to the cyber policy review plan, has put in place a series of initiatives during 2020 aimed at increasing its security level, including:

- the adoption of a DNS security solution;
- a massive awareness-raising plan for the employees in all countries;
- a major increase in security levels on existing technological solutions.

It was also decided to strengthen the cyber security function with the aim of implementing a team capable of both consolidating security policies within the Company's projects (security by design) and monitoring their correct development (security monitoring). With this approach VARD undertakes to align with the control model promoted by the Parent Company and aimed at protecting the personal data collected and processed as part of the operational processes of its business. In addition, in implementing the requirements of the GDPR, it has carried out an overall mapping of processes involving personal data and shared the results with the sites and offices located in the various territories in order to implement a privacy structure that is in line with local characteristics, implemented a privacy policy, limited access to data in accordance with regulatory requirements and provided employees with training courses in this area.

Fincantieri Marine Group LLC, complying in particular with the provisions of the Health Insurance Portability and Accountability Act (HIPAA), has prepared a detailed document on the protection of employees' health data, providing a training course to those who have access to such information.

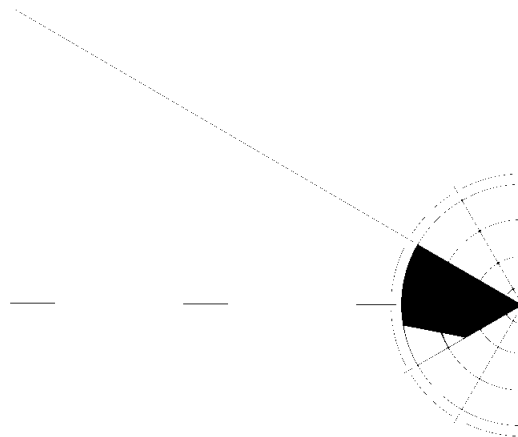
During the 2020 financial year, Fincantieri Marine Systems North America Inc. also adopted a privacy policy and a privacy manual with which it implemented a series of application procedures; both documents were made available to all employees.

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.

Risks related to operational complexity

DESCRIPTION OF RISK	IMPACT	MITIGATION
Given the operational complexity stemming not only from the inherent nature of shipbuilding but also from the Group's geographical and product diversification and acquisition-led growth, the Group is exposed to the risk of: • not guaranteeing adequate control of project management activities; • not adequately managing the operational, logistical and organizational complexity that characterizes the Group; • not correctly representing the operational management events and phenomena in the financial reports; • oversampling the synergies arising from acquisition operations or suffering the effects of slow and/or weak integration; • forming alliances, joint ventures or other relationships with counterparties that could negatively affect the ability to compete; • not adequately managing the complexity arising from its product diversification; • failing to efficiently distribute workloads according to production capacity (plant and labour or that excess capacity might impede the achievement of competitive margins); • not meeting market demand due to its own or its supplier's insufficient production capacity	If the Group was unable to implement adequate project management activities, with sufficient or effective procedures and actions to ensure control of the proper completion and efficiency of its construction processes and the proper representation of these in its reporting, or if it was unable to adequately manage the Group synergies, alliances, joint ventures or other relationships with counterparties and the complexity arising from its product diversification or if it failed to efficiently distribute workloads according to production capacity (plant and labour) available on each occasion at the different production facilities, revenues and profitability might decline, with possible negative effects on its results of operations and financial condition.	To manage processes of such complexity, the Group implements procedures and work plans designed to manage and monitor the implementation of each project throughout its duration. Constant dialogue channels are established between the Group entities in order to safeguard the integration processes, occasionally Parent Company resources are included. In addition, the Group has adopted a flexible production structure in order to respond efficiently to fluctuations in vessel demand in the various business areas. This flexible approach allows the Group to overcome capacity constraints at individual shipyards and to work on more than one contract at the same time while ensuring that delivery dates are met. The Group is implementing actions aimed at improving the production and design processes in order to strengthen competitiveness and increase productivity





Risks related to nature of the market

DESCRIPTION OF RISK	IMPACT	MITIGATION
The shipbuilding market in general is historically characterized by cycles sensitive to trends in the industries served. The Group's clients that operate in the cruise business base their investment plans on demand by their own clientele, mainly influenced by trends in the leisure market. On this point it should be noted that the spread of the COVID-19 pandemic has had a severe impact on the segment. In the naval business, the demand for new ships is heavily dependent on governments' defence spending policies.	Postponement of fleet renewal programs or other events with negative repercussions on the operations of the Fincantieri Group's principal cruise business clients could impact capacity utilization and business profitability. Equally, the availability of resources earmarked by the State for defence spending on fleet modernization programs is a variable that could influence the Group's results of operations and financial condition.	The Group endeavours to maintain competitive position in its business areas by ensuring a high quality, innovative product, and by seeking optimal costing as well as flexible technical and financial solutions in order to be able to propose more attractive offers than the competition. In parallel with the commercial initiatives to penetrate new market segments, the subsidiary VARD has developed a series of new ship projects, exploiting not only its own engineering and design expertise acquired in the offshore sector but also the know-how of the Fincantieri Group.

Risks related to maintenance of competitiveness in core markets

DESCRIPTION OF RISK	IMPACT	MITIGATION
The production of standard merchant vessels is now dominated by Asian shipyards, meaning that competitiveness can only be maintained by specializing in high value-added markets. As far as civilian vessels are concerned, the Parent Company has been focusing for several years on cruise ships, a business in which it has a long track record; it has extended this focus, with the VARD group, to the production of specialized ships for fishing and naval vessels to manage offshore wind farms. Additional factors that may affect competitiveness are the risk that due attention is not given to client needs, or that standards of quality and product safety are not in line with market demands and new regulations or are not consistent with the company's principles of environmental protection and sustainability. Moreover, aggressive commercial policies, development of new products and new technologies, or increases in production capacity by competitors may lead to increased price competition, consequently impacting the required level of competitiveness.	Inattentive monitoring of the Group's markets and slow responses to the challenges posed by competitors and to client needs may lead to a reduction in competitiveness, lower production volumes and/or less remunerative pricing, with a consequent reduction in the sustainability of the business in the medium to long term.	The Group endeavours to maintain competitive position in its business areas by ensuring a high quality, innovative product, and by seeking optimal costing as well as flexible technical and financial solutions in order to be able to propose more attractive offers than the competition. In parallel with the commercial initiatives to penetrate new market segments, the subsidiary VARD has developed a series of new ship projects, exploiting not only its own engineering and design expertise acquired in the offshore sector but also the know-how of the Fincantieri Group.
DESCRIPTION OF RISK	IMPACT	MITIGATION
The difficult political and economic context and worsening regulatory environment of countries in which the Group operates may adversely impact operations and future cash flows. In addition, the pursuit of business opportunities in emerging markets, particularly in the defence sector, leads to increased exposure to country risk and/or risk of international bribery and corruption.	Situations involving country risk may have negative effects on the Group's results of operations and financial condition, with the loss of clients, profits and competitive advantage and, in the case of lawsuits and sanctions, on its reputation.	In pursuing business opportunities in emerging markets, the Group safeguards itself by favouring commercial prospects that are supported by inter-governmental agreements or other forms of cooperation between States, as well as by establishing, within its own organization, appropriate safeguards to monitor the processes at risk.





Risks related to contract management

DESCRIPTION OF RISK	MITIGATION	IMPACT	DESCRIPTION OF RISK	MITIGATION	IMPACT	MITIGATION
The shipbuilding contracts managed by the Group are mostly multi-year construction contracts for a fixed consideration, any change in which must be agreed with the client. Contract pricing must necessarily involve careful evaluation of the costs of raw materials, machinery, components, sub-contracts and all other construction-related costs (including personnel and overheads); this process is more complicated in the case of prototype or particularly complex ships and is by its very nature subject to uncertainties associated with making estimates.	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.	Cost overruns not envisaged at the pre-contractual stage and not covered by a parallel increase in price can lead to a reduction in margins on the contracts concerned.	The operational management of contracts carries a risk that one or more counterparties with whom the Group has contracts are unable to meet its commitments, more specifically involving one or more clients that do not meet the contractual obligations, or one or more suppliers that fail to discharge their obligations for operational or financial reasons, with potentially serious effects on the performance of operating activities and a potential increase in costs, including legal, in the case of a failure to comply with contractual commitments.	Earlier uptake by one or more counterparties, whether clients or suppliers, can have serious effects on the Group's production and cash flows, given the high unit value of shipbuilding orders and the strategic nature of certain supplies for the production process. In particular, client cancellation of orders during vessel construction exposes the Group to the risk of having to sell the vessel in adverse market conditions or, potentially, at prices that do not allow its construction costs to be recovered. Moreover, the postponement of delivery dates can significantly increase working capital financing needs, with a consequent growth in debt and higher borrowing costs.	When acquiring orders, and where deemed necessary, the Group can perform checks on the financial strength of its counterparties, including by obtaining information from leading credit rating agencies. Suppliers are subject to a qualification process, including evaluation of the potential risks associated with the counterparty concerned. As regards the financial aspect, the Group offers its suppliers the opportunity to use instruments that facilitate their access to credit. The Group also works constantly with customers and financial institutions to ensure the delivery of orders in its order book.	

DESCRIPTION OF RISK	MITIGATION	IMPACT	DESCRIPTION OF RISK	MITIGATION	IMPACT	MITIGATION
Many factors can influence production schedules, as well as capacity utilization, and so impact agreed vessel delivery dates with possible penalties payable by the Group. The current operational scenario with its strong elements of unpredictability also affects the planning and budgeting process, which is based on the availability of complete and reliable information. These factors include, inter alia, strikes, poor industrial productivity, inadequate logistics and warehouse management, unexpected problems during design, engineering and production, events linked to adverse weather conditions, health situations that affect the development of production activities, design changes or problems in procuring key supplies.	The Group manages its contracts through dedicated structures that control all aspects during the contract life cycle (design, procurement, construction, outfitting). Contracts with suppliers include the possibility of applying penalties for delays or hold-ups attributable to such suppliers. The contracts entered into with customers provide that, in the event of a "force majeure event" preventing the regular construction of the order, such as a government order or a pandemic, the company would not be required to pay penalties to the shipowner for late delivery.	In the event of delivery delays, except for effects arising from events that are covered in the contract (i.e. force majeure), construction contracts provide for the payment of penalties that generally increase the longer the delay.	A significant number of the Group's shipbuilding contracts (in general, for merchant vessels like cruise ships and offshore support vessels) establish that clients pay only a minority part of the contract price during ship construction; the balance of the price is paid upon delivery. As a result, the Group incurs a significant upfront cost, assuming the risk of incurring such costs before receiving full payment of the price from its clients and thus having to finance the working capital absorbed by ships during construction.	If the Group were unable to offer its clients sufficient financial guarantees against the advances received or to meet the working capital needs of ships during construction, it might not be able to complete contracts or win new ones, with negative effects on its results of operations and financial condition. Moreover, the cancellation and postponement of orders by clients in difficulty could have a significant impact on the Group's financial structure and margins, with the risk that banks limit access to credit, thereby depriving it of the necessary funding for its working capital, such as construction loans, or that banks will only be willing to grant credit at more costly conditions.	The Group adopts a financing strategy aimed at diversifying as much as possible the technical terms of financing and the financing counterparties with the ultimate objective of maintaining a more than sufficient credit capacity to guarantee coverage of the working capital needs generated by its operations, also in situations of great financial stress arising from internal or external factors.	



DESCRIPTION OF RISK	IMPACT	MITIGATION
The Group's clients often make use of financing to finalize the placement of orders. Overseas clients may be eligible for export finance schemes structured in accordance with OECD rules. Under such schemes, overseas buyers of ships can obtain bank credit against receipt of a guarantee by a national export credit agency, which in the case of Italy is SACE S.p.A. and GIEK in the case of Norway. The availability of export financing is therefore a key condition for allowing overseas clients to award contracts to the Group, especially where cruise ship construction is concerned.	The lack of available finance for the Group's clients or the low competitiveness of their conditions could have a highly negative impact on the Group's ability to obtain new orders as well as on the ability of clients to comply with the contractual terms of payment.	Fincantieri supports overseas clients during the process of finalizing export finance and particularly in managing relations with the agencies and companies involved in structuring such finance (for example, SACE, Sinest and the banks). In addition, the process of structuring finance is managed in parallel with the process of finalizing the commercial contract, the enforceability of which is often subject to the shipowner's receipt of the commitment by SACE and the banks to provide an export credit guarantee. The subsidiary VARO also actively works with GIEK, the Norwegian export credit agency, particularly in a new sector for the Norwegian market like that of expedition cruise vessels. As an additional safeguard for the Group, in the event of a client default on its contractual obligations, Fincantieri has the right to terminate the contract. In such a case, it is entitled to keep the payments received and the ship under construction. The client may also be held liable for paying any costs prepaid by the Group.
DESCRIPTION OF RISK	IMPACT	MITIGATION
The Fincantieri Group's decision to outsource some of its business activities is dictated by strategic considerations based on two factors: a) outsource activities for which it has the skills but insufficient in-house resources; b) outsource activities for which there are no in-house skilled resources and which would be too expensive and inefficient to develop. Dependence on suppliers for certain business activities may result in the inability to ensure high standards of quality, failure to meet delivery dates, the acquisition of excessive supplier bargaining power, and a lack of access to new technologies. Suppliers' access to the Fincantieri supply chain is conditional on their acceptance of the Company's sustainability principles, which must be confirmed in the development of their activities. In addition, the significant presence of suppliers in the production process has an impact on local communities, possibly requiring the Group to address social, political and legality issues.	A negative performance by suppliers in terms of quality, timing or costs causes production costs to rise, and the client's perception of the quality of the Fincantieri product to deteriorate. Suppliers who do not comply with sustainability principles also negatively affect stakeholders' perception and the sustainable development of the company. As for other partners at the local level, non-optimal relations may impact the Group's ability to compete on the market.	The Group has specific personnel in charge of coordinating the assembly of on-board systems and managing specific areas of outsourced production. In addition, the Fincantieri Group carefully selects its "strategic suppliers", which must meet the highest standards of performance. Inclusion in the supplier base occurs after a due diligence covering economic, production and sustainability aspects. Furthermore, the Parent Company has developed a precise program of supplier performance evaluation in this regard, ranging from measurement of the services rendered, both in terms of quality of service offered and punctuality of delivery, to the strict observation of safety regulations, in line with the Group's "Towards Zero Accidents" objective. In addition, particular attention is paid in general to relations with the local communities that interact with the Group's shipyards, involving appropriate institutional relationships, at the time supplemented by the conclusion of suitable legality and/or transparency protocols with the local authorities, which in turn enabled the definition of the National Legality Framework Protocol, signed in 2017. The subsidiary VARO has paid special attention to the process of evaluating and managing contracts with suppliers operating in new sectors that the Group entered as a result of its diversification strategy.

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





Risks related to climate change

DESCRIPTION OF RISK	IMPACT	MITIGATION
Fincantieri's focus on sustainability and its desire to create a resilient business model has led it to address how climate change will impact the Company in terms of risks, opportunities and financial impacts. Climate change risks are characterized by a high level of uncertainty and potential impacts may greatly affect Fincantieri's activities, products and entire value chain. Physical risks are associated with increased economic costs and financial losses due to the increased severity and frequency of extreme weather events related to climate change. They include acute risks (e.g. floods, heat waves, tornadoes) and risks related to long-term climate change, i.e. chronic risks (e.g. sea level rise and ocean acidification). Transition risks are associated with the transition to a low-carbon economy and are closely related to changes in the social, economic and political environment, as well as changes in the CO2 pricing framework and regulatory restrictions. The Company is also exposed to the risk of not adequately exploiting technological innovation that may lead to the replacement of existing products or their modernization with low-carbon products offering more competitive solutions. Transition risks also include reputational risks. In fact, not undertaking a gradual decarbonization process could have a negative impact on the company's reputation and consequently on its financial results. Climate change mitigation and adaptation efforts undertaken by the Company may also represent an opportunity, for example looking at the development of new technologies and the roll-out of new products and services with reduced environmental impact.	Climate change could prevent the Company from carrying out its activities, limiting all the activities of the entire value chain and leading to a significant increase in costs. In particular, the assets of the shipbuilding industry are threatened in the short term by the impacts of acute phenomena, which could nevertheless also have long-term impacts due, for example, to rising sea levels and could prevent the Company from carrying out its operations, thus threatening its products/ services with significant recovery costs. In the context of product development and construction, all decisions associated with the design process that are not in line with the Group's Environmental Policy and Eco-Sustainable Design principles may have a negative impact on the climate and on Fincantieri's reputation.	As part of the management of its processes, the Company has put a governance system in place to ensure adequate control and monitoring of the risks associated with them, also in relation to climate change. In particular, climate change risks are included in the risks assessed and managed as part of the Risk Management process by simultaneously pursuing various mitigation activities. As part of physical risk management, the Company has taken out specific insurance policies to protect its yards against economic damage from catastrophic events. To maintain leadership in the shipbuilding sector, Fincantieri pursues several innovative low-carbon solutions, with projects aimed at identifying new models of electrical and thermal power generation, as well as testing the use of new eco-friendly materials for fitting out cruise ships in line with eco-design principles. In line with the Environmental Policy, the Company also monitors its emissions and impacts directly, implementing mitigation strategies, including through investments in energy efficiency and the purchase of energy from renewable sources. With regard to reputational risks, the Group communicates its commitments, objectives and targets concerning the fight against climate change in a timely manner to all stakeholders in order to maintain a positive reputation, also in relation to climate.

Risks related to human resource management

DESCRIPTION OF RISK	IMPACT	MITIGATION
The Fincantieri Group has a vast accumulation of experience, know-how and business knowledge. As far as the workforce is concerned, the domestic labour market is not always able to satisfy the needs of production, either in terms of numbers or skills. The effective management of the Group's business is also linked to the ability to attract highly professional resources for key roles, and the ability to retain such talents within the Group. This involves suitable talent and resource management with a view to continuous improvement, achieved by investing in staff training and performance evaluation.	The inadequacy of the domestic labour market to meet the Group's needs, the inability to acquire the necessary skills and the failure to transfer specific knowledge to the Group's resources, have negative effects on product quality.	The Human Resources Department constantly monitors the labour market and maintains frequent contact with universities, vocational schools and training institutes. The Group also makes a significant investment in training its staff, not only in technical-specialist and managerial/relational skills, but also regarding safety and quality. Lastly, specific training activities are organized to ensure that key management positions are covered in the event of staff turnover. With regard to the subsidiary WARD, an internal reorganization has been carried out to assist the process of diversifying into new markets, with particular attention to the development of new concepts and alteration of production processes. At the same time, actions to recruit qualified labour have been launched in the Romanian shipyards to increase the technical and qualitative level of the workforce and achieve production efficiency in order to both support the parent company's production plan and guarantee better management of the other projects in the order book.

DESCRIPTION OF RISK	IMPACT
Human capital is an essential component of the Fincantieri Group's assets and must be protected and developed. A lack of human resources development strategy would not allow the implementation of processes to enhance this capital, guarantee respect for diversity and equal opportunities, protect human rights, and ensure the health and safety of the workers.	The aim of the Company is to combine business growth and financial soundness in line with social and environmental sustainability principles, and failure to achieve this goal could, in the long term, compromise growth of the Company's value, which benefits stakeholders.

MITIGATION
The Company has developed a sustainability governance system which defines the roles and responsibilities of these processes in order to ensure adequate monitoring and control. The risks related to sustainability are identified, assessed and managed within the context of the Enterprise Risk Management process, and the Company has adopted a Sustainability Plan and monitors its application. The initiatives launched are accurately reported in the Sustainability Report.



Risks related to legal and regulatory environment

DESCRIPTION OF RISK	IMPACT	MITIGATION
The Fincantieri Group must abide by the regulations in force in the countries where it operates, including those to safeguard the environment and health and safety at work, tax regulations and the personal data protection regulation. Any breaches of such rules and regulations could result in civil, tax, administrative or criminal sanctions, along with an obligation to do all that is necessary to comply with such regulations, the costs and liability for which could have a negative impact on the Group's business and results.	Any breaches of regulations on health and safety in the workplace, environmental protection or tax, as well as any changes in the local legal and regulatory framework, or the occurrence of exceptional or unforeseen events, could cause the Fincantieri Group to incur extraordinary costs relating to safety at work, environmental protection and tax. Any breaches of personal data protection regulations would result in the application of the sanctions introduced by EU Regulation 2016/679 regarding the protection of personal data.	The Group promotes compliance with all rules, regulations and laws that apply to it and implements and updates suitable prevention control systems for mitigating the risks associated with breach of such rules, regulations and laws. Accordingly, in order to prevent and manage the risk of occurrence of unlawful acts, the Parent Company has adopted an organizational, management and control model under Legislative Decree 231 of 8 June 2001, which is also binding for suppliers and, in general, for third parties working with Fincantieri. In particular, the Parent Company has applied the provisions of Legislative Decree 81/2008 - "Implementation of art. 1 of Law no. 123 dated 3 August 2007 concerning health and safety at work" (known as the "Health and Safety at Work Act"). Fincantieri has adopted suitable organizational models for preventing breach of these regulations, and sees that such models are reviewed and updated on an ongoing basis. In this context, reference is made to the protocols adopted in all production units to control and contain the risk of contagion in the COVID-19 epidemic, as provided for by the measures issued by the competent authorities.





Risks related to information access and operation of the computer system

DESCRIPTION OF RISK	IMPACT	MITIGATION
The Group's business could be adversely affected by: • inadequate management of the Group's sensitive data, due to ineffective protective measures, with unauthorized persons outside the Group able to access and use confidential information; • improper access to information, involving the risk of accidental or intentional alterations or cancellations by unauthorized persons; • IT infrastructure (hardware, networks, software) whose security and reliability are not guaranteed, resulting in possible disruption of the computer system or network or in illegal attempts to gain unauthorized access or breaches of its data security system, including coordinated attacks by groups of hackers.	Computer system failures, loss or corruption of data, including as a result of external attacks, inappropriate IT solutions for the needs of the business, or updates to IT solutions not in line with user needs, could affect the Group's operations by causing errors in the execution of operations, inefficiencies and procedural delays and other disruptions, affecting the Group's ability to complete on the market.	The Group considers it has taken all necessary steps to minimize and manage the possible emergence of these risks by applying the measures laid down for by the regulations in force and by drawing on best practice for its governance systems and continuously monitoring the management of its IT infrastructure and applications. Authority to access and operate on the computer system is managed and maintained to ensure proper segregation of duties, as enhanced with the adoption of a 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	IMPACT
The Group is exposed to exchange rate risk on transactions of a commercial and financial nature denominated in a currency other than the functional one (economic risk and transaction risk). In addition, translation risk can arise when preparing the Group's financial statements, through translation of the income statements and balance sheets of consolidated subsidiaries that operate in a currency other than the Euro (mainly NOK, USD and BRL).	The absence of adequate currency risk management could increase the volatility of the Group's economic results. In particular, if currencies in which shipbuilding contracts are denominated were to depreciate, this could have an adverse impact on the Group's profit margins and cash flow.

MITIGATION
Fincantieri has a policy for managing financial risks that defines instruments, responsibilities and reporting procedures, with which it mitigates currency market risks. With regard to currency translation risk, the Group constantly monitors its main exposures which are normally not subject to coverage. In the same way, the subsidiary VASO prepared a management policy that is based on the fundamental principles defined by the Parent Company, though with some differences due to the company's particular needs.

Risks related to financial debt

DESCRIPTION OF RISK	IMPACT	MITIGATION
Some of the loan agreements entered into by the Group require it or some of its companies to comply with conditions, commitments and constraints of a financial and legal nature (such as the occurrence of events of default, even potential ones, cross-default clauses and covenants), non-observance of which could lead to immediate repayment of the loans. In addition, future increases in interest rates could lead to higher costs and payments depending on the level of indebtedness outstanding at the time. Cash flows may be affected by the impact of the current negative economic and social scenario, with production and financial restructuring having an impact on planned receipts. The Group might not be able to access sufficient credit to properly finance its activities (such as in the case of particularly poor financial performance) or it might be able to access it only under particularly onerous terms and conditions.	In the event of having limited access to credit, including because of its financial performance or in the event of a rise in interest rates or of early repayment of debt, the Group could be forced to delay raising capital or to seek financial resources under more onerous terms and conditions, with negative effects on its results of operations and financial condition.	To ensure access to adequate types of finance in terms of amount and conditions, the Group constantly monitors the results of its operations and financial condition and its current and future capital and financial structure as well as any circumstances that could adversely affect them. In particular, to mitigate liquidity risk and guarantee a sufficient level of financial flexibility, the Group constantly maintains a buffer of available funding sources that is more than adequate for its expected future needs, even in the event of unfavourable cash scenarios, and diversifies its sources of funding in terms of duration, counterparty and technical form. Moreover, the Company can negotiate derivative contracts, usually in the form of interest rate swaps, in order to contain the impact of fluctuations of interest rates on the Group's medium-/long-term profitability.



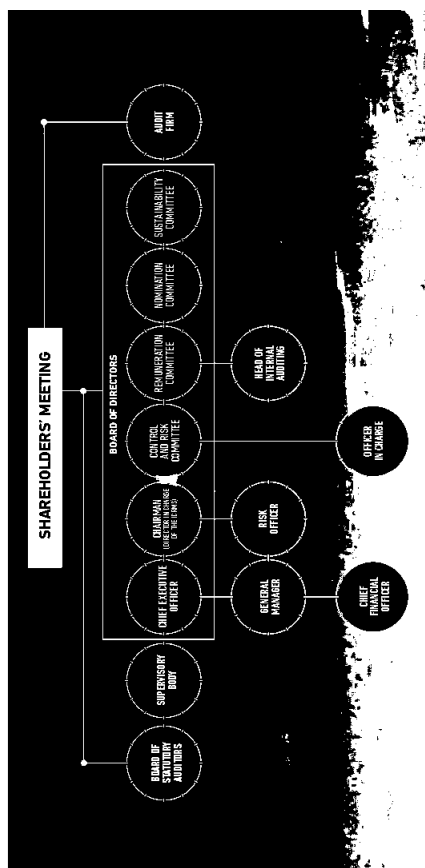
Corporate governance

The "Report on Corporate Governance and Ownership Structure" (the "Report") required by Art. 123-bis of the Consolidated Law on Finance is a stand-alone document approved by the Board of Directors on 25 February 2021, and published in the "Ethics and Governance" section of the Company's website at www.fincantieri.it.

The Report has been prepared in accordance with the recommendations of the Corporate Governance Code and modelled on the "Format" for the report on corporate governance and ownership structure - VIII Edition (January 2019)" drawn up by Borsa Italiana S.p.A.

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

The criteria for determining the compensation of the directors are set out in the "Report on the policy regarding remuneration and fees paid", prepared in compliance with the requirements of Art. 23-ter of Italy's Consolidated Law on Finance and Art. 84-quater of the Consob Issuer Regulations, and published in the "Ethics and Governance" section of the Company's website.



Other information

Stock performance

The performance of the stock in 2020 recorded a negative trend, falling from a price of euro 0.92 per share on 30 September 2019 to euro 0.35 per share on 30 December 2020. The FTSE MIB, the index comprising Italy's 40 largest stocks, fell by 5.4% over the same period, while the FTSE Mid Cap index, which includes Fincantieri, fell by 5.8%.

The share price fell sharply in the second half of February 2020, affected by the market volatility following the first news about the spread of the pandemic and then the Company's announcement that it would suspend its Italian operations from 16 March 2020. This decrease was recovered in early May with the announcement that the FFGX contract had been awarded to the US subsidiary FMM.

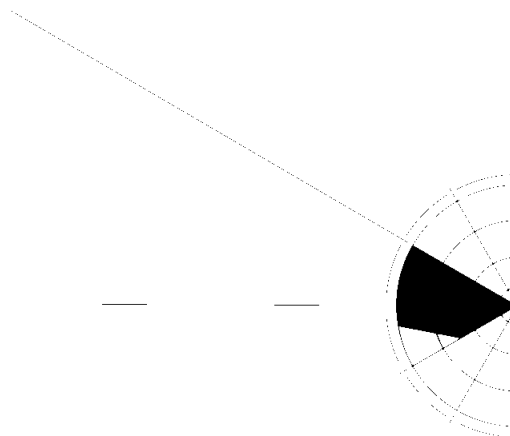
The downward trend in share prices with low trading volumes in 2020 was due to the continued suspension of cruise activities globally, the effect of which was only partially offset by the announcements of the efficacy of the COVID vaccines, which pushed global stock exchanges back up.

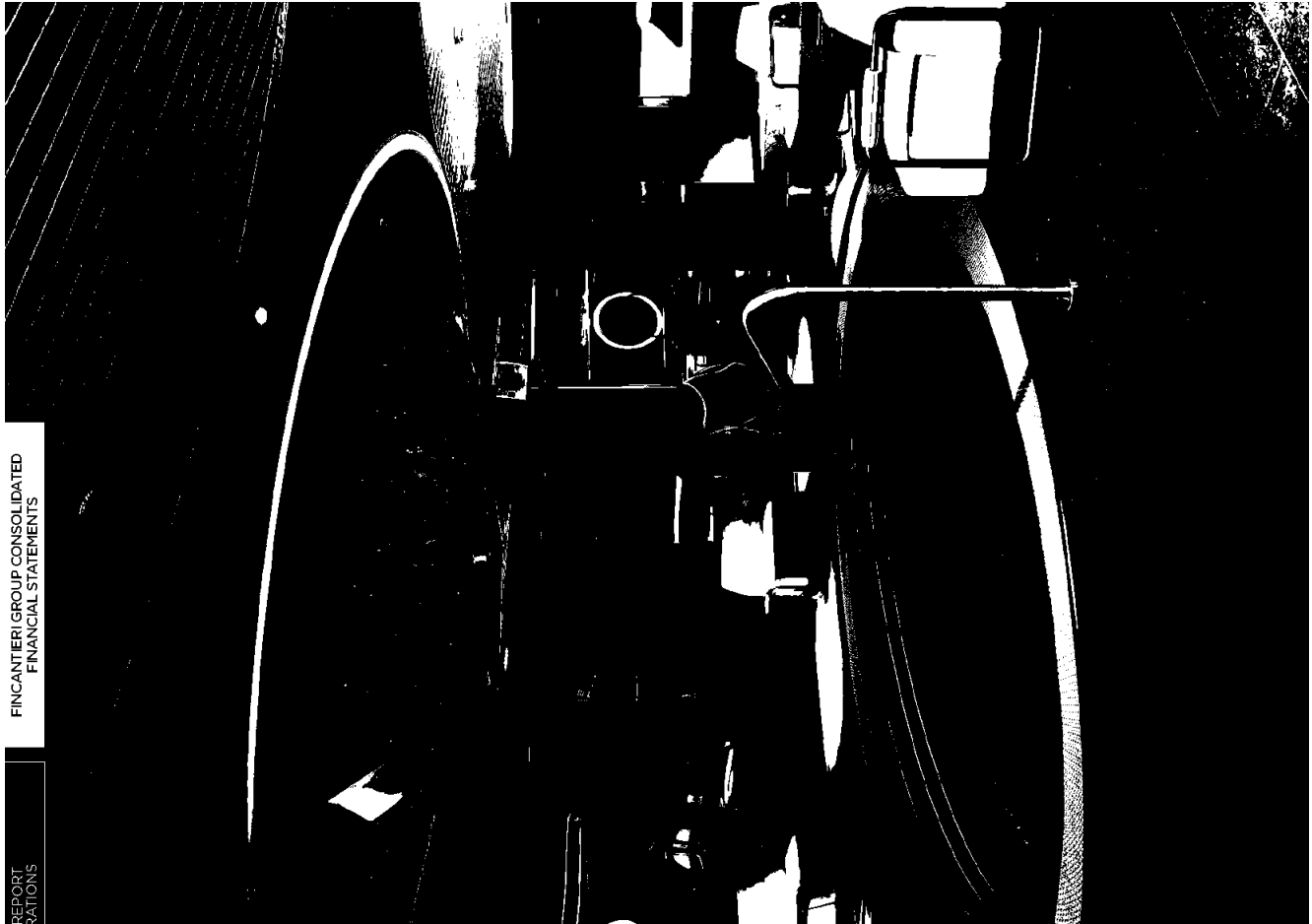
On 16 December 2020 and in the following days, the stock was significantly affected by a market rumour on a potential capital increase of FINCANTIERI S.p.A., first published on the Bloomberg platform and subsequently taken up by the major newspapers.

The average price of the stock during the year was euro 0.64 per share, with a peak value for the period of euro 0.92 recorded on 2 January. The stock closed the year, on 30 December 2020, with a price of euro 0.55 per share corresponding to a market capitalization of over euro 932 million.

In terms of volumes, a total of 942 billion shares were traded, with an average daily trading volume of around 3.7 million shares.

At 31 December 2020, Fincantieri's share capital of euro 862,980,725.70 was held as follows: 71.32% by CDP Industria S.p.A., 28.41% by the general market and 0.27% in own shares.





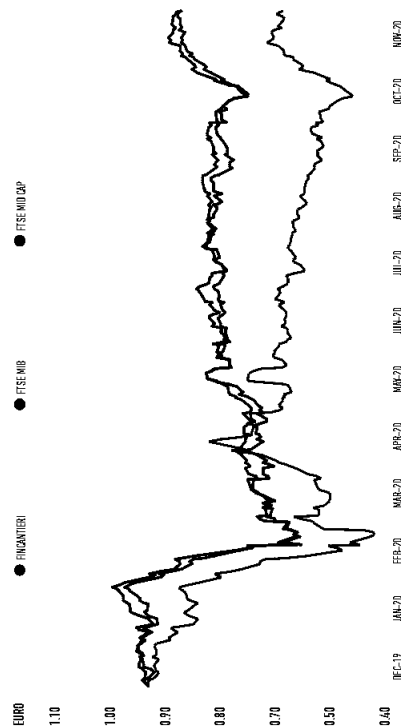
FINCANTERI GROUP CONSOLIDATED
FINANCIAL STATEMENTS

GROUP REPORT
ON OPERATIONS

THE FINCANTERI GROUP

KEY FIGURES	31.12.2020	31.12.2019
Share capital	euro 862,980,725.70	862,980,725.70
Ordinary shares issued	number 1,699,651,360	1,699,651,360
Own shares	number 4,540,441	7,226,303
Market capitalization *	euro/million 932	1,565
PERFORMANCE		
Price at year end	euro 0.55	0.92
Year high	euro 0.92	1.26
Year low	euro 0.42	0.83
Average price	euro 0.64	0.98

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





Other significant events in the period

JANUARY

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

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

FEBRUARY

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

MARCH

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

On **10 March 2020**, Fincantieri Infrastructure raised the new 100-meter maxi steel deck of the new San Giorgio bridge in Genoa. The deck, whose profile recalls the hull of a ship, as designed by Renzo Piano was transported across the Polcevera river.

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

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

APRIL

On **29 April 2020**, the last steel span of the bridge over the Polcevera river was positioned at height in Genoa before the Prime Minister, Giuseppe Conte, the Minister of Infrastructure and Transport, Paolo De Michelis, the Governor of the Liguria Region, Giovanni Toti and the Mayor of Genoa and Commissioner for Reconstruction, Marco Bucci.

MAY

On **5 May 2020**, as part of the agreement for the promotion and financing of teaching-experimental activities in the naval sector signed in November 2019 by the Chancellor of the University of Genoa, Paolo Comanducci, and Giuseppe Bono, CEO of the Fincantieri Group, the parties signed the agreements to launch four PhD projects, each lasting three years. The initiative envisages a total investment by Fincantieri of over euro 250,000 for the completion of the projects.

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

JUNE

On **3 June 2020**, the CEO of Eni, Claudio Descalzi, and the CEO of Fincantieri, Giuseppe Bono, signed a Memorandum of Understanding (MoU) that extends the Research and Development collaboration started between the two Italian companies in 2017. On **4 June 2020**, Navis, a 50/50 joint venture between Fincantieri and Naval Group, has signed its first R&T (Research and Technology) contract with OCCAR (European Organisation for Joint Armament Cooperation) for a program of 5 research projects, which will be the keystone for long-term cooperation between Fincantieri and Naval Group. Navis, as prime contractor, will coordinate the technical activities entrusted to the two companies and will have the intellectual property resulting from the research developed.

JULY

On **2 July 2020**, the Group, through its subsidiary Fincantieri NextTech, acquired a majority stake in Support Logistic Services S.r.l., a company based in Gudaonia (Montecarlo Terme), specializing in the construction, installation and maintenance of satellite communication systems, radar and radio communication systems, for naval and civil applications.

On **22 July 2020**, Navis signed a contract with OCCAR (European Organisation for Joint Armament Cooperation) regarding a feasibility study for the mid-life upgrade (MLU) of the four Horizon-class destroyers. Navis will work closely with its industrial partners Fincantieri, Naval Group, Leonardo, Thales, Eurosam, MBDA and Siget.

AUGUST

On **4 August 2020**, Fincantieri and Sapiem signed a Memorandum of Understanding to analyse the potential of developing the design and construction of the so-called "zero-depth" hulls, which are hulls designed to operate at depths of over 3,000 meters. This study is intended to provide a strategic collaboration to define sustainable feasibility, development and business opportunities in the design, engineering, construction and operation of DGM systems.

On **17 August 2020**, through its subsidiary Marine Interiors S.p.A., Fincantieri finalized the lease of the so-called naval branch of the company Metalagma Tunisia S.p.A. The historic company in the province of Milan is active in the design, construction and turnkey supply of curian walls, windows and doors, and high-tech glazing in the shipbuilding sector.

SEPTEMBER

On **7 September 2020**, Fincantieri won the national section, in the Global Companies category, of the Most Innovative Knowledge Enterprise (MKE) Award, one of the most prestigious awards in the field of business innovation. As representative of Italy, together with the other selected companies, the Group will participate in the global phase which will take place in London.

OCTOBER

On **16 October 2020**, Fincantieri, Grimaldi and ITS Logistica Puglia cooperated to set up a new educational program dedicated to a new professional figure for the naval industry, "Senior Technician for the production and installation of on-board engine systems".

On **21 October 2020**, Fincantieri, in close cooperation with the virology laboratory of the International Centre for Genetic Engineering and Biotechnology (ICGEB), has signed a Memorandum of Understanding (MoU) with the Indian Institute of Space Technology and Sciences (IIEST), which will significantly improve air quality and air cleaning on board cruise ships. As part of its commitment to the health and safety of its guests and crew, MSC Cruises was the first cruise company to install this new and advanced technology on board MSC Seashore, the first of two "Seaside Evo" class ships.

On **27 October 2020**, Fincantieri signed a Memorandum of Understanding (MoU) with Cochin Shipyard Limited (CSL), India's leading shipbuilder. With this agreement Fincantieri strengthens its presence in the country, giving further impetus to its longstanding relationship with the state-owned group CSL, which has shipyards on both the west and east Indian coasts.



On **10 November 2020**, dock work started at the Shanghai shipyard and the coin ceremony was held for the first cruise ship that Shanghai Waigaoqiao Shipbuilding Co. Ltd (SWSC), a subsidiary of China State Shipbuilding Corporation (CSSC), is building for CSSC Carnival Cruise Shipping Limited, the joint venture between Carnival Corporation and CSSC that will also operate the vessel.

On **13 November 2020**, Fincantieri announced that, through its subsidiary Fincantieri Infrastructure, it will take over INSO - Sistemi per le Infrastrutture Social S.p.A. and its subsidiary SOF, part of the Condotte Group, which has been in special administration since 2018. The transaction will be finalized after the Ministry of Economic Development has authorized the special administrators to sell the company's business units, which is expected in 2021.

On **18 November 2020**, the "Star Breeze" was delivered at Fincantieri's Palermo shipyard, the ship that launched the Star Plus Initiative lengthening and modernization plan of the shipowner Windstar Cruises, one of the main operators in the high-end cruise business.

On **24 November 2020**, Fincantieri signed a letter of intent (LoI) with the Ministry of Economic Development and Labour of the State of Yucatán (Mexico) to participate in the design and construction of a new shipyard for ship repair, conversion and maintenance. Fincantieri will receive a 40-year concession for the exclusive management of the new shipyard.

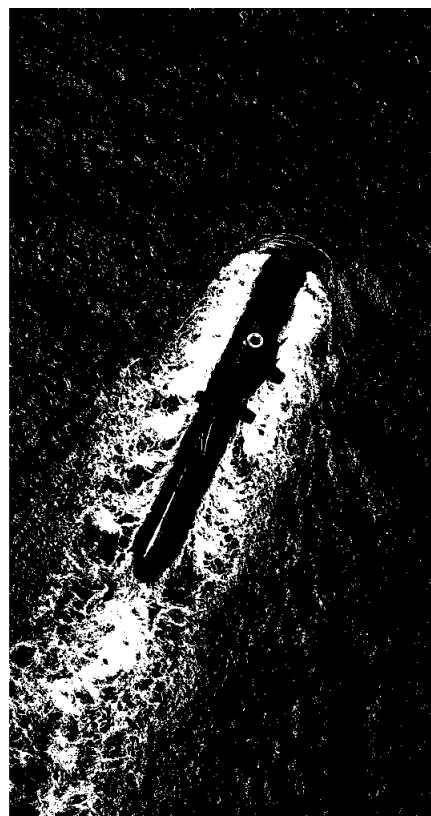
On **25 November 2020**, Fincantieri and Federpesca, Italy's largest fishing association, signed a Memorandum of Understanding (MoU) in Rome to promote the renewal of the Italian fishing fleet. The partnership, which is also open to other selected operators in the sector, will see Fincantieri in the role of project leader.

On **25 November 2020**, Fincantieri won the 2020 edition of the Oscar for Financial Statements, the award promoted and organized by FERPI (Federazione Relazioni Pubbliche Italiane, the Italian Public Relations Federation), which recognizes the companies most virtuous in their financial reporting and stakeholder relations and has always been a point of reference for the professional community in the economic-financial sector and in communication with the markets.



On **2 December 2020**, Fincantieri introduced a new family of thrusters, setting a new state of the art in terms of comfort, reliability, environmental sustainability and energy efficiency. The results of the hydrodynamic optimization have been validated and certified by a leading classification body; the study confirmed that Fincantieri's thrusters achieve the lowest vibration and noise levels available on the market, meeting the most stringent requirements. A new state-of-the-art system for closing the tunnel (thruster shutters) has been patented; it ensures a significant reduction in hull resistance, ensuring fuel savings of between 5% and 10%.

On **9 December 2020**, the independent non-profit organization for environmental reporting, formerly the Carbon Disclosure Project and today known as CDP, awarded Fincantieri an A- rating for the activities it carried out in the past year, up from the B rating in 2019. The award is based on the company's commitment to the state of measurement from 0 (minimum) to A (maximum), which affirms its leadership, also in the fight against climate change.



Key events after the reporting period ended 31.12.2020

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

On 3 February 2021, Fincantieri officially started its activities within the SEA Defence project, selected under the European Defence Development Programme (EDDIP 2019) and started last December. The EDDIP, forerunner of the European Defence Fund, aims to strengthen the European defense technological and industrial base and increasing the EU's technological leadership and strategic autonomy.

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

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

On 18 February 2021, VARD, one of the world's leading companies in the construction of specialized vessels, announced that it will design a cable repair vessel for the French company Orange Marine, leader in submarine telecommunications, which chose the Fincantieri subsidiary's design.

Business outlook

Owing to the current health emergency related to the COVID-19 outbreak, the overall economic environment has deteriorated significantly as a result of restrictions introduced by the governments of the countries involved.

These circumstances, which are exceptional in their nature and extent, have had and continue to have direct and indirect repercussions on economic activity in general and have created a situation of general uncertainty. However, thanks to the order book acquired and the financial resources available, the Company believes it can reasonably meet its obligations.

If there are no negative developments arising from the pandemic with currently unforeseeable repercussions, the Group expects to return to pre-COVID-19 growth levels by 2021 thanks to the development of the substantial backlog acquired. In this context, revenues in 2021 are expected to increase by 25%-30% compared to 2020 (excluding pass-through activities), confirming the growth paths outlined by the Group before the pandemic and a consequent improvement in margins which are expected to be around 7%. These results could enable a return to a sustainable dividend policy from 2022.

The Group also has a solid equity position with sufficient liquidity and credit lines to face the current situation and its foreseeable evolution in the medium term, also thanks to the new credit lines negotiated during the year, including one granted by a syndicate of national and international banks, for euro 1,150 million. This loan, with a duration of four years and two-year grace period, benefits from the SACE guarantee provided for by Decree Law no. 23 of 8 April 2020 ("Liquidity Decree").

The Net Financial Position is expected to increase during the first half of 2021, due to the financial dynamics typical of cruise ship construction, and reach, after the delivery of the ships (expected in the third quarter), the 2020 year-end value at 31 December 2021.

For the **Shipbuilding** segment, the volume of activity is expected to be significantly higher than the levels reached in 2020, due to both the return to full capacity in shipyard activities and the development of the significant backlog already acquired. In the cruise sector, during 2021, 5 ships are scheduled to be delivered by the Group's Italian shipyards (Silver Dawn, Viking Venus, HAL Rotterdam, MSC Seashore and Virgin Valiant



Lady) and 2 vessels in the luxury-niche segment by VARD's cruise division (Ponant Icebreaker and Hapag-Lloyd). In order to support the increase in volumes in this business area, the completion of **investments** to upgrade the Marghera and Monfalcone shipyards has been planned, as well as the greater integration of all the shipyards dedicated to cruise ship construction, both Italian and Romanian.

In the **naval vessels** business area, the volume of business is guaranteed by the development of existing programs. In particular, 5 ships are expected to be delivered by the Italian shipyards, in addition to 3 vessels being delivered in the Group's US shipyards. 2021 will see the start of operations for the FFG(X) programme for the US Navy, which will be accompanied by a significant **investment** program to upgrade the US shipyards.

In the **Offshore and Specialized Vessels** segment, in terms of commercial activities for 2021, orders are expected to be in line with those of 2020, with a strong focus on the main segments of the diversification strategy (offshore wind farms and fishing). In operational terms, it is expected that the construction activities related to the acquired backlog will continue, with the **delivery of 4 ships in 2021** and the continuous focus on execution aimed at recovering margins.

For the **Equipment, Systems and Services** segment, the following is expected:

- in the Services business area, the development of the backlog with contracts for the Italian Navy and the Qatari Ministry of Defence, as well as the completion of repair and conversion activities for the customer Windstar;
- in Complete Accommodation, a growth in volumes from the supply of cabins, wet units and public rooms, as well as the development of new businesses (windows and catering);
- for Electronics, Systems and Software, growth particularly in the business lines related to defence systems in the naval sector and in solutions for the monitoring and security of critical infrastructure;
- in the Energy business area, the consolidation of the supply of naval components and systems, which is strategic for the Group's activities in the cruise ship and naval sectors, as well as the supply of high-tech equipment for related sectors;
- for Infrastructure, growth of the volume of activity in the reference markets in line with the Group's expertise (large steel infrastructures, port modernization, dredging, integration of complex projects, as well as health infrastructures) and penetration of the international market.

In the medium-long term, the visibility achieved with the backlog acquired to date, which sees Fincantieri engaged in the execution of production programs until 2029, can be extended both thanks to the conversion of the substantial soft backlog into firm orders and through the business opportunities that will be seized in the areas where the Group is establishing its presence.

In addition to continuing its diversification strategy, the Group confirms its position as an innovative leader, increasing its technological capacity by developing cutting-edge solutions that anticipate the demands of the market for safer, greener and more competitive products. In operational terms, Fincantieri will further invest in the optimization of its industrial processes, increasing its competitiveness, enhancing efficiency and, at the same time, reducing production lead times.

The results achieved in such a challenging year as the one just ended provide concrete evidence of the effectiveness of the strategic choices made and indicate the Group's return to the projected growth path, with a view to returning to the margins expected in the development of the current order book.

Transactions with the controlling company and other group companies

In compliance with the provisions of the Regulations concerning related party transactions adopted under Consob Resolution no. 17221 of 12 March 2010 and subsequent amendments and additions, FINCANTIERI S.p.A. has adopted Rules for Related Party Transactions ("RPT Rules") with effect from 3 July 2014. Subsequently, on 3 December 2015,

the Company also adopted the "Management of Related Party Transactions" Procedure in order to describe and define the process, terms and operating procedures for the proper management of related party transactions.

As far as related party transactions in the year are concerned, these do not qualify as either atypical or unusual, since they fall within the normal course of business by the Group's companies. Such transactions are conducted under market terms and conditions, taking into account the characteristics of the goods and services involved. Information about related party transactions, including the disclosures required by the Consob Communication dated 28 July 2006, is presented in Note 33 of the Notes to the Condensed Consolidated Interim Financial Statements at 31 December 2020.

Purchase of own shares

The Shareholders' Meeting held on 9 June 2020 authorized the Board of Directors to purchase ordinary shares on the market for, among other things, the share incentive plans approved by the Company or by its subsidiaries. In consideration of the provisions of Decree Law No. 23 of 8 April 2020, the authorization to purchase own shares was requested for a period starting from 1 January 2021, or from the subsequent different date on which the prohibition laid down by the same Decree would have ceased, until 9 December 2021. At 31 December 2020, the own shares in portfolio amounted to 4,540,441 (equal to 0.27% of the Share Capital) for a total value of euro 4,473 thousand. No own shares were purchased during 2020.

Italian stockmarket regulations

Art. 15 of the Market Regulations (adopted by Consob Resolution no. 20249 of 28 December 2017) sets out the listing conditions for companies that control companies incorporated in and governed by the laws of non-EU countries. With reference to the regulatory requirements concerning the listing conditions for controlling companies, incorporated in and governed by the laws of non-EU countries, that are material to the consolidated financial statements, it is reported that at 31 December 2020, the Fincantieri subsidiaries falling under the scope of the above article are the VARD group and the FMG group. Suitable procedures have already been adopted to ensure that these groups comply with these regulations.

In accordance with the disclosures required by Consob Communication no. DEM/6064293 dated 28 July 2006, it is reported that no atypical and/or unusual transactions took place during 2020.

Sustainability report

Fincantieri Group's Sustainability Report 2020 was approved by the Board of Directors on 25 February 2021 and published on the Company's internet site at the address www.fincantieri.it in the Sustainability section.

Alternative performance measures

Fincantieri's management reviews the performance of the Group and its business segments, also using certain indicators not envisaged by IFRS. In particular, EBITDA, in the configuration monitored by the Group, is used as the main earnings indicator, as it enables the Group's underlying profitability to be assessed without the impact of volatility associated with non-recurring items or extraordinary items outside the ordinary course of business (see the reclassified consolidated income statement given in the section commenting on the Group's economic and financial results); the EBITDA configuration adopted by the Group may not be consistent with the configuration adopted by other companies.



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

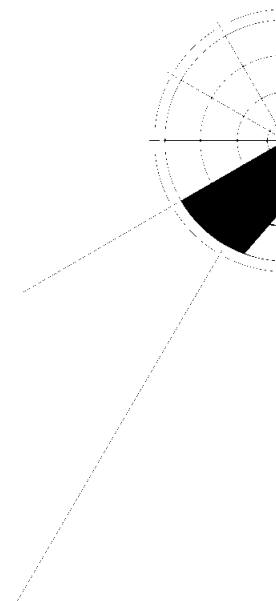
- EBITDA: this is equal to earnings before taxes, before finance income and costs, before income and expenses from investments and before depreciation, amortization and impairment, as reported in the financial statements, adjusted to exclude the following items:
 - provisions for costs and legal expenses associated with lawsuits brought by employees for asbestos-related damages;
 - costs related to the impacts deriving from the spread of COVID-19 mainly refer to the failure to absorb fixed production costs during the shutdown period, the impact of reduced efficiency resulting from the implementation of the preventive measures adopted, and the costs for sanitary aids and expenses to ensure employee health and safety;
 - costs relating to reorganization plans and non-recurring other personnel costs;
 - other extraordinary income and expenses.
- EBIT: this is equal to EBITDA after deducting recurring depreciation, amortization and impairment of a recurring nature (this excludes impairment of goodwill, intangible assets and property, plant and equipment recognized as a result of impairment tests).
- Adjusted profit/(loss) is equal to profit/(loss) for the year before adjustments for non-recurring items or those outside the ordinary course of business, which are reported before the related tax effect.
- Net fixed capital: this reports the fixed assets used in the business and includes the following items: Intangible assets, Rights of use, Property, plant and equipment, investments and Other non-current assets and liabilities (including the fair value of derivatives classified in non-current Financial assets and non-current Financial liabilities) net of Employee benefits.
- Net working capital: this is equal to capital employed in ordinary operations which includes inventories and advances, Construction contracts and client advances, Construction loans, Trade receivables, Trade payables, Provisions for risks and charges, and Other current assets and liabilities (including Income tax assets, Income tax liabilities, Deferred tax assets and Deferred tax liabilities, as well as the fair value of derivatives classified in current Financial assets and current Financial liabilities).
- Net invested capital: this is equal to the total of Net fixed capital, Net working capital and Net assets (liabilities) held for sale and discontinued operations.
- Net financial position monitored by the Group includes:
 - Net current cash/(debt): cash and cash equivalents, held-for-trading securities, current financial receivables, current bank debt (excluding construction loans), current portion of long-term loans and credit facilities, other current financial liabilities;
 - Net non-current cash/(debt): non-current financial receivables, non-current bank debt, bonds, other non-current financial liabilities.
- RO1: Return on Investment is calculated as the ratio between EBIT and the arithmetic mean of Net invested capital at the beginning and end of the reporting period.
- ROE: Return on equity is calculated as the ratio between Profit/(loss) for the period and the arithmetic mean of Total Equity at the beginning and end of the reporting period.
- Total debt/Total equity: this is calculated as the ratio between Total debt and Total equity.
- Net financial position/EBITDA: this is calculated as the ratio between the Net financial position, as monitored by the Group, and EBITDA.
- Net financial position/Total equity: this is calculated as the ratio between the Net financial position, as monitored by the Group, and Total equity.

- Revenue and income excluding pass-through activities: these exclude the portion of revenues that relates to sales contracts with pass-through activities and which have a contra-entry in the cost item; pass-through activities are those contracts for which the Group invoices the entire contractual amount to the end customer but does not directly manage the construction contract.
- Provisions: these refer to increases in the Provisions for risks and charges, and impairment of Trade receivables and Other non-current and current assets.

Reconciliation of parent company profit/(loss) for the year and equity with the consolidated figures

As required by the Consob Communication of 28 July 2006, the following table provides a reconciliation between equity and profit/(loss) for the year of the Parent Company FINCANTIERI S.p.A. with the consolidated figures (Group and non-controlling interests).

	31.12.2020		31.12.2019	
	Equity	Profit/(loss) for the year	Equity	Profit/(loss) for the year
Parent Company Financial Statements	1,634,815	963	1,629,648	151,352
Share of equity and net result of consolidated subsidiaries, net of carrying amount of the related investments	(840,909)	(81,440)	(768,732)	(276,087)
Consolidation adjustments for difference between purchase price and corresponding book value of equity	22,017	(7,242)	189,556	(25,888)
Reversal of dividends distributed by consolidated subsidiaries to the Parent Company		(81,688)		(11,256)
Joint ventures and associates accounted for using the equity method	11,978	(2,537)	13,116	(655)
Elimination of intercompany profits and losses and other consolidation adjustments	(110,899)	668,113	72,893	41,292
Exchange translation differences from line-by-line consolidation of foreign subsidiaries	(156,356)		(117,983)	
Equity and profit for the year attributable to owners of the parent	761,467	(240,058)	1,018,498	(141,242)
Non-controlling interests	15,100	(4,443)	31,351	(6,997)
Profit/(loss) for the year	776,567	(244,521)	1,049,849	(148,239)





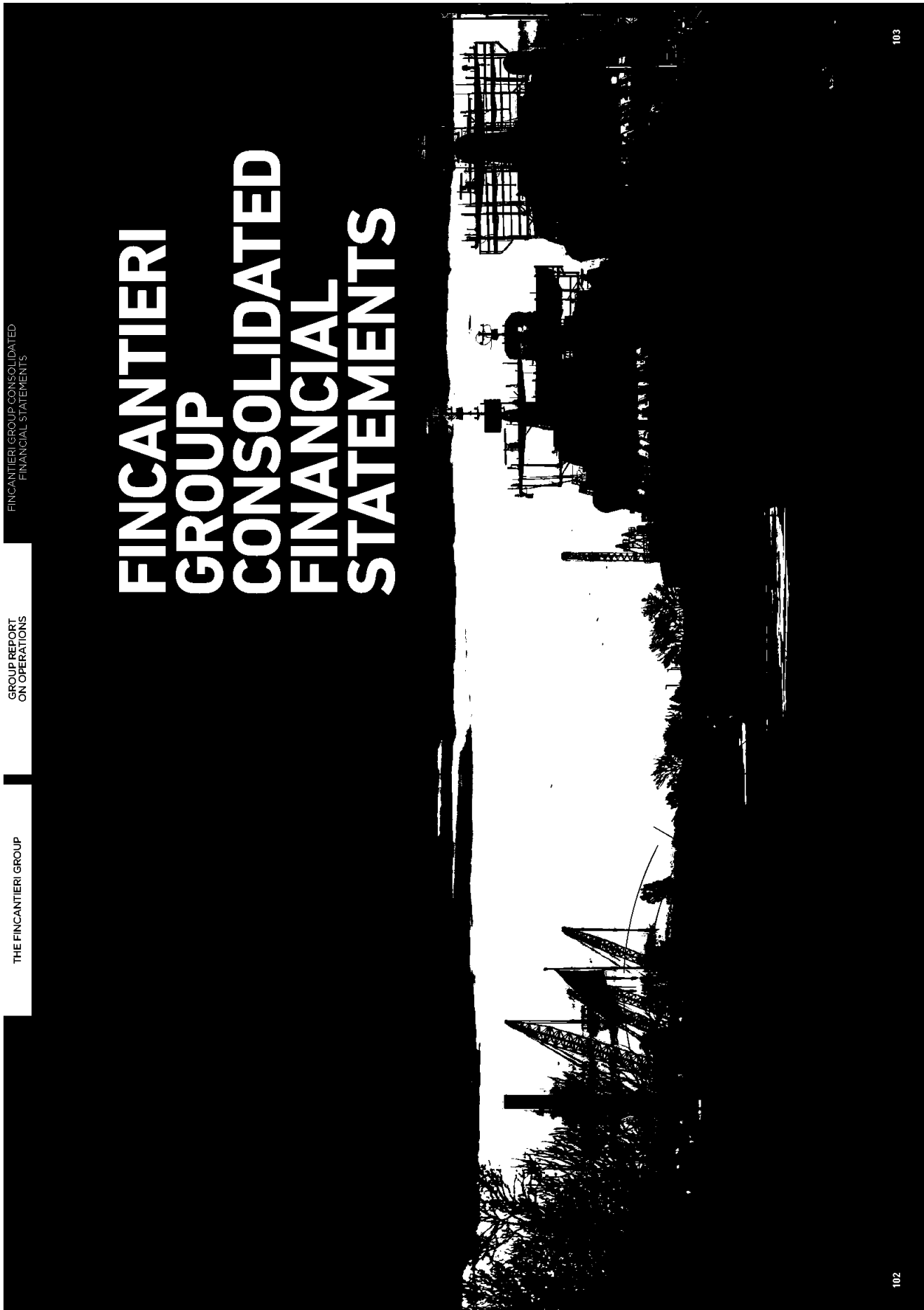
Reconciliation of the reclassified financial statements used in the report on operations with the mandatory IFRS statements

Consolidated income statement

(euro/million)	31.12.2020	31.12.2019
	Amounts in IFRS statement	Amounts in reclassified statement
A - Revenue	5,879	5,848
Operating revenue	5,782	5,775
Other revenue and income	97	74
B - Materials, services and other costs	(4,613)	(4,497)
Materials, services and other costs	(4,727)	(4,520)
Rect. to I - Extraordinary and non-recurring income and expenses	114	23
C - Personnel costs	(917)	(996)
Personnel costs	(987)	(1,000)
Rect. to I - Extraordinary and non-recurring income and expenses	70	4
D - Provisions	(35)	(36)
Provisions	(80)	(75)
Rect. to I - Extraordinary and non-recurring income and expenses	45	39
E - Depreciation, amortization and impairment	(166)	(167)
Depreciation, amortization and impairment	(166)	(168)
Rect. to I - Extraordinary and non-recurring income and expenses	20	1
F - Finance income/(costs)	(131)	(134)
Finance income/(costs)	(140)	(134)
Rect. to I - Extraordinary and non-recurring income and expenses	9	
G - Income/(expense) from investments	(13)	(3)
Income/(expense) from investments	(13)	(3)
Rect. to I - Extraordinary and non-recurring income and expenses		
H - Income taxes	(44)	(87)
Income taxes	9	(73)
Rect. L - Tax effect of extraordinary and non-recurring income and expenses	(65)	(14)
I - Extraordinary and non-recurring income and expenses	(258)	(67)
Rect. from B - Materials, services and other costs	(114)	(23)
Rect. from C - Personnel costs	(70)	(4)
Rect. from D - Provisions	(45)	(39)
Rect. from E - Depreciation, amortization and impairment	(20)	(1)
Rect. from F - Finance income/(costs)	(9)	
Rect. from G - Income/(expense) from investments		
L - Tax effect of extraordinary and non-recurring income and expenses	55	14
Rect. from H - Income taxes	55	14
M - Profit/(loss) for the year from continued operations	(245)	(126)
N - Net profit/(loss) from discontinued operations		(24)
Net profit/(loss) from discontinued operations		(24)
Profit/(loss) for the year	(245)	(148)

Consolidated statement of financial position

(euro/million)	31.12.2020	31.12.2019
	Amounts in IFRS statement	Amounts in reclassified statement
A - Intangible assets	629	654
Intangible assets		
B - Rights of use	85	90
Rights of use		
C - Property, plant and equipment	1,301	1,225
Property, plant and equipment		
D - Investments	105	75
Investments		
E - Other non-current assets and liabilities	(25)	(79)
Derivative assets	4	2
Other non-current assets	27	16
Other liabilities	(39)	(66)
Derivative liabilities	(17)	(31)
F - Employee benefits	(60)	(60)
Employee benefits		
G - Inventories and advances	881	828
Inventories and advances		
H - Construction contracts and client advances	1,963	1,415
Construction contracts - assets	3,124	2,698
Construction contracts - liabilities and client advances	(1,161)	(1,283)
I - Construction loans	(1,325)	(811)
Construction loans	(1,325)	(811)
L - Trade receivables	602	677
Trade receivables and other current assets	982	1,079
Rect. to O - Other assets	(380)	(402)
M - Trade payables	(2,341)	(2,270)
Trade payables and other current liabilities	(2,627)	(2,552)
Rect. to O - Other liabilities	266	282
N - Provisions for risks and charges	(73)	(89)
Provisions for risks and charges		
O - Other current assets and liabilities	111	125
Deferred tax assets	78	99
Income tax assets	12	9
Derivative assets	10	2
Rect. from L - Other current assets	380	402
Deferred tax liabilities	(51)	(54)
Income tax liabilities	(7)	(7)
Derivative liabilities and option fair value	(45)	(44)
Rect. from M - Other current liabilities	(266)	(282)
P - Net assets (liabilities) held for sale and discontinued operations	6	6
NET INVESTED CAPITAL	1,839	1,786
Q - Equity	777	1,050
R - Net financial position	1,062	736
SOURCES OF FUNDING	1,839	1,786



FINCANTIERI GROUP CONSOLIDATED
FINANCIAL STATEMENTS

GROUP REPORT
ON OPERATIONS

THE FINCANTIERI GROUP



Index

Fincantieri Group Consolidated Financial Statements		
Consolidated statement of financial position	106	Note 19 - Equity 177
Consolidated statement of comprehensive income	107	Note 20 - Provisions for risks and charges 181
Consolidated statement of changes in equity	108	Note 21 - Employee benefits 182
Consolidated statement of cash flows	109	Note 22 - Non-current financial liabilities 184
		Note 23 - Other non-current liabilities 188
		Note 24 - Construction contracts - liabilities 189
		Note 25 - Trade payables and other current liabilities 190
		Note 26 - Income tax liabilities 191
		Note 27 - Current financial liabilities 192
		Note 28 - Revenue and income 194
		Note 29 - Operating costs 195
		Note 30 - Finance income and costs 198
		Note 31 - Income and expense from investments 199
		Note 32 - Income taxes 200
		Note 33 - Other information 202
		Note 34 - Cash flows from operating activities 222
		Note 35 - Segment information 223
		Note 36 - Discontinued operations 227
		Note 37 - Acquisition of support logistic services 227
		Note 38 - Events after 31 December 2020 228
		Companies included in the scope of consolidation 230
		Management representation on the consolidated financial statements 236
		Report by the independent auditors 238
Notes to the Consolidated Financial Statements	111	
Note 1 - Form, contents and other general information	112	
Note 2 - Scope and basis of consolidation	116	
Note 3 - Accounting standards	121	
Note 4 - Financial risk management	137	
Note 5 - Sensitivity analysis	150	
Note 6 - Intangible assets	152	
Note 7 - Rights of use	156	
Note 8 - Property, plant and equipment	157	
Note 9 - Investments accounted for using the equity method and other investments	160	
Note 10 - Non-current financial assets	166	
Note 11 - Other non-current assets	167	
Note 12 - Deferred tax assets and liabilities	169	
Note 13 - Inventories and advances	171	
Note 14 - Construction contracts - assets	172	
Note 15 - Trade receivables and other current assets	173	
Note 16 - Income tax assets	175	
Note 17 - Current financial assets	176	
Note 18 - Cash and cash equivalents	176	



Consolidated statement of financial position

	Note	31.12.2020	of which related parties Note 33	31.12.2019	of which related parties Note 33
ASSETS					
Non-current assets					
Intangible assets	6	629,043		654,495	
Rights of use	7	85,165		89,617	
Property plant and equipment	8	1,301,024		1,225,030	
Investments accounted for using the equity method	9	76,590		55,772	
Other investments	9	26,179		19,594	
Financial assets	10	99,985	52,165	92,403	34,356
Other assets	11	24,941	628	17,523	
Deferred tax assets	12	77,963		99,021	
Total non-current assets		2,324,890		2,253,655	
Current assets					
Inventories and advances	13	881,499	214,215	827,946	186,484
Construction contracts - assets	14	3,124,554		2,697,714	
Trade receivables and other current assets	15	983,390	140,042	1,079,388	175,334
Income tax assets	16	11,901		8,621	
Financial assets	17	85,391	1,418	9,329	389
Cash and cash equivalents	18	1,274,442		381,790	
Total current assets		6,361,377		5,004,788	
Assets classified as held for sale and discontinued operations	36	5,785		6,141	
Total assets		8,692,052		7,264,584	
EQUITY AND LIABILITIES					
Equity					
Equity attributable to owners of the parent	19				
Share capital		862,981		862,981	
Reserves and retained earnings		(101,513)		155,517	
Total Equity attributable to owners of the parent		761,468		1,018,498	
Attributable to non-controlling interests		15,100		31,351	
Total Equity		776,568		1,049,849	
Non-current liabilities					
Provisions for risks and charges	20	58,268		70,682	
Employee benefits	21	59,675		60,044	
Financial liabilities	22	2,159,451	20,772	881,551	30,376
Other liabilities	23	30,251		28,576	
Deferred tax liabilities	10	90,527		54,349	
Total non-current liabilities		2,358,392		1,095,402	
Current liabilities					
Provisions for risks and charges	20	14,264		17,743	
Employee benefits	21	12		3	
Construction contracts - liabilities	24	1,161,160		1,282,713	
Trade payables and other current liabilities	25	2,628,981	309,956	2,553,701	117,812
Income tax liabilities	26	6,617		7,002	
Financial liabilities	27	1,746,058	111,339	1,258,171	11,695
Total current liabilities		5,557,092		5,119,333	
Liabilities directly associated with Assets classified as held for sale and discontinued operations	36	-		-	
Total equity and liabilities		8,692,052		7,264,584	

Consolidated statement of comprehensive income

	Note	2020	of which related parties Note 33	2019	of which related parties Note 33
Operating revenue	28	5,782,402	142,466	5,774,851	307,771
Other revenue and income	28	97,052	14,594	74,357	6,591
Materials services and other costs	29	(4,727,894)	(897,378)	(4,520,109)	(21,702)
Personnel costs	30	(986,259)		(1,001,395)	
Depreciation, amortization and impairment	29	(186,988)		(167,509)	
Provisions	29	(80,074)		(74,536)	
Finance income	30	71,488	770	52,599	303
Finance costs	30	(211,888)	(2,495)	(187,050)	(3,086)
Income/(expense) from investments	31	129		3	
Share of profit/(loss) of investments accounted for using the equity method	31	(11,888)		(3,168)	
Profit/(loss) for the year before taxes		(253,723)		(51,957)	
Income taxes	32	9,203		(71,955)	
Net profit/(loss) from continuing operations		(244,520)		(123,912)	
Net profit/(loss) from discontinued operations	36	(244,520)		(148,239)	
Profit/(loss) for the year (A)		(244,520)		(117,346)	
attributable to owners of the parent from continuing operations					
attributable to owners of the parent from discontinued operations					
attributable to non-controlling interests from continuing operations		(240,057)		(23,896)	
attributable to non-controlling interests from discontinued operations		(4,463)		(6,564)	
Net basic earnings/(loss) per share (euro)	33	(0.14173)		(0.08340)	
Net diluted earnings/(loss) per share (euro)	33	(0.14055)		(0.08317)	
Net basic earnings/(loss) per share from continuing operations (euro)	33	(0.14173)		(0.06945)	
Net diluted earnings/(loss) per share from continuing operations (euro)	33	(0.14055)		(0.06910)	
Other comprehensive income/(losses), net of tax (OC)					
Gains/(losses) from remeasurement of employee defined benefit plans	19-21	(464)		(2,053)	
Total gains/(losses) that will not be reclassified to profit or loss, net of tax	19	(464)		(2,053)	
- attributable to non-controlling interests		(1)		(2)	
Effective portion of gains/(losses) or cash flow hedging instruments	4-19	649		(25,615)	
Gains/(losses) arising from changes in OD of investments accounted for using the equity method	9				
Gains/(losses) arising from fair value measurement of securities and bonds at fair value through comprehensive income					
Exchange gains/(losses) arising on translation of foreign subsidiaries' financial statements	19	(30,887)		13,418	
Total gains/(losses) that may be subsequently reclassified to profit or loss, net of tax	19	(30,238)		(12,197)	
- attributable to non-controlling interests		(1,803)		395	
Total other comprehensive income/(losses), net of tax (B)	19	(30,702)		(14,250)	
- attributable to non-controlling interests		(1,804)		393	
Total comprehensive income/(loss) for the year (A) + (B)		(275,222)		(162,489)	
Attributable to owners of the parent		(268,955)		(155,685)	
Attributable to non-controlling interests		(6,267)		(6,604)	

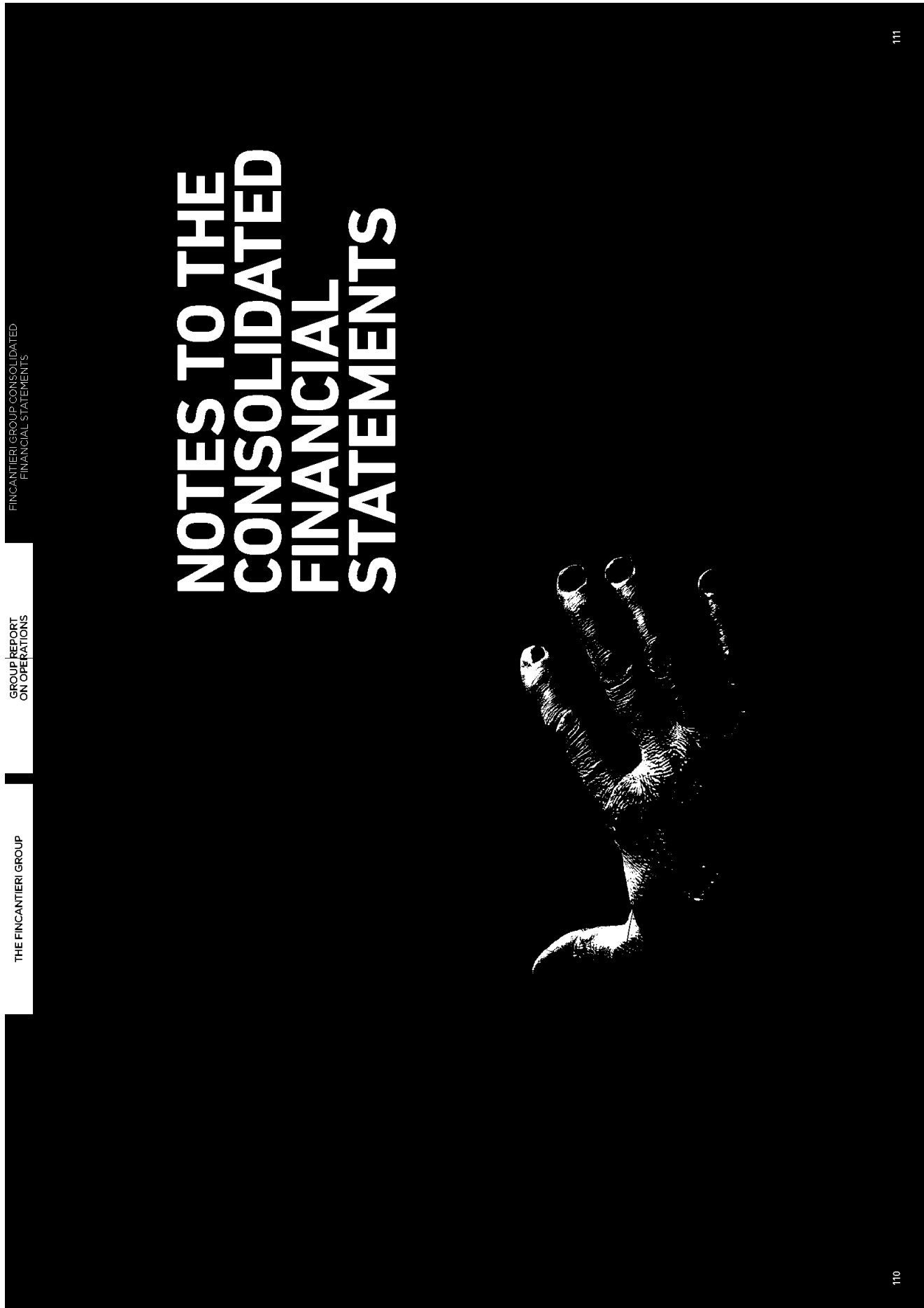


Consolidated statement of changes in equity

	Note	Share capital	Reserves, retained earnings and profit/loss	Equity attributable to non-controlling interests of the parent	Equity attributable to non-controlling interests	Total
1.1.2019	19	862,981	364,299	1,227,280	25,690	1,252,970
Business combinations					14,157	14,157
Share capital increase						
Share capital increase – non-controlling interests					159	159
Acquisition of non-controlling interests			(1,099)	(1,099)	564	(535)
Dividend distribution			(16,874)	(16,874)		(16,874)
Reserve for long-term incentive plan			2,190	2,190		2,190
Reserve for purchase of own shares			(1,841)	(1,841)		(1,841)
Put option on non-controlling interests			(34,915)	(34,915)	(2,425)	(37,341)
Other changes/roundings			(358)	(358)	10	(348)
Total transactions with owners			(52,897)	(52,897)	12,245	(40,639)
Net profit/(loss) for the year			(141,242)	(141,242)	(6,997)	(148,239)
OCI for the year			(14,643)	(14,643)	393	(14,250)
Total comprehensive income for the year			(155,885)	(155,885)	(6,604)	(162,489)
31.12.2019	19	862,981	155,517	1,018,498	31,351	1,049,849
Business combinations					481	481
Share capital increase – non-controlling interests					189	189
Acquisition of non-controlling interests			10,447	10,447	(10,668)	(221)
Dividend distribution						
Reserve for long-term incentive plan			4,067	4,067		4,067
Reserve for purchase of own shares			(2,328)	(2,328)		(2,328)
Put option on non-controlling interests			(351)	(351)	14	(337)
Other changes/roundings			11,925	11,925	(9,984)	1,941
Total transactions with owners			(240,057)	(240,057)	(4,463)	(244,520)
Net profit/(loss) for the year			(28,898)	(28,898)	(1,804)	(30,702)
OCI for the year			(268,955)	(268,955)	(6,247)	(275,222)
Total comprehensive income for the year			(299,853)	(299,853)	(8,051)	(307,904)
31.12.2020	19	862,981	(101,513)	761,468	15,100	776,546

Consolidated statement of cash flows

	Note	31.12.2020	31.12.2019
(euro/thousands)	34	120,485	240,444
Gross cash flows from operating activities			
Changes to working capital			
- inventories		(61,336)	58,906
- construction contracts and client advances		(66,538)	(494,193)
- trade receivables		63,988	94,104
- other current assets and liabilities		93,771	(39,981)
- other non-current assets and liabilities		(10,278)	4,373
- trade payables		103,673	396,990
Cash flows from working capital		(354,775)	280,623
Dividends paid		(16,874)	
Interest income received		4,880	10,373
Interest expense paid		(70,419)	(49,342)
Income taxes (paid)/collected		(36,557)	(61,550)
Utilization of provisions for risks and charges and for employee benefits	20-21	(86,522)	(118,723)
Net cash flows from operating activities		(563,393)	44,507
Continuing operations		(563,393)	44,507
Net cash flows from operating activities			
- Discontinued operations		(543,393)	(22,265)
Net cash flows from operating activities		(543,393)	22,242
- of which related parties		187,844	67,097
Investments in			
- intangible assets	6	233	
- property, plant and equipment	8	2,501	308
- equity investments	9	547	125
- change in other current financial receivables	33	(64,578)	18,657
Change in non-current financial receivables			
- disbursements	33	(2,166)	(31,142)
- repayments	33		275
Cash flows from investing activities		(376,018)	(322,412)
Change in non-current loans			
- disbursements	33	1,450,772	110,880
- repayments	33	(999)	(5,683)
Change in current bank loans and credit facilities			
- disbursements	33	3,290,829	2,033,211
- repayments	33	(2,976,182)	(1,989,044)
Change in current bonds/commercial papers			
- disbursements	33	1,245,200	1,152,400
- repayments	33	(1,220,000)	(1,308,401)
Change in other current financial liabilities			
- disbursements	33	259	188
- repayments	33		811
Change in receivables for trading financial instruments			
- disbursements	33		(30)
Change in payables for trading financial instruments			
- disbursements	33	(221)	(636)
Acquisition of non-controlling interests in subsidiaries			
Net capital contributions by non-controlling interests	33	189	159
Purchase of own shares	33		(3,495)
Cash flows from financing activities		1,820,255	4,277
- of which related parties			6,1974
Net cash flows for the year		900,844	(295,893)
Cash and cash equivalents at beginning of year	18	381,790	676,487
Effect of exchange rate changes on cash and cash equivalents		(7,992)	1,196
Cash and cash equivalents at end of year	18	1,274,642	381,790





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 31 December 2020, 71.32% of the Company's Share Capital of euro 862,980,725.70 was held by CDP Industria S.p.A.; the remainder of Share Capital was distributed between a number of private investors (none of whom held significant interests of 3% or above) and own shares (of around 0.27% of shares representing the Parent Company's share capital). It should be noted that 100% of the Share Capital of CDP Industria S.p.A. is owned by Cassa di Risparmio di Venezia S.p.A., hereinafter also referred to as "CDP", 82.8% of whose Share Capital is in turn owned by Italy's Ministry of Economy and Finance.

Furthermore, CDP, with registered office in via Gorko 4, Rome, prepares the consolidated financial statements of the Group to which the Company belongs and which are available on the website www.cdp.it in the "CDP Group" section.

Principal activities of the Group

The Group operates through the following three segments:

- Shipbuilding: encompassing the business areas cruise ships and expedition cruise vessels, naval vessels, ferries and mega yachts;
- Offshore and Specialized Vessels: encompassing the design and construction of high-end offshore support vessels, specialized ships, vessels for offshore wind farms and open ocean aquaculture, as well as the offer of innovative products in the field of drillships and semi-submersible drilling rigs;
- Equipment, Systems and Services: includes the following business areas i) Services, which includes ship repairs and conversions, logistic support, refitting, training and after-sales services, ii) Complete Accommodation, which includes the fitting out of cabins, public areas, catering, wet units and windows, iii) Electronics, Systems and Software, which focuses on advanced technological solutions, from the design and integration of complex systems (system integration) to telecommunications and critical infrastructure; iv) Energy, which includes the design and construction of energy generation and storage systems; and v) Infrastructure, which includes the design, construction and assembly of steel structures for large civil and maritime projects.

It should be noted that as from 2020 Vard Electro's activities were reallocated from the Offshore and Specialized Vessels segment to the Shipbuilding segment and the comparison data at 31 December 2019 were consequently restated.

Basis of preparation

The Consolidated Financial Statements of the Fincantieri Group have been prepared in compliance with IFRS, meaning all the International Financial Reporting Standards, all the International Accounting Standards ("IAS"), and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") previously known as the Standing Interpretations Committee ("SIC"), which, as at the reporting date of the Consolidated Financial Statements, had 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, and in compliance with Legislative Decree 38/2005 and Consob Communication no. 6064/293 dated 28 July 2006 concerning disclosures. The statutory audit of the Consolidated Financial Statements is the responsibility of Deloitte & Touche S.p.A., the firm appointed to perform the statutory audit of the separate financial statements of the Parent Company and its main subsidiaries.

The present Consolidated Financial Statements as at and for the year ended 31 December 2020 were approved by the Company's Board of Directors on 25 February 2021.

The IFRSs have been consistently applied to all the accounting periods presented in the current document. The Consolidated Financial Statements have been prepared on a going concern basis, since the Directors have verified that there are no financial, operating or other types of indicators that might cast significant doubt upon the Group's ability to meet its obligations in the foreseeable future and particularly within the 12 months from the end of the reporting period based on expected cash flows available at the date the financial statements are approved. In particular, it should be noted that the Group's financial capacity at 31 December 2020 makes it possible for the Group to support the financial requirements expected over the next 12 months. The Group's estimates and projections have been prepared taking into account the agreements defined to date with the shipowners, which, on the one hand, envisage the deferment of payment of part of the instalments due during construction of the cruise contracts and, on the other, the redefinition of the schedule of planned deliveries for 2021 as a result of the COVID-19 pandemic. The Consolidated Financial Statements have been prepared under the historical cost convention, except for those financial assets and financial liabilities for which fair value measurement is compulsory.

Accounting standards, amendments and interpretations applicable to financial years ended 31 December 2020

A brief description of the accounting standards, amendments and interpretations applicable to financial statements as at and for the year ended 31 December 2020 is provided below. The list excludes those standards, amendments and interpretations concerning matters not applicable to the Group.

Accounting standards, amendments and interpretations applicable with effect from 1 January 2020

On 29 March 2018, the IASB published an amendment to the "References to the Conceptual Framework in IFRS Standards". This document includes:

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

On 22 October 2018, the IASB published the document "Definition of a Business (Amendments to IFRS 3)", with the aim of identifying the principles according to which an acquisition concerns a business or a group of assets, which, as such, do not meet the definition of business provided by IFRS 3.

On 31 October 2018, the IASB published an amendment to IAS 1 and IAS 8 "Definition of Material (Amendments to IAS 1 and IAS 8)". The amendment changed the definition of "material information" and introduced the concept of "obscured information" alongside the concepts of omitted or incorrect information already present in the two standards, in order to establish whether or not to include information in the financial statements.

On 26 September 2019, the IASB published the "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform – Phase 1", which amend the hedge accounting requirements of IFRS 9 and IAS 39 in relation to the uncertainty arising from the (still ongoing) IBOR reform on future cash flows.

The adoption of these amendments has had no significant impact on the Consolidated Financial Statements.



Accounting standards, amendments and IFRS interpretations not yet applicable and not adopted early

At the time of drafting this document, the following new standards, amendments and interpretations have been issued but have not yet entered into force:

On 28 May 2020, the IASB published an amendment to IFRS 16 – Leases “COVID-19 related rent concessions” which gives lessees the possibility of not valuing changes to lease agreements related to COVID-19 that have led to a reduction in rent payments due by 30 June 2021, such as a modification to the lease agreement, by accounting for them directly in profit and loss. This amendment shall be effective for financial years beginning on or after 1 June 2020.

On 28 May 2020, the IASB published an amendment called “Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)”. The amendment extends the temporary exemption from applying IFRS 9 until 1 January 2023. The amendments will enter into force on 1 January 2021.

On 27 August 2020, the IASB published amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2, which supplement the requirements already issued in 2019 on the replacement of the benchmark interest rate as a result of the reform introduced previously. The amendments will be effective from 1 January 2021.

On 14 May 2020, the IASB published the following amendments:

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

All the amendments will enter into force on 1 January 2022.

On 18 May 2017, the IASB published the standard IFRS 17 – Insurance Contracts (and subsequently, on 28 June 2020, the Amendments to IFRS 17) which will replace IFRS 4 – Insurance Contracts. The standard will apply from 1 January 2023.

On 23 January 2020, the IASB published an amendment called “Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current”. The document aims to clarify how to classify debts and other short-term or long-term liabilities. The amendments will enter into force on 1 January 2023. Any impact of these new standards, amendments and interpretations is not material to the Group’s consolidated financial statements.

The list excludes those standards, amendments and interpretations concerning matters not applicable to the Group.

Presentation of financial statements

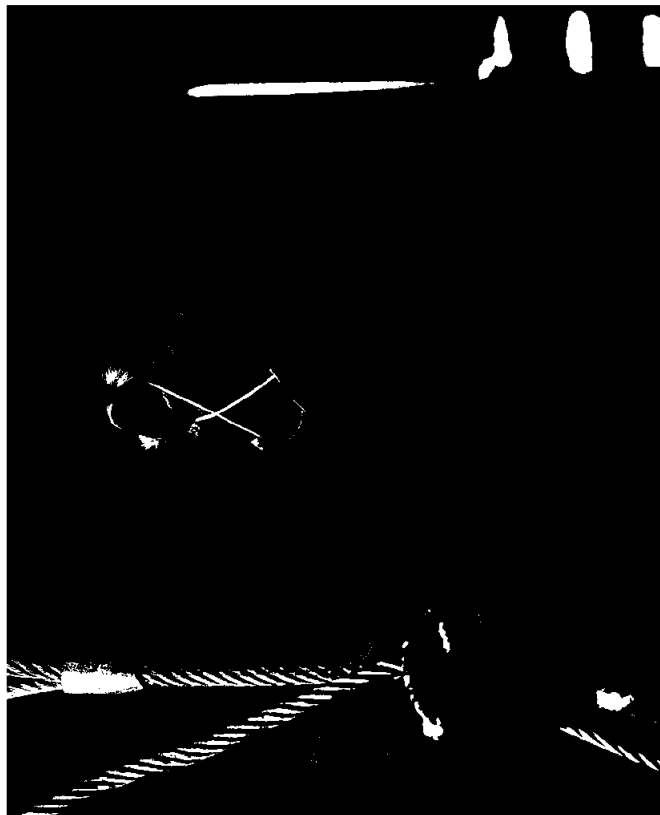
The Group presents its statement of financial position using a “non-current/current” distinction, its statement of comprehensive income using a classification based on the nature of expenses, and its statement of cash flows using the indirect method. It is also noted that the Group has applied Consob Resolution no. 15519 of 27 July 2006 concerning financial statement formats.

Presentation currency

These financial statements are presented in Euro which is the currency of the primary economic environment in which the Group operates. Foreign operations are included in the Consolidated Financial Statements in accordance with the principles set out in the following notes.

The Consolidated Financial Statements, like the accompanying notes, are presented in thousands of euro (euro/000).

If, in certain cases, amounts are required to be reported in a unit other than euro/000, the monetary unit of presentation is clearly specified.





Note 2 - Scope and basis of consolidation

Scope of consolidation

Appendix 1 presents a list of the companies included in the scope of consolidation, including information about the nature of their business, location of their registered offices, the countries in which they operate, amount of share capital, the interests held and the companies which hold them.

During 2020 the following companies were incorporated which are included in the scope of consolidation:

- On 10 January 2020, the Parent Company took part in the incorporation of a joint venture with **Naval Group, Naviris S.p.A.**, in which it holds a 50% stake. The new company, based in Genoa, mainly deals with the design, construction, sale and maintenance of ships and systems used in air and naval activities;
- On 16 January 2020, the Parent Company incorporated the company **E-PHORS S.p.A.**, in which it holds 100% of the Share Capital. The new company, based in Milan, will focus on IT security;
- On 2 July 2020, the Parent Company and the subsidiary **Fincantieri SI S.p.A.** established the joint venture **4TCC1 – S.c.a.r.l.**, in which they hold 5% and 75% of the Share Capital respectively. The company is based in Trieste and will be responsible for executing contracts in the ITER project;
- On 25 August 2020, the company **Vard Electro Canada Inc.** incorporated the company **Vard Electro US**, in which it holds 100% of the Share Capital;
- On 20 October 2020, **FINCANTIERI S.p.A.** incorporated **Fincantieri USA Holding Inc.**, in which it holds a 100% interest, of which 49% of the voting rights are held through **USA Marine Trust**, a legally recognized independent trust based in the state of Delaware (USA), which has **FINCANTIERI S.p.A.** as beneficiary. The new company is based in the United States of America and is a holding company to which some equity investments held by the Group have been transferred. This transaction had no impact on the perimeter of the Consolidated Financial Statements;
- On 11 December 2020, the subsidiary **Fincantieri Infrastructure S.p.A.** incorporated the company **Fincantieri Infrastructure USA, Inc.**, in which it holds a 100% shareholding. The company is based in Delaware and is a holding company;
- On 14 December 2020, the subsidiary **Fincantieri Infrastructure USA Inc.** incorporated the company **Fincantieri Infrastructure Wisconsin Inc.**, in which it holds a 100% shareholding. The new company, with registered office in Wisconsin, will focus on maritime and land infrastructure and construction works;
- On 18 December 2020, the subsidiary **Fincantieri Infrastructure S.p.A.** incorporated the company **Fincantieri Infrastructure SOciali S.r.l.**, in which it holds a 90% shareholding. The new company, with registered office in Rome, will focus on construction works.

The following main transactions should also be noted:

- On 28 January 2020, **Marine Interiors Cabins S.p.A.** sold its entire shareholding in **Marine Interiors S.p.A.** to **SEAF S.p.A.**. This transaction had no impact on the Consolidated Financial Statements;
- On 28 January 2020, the subsidiary **Vard Promar SA** acquired 49,50% of the Share Capital of the company **Estaleiro Quissama Ltda.** The remaining interest is held by **Vard Group AS**;
- On 21 April 2020, the subsidiary **Fincantieri Oil & Gas S.p.A.** acquired a further shareholding in **Arsenal S.r.l.**, bringing its shareholding to 100%. The impacts of this transaction are not significant;
- On 28 May 2020, **Vard Group AS** transferred its shareholding in **VBD2 AS** to the associate company **Island Offshore XII Ship AS** (see Note 8 and Note 9 for more details);

- On 29 July 2020, the subsidiary **Fincantieri Nextech S.p.A.** (formerly **Insis S.p.A.**) acquired a 60% shareholding in the company **S.L.S. - Support Logistic Services S.r.l.**, active in the design and implementation of electronic and telecommunications systems. The purchase price of the investment is euro 2.5 million. The impacts of this transaction are not significant;

- On 1 October 2020, **Vard Group AS** sold its entire shareholding in **Vard Offshore Brevik AS**;
- On 12 October 2020, **FINCANTIERI S.p.A.** acquired the entire shareholding held in **Fincantieri Nextech S.p.A.** (formerly **Insis S.p.A.**) by implementing the agreements with the previous shareholders. See Notes 22 and 27 for further details;
- On 20 October 2020, **FINCANTIERI S.p.A.** transferred 35% of its shareholding in the share capital of **Fincantieri USA Inc.** to the newly incorporated company **Fincantieri USA Holding Inc.**. The transaction had no impact on the Consolidated Financial Statements;
- On 30 November 2020, the subsidiary **Fincantieri Holding BV** sold its entire 100% shareholding in **Fincantieri Marine System North America Inc.** to the Parent Company. On the same date, the Parent Company transferred the same shareholding to the subsidiary **Fincantieri USA Inc.**. The transaction had no impact on the Consolidated Financial Statements;
- On 23 December 2020, the company **SEAF S.p.A.** sold its entire shareholding in **M.I. S.p.A.** and **Marine Interiors Cabins S.p.A.** to the company **Marine Interiors S.p.A.**. The transaction had no impact on the Consolidated Financial Statements;
- In 2020, **Fincantieri**, through the subsidiary **Fincantieri Oil & Gas**, acquired a further shareholding in the **VARD group**. As a result of these operations, the stake increased from 98,22% at 31 December 2019 to 98,30% at 31 December 2020.

With regard to movements in shareholdings in associates and joint ventures, accounted for using the equity method, the following transactions are reported:

- On 3 February 2020, **Vard Group AS** acquired a shareholding in the shipowner **Island Offshore XII Ship AS** of 18,03%. Subsequently, **Vard Group AS** carried out a capital increase in the company through the contribution of **VBD2 shares**, which increased the stake to 35,64%;
- On 14 February 2020, the joint venture **Naviris S.p.A.** incorporated the company **Naviris France SAS**, based in Ollioules, which will mainly deal with systems used in air and naval activities;
- On 14 September 2020, the company **Vard Group AS** sold its entire shareholding in the company **Taklift AS**;
- On 1 October 2020, the entire shareholding held in **AS Dameco** was sold as part of the transaction in which **Vard Group AS** sold its shareholding in **Vard Offshore Brevik AS**.

The Consolidated Financial Statements at 31 December 2020 have not been affected by any significant transactions or unusual events except as reported in the Notes.

Basis of consolidation

Subsidiaries

Consolidated financial statements incorporate the financial statements of all entities (subsidiaries) controlled by the Group.

The Group controls an entity (including structured entities) when it is exposed, or has rights, to variable returns from its involvement with this entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date that control is obtained until the date control ceases. Costs incurred during the acquisition process are expensed in the year incurred.

Assets and liabilities, income and expenses arising from transactions between companies included in the consolidation are eliminated in full; also eliminated are profits and losses arising from intragroup transfers of



fixed assets, profits and losses arising on the intragroup sale of assets that are still in inventory of the purchasing company, impairment and impairment reversals relating to investments in consolidated companies and intragroup dividends. The portion of capital and reserves attributable to non-controlling interests in consolidated subsidiaries and the portion of profit or loss for the year attributable to non-controlling interests are identified separately within the financial statements. Losses attributable to non-controlling interests that exceed the non-controlling interest in an investee's capital are allocated to equity attributable to non-controlling interests. Changes in a parent's ownership interest in a subsidiary that do not result in acquisition/loss of control are accounted for as equity transactions. The difference between the price paid and the share of net assets acquired is recorded against equity attributable to the parent as gains/losses arising on the sale of shares to non-controlling interests.

If the Group loses control of a subsidiary, it recalculates the fair value of the investment retained in the former subsidiary at the date control is lost, recognizing any difference in profit or loss as gains or losses attributable to the parent. This value will also correspond to the remaining investment's initial carrying amount classified as an investment in an associate or joint venture or as a financial asset. Lastly, the Group will account for all amounts previously recognized in other comprehensive income for that subsidiary, in the same way as if the parent had disposed of the related assets or liabilities directly. This may result in a reclassification of such gains or losses from equity to profit or loss.

Appropriate adjustments are made to the financial statements of subsidiaries to ensure conformity with the Group's accounting policies.

The reporting date of subsidiary companies is aligned with that of the Parent Company; where this is not the case, subsidiaries prepare specific financial statements for use by the Parent Company.

Associates

Associates are those entities over which the Group has significant influence, which is usually presumed to exist when it holds between 20% and 50% of the entity's voting power. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method described below.

The carrying amount of these investments reflects the Group's share of the associate's equity, adjusted, if necessary, to reflect the application of IFRSs, as well as the higher values attributed to assets and liabilities and any goodwill identified on acquisition. Appropriate adjustments are made to the financial statements of investments accounted for using the equity method to ensure conformity with the Group's accounting policies. The Group's share of profits or losses is recognized from the date significant influence is acquired until the date such influence ceases. If, as a result of losses, an associate reports negative equity, the carrying amount of the investment is reduced to zero and the Group recognizes a liability for the additional losses only to the extent that it has incurred legal or constructive obligations or made payments on behalf of the associate. Changes in the equity of investments accounted for using the equity method which are not represented by profits or losses reported through its income statement, are recognized as an adjustment to consolidated equity.

Unrealized profits and losses arising from transactions between associates accounted for using the equity method and the Parent Company or its subsidiaries are eliminated to the extent of the Group's interest in the associate; unrealized losses are eliminated unless they represent an impairment loss.

Joint arrangements

The Group applies IFRS 11 to classify investments in joint arrangements, distinguishing them between joint operations and joint ventures according to the contractual rights and obligations of each investor. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement, while a joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Interests in joint ventures are accounted for using the equity method, while in the case of joint operations, each party to the joint operation recognizes the specific assets to which it is entitled and the specific liabilities for

which it has obligations, including its share of any assets and liabilities held/incurred jointly, and its share of the revenue and expenses under the terms of the joint arrangement.

Appropriate adjustments are made to the financial statements of joint ventures to ensure conformity with the Group's accounting policies.

Translation of the financial statements of foreign operations

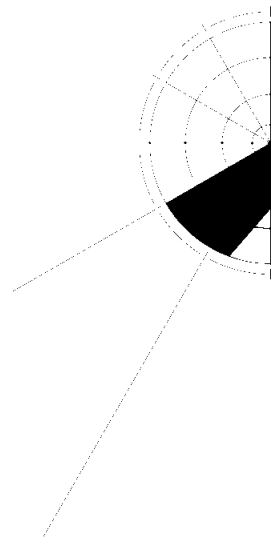
The financial statements of subsidiaries and associates are prepared in their "functional currency", being the currency of the primary economic environment in which they operate. For consolidation purposes, the financial statements of each foreign company are translated into Euro, which is the Group's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

The criteria for translating the financial statements of companies expressed in a currency other than the Euro are as follows:

- assets and liabilities are translated using the closing exchange rate at the year-end reporting date;
- income and expenses are translated using the average exchange rate for the reporting period/year;
- the "currency translation reserve" reports the differences arising on the income statement's translation at an average rate as opposed to a closing rate, as well as the differences arising on the translation of opening equity at a different rate to that applied to closing equity;
- goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated initially at the acquisition-date exchange rate and subsequently adjusted to the closing exchange rate.

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

	2020		2019	
	12-month average	Closing rate at 31-Dec	12-month average	Closing rate at 31-Dec
US Dollar (USD)	1.1422	1.2271	1.1195	1.1234
Australian Dollar (AUD)	1.6549	1.5896	1.6109	1.5995
UAE Dirham (AED)	4.1947	4.5065	4.1113	4.1257
Canadian Dollar (CAD)	1.5300	1.5633	1.4855	1.4598
Brazilian Real (BRL)	5.8943	6.3735	4.4134	4.5157
Norwegian Krone (NOK)	10.7228	10.4703	9.8511	9.8638
Indian Rupee (INR)	84.6392	89.6405	78.8361	80.1870
New Romanian Lei (RON)	4.8383	4.8683	4.7453	4.7830
Chinese Yuan (CNY)	7.8747	8.0275	7.7355	7.8205
Swedish Krona (SEK)	10.4646	10.0343	10.5891	10.4468





Business combinations

Business combinations under which the acquirer obtains control of the acquiree are accounted for in accordance with the provisions of IFRS 3 - Business Combinations, using the acquisition method. The cost of acquisition is represented by the acquisition-date fair value of the assets acquired, the liabilities assumed, and equity instruments issued. The identifiable assets acquired, and liabilities and contingent liabilities assumed are recognized at their acquisition-date fair values, except for deferred tax assets and liabilities, assets and liabilities for employee benefits and assets held for sale, which are recognized in accordance with the applicable accounting standards for these items. The difference between the cost of acquisition and the fair value of the assets and liabilities acquired is recognized, if positive, under intangible assets as goodwill or, if negative, after reassessing the correct measurement of the fair values of the assets and liabilities acquired and the cost of acquisition, it is recognized directly in profit or loss as income. Acquisition-related costs are accounted for as expenses in the period incurred.

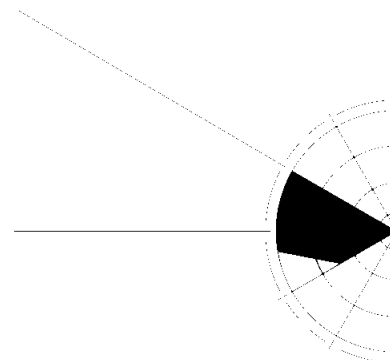
The cost of acquisition includes contingent consideration, recognized at its acquisition-date fair value. Subsequent changes in fair value are recognized in profit or loss or other comprehensive income if the contingent consideration is a financial asset or liability. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for directly in equity. If, in a business combination, control is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value and recognizes the resulting gain or loss in profit or loss.

Acquisitions of non-controlling interests in entities which are already controlled by the acquirer or disposals of non-controlling interests that do not involve a loss of control are treated as equity transactions; therefore, any difference between the cost of acquisition/disposal and the related share of net assets acquired/sold is accounted for as an adjustment to the Group's equity.

When controlling interests of less than 100% are acquired, only the portion of goodwill attributable to the Parent Company is recognized. The value of non-controlling equity interests is determined in proportion to the non-controlling interest in the acquiree's net identifiable assets. Acquisition-related costs are recognized in profit or loss on the date the services are received.

National tax consolidation

Since 2013, FINCANTIERI S.p.A., together with its subsidiaries Isotta Fraschini Motori S.p.A. and Fincantieri Oil & Gas S.p.A., have partaken in the tax regime governed by art. 117 et seq. of Presidential Decree 917/1986, namely National Tax Consolidation, headed up by Cassa Depositi e Prestiti S.p.A. The National Tax Consolidation agreement was renewed in 2019 for another three years until financial year 2021.



Note 3 - Accounting standards

1. Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance, that are controllable and able to generate future economic benefits. Such assets are carried at purchase cost and/or internal production cost, including expenses directly attributable to preparing assets for their intended use, less accumulated amortization and any accumulated impairment losses. Any borrowing costs incurred during and for the development of an intangible asset are capitalized as part of the asset's cost. Assets qualifying as "assets acquired in a business combination" are recognized separately only if their fair value can be measured reliably. Intangible assets are amortized unless they have an indefinite useful life. Amortization commences when the asset is available for use and is allocated on a systematic basis over its useful life. The criteria used to identify and determine any impairment losses for intangible assets can be found in paragraph 4. below.

1.1 Goodwill

Goodwill is not amortized but is tested annually for impairment, or whenever specific events or changed circumstances indicate that it might be impaired. It is not permitted to reverse a previously recognized impairment loss. After initial recognition, goodwill is carried at cost less any accumulated impairment losses. On loss of control of a subsidiary, the gain or loss on disposal takes into account the residual value of previously recognized goodwill.

1.2 Concessions, licenses, trademarks and similar rights

Concessions, licenses and similar rights, acquired in a business combination, are recognized at their acquisition-date fair values and systematically amortized over the shorter of their expected period of use and the length of the right's ownership.

Trademarks are considered to have an indefinite useful life and so are not amortized, but are tested annually for impairment, or whenever specific events or changed circumstances indicate that they might be impaired.

1.3 Client relationships and order backlog

Client relationships and order backlog are recognized only if acquired in a business combination.

Client relationships are amortized over the expected life of such relationships (10-20 years). The order backlog represents the expected residual value of orders existing at the acquisition date. This value is amortized on a straight-line basis over expected useful life.

1.4 Research and Development costs

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

- the development project is clearly identified and the related costs are identifiable and can be measured reliably;
- the technical feasibility of the project can be demonstrated;
- the intention to complete the project and sell the intangible assets generated can be demonstrated;
- a potential market exists for the intangible asset or, if it is used internally, the asset is of demonstrable utility;
- adequate technical and financial resources are available to complete the project.

Capitalized development costs are amortized over the period the expected future income from the project will arise. Useful life varies depending on the project and ranges from 5 to 10 years.



1.5 Industrial patents and intellectual property rights

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

1.6 Incremental costs to obtain contracts and fulfil contracts

The incremental costs to obtain the contract are the costs an entity incurs to obtain the contract with the customer that it would not have incurred if it had not obtained the contract (for example, a sales commission). As permitted by IFRS 15, these costs can be capitalized if they are expected to be recovered.

Costs to perform the contract are capitalized only if they meet all the following conditions: i) they are directly related to the contract or to a planned contract, which the company can specifically identify; ii) they allow the company to dispose of new or increased resources to be used to perform (or continue to perform) the contractual obligations; iii) they are expected to be recovered.

The asset recognized from the capitalization of the incremental costs to obtain contracts and to fulfil contracts is amortized systematically and in a manner corresponding to the transfer to the customer of the goods or services to which the asset refers.

2. Rights of use

The new accounting standard IFRS 16 "Leases" defines a standard form for recognising leasing contracts, eliminating the distinction between operating and financial leases, and providing for the recognition of an asset for the right to use the good and a liability for the lease. A contract is, or contains, a lease if, in return for consideration, it gives the right to control the use of a specified asset for a period of time.

Assets for the right to use leased assets are initially valued at cost, and subsequently depreciated over the term of the lease contract defined during the analysis, taking into account any extension or termination options that can reasonably be exercised. The cost of right to use assets includes the initially recognized value of the lease liability, the initial direct costs incurred, the estimate of any restoration costs to be incurred at the end of the contract and the advance payments relating to the lease made at the date of first transition net of any lease incentives received. The related liabilities for leased assets are initially measured at the present value of the payments due for the fixed lease payments to be made at the date of signing the lease agreement and for the exercise price of the purchase option and redemption option if reasonably exercisable, discounted using the interest rate implicit in the lease, if determinable, or the marginal lending rate at the date. Liabilities for leased assets are subsequently increased by the interest that accrues on these liabilities and decreased in correlation with the lease payments. Liabilities for leased assets are in any case restated to take account of changes in the payments due for the lease, adjusting the right of use asset for the same value. However, if the carrying amount of the asset underlying the right of use is zero and there is a further reduction in the valuation of the lease liability, that difference is recognized in profit or loss.

In the event of changes in the lease agreement, these changes are accounted for as a separate lease when rights of use are added to one or more underlying assets and the lease consideration increases by an amount that reflects the separate price for the increase in the asset leased. In relation to changes that are not accounted for as a separate lease, the lease liability is restated by discounting the lease payments due using a revised discount rate, based on the new lease term. These adjustments to liabilities are accounted for by making a corresponding change in the asset underlying the right of use, recording any gain or loss relating to the partial or total termination of the contract in the income statement.

No rights of use assets are recognized in relation to: i) short-term leases; ii) leases where the underlying asset is of low value. Payments due for these types of lease contracts are recognized as operating expenses on a straight-line basis.

The income statement recognizes, under operating costs, depreciation of right of use assets and, in the financial section, the interest payable accrued on the lease liability, if not capitalized. The income statement also includes: i) instalments relating to short-term leases of modest value, as allowed by IFRS 16 in a simplified manner; and ii) variable lease instalments, not included in the determination of the lease liability (e.g. instalments based on the use of the leased asset).

3. Property, plant and equipment

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

Assets under concession are stated at cost, including estimated dismantling and removal costs, arising as a consequence of contractual obligations to restore an asset to its original condition, less accumulated depreciation calculated over the shorter of the asset's estimated useful life and the term of the individual concessions.

Expenditure incurred after acquiring an asset and the cost of replacing certain parts is capitalized only if such expenditure increases the asset's future economic benefits. Routine repair and maintenance costs are recognized as expenses in the period incurred. If the costs of replacing certain parts of an asset are capitalized, the residual value of the parts replaced is charged to profit or loss.

Depreciation is charged on a straight-line basis so as to depreciate assets over their useful lives. If a depreciable asset consists of separately identifiable parts, whose useful lives differ significantly from other parts of that asset, each part is depreciated separately in accordance with the component approach. The Group has estimated the following useful lives for its various categories of property, plant and equipment:

CATEGORIES	USEFUL LIFE (years)
Industrial plant, machinery and equipment	33 - 47
- Industrial buildings and dry docks	7 - 25
- Plant and machinery	4 - 12
- Equipment	4 - 12
Assets under concession	Useful life or term of concession, if shorter
Leasehold improvements	Useful life or term of lease, if shorter
Other assets	4 - 33

Land is not depreciated. The residual values and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at least at every financial year-end.

The criteria used to identify and determine any impairment losses for property, plant and equipment can be found in paragraph 4 below.



4. Impairment of non-financial assets

Property, plant and equipment and intangible assets are reviewed at the end of each reporting period to identify any indication of impairment. If any such indication exists, the recoverable amount of such assets is estimated and if this is lower than the carrying amount, the difference is recognized in profit or loss as an impairment loss. Intangible assets with indefinite useful lives, such as goodwill, are not amortized but are tested annually for impairment, or more often, whenever there are signs that such assets might be impaired.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use, defined as the present value of the future cash flows expected to be derived from that asset. If an asset does not generate cash inflows that are largely independent of the cash inflows from other assets, its value in use is determined with reference to the cash-generating unit to which the asset belongs. When calculating an asset's value in use, its expected cash flows are discounted using a discount rate reflecting current market assessments of the time value of money for the period of investment and risks specific to that asset. Value in use is determined, net of tax, using a post-tax discount rate, since this method produces broadly similar values to those obtained by discounting pre-tax cash flows at a pre-tax discount rate. An impairment loss is recognized in profit or loss when an asset's carrying amount is higher than its recoverable amount. If the reasons for an impairment loss cease to exist, it may be reversed in whole or in part through profit or loss, except in the case of goodwill, whose impairment can never be reversed: if an impairment loss is reversed, the asset's new carrying amount may not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in the past.

5. Other investments

Investments in companies other than subsidiaries, associates and joint ventures (generally where the interest is less than 20%) are classified as financial assets carried at fair value, which normally corresponds, during first inclusion, to the amount of the operation inclusive of the transaction costs directly attributed to it. Subsequent changes in fair value are recognized in profit or loss (FVPL) or, if the option envisaged by the standard is exercised, in other comprehensive income (FVOCI) under the item "FVOCI reserve". For investments valued at FVOCI, impairment losses are not recorded in comprehensive income, neither are the accumulated profits or losses if the investment is sold. The dividends distributed by the investee are recorded in comprehensive income only when:

- the Group's right to receive the dividend matures;
- it is probable that the economic benefits arising from the dividend will flow to the Group;
- the amount of the dividend can be reliably measured.

6. Inventories and advances

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

The cost of production includes raw materials, direct labor costs and other costs of production (allocated on the basis of normal operating capacity). Borrowing costs are not included in the value of inventories.

Slow-moving and obsolete inventories are suitably written down to align their value with the net realizable amount.

7. Construction contracts

The assets and liabilities for construction contracts are recognized depending on the method for transferring control of the good or service to the customer. If control is transferred gradually as the good is built or the service is rendered, the assets are recognized with reference to the value of the agreed contractual consideration plus any grants available under specific laws which have reasonably accrued at the period-end reporting date, in accordance with the cost-to-cost method, taking into account the stage of completion of the contract and any expected risks. If, however, control is transferred at the moment of final delivery of the good or completion of all the services contracted, the assets are recognized at purchase cost.

If two or more contracts are concluded at the same time (or almost at the same time) with the same customer (or related parties of the customer), they are recorded as a single contract when they meet one or more of the following criteria: i) they were negotiated together for a single business purpose, ii) the contract prices are interdependent, or iii) the goods or services promised in the contract represent a single obligation to the customer.

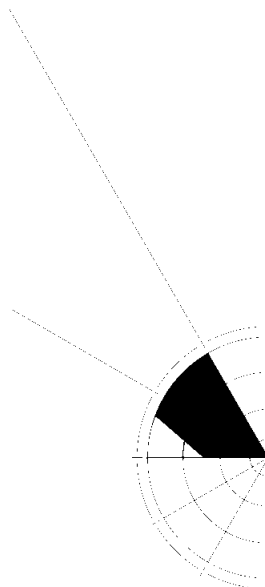
A contract is recognized as a single asset when it identifies a single contractual obligation, i.e. if the promise is to transfer one single good/service to the customer or a series of goods/services that are substantially the same are transferred to the customer over a period of time using the same methods. If different contractual obligations are identified in the contract, these are recognized as separate assets arising from the same contract with the customer. Contract changes are recognized as a new contract if those changes include new separate goods or services and the price of the contract change represents the stand-alone selling price charged for the additional assets and services, otherwise the additional asset is accounted for as a single contract together with the original contract. In particular, if the original contract i) provides for the construction of an additional asset at the option of the customer or ii) may be amended to include the construction of an additional asset and in both cases the price is closely interrelated to the original contract, the construction of the additional asset is treated as a combined part of the original contract.

The stage of completion is measured by calculating the proportion that contract costs incurred for work performed to the reporting date bear to the estimated total costs for each contract. If it is expected that the completion of a contract may give rise to a loss at the gross margin level, this is recognized in full in the period in which it becomes reasonably foreseeable.

Assets for construction contracts are reported as the costs incurred plus profit recognized to date, net of the related liabilities, i.e. the progress billings issued and any estimated future losses. The calculation is performed on a contract-by-contract basis. If the difference arising under this calculation is positive, it is classified as an asset under "Construction contracts – assets" and if it is negative, the difference is classified as a liability under "Construction contracts – liabilities".

Any borrowing costs incurred for specific bans during and for the development of construction contracts are treated as expenses of the specific job.

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





8. Financial liabilities

Financial liabilities, inclusive of loans and borrowings, trade payables, other payables and other liabilities, other than derivatives, are initially recognized at fair value and then measured at amortized cost, less repayments of principal already made.

Payables and other liabilities are classified as current liabilities, unless the Group has a contractual right to extinguish its obligations more than twelve months from the reporting date. Financial liabilities are derecognized when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires. For derivative liabilities, please refer to paragraph 9.5.

8.1 Reverse factoring

In order to ensure easier access to credit for its suppliers and given the importance of the supply chain to the shipbuilding industry, the Parent Company has entered into factoring agreements, typically in the technical form of reverse factoring. Based on these agreements, the supplier has the discretionary option to sell receivables due from the Parent Company or some subsidiaries to a finance company and receive the amount owed before the due date; in addition, the supplier also has the option to agree with the Parent Company to extend the due date beyond that shown in the invoice. Such further extensions can be either interest-bearing or non-interest bearing. In consideration of the fact that the object of the obligation corresponds to the supply of goods and services used in the normal operating cycle and that the sale of the receivable is agreed with the supplier, the Group has decided to classify payables referring to reverse factoring transactions in the item "Trade payables and other current liabilities", providing further details on these transactions in Notes 4 and 25.

9. Financial assets

The Group classifies financial assets according to the categories identified by IFRS 9:

- financial assets measured at amortized cost;
- financial assets measured at fair value through other comprehensive income (FVOCI);
- financial assets measured at fair value through profit or loss (FVTPL).

9.1 Financial assets measured at amortized cost

Financial assets are classified in this category if both of the following conditions are met: (i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. These mainly concern trade receivables and loans. Except for trade receivables, which do not contain a significant financial component, other receivables and loans are initially recognized at fair value. Trade receivables which do not contain a significant financial component are recognized at the price defined for that transaction (determined as per IFRS 15 Revenue from contracts with customers).

The assets belonging to this category are subsequently measured at amortized cost using the effective interest method. Impairment losses for these receivables is determined using a forward-looking approach with a three-step model: 1) recognition of expected credit losses that have had no increase in credit risk in the first 12 months since initial recognition of the asset; 2) recognition of lifetime expected credit losses at the moment the credit risk increased significantly since initial recognition of the asset; interest revenue is calculated on gross carrying amount; 3) recognition of further lifetime expected credit losses at the moment in which the loss occurred; interest revenue is calculated on the net carrying amount (the amortized cost is reviewed because the internal rate of return changes since the trigger event affects cash flows).

9.2 Financial assets measured at fair value through other comprehensive income (FVOCI)

Financial assets are classified in this category if both of the following conditions are met: (i) the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and (ii) the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. This category also includes equity instruments (investments in companies in which the Group exerts neither control nor considerable influence) for which the Group applies the option permitted by this standard to measure these instruments at fair value with an effect on overall profitability (see section 4 above).

These assets are initially recognized at fair value; in subsequent measurements, the value calculated during recognition is updated again and any changes in fair value are recognized in other comprehensive income. Any impairment losses, interest revenues and gains or losses from exchange rate differences are recorded in profit and loss.

9.3 Financial assets measured at fair value through profit or loss (FVTPL)

All financial assets that do not meet the conditions, in terms of business model or cash flow characteristics, for measurement at amortized cost or at fair value through other comprehensive income are classified in this category. These are mainly derivatives; this category includes listed and unlisted equity instruments that Group has not irrevocably decided to classify as FVOCI at initial recognition or during transition. The assets falling under this category are classified among current and non-current assets depending on their maturity and reported at fair value at the moment of their initial recognition. During subsequent measurement, the profits and losses arising from the fair value measurements are recorded in the consolidated income statement for the period in which they were recognized.

9.4 Impairment on financial assets measured at amortized cost

Impairment of financial assets measured at amortized cost is calculated on the basis of an expected credit loss model. According to this model, financial assets are classified as at step 1, step 2 or step 3 depending on their level of credit worthiness since initial recognition.

In particular:

- Stage 1: includes (i) newly acquired receivables, (ii) receivables that have not had a significant worsening of the credit risk since the initial recognition date and (iii) receivables with low credit risk.
- Stage 2: includes receivables that, while not non-performing, have had a significant worsening of the credit risk since the initial recognition date.
- Stage 3: includes non-performing receivables.

For receivables belonging to stage 1, impairments are equal to the expected credit loss calculated over a period of up to one year. For receivables belonging to stages 2 or 3, impairments are equal to the expected credit loss calculated over the entire duration of the exposure.

The criteria for determining impairment on receivables are based on discounting the expected cash flows for the principal and the interest. To calculate the current value of flows, the essential elements are those identifying the estimated receipts, the related receipt dates and the discounting rate to be applied. In particular, the loss is the difference between the recognition value and the current value of the estimated cash flows, discounted at the original interest rate of the financial asset.

These assets are classified as current assets, except for the portion falling due after more than 12 months, which is included in non-current assets.



9.5 Derivatives

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

Derivative instruments are initially recognized at fair value on the derivative contract's inception date. Following initial recognition, changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognized as an operating or financial component of the income statement according to the nature of the instrument. If derivative instruments do qualify for hedge accounting, any subsequent changes in their fair value are treated in accordance with the specific rules of the IFRS 9 set out below. For each derivative financial instrument designated as a hedging instrument, the Group must formally document the relationship between hedging instruments and hedged items, as well as its risk management objectives, hedging strategy and verifying hedge effectiveness. The effectiveness of each hedge must be assessed, both at hedge inception and on an ongoing basis. A hedging transaction is usually regarded as highly "effective" if, at inception and during its life, the change in the hedged item's fair value, in the case of fair value hedges, and in the expected future cash flows, in the case of cash flow hedges, substantially offsets the change in fair value of the hedging instrument.

Changes in the fair value of derivative assets or liabilities that qualify as fair value hedges are recognized in profit or loss, along with any changes in the fair value of the hedged item.

In the case of cash flow hedges intended to offset the cash flow risks relating to a highly probable forecast transaction, fair value changes after initial recognition in the effective portion of the derivative hedging instrument are recognized in "Other comprehensive income" and included in a separate equity reserve. Amounts recognized through other comprehensive income are reclassified from equity to profit or loss, among the operating items, in the same period that the hedged forecast cash flows affect profit or loss. If the hedge is not perfectly effective, the fair value change in the ineffective portion of the hedging instrument is immediately recognized in profit or loss. If, during the life of a derivative hedging instrument, the expected transaction for which hedging was made is no longer expected to occur, the portion of the "reserves" relating to this instrument is immediately reclassified to profit or loss for the period. Conversely, if the derivative instrument is sold or no longer qualifies as an effective hedge, the portion of the "reserves" representing changes in the instrument's fair value recognized up until then through other comprehensive income remains separately in equity until the hedged forecast transaction occurs, at which point it is reclassified to profit or loss. The fair value of financial instruments quoted on public markets is determined with reference to quoted prices at the end of the period. The fair value of unquoted instruments is measured with reference to financial valuation techniques: in particular, the fair value of interest rate swaps is measured by discounting the expected future cash flows, while the fair value of foreign currency forwards is determined on the basis of market exchange rates at the reporting date and the rate differentials expected between the currencies concerned.

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

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

Financial assets are derecognized when the rights to receive cash flows from the financial asset expire and the company has transferred substantially all the risks and rewards of ownership and the related control of the financial asset.

10. Grants from government and other public entities

Government grants are recognized in the financial statements when there is reasonable assurance that the recipient will comply with the conditions attaching to them and that the grants will be received.

10.1 Capital grants

Government grants related to property, plant and equipment are classified as deferred income under non-current "Other liabilities". This deferred income is then recognized as income in profit or loss on a straight-line basis over the useful life of the asset for which the grant was received.

10.2 Grants related to income

Grants other than those related to assets are credited to profit or loss as "Other revenue and income".

11. Cash and cash equivalents

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

12. Employee benefits

Post-employment benefits are defined on the basis of formal and informal arrangements which, depending on their characteristics, are classified as "defined contribution" plans and "defined benefit" plans. In defined contribution plans, the employer's obligation is limited to the payment of contributions to the state or to a trust or separate legal entity (fund) and is determined on the basis of the contributions due.

Liabilities for defined benefit plans, net of any plan assets, are determined using actuarial techniques and are recognized on an accrual basis over the period of employment needed to obtain the benefits.

Defined benefit plans include the employee severance benefit, payable to employees of the Group's Italian companies under article 2120 of the Italian Civil Code, that accrued before the reform of this benefit in 2007.

The amount recognized in the financial statements is calculated on an actuarial basis using the projected unit credit method; the discount rate used by this method to calculate the present value of the defined benefit obligation reflects the market yield on bonds with the same maturity as that expected for the obligation. The calculation relates to the employee severance benefit already accrued for past service and, in the case of Italian subsidiaries with less than 50 employees, incorporates assumptions concerning future salary levels. Further to the reform of employee severance benefit under Italian Law 296 dated 27 December 2006, the actuarial assumptions no longer need to consider future salary levels for Italian subsidiaries with more than 50 employees. Any actuarial gains and losses are recorded in the "Valuation reserves" forming part of equity and immediately recognized in the statement of comprehensive income.

For Italian employee severance benefits that have accrued after 1 January 2007 (which are treated like defined contribution plans), the employer's obligation is limited to the payment of contributions to the state or to a trust or separate legal entity (fund) and is determined on the basis of the contributions due. There are no additional obligations for the Company to pay further amounts.



GROUP REPORT
ON OPERATIONS

FINCANTIER GROUP CONSOLIDATED
FINANCIAL STATEMENTS

THE FINCANTIER GROUP

13. Share-based incentive plans

Medium/long-term share-based incentive plans are a component of remuneration for the beneficiaries; therefore, for plans that entail remuneration in equity instruments, the cost is represented by the fair value of these instruments at the grant date and is recognized in "Personnel costs", over the period between the grant date and the maturity date, against a specially created Equity reserve. Changes in fair value after the grant date have no effect on the initial value. The estimate of the number of rights that will mature until expiry is updated at the end of each period. The change in the estimate is reflected in the adjustment of the Equity reserve for the share incentive plan, against "Personnel costs".

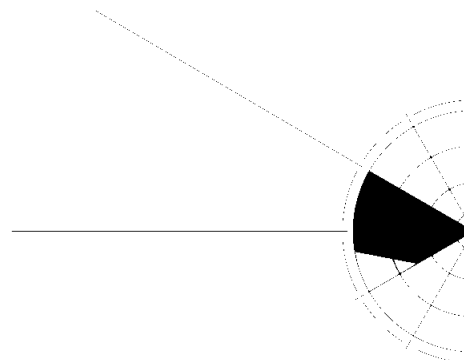
14. Provisions for risks and charges

Provisions for risks and charges relate to costs and expenses of a specific nature of certain or probable existence, but whose timing or amount are uncertain as at the reporting date. Provisions are recognized when: i) a present legal or constructive obligation is likely to exist as a result of a past event; ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; iii) the amount of the obligation can be estimated reliably.

The amount recognized as a provision is the best estimate of the amount that an entity would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that time; provisions for onerous contracts are recognized at the lower of the cost required to settle the obligation, net of the expected economic benefits arising from the contract, and the cost of terminating the contract.

Where the effect of the time value of money is material and the obligation settlement date can be estimated reliably, the amount of the provision is determined by discounting the expected cash outflows to present value using the average rate on company debt that takes account of the risks specific to the obligation; any increase in the amount of a provision due to the effect of the time value of money is recognized in the income statement under "Finance costs".

Contingent liabilities, meaning those relating to obligations that are only possible, are not recognized but are disclosed in the section of the notes to the financial statements reporting commitments and risks.





15. Revenue, dividends, finance income and costs

Revenue from contracts with customers are recognized based on the time control of the goods and/or services is transferred to the customer. If control is transferred gradually as the good is built or the service is rendered, revenues are recognized over time, i.e. as the activities gradually progress. If, however, control is not transferred gradually as the good is built or the service rendered, revenues are recognized at a point in time, i.e. at the moment of final delivery of the good or completion of service provision. The Group has chosen to measure the percentage of completion of the contracts over time using the cost-to-cost method. When it is probable that total lifetime contract costs will exceed total lifetime contract revenue, the expected loss is immediately recognized as an expense in the income statement.

Revenue earned up to the reporting date from contracts denominated in a currency other than the functional currency is translated into the functional currency using: i) the hedged exchange rate (if currency risk has been hedged - see Section 9.5 above) or ii) in the absence of hedging transactions, the actual exchange rate used for the part of the contract already billed and the period-end rate for the part still to be billed. Retentions or other amounts which can be contractually reclaimed by customers are not recognized until any post-delivery obligations have been fully satisfied. Dividends received from investee companies not consolidated on a line-by-line basis and with the equity method, are recognized in profit or loss when:

- the Group's right to receive the dividend matures;
- it is probable that the economic benefits arising from the dividend will flow to the Group;
- the amount of the dividend can be reliably measured.

Finance income and costs are recognized in profit or loss in the period in which they accrue. Finance costs include the interests on the extension which are recognised based on the use of reverse factoring agreements.

16. Income taxes

Income taxes represent the sum of current and deferred taxes.

Current income taxes are calculated on taxable profit for the year, using tax rates that apply at the end of the reporting period.

Deferred income taxes are income taxes that are expected to be paid or recovered on temporary differences between the carrying amount of assets and liabilities and their tax bases. Deferred tax liabilities are usually recognized for all taxable temporary differences, while deferred tax assets, including those for carry forward tax losses, are recognized to the extent it is probable that taxable profit will be available against which the temporary differences can be recovered. No deferred tax liabilities are recognized for temporary differences relating to goodwill.

Deferred tax liabilities are recognized on taxable temporary differences relating to investments in subsidiaries, associates and joint ventures, except in cases when both the following conditions apply: *i)* the Group is able to control the timing of the reversal of such temporary differences and *ii)* the temporary differences are unlikely to reverse in the foreseeable future.

Deferred income taxes are determined using tax rates that are expected to apply to the period when the related differences are realized or settled.

Current and deferred income taxes are recognized in profit or loss with the exception of taxes relating to items which are directly debited or credited to equity, in which case the tax effect is also recognized directly in equity. Deferred tax assets and liabilities are offset if, and only if, income tax is levied by the same taxation authority, there is a legally enforceable right of offset and the outstanding net balance is expected to be settled.

Taxes not related to income (levies), such as property tax, are reported in "Other costs".

17. Earnings per share

17.1 Basic earnings per share

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

17.2 Diluted earnings per share

Diluted earnings per ordinary share are calculated by dividing profit or loss attributable to owners of the Parent Company by the weighted average number of ordinary shares outstanding during the period, excluding own shares, and adjusting to take account of the number of potential shares that could be issued.

18. Own shares

Own shares are recognized as a reduction of Equity. The original cost of the own shares and the income arising from sale at a later date are shown as movements in Equity.

19. Subjective accounting estimates and judgements

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

Below is a brief description of the items, with regard to the Fincantieri Group's sectors of business, most affected by the use of estimates and judgements and for which a change in the underlying assumptions could have a material impact on the consolidated financial results.

19.1 Revenue recognition for construction contracts

Like with other large, long-term contracts, shipbuilding contracts are dated well before product completion, sometimes even a long time before. Contracts now seldom include price adjustment formulae, while clauses providing for the possibility of additional consideration for additions or variations apply only to significant modifications in the scope of work.

The margins expected to be achieved upon the entire project's completion are recognized in profit or loss according to the stage of contract completion. Accordingly, correct recognition of construction contracts and margins relating to work in progress requires management to estimate correctly the costs of completion, any incremental costs, as well as delays, additional costs and penalties that could reduce the expected margin. In support of such estimates, management uses a system of contract risk management and analysis to monitor and quantify the risks relating to these contracts. The amounts recognized in the financial statements represent management's best estimate using these systems and procedures.

19.2 Provisions for risks and charges

The Group recognizes provisions for legal and tax risks and outstanding litigation where a negative outcome is considered probable. The amount of the provisions relating to such risks represents management's best



estimate at the current date. This estimate takes the available information into account and is derived by adopting assumptions that depend on factors that may change over time.

19.3 Deferred tax assets

The recognition of deferred tax assets is based on expectations about the Group's future taxable profit and the possibility of transferring certain tax benefits to companies participating in the national tax consolidation of CDP. The assessment of future taxable profit for the purposes of recognizing deferred tax assets depends on factors that can change over time and so have a material impact on the recoverability of deferred tax assets.

19.4 Impairment of assets

The Group's property, plant and equipment and intangible assets with indefinite useful lives are tested for impairment at least annually or more often in the presence of evidence indicating that the carrying amount of such assets is not recoverable.

The impairment loss is determined by comparing an asset's carrying amount with its recoverable amount, defined as the higher of the asset's fair value less costs to sell and its value in use, determined by discounting the expected future cash flows expected to be derived from the asset net of costs to sell. The expected cash flows are quantified using information available at the time of the estimate on the basis of subjective assessments of future variables (prices, costs, rates of growth in demand, production profiles) and are discounted using a rate that takes into account the risks specific to the asset concerned.

Goodwill and other intangible assets with indefinite useful lives are not amortized; the recoverability of their carrying amount is reviewed at least annually and whenever there is an indication that the asset may be impaired. Goodwill is tested for impairment at the lowest level (cash-generating unit "CGU") within the entity at which management assesses, directly or indirectly, the return on the investment that includes such goodwill.

When the carrying amount of the cash-generating unit, including the attributed goodwill, is higher than its recoverable amount, the difference is an impairment loss that is charged first against the value of goodwill until fully absorbed; any loss not absorbed by goodwill is allocated pro-rata to the carrying amount of the other assets in the cash-generating unit.

19.5 Business combinations

The recognition of Business Combinations involves allocating to the acquired company's assets and liabilities the difference between the purchase price and the net book value of the net assets acquired. For most of the assets and liabilities, the allocation of this difference is performed by recognizing the assets and liabilities at their fair value. The unallocated portion is recognized as goodwill if positive, and if negative, it is taken to profit or loss. Management uses available information for the purposes of the allocation process and, in the case of the most significant Business Combinations, external valuations.

19.6 Medium/long-term share-based incentive plans

For medium/long-term share-based incentive plans, the estimate of the number of rights that will mature until expiry is updated at the end of each period. The change in the estimate is reflected in the adjustment of the specially created Equity reserve for incentive plans, against "Personnel costs".

19.7 Subsequent events

In accordance with the provisions of IAS 10 – Events occurring after the reporting date, the Group analyses business events occurring after the reporting date, in order to verify whether, if the conditions identified by IAS 10 are met, they should be used to adjust the amounts recognized in the financial statements, or to recognize elements that had not been previously recognized.

19.8 Impacts of COVID-19

The impacts of COVID-19 on the Group's activities in 2020 are mainly due to the suspension of production activities at Italian shipyards and plants from 16 March to 20 April 2020, the date on which the gradual recovery of Italian production activities was launched. However, in the Group's foreign shipyards, it has been possible to ensure regular continuation of production. The production shutdown in Italy led to a reduction in production, resulting in a delay in production programs and, consequently, the deferment of revenues with a loss of EBITDA due to the failure to progress on shipbuilding orders during the shutdown.

As already indicated in the Report on Operations, when the first signs of the health emergency appeared, the Group immediately placed the health and safety of its own personnel and that of its supplier network at the centre of its priorities, suspending, before the regulations were laid down, all activities at its Italian shipyards from 16 March. Production restarted gradually from 20 April 2020 only after extraordinary protocols and extensive safety measures were implemented, reaching 90% of the workforce on sites only by the end of June. The timely implementation of safety measures and actions to combat the spread of the virus have made it possible to limit the number of cases of infection among all resources employed at the Group's Italian sites to around 4%. The containment measures adopted by Fincantieri to manage and combat the epidemic include: monitoring of entry by measuring body temperature and, where necessary, staggered access, and requiring compliance with social distancing from the outset; the return of employees from Chinese territory as early as the last week of January; the establishment of a Crisis Management Team for the emergency at FINCANTIERI S.p.A. level; the facilitation of communication and access to updates from official sources, the suspension of production activities at the Group's Italian sites as early as 16 March 2020; the extension of the use of smart working to all professional roles for whom such work is compatible; the implementation of a recovery plan characterized by marked gradual approach. Fincantieri has also offered to share its testing and screening capabilities with the communities in which it operates, easing pressure on the local health system.

In the cruise segment, Fincantieri immediately established active dialogue with shipowners, on the one hand by suspending payment of the shipowner instalments scheduled during construction and, on the other, by redefining the schedule of deliveries planned in 2020 and early 2021. It should be noted that the deliveries scheduled for 2020 have been achieved, in line with the commitments made before the pandemic.

The Group has been able to keep the backlog, which amounted to euro 27.8 billion as at 31 December 2020, intact and without cancellations and allows visibility until 2027.

It should be noted that contracts signed by Fincantieri identify the current health emergency as a "cause of force majeure", allowing it to modify the production schedules and delivery dates of the ships without incurring penalties and reshape production.

The package of measures launched to support cruise operators includes a debt holiday on export financing granted by export credit agencies to shipowners, which envisages the suspension of repayment of the capital instalments from 1 April 2020 to 31 March 2021 and the consequent reshaping of the repayment plan over the subsequent four years. This facility is granted on condition that existing orders are confirmed. Shipowners are currently finalizing with export credit agencies the extension of this moratorium period until 31 March 2022 and the consequent rescheduling of the repayment plan over the subsequent five years.

On the basis of the communications made, the expectation among operators in the sector is that almost all fleets will be back in use by the end of 2021, albeit with reduced rates of occupancy. In view of the prospects for recovery, the strategy of decommissioning older vessels and maintaining orders will enable shipowning companies to appear in the market with a renewed, more competitive and efficient fleet, while complying with health and environmental safety standards.

The Group has had to incur costs as a result of COVID-19 which had an impact on the final results at 31 December 2020, and refer mainly to the failure to absorb fixed production costs for the period of production shutdown, the impacts of the reduced efficiency resulting from implementation of the prevention measures adopted and costs for sanitary aids and expenses to ensure employee health and safety.

In preparing the 2020 consolidated financial statements, the going concern assumptions and the existence of any impairment indicators were verified particularly with regard to the possible effects of COVID-19, as suggested by



ESMA, in its Public Statement no. 32-63-1041 of 28 October 2020 "European common enforcement priorities for 2020 annual financial reports" and CONSOB communication no. 1/21 of 16 February 2021. In fact, the effects of COVID-19 temporary cessation of activities, reduction in demand or profitability) are events that may affect the ability to continue as a going concern and highlight the existence of one or more indicators of impairment and make it necessary to analyse the impact on the Company's main activities in order to identify indicators that may require an impairment test to be carried out.

It should be noted that the Group's financial capacity at 31 December 2020 makes it possible for the Group to support the financial requirements expected over the next 12 months. The estimates have been prepared considering the agreements defined to date with the shipowners, which, on the one hand, envisage the deferment of payment of part of the instalments due during construction of the cruise contracts and, on the other, the redefinition of the schedule of planned deliveries for 2021 as a result of the COVID-19 pandemic. For more information on this aspect, please refer to the section "Liquidity risk".

For the CGUs to which goodwill is allocated, the test at 31 December 2020 was performed using the projections of future cash flows of subsidiaries, based on the best information available at the time of the estimate, provided by the management of the subsidiaries to the Parent Company. This information takes into account the effects that can be estimated to date on the operations of subsidiaries as regards the current economic situation arising from the pandemic. More details can be found in Note 6.

In addition, the Parent Company verified that there were no indicators of impairment attributable to COVID-19; considering that i) the Company has maintained the considerable backlog acquired; ii) the loss in revenues and EBITDA is only temporary and due to the postponement of production programs; iii) excluding the 2020 charges attributable to COVID-19, the expected margins and EBITDA of the contracts are substantially in line with those expected before COVID-19, there were no indicators of impairment of the Company's assets attributable to COVID-19.

Furthermore, at Fincantieri Group level, the Company's stock market capitalization at 31 December 2020 is still higher than consolidated equity at that date, the Group's substantial order book is fully confirmed and the loss made during the year is essentially due to the postponement of production programs as a result of the COVID-19 epidemic.

In addition, the possible impact of COVID-19 were taken into account in assessment of the recoverability of receivables and construction contract assets, but no significant effects were noted.

The Company has not identified any other areas of the financial statements that are significantly impacted at 31 December 2020 by the effects of COVID-19.

If there are no developments relating to the spread of the COVID-19 virus with currently unforeseeable repercussions, the Group expects to return to pre-COVID-19 growth levels by 2021 thanks to the development of the substantial backlog acquired, confirming the growth paths outlined by the Group before the pandemic and a consequent improvement in margins, as illustrated in detail in the Report on Operations.

Note 4 - Financial risk management

The principal financial risks to which the Group is exposed are credit risk, liquidity risk and market risk (in particular currency, interest rate and commodity price risk).

The management of these financial risks is coordinated by the Parent Company, which decides, in close collaboration with its operating units, whether and how to hedge these risks.

Credit risk

The Fincantieri Group's receivables essentially comprise amounts owed by private shipowners for shipbuilding contracts, by the Italian government both for grants receivable and for supplies to the country's military services, by the US Navy and US Coast Guard and by the Qatar Armed Forces Navy, for shipbuilding contracts.

The Fincantieri Group constantly monitors the creditworthiness of its counterparties and, at present, it does not consider the collection of receivables from its customers to be at risk, despite the difficulties that some of them are experiencing due to the COVID-19 pandemic. It should be borne in mind, that commercial contracts relating to cruise units are only effective when the customer signs a committed bank financing contract, which, in almost all cases, is guaranteed by a national Export Credit Agency (SACE for Italy, Gek for Norway). This structure assures the Group that, when the contract is effective, customers have sufficient financial means to pay at least 80% of the price of the construction contracts, thus mitigating the risk of not collecting as expected.

The following tables provide a breakdown by risk class of the exposure as at 31 December 2020 and 2019 based on the nominal value of receivables before any provision for impairment of receivables:



(euro / thousands)		31.12.2019				
		Past due				
		1 - 4 months	0 - 1 month	4 - 12 months	Beyond 1 year	Gross total
						Net total
Trade receivables:						
- from public entities	15	5,300	697	264	1,669	27,090
- indirectly from public entities *	15	259	11	13,575	263	314
- from private ship-owners	15	358,706	23,483	29,271	12,056	691,119
- from associates and joint ventures	15	167,132	15	18	1	167,184
Total trade receivables		531,397	24,306	43,128	13,989	96,541
Other receivables:						
- from associates	11			686		686
- for government grants	11-15	3,017	4,492		7,509	7,509
- other	11-15	274,943	845	871	19,542	276,201
- from controlling companies (tax consolidation)	15	3,006				3,006
- from related parties	15	792				792
- for income and indirect taxes	15-16	56,550	1,509	16	330	58,405
Total other receivables		338,308	6,846	1,573	19,872	366,599
Construction contracts - assets	14	2,697,714	-	-	-	2,697,714
Financial receivables:						
- from associates and joint ventures	10-17	33,041	4			33,045
- other	10-17	60,023				60,023
- for government grants financed by BIS	17	4,762				4,762
Total current financial assets		97,826	4	-	-	97,830
Gross total		3,665,245	31,156	44,701	13,989	3,871,504
Advances, prepayments and accrued income						(47,569)
Total						3,993,150

* These are receivables due from customers that manage work commissioned by public entities, which are therefore the effective debtors.

(euro / thousands)		31.12.2020				
		Past due				
		1 - 4 months	0 - 1 month	4 - 12 months	Beyond 1 year	Gross total
						Net total
Trade receivables:						
- from public entities	15	3,636	505	94	209	16,747
- indirectly from public entities *	15	24	258	12,947	13,279	13,279
- from private ship-owners	15	221,423	76,274	94,586	30,663	71,720
- from associates and joint ventures	15	105,142	56	55	592	105,845
Total trade receivables		330,225	76,835	94,993	44,411	88,467
Other receivables:						
- from associates	11				628	628
- for government grants	11-15	12,257	1,426		13,683	13,683
- from others	11-15	213,009	1,609	6,408	19,972	241,018
- from controlling companies (tax consolidation)	15	35,773				35,773
- from related parties	15	741				741
- for income and indirect taxes	15-16	67,674	2,184	2	330	70,190
Total other receivables		329,474	5,219	6,408	20,930	362,033
Construction contracts - assets	14	3,124,556	-	-	-	3,124,556
Financial receivables:						
- from associates and joint ventures	10-17	28,345			20,430	48,775
- other	10-17	81,349	9,091	18,408	12,439	121,287
- for government grants financed by BIS	17	131				131
Total current financial assets		109,825	9,091	18,408	-	32,869
Gross total		3,894,078	91,145	119,809	44,411	142,246
Advances, prepayments and accrued income						(4,261)
Total						164,490

* These are receivables due from customers that manage work commissioned by public entities, which are therefore the effective debtors.





Liquidity risk

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

As at 31 December 2020, the Net financial position monitored by the Group, whose reconciliation with ESMA's configuration is shown in Note 33, is a net debt of euro 1,062 million (net debt of euro 736 million at 31 December 2019). This Net financial position differs from ESMA's configuration, mainly because it does not include construction loans (of euro 1,325 million at 31 December 2020) as they are linked to the operation of shipbuilding contracts. The increase compared to the previous year is mainly due to the investments made during the period and the financial dynamics typical of the cruise ship business, compounded by the postponement – as a result of the pandemic – of part of the commercial receipts expected during the period. The Group has a solid equity position with sufficient liquidity and credit lines to face the current situation and its foreseeable evolution in the medium term, also thanks to the new credit lines negotiated during the year, including one granted by a syndicate of national and international banks, for euro 1,150 million. This loan, with a duration of four years and two-year grace period, benefits from the SACE guarantee provided for by Decree Law no. 23 of 8 April 2020 ("Liquidity Decree").

The following tables show the contractual maturities of trade and financial liabilities, other than derivatives, calculated before interest which, depending on the loan or form of finance, may be at a fixed or floating rate. Regarding the existence of covenant clauses included in the loan agreements, refer to Notes 22 and 27.

(euro /thousands)

		31.12.2020				
	Note	On demand	Within 1 year	Between 1 and 3 years	Beyond 3 years	Carrying amount
Liabilities included among "Current and non-current financial liabilities"						
Financing and loans **	22-27	1,149,568	299,464	2,070,283	2,045	3,521,360
BIS loans	27	133				133
Bond and commercial papers	27		100,200			100,200
Financial liabilities for leasing IFRS 16	22-27		16,183	40,911	47,970	86,670
Other financial liabilities	22-27	21,255	118,545	19,107	229	159,136
Liabilities included among "Trade payables and other current liabilities"						
Payables to suppliers	25	453,891	1,392,888	47,557	20	1,894,356
Payables to suppliers for reverse factoring	25		466,341			466,341
Indirect tax payables	25	1,831	8,735			10,566
Other payables	25	6,373	217,200	139		223,712
Advances, prepayments and accrued income	25					56,880
Income tax liabilities						
Income tax liabilities	26	1,634	4,983			6,617
Total		1,634,885	2,424,539	2,177,997	50,214	6,487,435

* Does not include Derivative liabilities for which reference should be made to the section "Fair value of derivatives".

** This item includes medium and long-term financial liabilities, bank credit facilities repayable on demand and construction loans.



(euro /thousands)

		31.12.2019				
	Note	On demand	Within 1 year	Between 1 and 3 years	Beyond 3 years	Carrying amount
Liabilities included among "Current and non-current financial liabilities"						
Financing and loans **	22-27	1,453	965,967	718,765	42,021	1,728,406
BIS loans	27		4,868			4,868
Bond and commercial papers	27		75,000			75,000
Financial liabilities for leasing IFRS 16	22-27		17,909	44,278	46,514	109,101
Other financial liabilities	22-27	9,791	154,517	5,932	874	171,114
Liabilities included among "Trade payables and other current liabilities"						
Payables to suppliers	25	242,561	1,491,379	43,372	440	1,777,752
Payables to suppliers for reverse factoring	25		492,404			492,404
Indirect tax payables	25	12,406	14,121			26,527
Other payables	25	5,942	225,199	189		231,330
Advances, prepayments and accrued income	25					60,368
Income tax liabilities						
Income tax liabilities	26	100	6,902			7,002
Total		272,453	3,448,266	812,536	90,249	4,615,111

* Does not include Derivative liabilities for which reference should be made to the section "Fair value of derivatives".

** This item includes medium and long-term financial liabilities, bank credit facilities repayable on demand and construction loans.



Market risk

The financial risks affecting the Group specifically involve the risk that the fair value or future cash flows of assets/liabilities may fluctuate due to changes in the exchange rate of currencies in which the Group's commercial or financial transactions are denominated, due to changes in market interest rates or to changes in commodity prices.

In pursuing its business objectives, the Group does not intend to take on financial risks. If this is not possible, such risks are assumed only if they relate to the Group's core business and their impact can be neutralized (where possible) through hedging instruments.

Apart from using financial instruments, currency risk can be hedged by entering into loan agreements in the same currency as the sale contract, or cash balances can be established in the same currency as supply contracts.

Currency risk

Exposure to currency risk arises primarily when shipbuilding contracts are denominated in foreign currencies and, to a lesser extent, when goods and materials are purchased in currencies other than the functional currency. Currency risk is managed using forward contracts or currency options, which are arranged according to the expected timing of foreign currency cash inflows and outflows; where possible, payments and receipts in the same currency are matched.

Currency risk management seeks to hedge all of the Group's foreign currency inflows, but only the largest foreign currency outflows.

During 2020, the Group was exposed to currency risk primarily in connection with certain cruise contracts.

This risk was mostly mitigated using the hedging instruments mentioned above. Please refer to Note 5 for the sensitivity analysis.

Interest rate risk

Interest rate risk is defined as follows:

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

Floating-rate assets and liabilities are exposed to the first of these risks, while fixed-rate assets and liabilities are exposed to the second risk.

As at 31 December 2020, ten interest rate swaps were in place, nine of which had been negotiated in 2020

to hedge interest rate risk associated with the loan granted in 2020, referred to in the section "Liquidity risk".

Derivatives reduce the exposure to interest rate risk relating to medium/long-term variable rate loan.

Refer to Note 22 for an analysis of the fixed-rate and variable-rate loans and to Note 5 for the sensitivity analysis of the impact of a potential generalized variation in interest rates.

Other market risks

The Group's production costs are affected by movements in the price of the principal raw materials used, such as steel, copper and fuel. The Parent Company mitigates this risk using appropriate contractual arrangements and/or hedges where possible and deemed appropriate. During 2020, FINCANTIERI S.p.A. entered into swaps to fix the purchase price of a large part of its diesel and fuel oil needs through until 2024.

Capital management

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

Fair value of derivatives

Other current and non-current financial assets and Other current and non-current financial liabilities include the fair value measurements of derivative financial instruments, as presented in the following table. All the derivatives in Cash Flow Hedge and Fair Value Hedge have been checked to see that they meet the effectiveness requirements laid down by IFRS 9 and, if a component of ineffectiveness is found, it is recorded in profit or loss.





(euro/thousands)	31.12.2020			
	Positive fair value	Notional amount	Negative fair value	Notional amount
Cash flow hedging derivatives				
Interest rate swaps				
Forwards	4,024	544,228	14,254	1,345,000
Fair value hedging derivatives				
Interest rate swaps				
Forwards	8,356	193,919	25,828	536,472
Futures				
Options				
Hedging derivatives which do not qualify for hedge accounting				
Interest rate swaps				
Forwards	569	26,149	12,429	387,902
Futures	2	188	3,009	14,545
Options				
Trading derivatives				
Interest rate swaps				
Forwards				
Futures				
Options				
(euro/thousands)				
31.12.2019				
	Positive fair value	Notional amount	Negative fair value	Notional amount
Cash flow hedging derivatives				
Interest rate swaps				
Forwards			2,473	100,000
Futures			33,193	1,172,926
Fair value hedging derivatives				
Interest rate swaps				
Forwards	1,929	90,445	10,205	584,395
Futures				
Options				
Hedging derivatives which do not qualify for hedge accounting				
Interest rate swaps				
Forwards	1,178	27,059	6,873	257,612
Futures	409	5,164	298	6,421
Options				
Trading derivatives				
Interest rate swaps				
Forwards				
Futures				
Options				

With reference to cash flow hedging derivatives, the change in the fair value of the hedged items is perfectly offset by the change in the value of the hedging instruments (positive for euro 23.1 million in 2020) and therefore no ineffective portion has been recognized.

The hedged items are recorded under Construction contracts – assets/liabilities in the Group Statement of Financial Position (see Notes 14 and 24).

The balance and movements of the cash flow hedge reserve in the year are shown in the table to this Note. The fair value hedging instruments cover changes in the value of hedged firm commitments included in Other current and non-current assets/liabilities shown in Note 11, 15, 23 and 25.

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

(euro/thousands)	31.12.2020			
	Within 1 year	Between 1 and 5 years	Beyond 5 years	Total
Currency risk management				
Outflow	1,216,748	161,569		1,378,317
Inflow	1,207,162	159,500		1,366,662
Interest rate risk management				
Outflow	5,025	9,229		14,254
Inflow				
Commodity price risk management				
Outflow	6,253	8,390		14,643
Inflow	4,618	7,017		11,635

(euro/thousands)	31.12.2019			
	Within 1 year	Between 1 and 5 years	Beyond 5 years	Total
Currency risk management				
Outflow	1,139,747	1,003,990		2,143,737
Inflow	1,122,005	976,129		2,098,134
Interest rate risk management				
Outflow	988	1,863		2,851
Inflow	114	7		121
Commodity price risk management				
Outflow	4,110	7,474		11,584
Inflow	4,374	7,322		11,696

The fair value of derivative financial instruments has been calculated considering market parameters at the year-end reporting date and using widely accepted measurement techniques. In particular, the fair value of forward contracts has been calculated with reference to year-end exchange rates and interest rates for the different currencies.



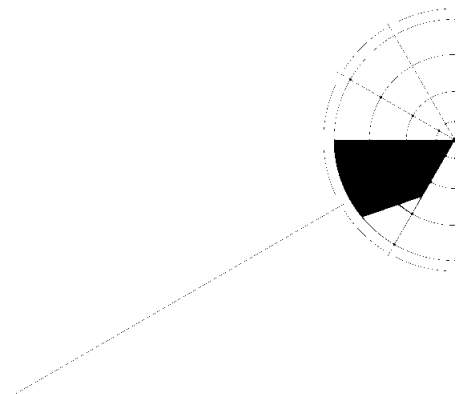
Movements in the cash flow hedge reserve and impact of derivative instruments on profit or loss

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

	Equity			Profit or loss
	Gross	Income taxes	Net	
1.1.2019	24,968	(9,765)	15,203	
Change in fair value	(11,453)	992	(10,461)	
Utilizations	(24,968)	9,765	(15,203)	15,203
Other income/(expenses) for risk hedging				(12,398)
Finance income/(costs) relating to trading derivatives and time-value component of hedging derivatives				(73,134)
31.12.2019	(11,453)	992	(10,461)	(70,399)

(euro/thousands)

	Equity			Profit or loss
	Gross	Income taxes	Net	
Change in fair value	(11,454)	1,864	(9,590)	
Utilizations	11,453	(992)	10,461	(10,461)
Other income/(expenses) for risk hedging				5,010
Finance income/(costs) relating to trading derivatives and time-value component of hedging derivatives				(39,865)
31.12.2020	(11,456)	1,884	(9,572)	(45,316)



Financial assets and liabilities by category

The following table analyses financial assets and liabilities by category together with their fair value (IFRS 13) at the year-end reporting date:

(euro/thousands)

	31.12.2020				
	A	B	C	D	Total
Investments carried at fair value	3,757	22,422			26,179
Derivative financial assets	8,953	4,024			12,977
Other financial assets			172,399		172,399
Other non-current assets			26,941		26,941
Trade receivables and other current assets			983,390		983,390
Cash and cash equivalents			1,274,642		1,274,642
Derivative financial liabilities	(41,292)	(14,254)			(55,546)
Other financial liabilities	(30,085)		(3,820,078)		(3,850,163)
Other non-current liabilities			(30,251)		(30,251)
Trade payables and other current liabilities			(2,628,981)		(2,628,981)

(euro/thousands)

	31.12.2019				
	A	B	C	D	Total
Investments carried at fair value	4,236	15,359			19,594
Derivative financial assets	3,516				3,516
Other financial assets	11,000		104,939		115,939
Trade receivables and other current assets			1,079,388		1,079,388
Cash and cash equivalents			381,790		381,790
Derivative financial liabilities	(17,459)	(35,860)			(53,319)
Other financial liabilities	(69,083)		(2,027,320)		(2,096,403)
Other non-current liabilities			(28,576)		(28,576)
Trade payables and other current liabilities			(2,553,701)		(2,553,701)

Key:
A = Financial assets and liabilities at fair value through profit or loss.
B = Financial assets and liabilities at fair value through equity including hedging derivatives.
C = Financial assets and receivables carried at amortized cost including cash & cash equivalents.
D = Financial liabilities carried at amortized cost.



Fair value measurement

The following tables show the financial instruments that are measured at fair value at 31 December 2020 and 2019, according to their level in the fair value hierarchy.

	31.12.2020		
	Fair value Level 1	Fair value Level 2	Fair value Level 3
Assets			
Financial assets at fair value through profit or loss			
Equity instruments	95	3,662	3,757
Debt instruments		11,000	11,000
Financial assets at fair value through comprehensive income			
Equity instruments		22,422	22,422
Debt instruments			
Hedging derivatives		12,977	12,977
Trading derivatives			
Total assets	95	12,977	37,084
Liabilities			
Financial liabilities at fair value through profit or loss			
Hedging derivatives		55,546	55,546
Trading derivatives			
Total liabilities		55,546	55,546
(euro/thousands)			
31.12.2019			
	Fair value Level 1	Fair value Level 2	Fair value Level 3
Assets			
Financial assets at fair value through profit or loss			
Equity instruments	101	4,135	4,236
Debt instruments		11,000	11,000
Financial assets at fair value through comprehensive income			
Equity instruments		15,359	15,359
Debt instruments			
Hedging derivatives		3,516	3,516
Trading derivatives			
Total assets	101	3,516	30,494
Liabilities			
Financial liabilities at fair value through profit or loss			
Hedging derivatives		53,319	53,319
Trading derivatives			
Total liabilities	-	53,319	53,319

Financial assets at fair value through comprehensive income classified as Level 3 relate to equity investments carried at fair value. Level 3 also includes the financial liabilities relating to the fair value changes of options on equity investments whose fair value, recorded through comprehensive income, is calculated using valuation techniques whose inputs are not observable on the market. The item includes the option held by minority shareholders of the American Group FMG, the decrease in which since 2019 is due to the positive effect of translating the balance expressed in foreign currency partially offset by the revaluation recognized in profit and loss under finance costs for euro 1,751 thousand, and the option held by minority shareholders of the Fincantieri NexTech Group, recorded at 31 December 2019 for euro 30,977 thousand, extinguished early with a positive impact on the result for the period of euro 10,277 thousand.





Note 5 - Sensitivity analysis

Currency risk

With regard to currency risk, the Group has performed a sensitivity analysis, both including and excluding the effect of hedging derivatives, in order to estimate the impact on pre-tax profit of a reasonable variance in the principal exchange rates to which the Group is most exposed against the functional currencies of the Parent Company and its subsidiaries (involving an appreciation/ depreciation of the foreign currency against the functional one). The analysis looks at exposure to currency risk, as defined by IFRS 7, and therefore does not consider the effects arising from translation of financial statements of foreign companies with a functional currency other than the Euro. In addition, the analysis has not examined the effect of exchange rate fluctuations on the valuation of work in progress, because the latter does not qualify as a financial asset under the IAS 32 definition. The variances for individual cross-currencies have been measured against the average 6-month volatility observed in 2020 for individual exchange rates.

(euro/million)	31.12.2020			31.12.2019		
	Effect on pre-tax profit	Pre-tax effect on equity	Pre-tax effect on equity	Effect on pre-tax profit	Pre-tax effect on equity	Pre-tax effect on equity
USD vs EUR						
Including hedging derivatives						
Appreciation of the USD vs EUR	5	(37)	4	(67)		
Depreciation of the USD vs EUR	(4)	32	(4)	60		
Excluding hedging derivatives						
Appreciation of the USD vs EUR	-	-	3	3		
Depreciation of the USD vs EUR	-	-	(2)	(2)		

(euro/million)	31.12.2020			31.12.2019		
	Effect on pre-tax profit	Pre-tax effect on equity	Pre-tax effect on equity	Effect on pre-tax profit	Pre-tax effect on equity	Pre-tax effect on equity
EUR vs NOK						
Including hedging derivatives						
Appreciation of the EUR vs NOK	(16)	(59)	6	6		
Depreciation of the EUR vs NOK	19	72	(7)	(7)		
Excluding hedging derivatives						
Appreciation of the EUR vs NOK	(8)	(51)	(9)	(9)		
Depreciation of the EUR vs NOK	9	62	10	10		

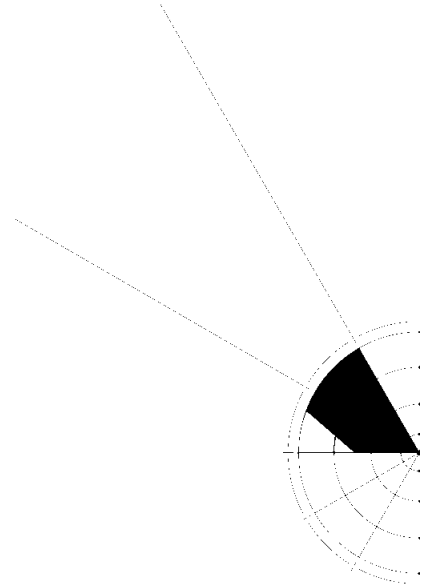
(euro/million)	31.12.2020			31.12.2019		
	Effect on pre-tax profit	Pre-tax effect on equity	Pre-tax effect on equity	Effect on pre-tax profit	Pre-tax effect on equity	Pre-tax effect on equity
USD vs BRL						
Including hedging derivatives						
Appreciation of the USD vs BRL	(11)	(11)	(8)	(8)		
Depreciation of the USD vs BRL	11	11	8	8		
Excluding hedging derivatives*						
Appreciation of the USD vs BRL	(11)	(11)	(8)	(8)		
Depreciation of the USD vs BRL	11	11	8	8		

*The USD/BRL exposure is approximated by USD credit default swap contracts with the purpose of hedging USD exposures.

(euro/million)	31.12.2020			31.12.2019		
	Effect on pre-tax profit	Pre-tax effect on equity	Pre-tax effect on equity	Effect on pre-tax profit	Pre-tax effect on equity	Pre-tax effect on equity
Other currencies						
Including hedging derivatives						
Appreciation of other currencies	(7)	(7)	(4)	(4)		
Depreciation of other currencies	7	7	4	4		
Excluding hedging derivatives						
Appreciation of other currencies	(7)	(7)	(3)	(3)		
Depreciation of other currencies	7	7	3	3		

Interest rate risk

Similarly, a sensitivity analysis has also been performed to estimate the impact of a potential general change in benchmark interest rates of +/- 50 basis points on an annualized basis. The estimated effects on profit or loss involve a negative impact of approximately euro 0.9 million in the event of a 0.50% increase in interest rates and a positive impact of euro 0.3 million in the event of a 0.50% reduction.





Note 6 - Intangible assets

(euro/thousands)

	Goodwill	Research and development costs	Client relationships and other intangible assets	Industrial patents and trademarks	Concessions, licenses, trademarks and other rights	Contractual costs	Other intangibles	Intangibles in progress and advances	Total
- cost	254,830	179,898	188,420	123,349	24,738	47,927	15,121	55,259	889,742
- accumulated amortization and impairment losses	(80,469)	(70,471)	(80,469)	(98,339)	(7,354)	(3,975)	(11,466)		(272,074)
Net carrying amount at 1.1.2019	254,830	107,951	107,951	25,010	17,584	43,952	3,655	55,259	617,668
Movements in 2019									
- business combinations	18,898	2,236	63	55			2,268	3,975	27,495
- additions	3,585		2,510	5,224	742	13,907	859	37,738	64,565
- net disposals				(468)			(248)	(10)	(306)
- reclassifications/other	84,0	(1)	(4,864)	1,245	3,706		131	(1,394)	(317)
- amortization	(9,481)	(28,154)	(8,478)	(1,765)	(1,765)	(7,843)	(1,449)		(57,170)
- impairment losses	(394)			(380)			(99)		(873)
- exchange rate differences	1,921	1,026	84	41	331		21	9	3,433
Closing net carrying amount at 31.12.2019	240,802	118,393	80,811	23,105	20,653	50,016	5,138	95,577	654,495
- cost	261,196	209,190	181,504	132,656	28,127	61,834	21,715	95,577	991,799
- accumulated amortization and impairment losses	(394)	(90,797)	(100,693)	(109,551)	(7,474)	(11,818)	(16,577)		(337,304)
Net carrying amount at 31.12.2019	240,802	118,393	80,811	23,105	20,653	50,016	5,138	95,577	654,495
Movements in 2020									
- business combinations	1,829		225		8		103		2,165
- additions			1,935	12,772	473	25,000	185	34,219	74,584
- net disposals					(4)		(1)	(231)	(236)
- reclassifications/other	1	1	9,891	17,684	547		19	(28,506)	(363)
- amortization	(10,198)	(27,276)	(14,844)	(1,673)	(1,673)	(23,161)	(1,221)		(78,373)
- impairment losses	(65)		(23)						(88)
- exchange rate differences	(16,724)	(6,033)	(201)	(77)	(1,654)		(170)	(282)	(25,141)
Closing net carrying amount	245,843	102,163	65,362	38,640	18,350	51,855	4,053	102,777	629,043
- cost	246,302	197,435	193,396	162,900	26,829	86,834	21,169	102,777	1,037,842
- accumulated amortization and impairment losses	(459)	(95,472)	(128,034)	(124,260)	(8,479)	(34,979)	(17,116)		(408,799)
Net carrying amount at 31.12.2020	245,843	102,163	65,362	38,640	18,350	51,855	4,053	102,777	629,043

Capital expenditure in 2020 amounted to euro 76,584 thousand (euro 64,565 thousand in 2019) and mainly related to:

- ongoing work to implement an integrated system for ship design (CAD) and project lifecycle management (PLM), aimed at improving the efficiency and effectiveness of the engineering process, recognized among intangibles in progress at 31st December 2020 since it is not yet completed;
- the development of information systems to support the Group's growing activities and optimise process management, with particular reference to the upgrading of management systems and the exporting of these systems to the main subsidiaries of the Group;
- strengthening of cyber security, in line with the actions launched in previous years;
- capitalization of incremental costs to obtain contracts.

During 2020, the Group also spent euro 144 million in research costs for various projects involving product and process innovations (euro 134 million in 2019), that will allow the Group to retain its leadership of all high-tech market sectors for the foreseeable future.

"Concessions, licenses, trademarks and similar rights" include euro 15,076 thousand for trademarks with indefinite useful lives, reflecting the expectation for their use and deriving from the acquisition of the American shipyards (namely Marinette and Bayshipbuilding); these trademarks have been allocated to the cash-generating unit (CGU) representing the American group acquired. In any case, these assets of the FMG CGU have been tested for impairment and no need for impairment has emerged.

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

"Goodwill" amounts to euro 245,843 thousand at 31 December 2020. Of the increase compared to 31 December 2019, euro 1,764 thousand is due to the acquisition of the company Support Logistic Center S.r.l. by the NextTech Group. More details can be found in Note 37.

The recoverable amount of goodwill is estimated, in accordance with IAS 36, using the unlevered version of the Discounted Cash Flow model whereby an asset's value in use is calculated on the basis of estimated future cash flows discounted at an appropriate rate. Cash flow projections beyond the explicit period covered by the most recent budgets/forecasts are extrapolated using the perpetuity growth method to determine terminal value; the growth rates used ("g rate") are in line with the long-term average growth rates predicted for the markets in which the individual CGUs operate.

For the purpose of impairment testing, the Group uses future cash flow projections based on the best information available at the time, which can be inferred from the forecast data for the period 2021-2025, updated to take into account the budgets for 2021 in line with what has been defined in the Group's strategic planning/budgeting process. This information is based on the forecasts prepared by the subsidiaries' management at 31 December 2020 and takes into account the effects that can be estimated to date on the operations of the Group's companies based on the current spread of COVID-19.

The growth rate, which is used to estimate cash flows beyond the stated forecast period, is determined in light of market data, and in particular using the average inflation expected over the reference period of the cash flows.

Expected future cash flows have been discounted using WACC (Weighted Average Cost of Capital) for the individual sectors to which the CGUs refer and, if necessary, adjusted to take account of the risk premium/

discount of the specific country in which business is conducted. The WACC used for discounting purposes is a post-tax rate applied consistently to the relevant cash flows.

The cash flow projections used reflect the current conditions of the CGUs being tested, while the values of WACC and g rate used are consistent with management expectations of performance in the markets concerned.

The table below shows the allocation of goodwill to the different CGUs, specifying the criteria for determining the recoverable amount, the discount and growth rates used and the period of cash flows for each category.

(euro/thousands)

CGU	Goodwill carrying amount	Recoverable amount	Post-tax WACC	g rate	Cash flow period
FMG Group	64,681	Value in use	4.9%	2.2%	5 years
VARD Offshore and Specialized Vessels	56,613	Value in use	4.7%	1.8%	5 years
VARD Cruise	119,394	Value in use	5.2%	1.9%	5 years
NexTech Group	4,599	Value in use	4.4%	1.0%	5 years

Impairment tests have made reference to the reporting-date carrying amounts of each CGU.

FMG Group CGU

The test was carried out on the basis of cash flows inferred from the forecasts prepared by the subsidiary's management for the period 2021-2025, based on expected growth forecasts, and updated to take into account the effects on operations and business resulting from the spread of the COVID-19 virus. The impairment test has shown that the CGU's recoverable amount exceeds its carrying amount, meaning that no impairment loss needs to be recognized.

The results obtained have been subjected to sensitivity analysis for those assumptions, changes in which might reasonably cause the test results to change materially. The analysis has shown that if WACC were to increase by 100 basis points or if growth rates (g rate) or EBITDA margin, used in the terminal value calculation, were to decrease by 100 basis points, recoverable amounts would still be significantly higher than the carrying amounts.

VARD Offshore and Specialized Vessels CGU

The test was carried out on the basis of the forecast data prepared by VARD's management for the period 2021-2025, based on expected growth assumptions prepared in continuity with those used in previous years, and updated to take into account the effects on operations and business resulting from the spread of the COVID-19 virus. The impairment has shown that the CGU's recoverable amount exceeds its carrying amount, meaning that no impairment loss needs to be recognized.

The results obtained have also been subjected to sensitivity analysis for those assumptions, changes in which might reasonably cause the test results to change materially. This has shown that if WACC were to increase by 100 basis points or if the growth rates (g rate) or EBITDA margins used in the terminal value calculation were to decrease by 100 basis points, the recoverable amounts would still be higher than the carrying amounts for both CGUs in question.

VARD Cruise CGU

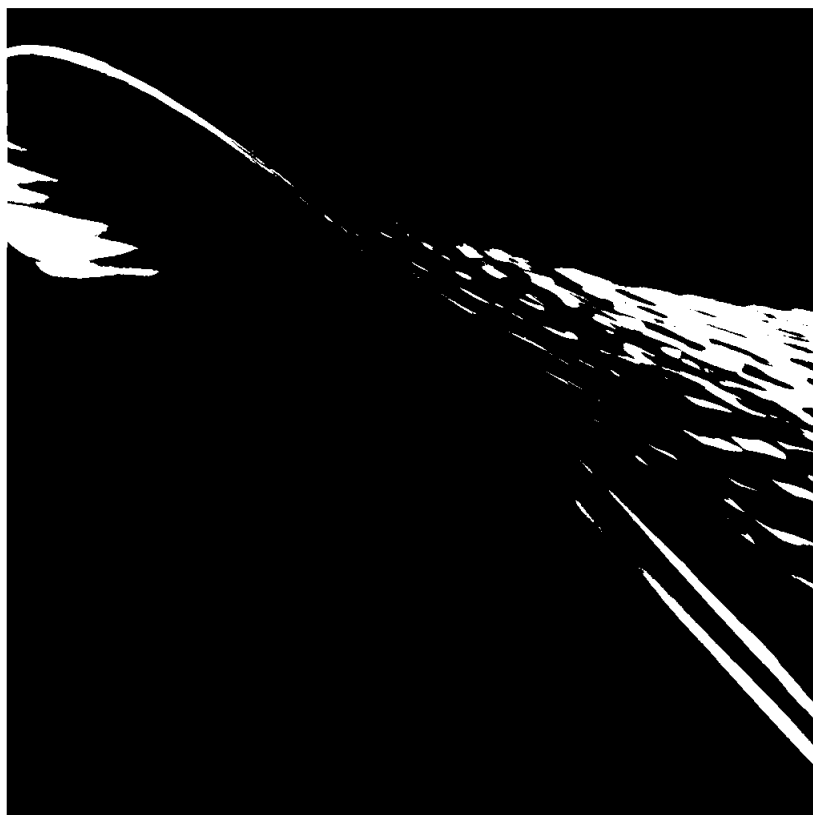
The test was carried out on the basis of cash flows inferred from the forecasts prepared by the subsidiary's management for the period 2021-2025, based on expected growth forecasts, and updated to take into account the effects on operations and business resulting from the spread of the COVID-19 virus. The impairment test has shown that the CGU's recoverable amount exceeds its carrying amount, meaning that no impairment loss needs to be recognized.

The results obtained have been subjected to sensitivity analysis for those assumptions, changes in which might reasonably cause the test results to change materially. This has shown that if WACC were to increase by 100 basis points or if growth rates (g rate), used in the terminal value calculation, were to decrease by 100 basis points, the recoverable amounts would still be significantly higher than the carrying amounts.

NexTech Group CGU

The test was carried out on the basis of cash flows inferred from the forecasts prepared by the subsidiary's management for the period 2021-2025, based on expected growth forecasts, and updated to take into account the effects on operations and business resulting from the spread of the COVID-19 virus. The impairment test outcome has shown that the CGU's recoverable amount exceeded its carrying amount, meaning that no impairment loss needs to be recognized.

The results obtained have been subjected to sensitivity analysis for those assumptions, changes in which might reasonably cause the test results to change materially. This has shown that if WACC were to increase by 100 basis points or if growth rates (g rate) or EBITDA margin, used in the terminal value calculation, were to decrease by 100 basis points, values of use would still be higher than the carrying amounts.





Note 7 - Rights of use

Movements in this line item are as follows:

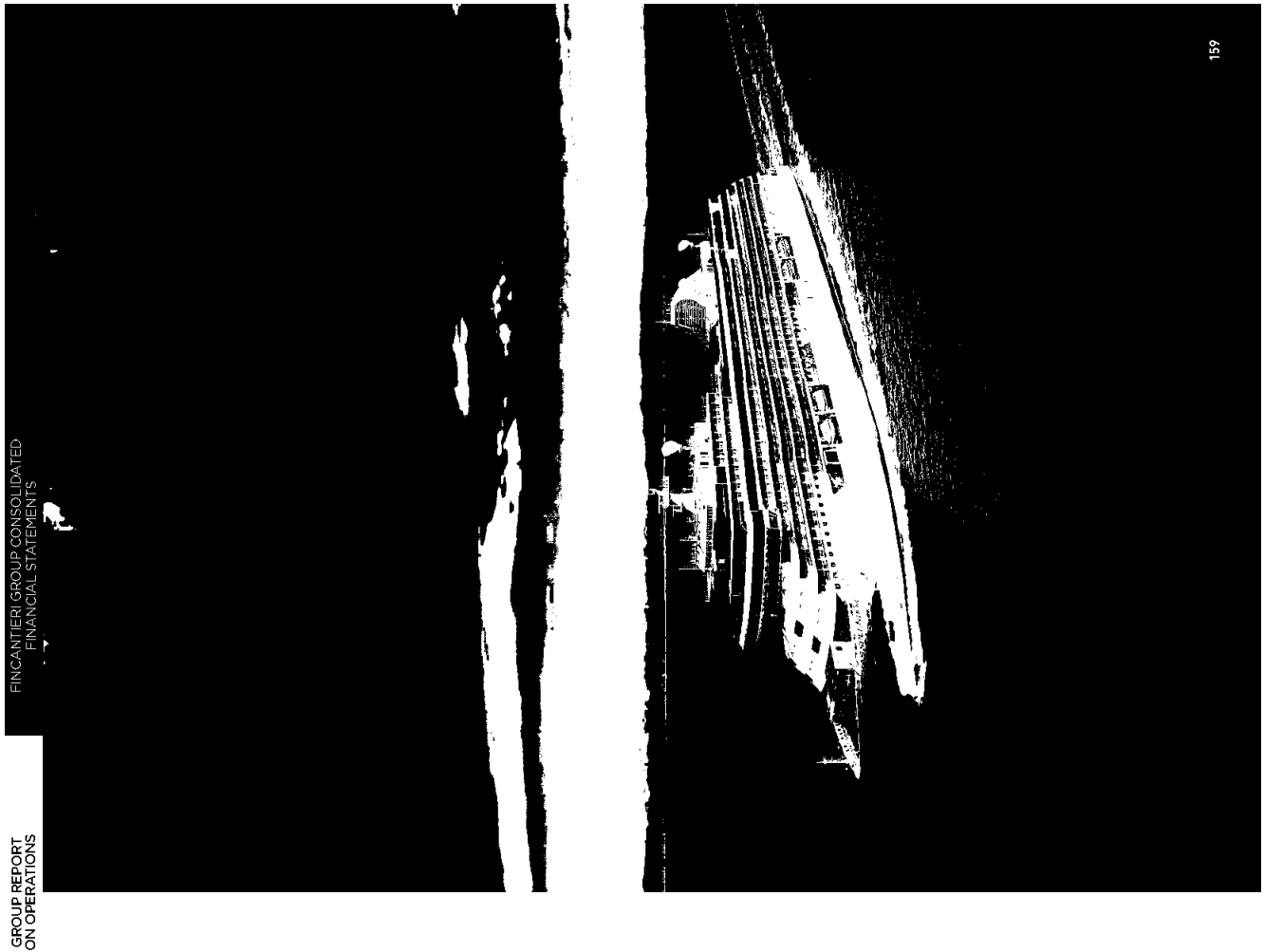
(euro/thousands)	Buildings ROU	State concessions ROU	Transport and lifting vehicles ROU	Passenger cars ROU	Computer equipment ROU	Other ROU	Total
Initial book value as at 1.1.2019	62,237	21,403	1,342	2,804	483	62	88,531
Movements in 2019							
- business combinations	4,200						4,200
- increases	13,757	1,755		1,804	410	225	17,951
- decreases	(79)	(1,451)		(24)			(1,756)
- reclassifications/other	(1,412)						(1,412)
- amortization	(12,930)	(1,425)	(458)	(1,442)	(301)	(88)	(16,644)
- impairment losses	(906)						(906)
- exchange rate differences	(584)	174	20	33	10		(347)
Closing net carrying amount	64,283	20,456	904	3,173	602	199	89,617
- cost	76,197	21,881	1,361	4,597	903	287	107,226
- accumulated amortization and impairment losses	(13,914)	(1,425)	(457)	(1,424)	(301)	(88)	(17,609)
Net carrying amount at 31.12.2019	64,283	20,456	904	3,173	602	199	89,617
Movements in 2020							
- business combinations							
- increases	11,258	11,804	2,716	890	263	92	27,023
- decreases	(6,677)	(6,471)	(2)	(73)	(1)	(1)	(13,171)
- reclassifications/other	(5)	(1)	1	1		(2)	(6)
- amortization	(12,071)	(1,456)	(1,452)	(1,735)	(352)	(123)	(17,189)
- impairment losses/reversals	833						833
- exchange rate differences	(1,668)	(171)	(47)	(10)	(36)	(10)	(1,942)
Closing net carrying amount	55,953	24,215	2,120	2,246	476	155	85,165
- cost	74,114	26,444	3,963	4,969	991	356	110,637
- accumulated amortization and impairment losses	(18,161)	(2,229)	(1,843)	(2,723)	(515)	(201)	(25,672)
Net carrying amount at 31.12.2020	55,953	24,215	2,120	2,246	476	155	85,165

Increase in 2020 amounted to euro 27,023 thousand (euro 17,951 thousand in 2019) and mainly related to the entering into new contracts, while the decreases related to the early termination of contracts. For the values of non-current and current financial liabilities deriving from the application of IFRS 16, reference should be made to notes 22 and 27.

Note 8 - Property, plant and equipment

(euro/thousands)

	Land and buildings	Assets under finance lease	Industrial plant, machinery and equipment	Assets under concession	Leasehold improvements	Other assets	Assets under construction and supplier advances	Total
- cost	646,233	3,624	1,297,782	193,449	29,774	202,782	149,489	2,523,333
- accumulated amortization and impairment losses	(241,745)	(3,404)	(970,529)	(135,300)	(24,074)	(124,255)	(1,449,307)	
Net carrying amount at 1.1.2019	404,488	220	377,253	58,349	5,700	78,527	149,489	1,074,026
Movements in 2019								
- business combinations			106			387		493
- additions	12,249		35,719	2,246	485	3,934	163,406	218,039
- net disposals			(1,261)			(103)	(65)	(1,419)
- reclassifications/other changes	11,005	(220)	22,335	1,611	81	29,991	(37,969)	26,834
- amortization	(17,978)		(63,795)	(4,740)	(1,027)	(10,423)		(87,963)
- impairment losses	(54)						(3,899)	(3,953)
- exchange rate differences	90		(861)	1	(2)	164	(419)	(1,027)
Closing net carrying amount	409,800	-	379,496	57,467	5,237	102,477	270,553	1,225,030
- cost	672,895		1,336,001	197,506	30,346	238,181	270,553	2,745,482
- accumulated amortization and impairment losses	(263,095)		(956,505)	(140,039)	(25,109)	(135,704)		(1,520,452)
Net carrying amount at 31.12.2019	409,800	-	379,496	57,467	5,237	102,477	270,553	1,225,030
Movements in 2020								
- business combinations			(90)			(19,189)		(19,279)
- change in consolidation area								
- additions	11,236		30,846	2,618	378	4,473	182,417	232,188
- net disposals	(1,040)		(1,254)			(113)	(935)	(3,342)
- reclassifications/other changes	45,917		52,313	11,344	912	22,335	(130,519)	2,302
- amortization	(17,956)		(55,728)	(5,509)	(1,019)	(10,814)		(91,026)
- impairment losses	(51)		(101)				(1,382)	(1,534)
- exchange rate differences	(23,410)		(13,628)			(2,328)	(3,949)	(43,315)
Closing net carrying amount	424,496	-	391,874	65,920	5,508	97,041	316,185	1,301,024
- cost	697,511		1,382,643	211,469	31,435	241,800	316,185	2,881,043
- accumulated amortization and impairment losses	(273,015)		(990,769)	(145,549)	(25,927)	(144,759)		(1,580,019)
Net carrying amount at 31.12.2020	424,496	-	391,874	65,920	5,508	97,041	316,185	1,301,024



GROUP REPORT
ON OPERATIONS

FINCANTIERI GROUP CONSOLIDATED
FINANCIAL STATEMENTS

159

THE FINCANTIERI GROUP

Capital expenditure in 2020 has resulted in additions of euro 232,188 thousand, mainly related to:

- updating of the working areas and infrastructure at some shipyards, in particular Montalcone and Marghera, to meet the new production scenarios and upgrading and improvement of the safety standards of machinery equipment and buildings;
- continuation of activities to introduce new technologies in particular at the Montalcone shipyard with regard to the Integrated Environmental Authorization;
- continuation of activities to increase the efficiency of production processes in the Vard Tulcea and Vard Braila shipyards to support the construction of hulls and the multi-year program to build pre-fitted cruise ship blocks and sections for the Fincantieri production network;
- launch of the modernization and efficiency enhancement program in the US shipyards necessary to support the order backlog resulting from the recently acquired programs;
- completion of the upgrading of the operating areas and infrastructure of the new Fincantieri Infrastructure plant in Valeggio sul Mincio following the award of major contracts for steel structures and for the development of activities to support the core business of FINCANTIERI S.p.A.;
- development of assets and technologies aimed at entering new sectors (e.g. maritime works).

The change in the scope of consolidation of the item "Other assets" of euro 19,261 thousand refers to the sale of the subsidiary VB02 AS, which held a self-managed vessel among its assets.

The reclassifications/other changes include the reclassification of amounts reported at the end of the previous year in "Assets under construction and advances" to the relevant asset categories once the assets are ready for use.

Assets under construction at the end of the year mainly refer to the investments being made in the Italian shipyards of Montalcone and Marghera, the US shipyards of Marinette and Sturgeon Bay and the Romanian shipyards of Braila and Tulcea.

The value of the property, plant and equipment of the indirect subsidiary Vard Promar has been tested for impairment, taking as its estimated recoverable amount the fair value less the costs to sell as identified in a report commissioned from an independent expert. The impairment test has shown that the recoverable amount of the assets exceeds their carrying amount, meaning that no impairment loss needs to be recognized.

The exchange rate differences reflect movements in the period by the Romanian leu, Brazilian real, US dollar and the Norwegian krone against the euro.

As at 31 December 2020, the amount of the Group's property, plant and machinery pledged as collateral against loans received was approximately euro 170 million (euro 233 million at the end of 2019).

Contractual commitments already given to third parties as of 31 December 2020 for capital expenditure not yet reflected in the financial statements amounted to approximately euro 197 million, of which euro 181 million for Property, plant and equipment and euro 16 million for intangible assets.

158



Note 9 - Investments accounted for using the equity method and other investments

Investments

These are analyzed as follows:

(euro/thousands)

	Associates	Joint ventures	Investments accounted for using the equity method	Total investments accounted for using the equity method	Other companies carried at fair value through comprehensive income	Other companies carried at fair value through profit or loss	Total Other investments
1.1.2019	35,423	20,228	55,651	267	4,289	4,556	60,207
Changes in the consolidation	51	31	51	31		31	82
Investments	2,531	475	3,006	15,080	21	15,101	18,107
Revaluations/(impairment losses) through profit or loss	(4,990)	1,822	(3,168)	(78)		(78)	(3,246)
Revaluations/(impairment losses) through equity							
Disposals				(20)		(20)	(20)
Dividends from investments accounted for using the equity method							-
Reclassifications/Other							-
Exchange rate differences	232		232	1	3	4	236
31.12.2019	33,247	22,525	55,772	15,359	4,235	19,594	75,366
Changes in the consolidation	(22)	(22)	(22)	15		15	(7)
Investments	32,856	2,580	35,436	5	58	63	35,499
Revaluations/(impairment losses) through profit or loss	(9,698)	(2,195)	(11,893)				(11,893)
Revaluations/(impairment losses) through equity							-
Disposals	(40)		(60)	(15)	(446)	(481)	(541)
Dividends from investments accounted for using the equity method							-
Reclassifications/Other	(219)		(219)	7,058	(21)	7,037	6,818
Exchange rate differences	(424)		(424)		(49)	(49)	(473)
31.12.2020	55,680	22,910	78,590	22,422	3,757	26,179	104,769

Investments made during the year totalled euro 35,499 thousand and mainly concerned, for euro 32,856 thousand, the purchase by the VARD group of a 35.66% stake in the shipowner Island Offshore XII Ship AS and, for euro 2,500 thousand, the incorporation by the Parent Company of the joint venture Naviris S.p.A. Revaluations/(impairment losses) through profit or loss (negative euro 11,893 thousand) include the share of comprehensive income of companies accounted for using the equity method (namely associates and joint ventures).

Reclassifications/Other refers: i) to the assignment, based on the debt restructuring plan of Astaldi S.p.A. and against the trade receivable claimed by Fincantieri, of no. 3,269,909 Astaldi shares, for a value of euro 966 thousand, and no. 26,173,926 Participating Financial Instruments ("SFP") in the Dedicated Assets managed by the restructuring arrangement, for an estimated value of euro 6,091 thousand; ii) for euro 11 thousand, to the shareholding held by Fincantieri Oil & Gas S.p.A. in the company Arsenal S.r.l., previously valued at net equity and subsequently purchased at 100% and consolidated on a line-by-line basis.

"Other investments" include investments carried at fair value, calculated 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).

On 23 December 2020, the Fincantieri Group, through its subsidiary Fincantieri Infrastructure S.p.A., finalized the acquisition of the main business unit of INSO - Sistemi per le Infrastrutture Sociali S.p.A., including the subsidiary SOF, already part of the Condotta Group, in special administration since 2018, with the incorporation of a newco, Fincantieri Infrastrutture Sociali, 90% owned by Fincantieri Infrastructure and 10% by Sviluppo Imprese Centro Italia SGR S.p.A. (SICI), representing the Region of Tuscany. The effectiveness of this acquisition is subject to a number of conditions precedent being fulfilled, which is expected to occur during 2021. The total price of the transaction has been set at euro 30 million, which will be paid to the seller in 4 equal annual instalments, the first of which is due on the date of execution of the contract.



Investments at 31 December 2020

(euro/thousands)				
COMPANY NAME	Registered office	% owned	Carrying amount	
Investments in associates accounted for using the equity method				
Brevik Technology AS	Norway	34.00	73	
Caster Drilling Solution AS	Norway	34.13	308	
CSS Design Ltd	British Virgin Islands	31.00	203	
DOF termian AS	Norway	50.00		
Makster Supply AS	Norway	40.00	558	
Makster Supply KS	Norway	36.00	161	
Olympic Challenger AS	Norway	35.00	%	
Olympic Green Energy AS	Norway	29.50		
Rem Supply AS	Norway	26.66		
Island Offshore XI Ship AS	Norway	35.66	32,751	
Island Diligence AS	Norway	39.38	5,745	
Gruppo Fsc Sp.A.	Italy	10.00	12,459	
Decoma Sp.A.	Italy	20.00	2,500	
Centro Servizi Naval Sp.A.	Italy	10.93	775	
Prelis Solution & Technologies S.r.l.	Italy	49.00	24	
Leonardo Sistemi Integrati S.r.l.	Italy	14.58	23	
McLcom - Mission Critical for communications S.c.a.r.l.	Italy	50.00	4	
Unifer Navale S.r.l.	Italy	20.00		
Total investments in associates accounted for using the equity method			55,880	
Investments in joint ventures accounted for using the equity method				
CSSC - Fincantieri Cruise Industry Development Ltd	Hong Kong	40.00	3,929	
Ethiad Ship Building LLC	Arab Emirates	35.00	1,039	
Orizzonte Sistemi Navali Sp.A.	Genoa	51.00	17,582	
Isseil Middle East Information Technology Consultancy LLC	Arab Emirates	49.00	17	
BUSBARAF S.c.a.r.l.	Trieste	60.00	24	
Nariris Sp.A.	Genoa	50.00	134	
4TCC1 S.c.a.r.l.	Trieste	80.00	80	
Fincantieri Clea Buildings S.c.a.r.l.	Verona	51.00		
PERGENOVA S.p.a.	Genoa	50.00	500	
CONSORZIO FSE ¹	Venice - Marghera	58.36	5	
Total investments in joint ventures accounted for using the equity method			22,910	

(euro/thousands)				
COMPANY NAME	Registered office	% owned	Carrying amount	
Other investments in companies carried at fair value through comprehensive income				
Consorzio Ric. Innov. Tec. Sicilia Trasp. Naval S.c.a.r.l.	Messina	6.21	28	
Consorzio CONAI	Rome	?	1	
Consorzio IMAST S.c.a.r.l.	Naples	3.35	22	
Consorzio MB	Trieste	?	2	
Distretto Ligure delle Tecnologie Marine S.c.a.r.l.	La Spezia	11.47	115	
EEG Euroyards	Brussels	14.29	10	
International Business Science Company S.c.a.r.l.	Trieste	22.22	10	
MARET - FVG - Maritime Technology cluster FVG S.c.a.r.l.	Monfalcone (Gorizia)	13.30	65	
SIFT - Disretto Tecnologico Ligure sui Sistemi Intelligenti Integrati S.p.a.	Genoa	11.30	71	
Consorzio MedTech - Mediterranean Competence Centre 4 Innovation	Naples	4.55	25	
Genova Industrie Navali Sp.A.	Genoa	15.00	15,000	
Asaldi Sp.A.	Rome	?	7,058	
Banque Populaire Mediterranee	France	?	5	
Uninet Sp.A.	Rome	0.88	10	
Total other investments in companies carried at fair value through comprehensive income			22,422	
Other investments in companies carried at fair value through profit and loss				
Solsied Offshore ASA	Norway	0.35	95	
Frulua Sp.A.	Trieste	0.57	3,662	
Total other investments in companies carried at fair value through profit and loss			3,757	

¹ Consortium for recharging code. The percentage of the shareholding is determined on the basis of the valuation attributed to the former AS. No data are available.
² The investment in Asaldi S.p.A. represents 1.22% of the shares and 0.02% for the Participating Financial Institutions.
³ The share capital is subject to continuous change, making it impossible to determine the percentage of the interest.

CSSC - Fincantieri Cruise Industry Development Ltd, which is 40% owned by the Parent Company, is consolidated using the equity method because, under the agreements between the Parent Company and the other shareholder, it is considered jointly controlled.
Ethiad Ship Building LLC, which is 35% owned by the Parent Company, is consolidated using the equity method because, under its shareholders' agreement, it is considered jointly controlled with other shareholders who hold the remainder of share capital.
Orizzonte Sistemi Navali S.p.A., which is 51% owned by the Parent Company, is consolidated using the equity method because, under its shareholders' agreement, it is considered jointly controlled with another shareholder who holds 49%.
Isseil Middle East Information Technology Consultancy LLC, which is 49% owned by Isseil Nord S.r.l., is consolidated using the equity method because, under the agreements with the other shareholder, it is considered jointly controlled.
PERGENOVA S.c.a.r.l. and Fincantieri Clea Buildings S.c.a.r.l., respectively 50% and 51% owned by Fincantieri Infrastructure S.p.A., are consolidated using the equity method because, under the agreements with the other shareholder, they are considered jointly controlled.
4TCC1 S.c.a.r.l., 5% owned by FINCANTIERI S.p.A. and 75% owned by Fincantieri SI S.p.A., is consolidated using the equity method because, under the agreements with the other shareholders, they are considered jointly controlled.



PSC S.p.A., 10% owned by the Parent Company, is consolidated using the equity method because the shareholding is considered to carry significant influence based on the shareholder agreements signed with the other shareholders.

Decomar S.p.A., 20% owned by the Parent Company, is consolidated using the equity method because the shareholding is considered to carry significant influence based on the shareholder agreements signed with the other shareholders.

Centro Servizi Navali S.p.A., which is 100% owned by the Parent Company, is consolidated using the equity method because the shareholding is considered to carry significant influence due to the Company's bylaws.

Disclosures relating to investments in associates

With regard to investments in associates accounted for using the equity method, the following table reports the aggregate share of the profits and losses attributable to the Group for all associates that are not individually material.

(euro/thousands)	31.12.2020	31.12.2019
Profit/(loss) from operations in the year	(9,698)	(4,990)
Other comprehensive income		
Total comprehensive income	(9,698)	(4,990)

At the reporting date, the Group has not undertaken commitments for financing relating to its investments in associates.

Disclosures relating to investments in joint ventures

The following tables present summarized financial information for Orizzonte Sistem Navali S.p.A., a joint venture that at 31 December 2020 is material to the Group. The figures shown reflect amounts reported in the company's financial statements as adjusted for the Group's accounting policies.

Condensed balance sheet

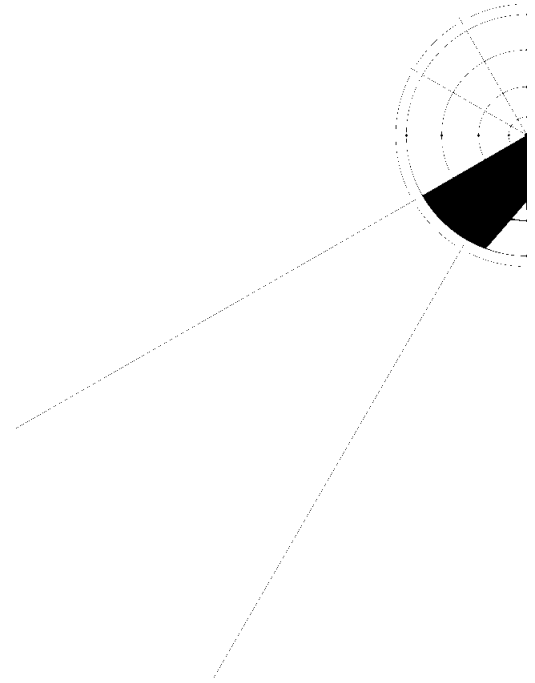
(euro/thousands)	31.12.2020	31.12.2019
Assets	601,191	284,653
Non-current	138	163
Other assets	138	163
Current	601,053	284,490
Other assets	488,162	168,493
Financial assets	1,662	1,556
Cash and cash equivalents	111,229	11,444
Liabilities	565,784	249,380
Non-current	190	185
Other liabilities	190	185
Current	565,594	249,195
Other liabilities	565,594	249,195
Equity	35,407	35,273

Condensed comprehensive statement of income

(euro/thousands)	2020	2019
Revenue	538,572	415,521
Depreciation and amortization	(60)	(91)
Interest income	61	145
Pre-tax profit from recurring operations	259	235
Income taxes	(125)	(175)
Net profit from recurring operations	134	60
Other comprehensive income/(losses)		
Total comprehensive income/(loss)	134	60

Reconciliation with carrying amount

(euro/thousands)	31.12.2020	31.12.2019
Equity at 01.01	35,273	35,212
Profit/(loss) for the period	134	60
Other movements		1
Equity at 31.12	35,407	35,273
51% interest in joint venture	18,058	17,989
Other movements	(476)	(407)
Carrying amount	17,582	17,582





Note 10 - Non-current financial assets

These are analyzed as follows:

(euro/thousands)	31.12.2020	31.12.2019
Receivables for loans to joint ventures	22,000	22,000
Derivative assets	3,703	1,093
Other non-current financial receivables	47,901	59,445
Non-current financial receivables from associates	26,381	11,045
Non-current financial assets	99,985	92,603

"Receivables for loans to joint ventures" relates to the shareholder loan made to the joint venture CSSC – Fincantieri Cruise Industry Development Ltd. for euro 22 million bearing a market rate of interest.

"Derivative assets" represent the reporting-date fair value of derivatives with a maturity of more than 12 months. Further details can be found in Note 4.

"Other non-current financial receivables" refer to loans to third parties and other investee companies bearing market rates of interest.

The change in "Non-current financial receivables from associates" is due to new market rate loans to Group companies that are not consolidated line-by-line. For more information on the counterparties, refer to Note 33 and the analysis of related party transactions.

It should be noted that, during 2020, the financial receivables were subject to impairment of euro 11,474 thousand.



Note 11 - Other non-current assets

Other non-current assets are analyzed as follows:

(euro/thousands)	31.12.2020	31.12.2019
Other receivables from investee companies	628	666
Government grants receivable	10,567	890
Firm commitments	4,520	7,038
Other receivables	11,226	8,909
Other non-current assets	26,941	17,523

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

Government grants receivable report the non-current portion of state aid granted by governments in the form of tax credits. The amount is analyzed below by due date for recovery:

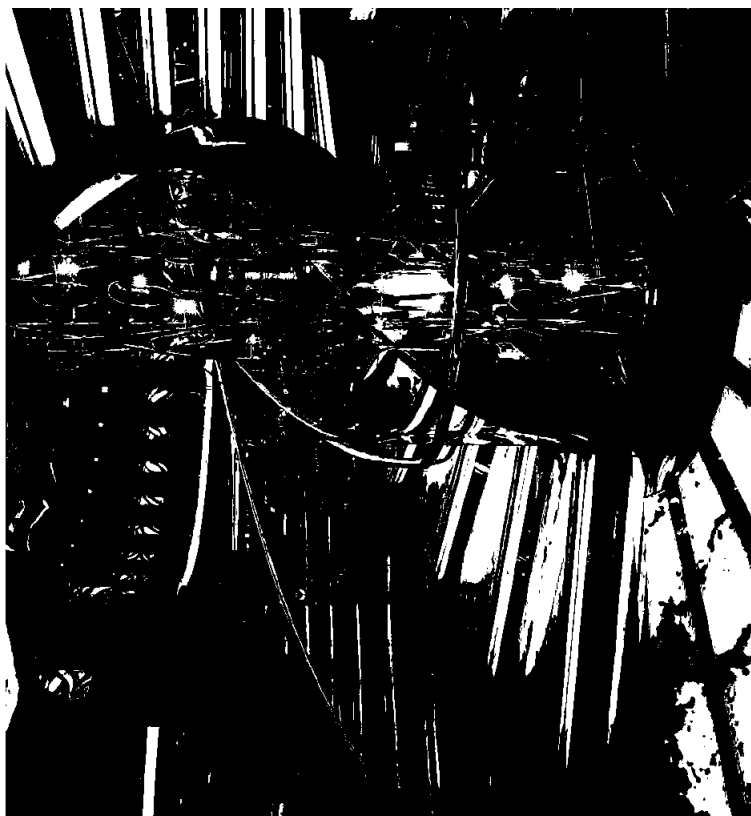
(euro/thousands)	31.12.2020	31.12.2019
- between one and two years		890
- between two and three years		
- between three and four years	4,621	
- between four and five years	5,946	
- beyond five years		
Total	10,567	890

"Firm commitments" of euro 4,520 thousand (euro 7,038 thousand at 31 December 2019) reflect the fair value of the hedged item, represented by the construction contracts in currencies other than the functional currency and therefore subject to exchange rate risk, and it is the subject of fair value hedge used by the VARD group. For considerations regarding credit risk, reference is made to Note 4.

"Other receivables" of euro 11,226 thousand (euro 8,909 thousand at 31 December 2019) mainly include the receivable from the Iraqi Ministry of Defence (euro 4,693 thousand). Please refer to the specific section on litigation in Note 33 for a more detailed explanation. The remaining balance of euro 6,533 thousand consists of security deposits, advances and other minor items.

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

(euro/thousands)	Provision for impairment of other receivables
Balance at 1.1.2019	8,188
Utilizations	
Increases/(releases)	
Total at 31.12.2019	8,188
Utilizations	
Increases/(releases)	
Total at 31.12.2020	8,188



Note 12 - Deferred tax assets and liabilities

Deferred tax assets are analyzed as follows:

(euro/thousands)	Sundry impairment losses	Provisions for risks and changes - Product warranty	Provisions for risks and changes - Other risks and changes	Fair value derivatives	Actuarial valuation employee severance benefit	Carry forward tax losses	Other temporary differences	Total
1.1.2019	28,867	9,512	20,933	(9,791)	3,124	23,473	47,846	123,964
Changes in 2019								
- business combinations							310	310
- through profit or loss	(3,511)	(1,925)	(10,049)	2,151	21	8,574	(2,939)	(17,678)
- impairment losses	(2,220)					(14,556)	(2,127)	(18,903)
- through other comprehensive income				10,777	728			11,505
- tax rate and other changes	1,686		(358)	(867)	(1)	618	(1,698)	(620)
- exchange rate differences	25	23	10	5		37	343	443
31.12.2019	24,847	7,610	10,536	2,275	3,872	18,146	31,735	99,021
Changes in 2020								
- business combinations								
- change in consolidation area						(242)		(242)
- through profit or loss	2,341	408	(3,600)		(95)	1,137	15,182	15,373
- impairment losses	(3,874)		(2,051)	(1,141)		(6,913)	(1,918)	(15,897)
- through other comprehensive income	(5,632)			892	111			(6,629)
- tax rate and other changes	492	1	68	(40)	86	(1,553)	(10,401)	(11,347)
- exchange rate differences	(867)	(28)	(233)	(102)		(954)	(2,132)	(4,316)
31.12.2020	17,307	7,991	4,720	1,884	3,974	9,621	32,466	77,963

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 item Sundry impairment losses mainly refers to impairments of trade receivables, inventories and other impairments on assets including expected losses on construction contracts.

Other temporary differences refer to deferred tax assets set aside against future tax benefits associated with optional tax regimes referring to US subsidiaries, elimination of merger/transfer differences, and other income items with deferred deductibility.

No deferred tax assets have been recognized on euro 124 million (euro 83 million at 31 December 2019) in carry forward losses of subsidiaries which are thought unlikely to be recovered against future taxable income.



Deferred tax liabilities are analyzed as follows:

(euro/thousands)	Deferred taxes from business combinations	Other temporary differences	Total
1.1.2019	43,712	14,300	58,012
Changes in 2019			
- business combinations	5,272	462	5,734
- through profit or loss	(7,222)	(2,911)	(10,133)
- impairment losses		(4)	(4)
- through other comprehensive income		(2)	(2)
- tax rate and other changes		(14)	(14)
- exchange rate differences	550	206	756
31.12.2019	42,312	12,037	54,349
Changes in 2020			
- business combinations		(63)	(63)
- through profit or loss	(2,600)	2,232	(368)
- impairment losses			
- through other comprehensive income			
- tax rate and other changes	(4,374)	4,368	(6)
- exchange rate differences	(2,243)	(1,102)	(3,346)
31.12.2020	33,075	17,453	50,527

The deferred tax liabilities for business combinations relate to differences arising when allocating purchase price with regard to: i) intangible assets with indefinite useful lives, primarily client relationships and order backlog; ii) industrial plant, machinery and equipment.

The other temporary differences include the difference between book and fiscal values of fixed assets, mainly for the American subsidiaries.

Note 13 - Inventories and advances

These are analyzed as follows:

(euro/thousands)	31.12.2020	31.12.2019
Raw materials and consumables	322,635	299,230
Work in progress and semi-finished goods	29,092	31,547
Finished products	30,730	30,152
Total inventories	382,457	360,929
Advances to suppliers	499,042	467,017
Total inventories and advances	881,499	827,946

Inventories and advances are stated net of relevant provisions for impairment.

The amount recorded for Raw materials and consumables basically represents the volume of stock considered sufficient to ensure the normal conduct of production activities.

Work in progress and semi-finished goods and finished products include some of the subsidiary VARD's naval vessels, recorded among inventories for euro 29.3 million following the cancellation of orders by shipowners in previous years, as well as the manufacture of engines and spare parts.

The following table presents the amount of and movements in such provisions for impairment:

(euro/thousands)	Provision for impairment - raw materials	Provision for impairment - work in progress and semi-finished goods	Provision for impairment - finished products
1.1.2019	13,000	16,445	3,060
Increases	4,094	1,880	6,877
Utilizations	(2,383)	(1,607)	(12)
Releases	(1,091)		
Exchange rate differences	24	156	6
31.12.2019	13,644	1,874	9,751
Increases	1,656	2,566	2,972
Utilizations	(1,253)		(486)
Releases	(82)		
Exchange rate differences	(32)	(336)	(882)
31.12.2020	13,933	4,104	11,356

"Provision for impairment - raw materials" includes the adjustments made to align the carrying amount of slow-moving materials still in stock at year end with the estimated realizable value.

The balance of the "Work in progress and semi-finished goods" grew during the year due to further increases made by the subsidiary VARD for an offshore vessel, partially impaired in previous years.



Note 14 - Construction contracts - assets

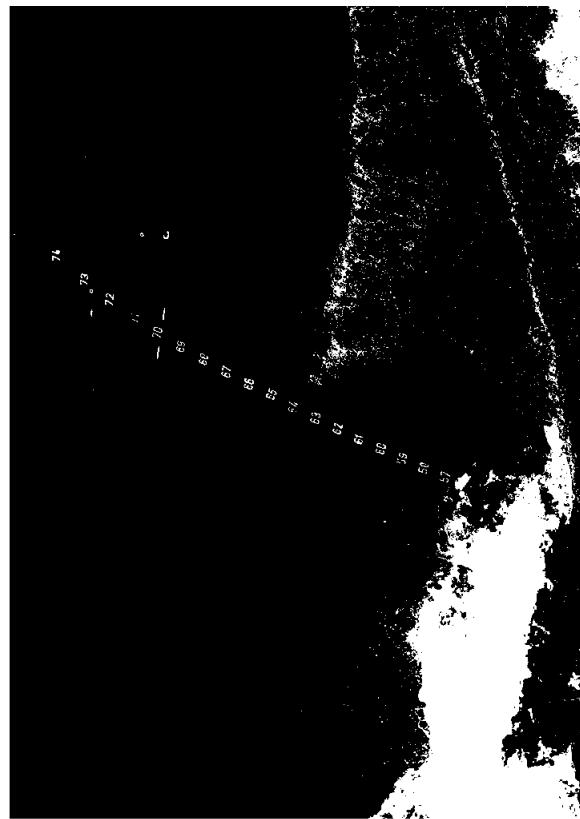
These are analyzed as follows:

	31.12.2020			31.12.2019		
	Construction contracts - gross	Invoices issued and provision for expected losses	Construction contracts - net assets	Construction contracts - gross	Invoices issued and provision for expected losses	Construction contracts - net assets
Shipbuilding contracts	8,875,235	(5,775,191)	3,100,044	6,302,891	(5,678,913)	2,623,978
Other contracts for third parties	289,581	(265,071)	24,510	183,764	(110,028)	73,736
Total	9,164,816	(6,040,262)	3,124,554	6,486,655	(5,788,941)	2,697,714

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

As already stated in the Report on Operations, some payment extensions were granted to shipowners in the order of euro 450 million in 2020.

With reference to the performance obligations still to be met, please refer to the information provided in the Report on Operations on the backlog.



Note 15 - Trade receivables and other current assets

These are analyzed as follows:

	31.12.2020	31.12.2019
Trade receivables	606,823	677,472
Receivables from controlling companies (tax consolidation)	35,773	3,006
Receivables from related parties	741	792
Government grants receivable	3,116	6,619
Other receivables	211,407	272,449
Indirect tax receivables	57,962	49,454
Firm commitments	10,489	792
Accrued income	62,806	68,610
Prepayments	273	194
Total trade receivables and other current assets	983,390	1,079,388

The above receivables are shown net of provisions for the impairment of receivables. These provisions relate to receivables that are no longer considered fully recoverable, including those involving legal action and judicial and out-of-court proceedings in cases of debtor default, also taking into account the estimate of any expected losses. A provision for interest charged on past due trade receivables has been recognized in a "Provision for past due interest". Provisions for impairment of receivables report the following amounts and movements:

	Provision for impairment of trade receivables	Provision for past due interest	Provision for impairment of other receivables	Total
1.1.2019	33,128	63	6,809	40,000
Business contributions				
Utilizations	(2,457)			(2,457)
Increases	1,336			1,336
Releases			(12)	(12)
Exchange rate differences	7			7
31.12.2019	31,814	63	6,797	38,686
Business contributions				
Utilizations	(2,122)		(195)	(2,317)
Increases	4,483		3,737	8,220
Releases	(87)			(87)
Exchange rate differences	(59)			(59)
31.12.2020	34,045	63	10,339	44,447



THE FINCANTIERI GROUP

For considerations regarding Credit Risk, reference is made to Note 4.

"Government grants receivable" of euro 3,116 thousand include operating and capital grants from the state of Wisconsin recognized by the FIMGH Group for the LCS project, and grants receivable, by the Parent Company and the subsidiary Cetena, for research and innovation.

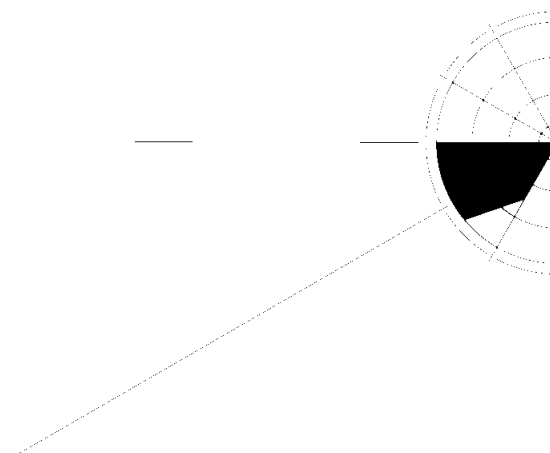
"Other receivables" of euro 211,407 thousand mainly refer to:

- receivables for shipowner supplies, insurance claims, other receivables from suppliers, sundry receivables from employees, research grants and other miscellaneous receivables, mostly relating to the Parent Company, totaling euro 187,874 thousand and euro 270,521 thousand at 31 December 2019;
- receivables from social security institutions for euro 2,172 thousand and euro 2,023 thousand at 31 December 2019, most of which advances paid to employees for accidents and amounts owed by INPS (the Italian social security administration) in respect of the Wage Guarantee Fund.

"Indirect tax receivables" of euro 57,962 thousand (euro 49,454 thousand at 31 December 2019) mainly refer to claims for VAT refunds or set-off, to indirect foreign taxes and claims for customs duty refunds from the Italian Customs Authority.

"Firm commitments" of euro 10,489 thousand (euro 792 thousand at 31 December 2019) reflect the fair value of the hedged item, represented by the construction contracts in currencies other than the functional currency and therefore subject to exchange rate risk, and it is the subject of fair value hedge used by the VARD group.

"Prepayments" mainly refer to insurance premiums and other expenses relating to future periods.

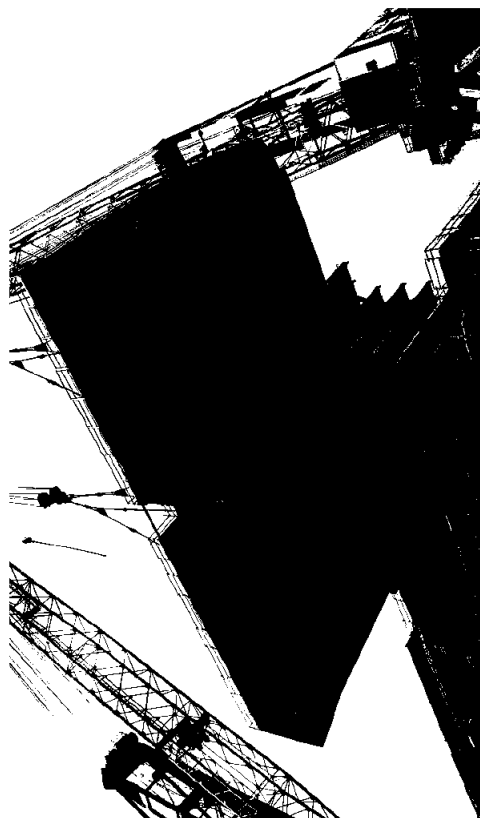


Note 16 - Income tax assets

(euro/thousands)	31.12.2020	31.12.2019
Italian corporate income taxation (IRES)	1,749	1,564
Italian regional tax on productive activities (IRAP)	4,309	344
Foreign tax	5,843	6,713
Total income tax assets	11,901	8,621

The provision for impairment of income tax assets reports the following amounts and movements:

(euro/thousands)	
Balance at 1.1.2019	Provision for impairment of income tax assets
Increases	2,042
Releases	
Utilizations	
Total at 31.12.2019	(1,854)
Increases	188
Releases	
Utilizations	
Total at 31.12.2020	3
	185





Note 17 - Current financial assets

These are analyzed as follows:

(euro/thousands)	31.12.2020	31.12.2019
Derivative assets	9,274	2,423
Other receivables	69,125	633
Current financial receivables from associates	394	418
Government grants financed by BIS	131	4,762
Accrued interest income	6,413	623
Prepaid interest and other financial expense	54	470
Total current financial assets	85,391	9,329

"Derivative assets" represent the reporting-date fair value of derivatives with a maturity of less than 12 months. The fair value of derivative financial instruments has been calculated considering market parameters and using widely accepted measurement techniques (Level 2). Further details can be found in Note 4. The increase in the balance was mainly due to the depreciation of the US dollar against the euro and the recovery in the value of the Norwegian krone in the months following the outbreak of the pandemic.

"Government grants financed by BIS" (Banca Infrastruttura Innovazione e Sviluppo) report the current portion of government grants receivable by shipyards and by shipowners, assigned to Fincantieri as part of contract price. "Other receivables" refers to loans to some shipowners during the period bearing market rates of interest. Furthermore, during 2020, these financial receivables were subject to impairment of euro 1,891 thousand. During 2020, the Company granted additional loans to some shipowners for the amount of euro 175 million that had not yet been drawn down at the reporting date.

Note 18 - Cash and cash equivalents

These are analyzed as follows:

(euro/thousands)	31.12.2020	31.12.2019
Bank and postal deposits	1,274,487	381,656
Checks		
Cash on hand	195	134
Total cash and cash equivalents	1,274,642	381,790

Cash and cash equivalents at period end include euro 1,847 thousand in term bank deposits, for which there is a contractual provision for prompt disposal; the remainder refers to the balances on current accounts held with a number of banks. The increase in the amount of cash and cash equivalents is mainly due to the payment in October 2020 to the Parent Company of the loan pursuant to Decree Law No. 23 of 2020, for euro 1,150 million (more details in Note 22).

Note 19 - Equity

Equity attributable to owners of the parent

The composition of equity is analyzed in the following table:

(euro/thousands)	31.12.2020	31.12.2019
Attributable to owners of the parent		
Share Capital	862,981	862,981
Reserve of own shares	(4,473)	(7,118)
Share premium reserve	110,499	110,499
Legal reserve	58,757	51,189
Cash flow hedge reserve	(9,812)	(10,419)
Financial asset fair value reserve through Other Comprehensive Income	(398)	(398)
Currency translation reserve	(155,043)	(126,002)
Other reserves and retained earnings	138,774	279,008
Profit/(loss) for the period	(240,057)	(141,242)
	761,468	1,018,498
Attributable to non-controlling interests		
Capital and reserves	13,393	30,336
Financial asset fair value reserve through Other Comprehensive Income	(7)	(7)
Currency translation reserve	6,177	8,019
Profit/(loss) for the period	(4,443)	(6,997)
Total equity	15,100	31,351
	776,568	1,049,849

Share capital

The share capital of FINCANTIERI S.p.A. amounts to euro 862,980,725.70, fully paid-in, divided into 1,699,651,360 ordinary shares (including 4,540,441 own shares in portfolio), with no par value.

On 10 June 2020, the Board of Directors approved the closure of the second cycle of the "Performance Share Plan 2016-2018" incentive plan, allocating 4,822,542 ordinary Fincantieri shares to beneficiaries free of charge, following verification of the degree to which the specific performance objectives originally set (EBITDA with a weighting of 70% and the "Total Shareholder Return" with a weighting of 30%) had been achieved. The allocation of shares took place using solely own shares in portfolio, on 3 July 2020. As at 31 December 2020, 71.32% of the Company's share capital of 862,980,725.70 euros is held, through the subsidiary CDP Industria S.p.A., by Cassa di Risparmio di Venezia (CDP) S.p.A., a company controlled by the Ministry of Economy and Finance. The remainder of share capital was distributed between a number of private investors (none of whom held significant interests of 3% or above) and own shares for around 0.27% of shares representing the share capital).



Reserve of own shares

The reserve is negative for euro 4,473 thousand and comprises the value of the own shares for the Company's incentive plans called "Performance Share Plan" (described in more detail in Note 33). As reported in the commentary on the Share Capital, following the Board of Directors' resolution of 10 June 2020 to allocate shares under the 2nd cycle of the "Performance Share Plan 2016-2018", 2,685,862 own shares in portfolio were allocated free of charge to non-employees (net of those withheld to meet the taxation obligation of the assignees), for a value of euro 2,646 thousand. The delivery of the shares took place on 3 July 2020. At 31 December 2020, the own shares in portfolio amounted to 4,340,441, equal to 0.27% of the Share Capital. For further information, refer to Note 33 – Other information, in the section "Medium/long-term incentive plan". The number of shares issued is reconciled to the number of shares outstanding in the Parent Company at 31 December 2020.

Ordinary shares issued	1,699,651,360
less: own shares purchased	(7,226,303)
Ordinary shares outstanding at 31.12.2019	1,692,425,057
Changes in 2020	
plus: Ordinary shares issued	2,685,862
plus: own shares allocated	
less: own shares purchased	
Ordinary shares outstanding at 31.12.2020	1,695,110,919
Ordinary shares issued	1,699,651,360
less: own shares purchased	(4,540,441)

Share premium reserve

This reserve has been recorded as a result of the capital increase accompanying the Company's listing on the Mercato Telematico Azionario (MTA) of Borsa Italiana S.p.A. on 3 July 2014. Listing costs of euro 11,072 thousand (net of tax effects) referring to the capital increase have been accounted for as a deduction from the share premium reserve, in compliance with IAS 32.

Cash flow hedge reserve

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

Currency translation reserve

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

Other reserves and retained earnings

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

The Ordinary Shareholders' Meeting held on 9 June 2020 resolved to allocate the net profit for the year 2019 of euro 151,352 thousand, of which euro 7568 thousand to the legal reserve and euro 143,784 thousand to the extraordinary reserve.

The Reserve to cover the issue of shares amounts to euro 3,842 thousand and was set up by resolution of the Board of Directors on 27 June 2019 for the issue of shares to allocate to employees during the payout of the first cycle of the incentive plan "Performance Share Plan 2016-2018"; through the reclassification from the reserves of available earnings and more specifically from the extraordinary reserve. For further information, refer to Note 33 – Other information, in the section "Medium/long-term incentive plan".

It should be noted that the change in this item is partly attributable to the effect of the extinction of a liability to the minority shareholders of the Fincantieri Nextech group, recorded at the time as a reduction of the group's Equity, following the early exercise of part of the put options granted at the time. The transaction with minority shareholders was made at a lower value than their recorded fair value. This difference has been recorded in the finance income for the year.

Non-controlling interests

The change with respect to 31 December 2019 is attributable to the acquisition of the minority interests in Fincantieri Nextech S.p.A. (formerly Insis S.p.A.) and the overall result for the period.

Other comprehensive income/losses

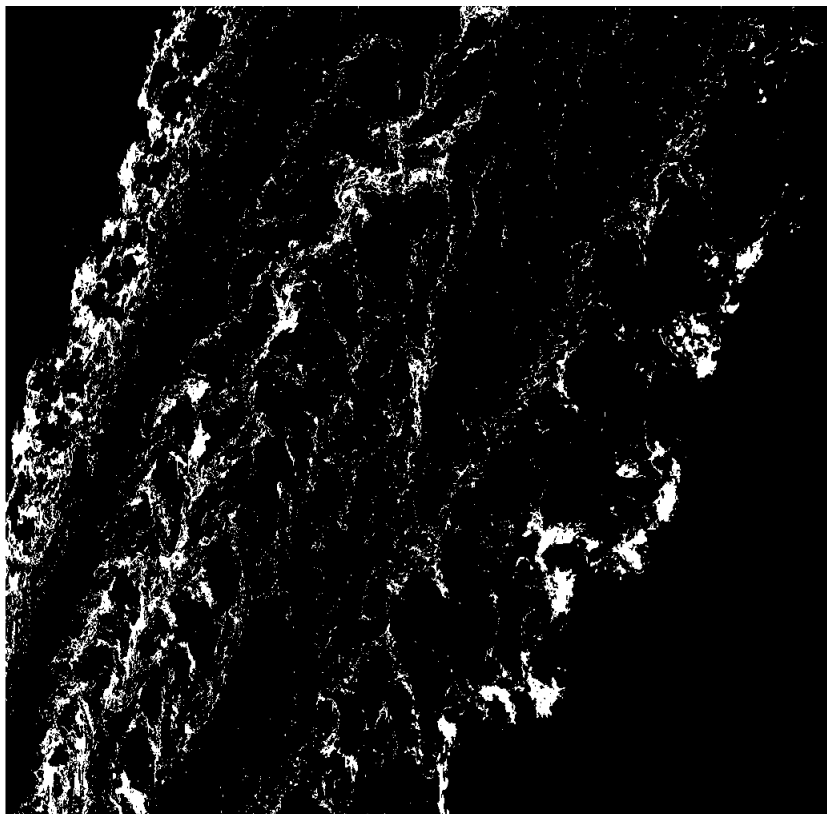
The amount of other comprehensive income/losses, presented in the statement of comprehensive income, is as follows:

(euro/thousands)	31.12.2020			31.12.2019		
	Gross amount	Net amount	Gross amount	Net amount	Gross amount	Net amount
Effective portion of profits/(losses) on cash flow hedging instruments	(243)	892	649	(36,372)	10,757	(25,615)
Gains/(losses) from remeasurement of employee defined benefit plans	(575)	111	(464)	(2,789)	736	(2,053)
Gains/(losses) arising from changes in OCI of investments accounted for using the equity method						
Gains/(losses) arising on translation of financial statements of foreign operations	(25,255)	(5,432)	(30,887)	13,834	(416)	13,418
(losses)	(26,073)	(4,629)	(30,702)	(25,327)	11,077	(14,250)



(euro/thousands)

	31.12.2020	31.12.2019
Effective portion of profits/(losses) arising in period on cash flow hedging instruments	(11,647)	(11,404)
Effective portion of profits/(losses) on cash flow hedging instruments reclassified to profit or loss	11,404	(24,968)
Effective portion of profits/(losses) on cash flow hedging instruments	(243)	(36,372)
Tax effect of other components of comprehensive income	892	10,757
Total other comprehensive income/(losses), net of tax	649	(25,615)



Note 20 - Provisions for risks and charges

These are analyzed as follows:

(euro/thousands)

	Utilization	Product warranty	Agent indemnity benefit	Business reorganization	Other risks and charges	Total
1.1.2019	75,233	40,742	54	894	18,273	135,216
Business combinations						
Increases	35,041	31,897		3,722	8,776	79,386
Utilizations	(81,390)	(29,042)	(12)	(440)	(5,961)	(116,885)
Releases	(203)	(6,206)			(3,540)	(9,949)
Other movements	643	68		1	29	741
Exchange rate differences	(53)	82		4	(2)	31
31.12.2019	29,291	37,541	42	4,161	17,590	88,625
Business combinations						
Increases	45,564	25,419			74	71,057
Utilizations	(56,821)	(17,693)		(1,849)	(5,674)	(84,037)
Releases	(353)	(5,949)	(16)		(58)	(6,376)
Other movements	(2)				(691)	(693)
Exchange rate differences	(631)	(627)		(266)	(379)	(1,903)
31.12.2020	15,048	38,691	26	2,026	16,761	72,552
- of which non-current portion	14,204	31,505	26	-	12,953	58,288
- of which current portion	844	7,186	-	2,026	4,208	14,264

Increases in the litigation provision mainly refer to: i) precautionary provisions for claims brought by employees, authorities or third parties for damages arising from asbestos exposure; ii) other provisions for litigation with employees and suppliers and for other legal proceedings. Utilization of the provision for litigation refers mainly to compensation in the asbestos-related lawsuits brought by employees, authorities or third parties. Other changes refer to the reclassification of provisions for income tax risks from "Other risks and charges" to "Income tax liabilities".

The "Product warranty" provision relates to the estimated cost of carrying out work under contractual guarantee after vessel delivery. The warranty period normally lasts for 1 or 2 years after delivery.

The "Business reorganization" provision has been set aside in previous periods for the cost of the reorganization programs initiated by VARD in its Norwegian shipyards. The utilizations are mainly related to the closure of the Aukra and Breivik shipyards.

The provision for "Other risks and charges" includes funds for environmental clean-up costs (euro 4,775 thousand), provisions for risks related to various kinds of disputes, mostly of a contractual, technical or fiscal nature, which might be settled at the Group's expense either in or out of court. More information can be found in Note 33.

Note 21 - Employee benefits

Movements in this line item are as follows:

(euro/thousands)	31.12.2020	31.12.2019
Opening balance	60,066	56,830
Business combinations	270	1,456
Interest cost	540	877
Actuarial (gains)/losses	575	2,830
Utilizations for benefits and advances paid	(2,467)	(2,435)
Staff transfers and other movements	708	508
Exchange rate differences		
Closing balance	59,692	60,066
Plan assets	(6)	(19)
Closing balance	59,687	60,047

The balance at 31 December 2020 of euro 59,692 thousand is mainly comprised of the employee severance benefit pertaining to the Group's Italian companies (euro 57,457 thousand).

The amount of Italian employee severance benefit recognized in the financial statements is calculated on an actuarial basis using the projected unit credit method; the discount rate used by this method to calculate the present value of the defined benefit obligation reflects the market yield on bonds with the same maturity as that expected for the obligation. The assumptions adopted are as follows:

	31.12.2020	31.12.2019
Economic assumptions		
Cost of living increase	0.80%	1.20%
Discount rate	0.34%	0.77%
Increase in employee severance benefit	2.10%	2.40%
Demographic assumptions		
Expected mortality rate	RG48 mortality tables published by the State Accounting Office	RG48 mortality tables published by the State Accounting Office
Expected invalidity rate	INPS tables split by age and gender	INPS tables split by age and gender
Expected resignation rate	3.0%	3.0%
Expected rate of advances on employee severance benefit	2.0%	2.0%

Reasonable variations in the parameters used do not have any significant impact on the estimated liability.

The table below shows the expected payouts for Italian employee severance benefits in years to come:

(euro/thousands)	Expected payments
Within 1 year	6,923
Between 1 and 2 years	2,531
Between 2 and 3 years	2,779
Between 3 and 4 years	2,929
Between 4 and 5 years	2,751
Total	17,913

The Group paid a total of euro 38,369 thousand into defined contribution plans in 2020 (euro 35,570 thousand in 2019).





Note 22 - Non-current financial liabilities

These are analyzed as follows:

(euro/thousands)	31.12.2020	31.12.2019
Bank loans and credit facilities - non-current portion	2,031,822	728,417
Liabilities to other lenders	20,443	7,310
Financial liabilities for leasing IFRS 16 - non-current portion	72,180	76,645
Fair value of options on equity investments	8,862	37,541
Derivative liabilities	26,344	31,638
Total non-current financial liabilities	2,159,651	881,551

The increase in the item relating to non-current financial liabilities is mainly due to the Parent Company's finalization, during 2020, of new medium/long-term loans, in particular the loan for euro 1,150 million pursuant to Decree Law no. 23 of 2020, disbursed in October 2020 by a syndicate of leading national and international banks. The loan, after the two-year grace period, is repayable in eight quarterly instalments with constant principal, ending in September 2024.

At 31 December 2020, a non-current portion of euro 134 million of bank loans maturing in the next 12 months was reclassified to the current portion. "Financial liabilities for leasing IFRS 16 - non-current portion" refers to the non-current portion of the financial liability for lease payments falling within the scope of IFRS 16. Note 7 contains details on related rights of use.

The reduction in "Fair value of options on equity investments" is attributable to the effect of the extinction of a liability to the minority shareholders of the Fincantieri NexTech group, recorded at the time as a reduction of the group's Equity, following the early exercise of part of the put options granted at the time. The transaction with minority shareholders was made at a lower value than their recorded fair value. This difference has been recorded in the finance income for the year.

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

Bank loans and credit facilities

The following table presents the composition of bank loans and credit facilities, including disclosure of the non-current portion and the current portion reclassified to current financial liabilities:

(euro/thousands)	31.12.2020	31.12.2019
Banca Nazionale del Lavoro	400,000	100,000
Bayerische Landesbank	300,000	225,000
Unicredit	293,066	
UBI Banca	196,862	81,472
Banca BPM	190,000	
Banca Popolare dell'Emilia Romagna	165,000	75,000
Intesa Sanpaolo	103,853	103,854
Banca di Sondrio	100,000	
Monte dei Paschi	67,500	
Banco do Brasil	62,530	74,649
China Construction Bank	60,000	
Mediobanca	50,000	
Credito Valtellinese	38,051	44,034
Banca Mediocredito del Friuli Venezia Giulia	32,800	35,880
Cassa di Napoli e Prestiti	30,376	40,487
Bank of China	30,000	30,000
Credit Agricole - Friuladria	25,000	25,000
BNP Paribas	17,500	
Banca UBAE		15,000
Innovation Norway	5,364	7,501
Unicredit Tirac Bank SA		5,000
Other banks and credit facilities	(18,904)	3,856
Total bank loans and credit facilities	2,150,998	868,753
Other credit facilities	16,537	
Non-current portion	2,031,822	728,417
Current portion	119,176	140,336

The exposure to Banca Nazionale del Lavoro refers to a medium/long-term unsecured loan taken out in 2018 by Fincantieri S.p.A. for euro 100 million, repayable in a single instalment in July 2023 and to the portion of the loan pursuant to Decree Law No. 23 of 2020 entered into with the bank for euro 300 million.

The exposure to Bayerische Landesbank relates to five medium/long-term loans of the Parent Company. The first was disbursed in September 2018 for 75 million, repayable in a single instalment in September 2023. In November 2018 two other loans called "Schuldschein" were taken out with the bank acting as Arranger and Paying Agent: the first for euro 29 million with a duration of 3 years (expiry November 2021) and the second for euro 71 million with a duration of 5 years (expiry November 2023). Both loans are repayable in a single instalment. "Schuldschein" loans are debt instruments which are privately placed by an arranger bank with professional investors. Unlike normal syndicated loans, the loan is securitized in a note (Schuldschein) which is then transferred to the investors. It should also be noted that Bayerische Landesbank disbursed a loan in August 2019 for euro 50 million, repayable in a single instalment in July 2022. In October 2020, a loan for euro 75 million was entered into with Bayerische Landesbank under Decree Law No. 23 of 2020.

The exposure to Unicredit mainly refers to the portion of the loan under Decree Law No. 23 of 2020, entered into with the bank for euro 292.5 million and to Fincantieri NexTech S.p.A.'s two unsecured medium/long-term loans, the first entered into in September 2017 for a total amount of euro 1 million repayable in quarterly instalments ending in June 2022, the second entered into in December 2018 for a total amount of euro 1 million repayable in quarterly instalments ending in September 2021.



In December 2016, UBI Banca granted the Parent Company the first ordinary portion, euro 1,617 thousand, of a loan agreed in 2014 for euro 2,017 thousand for an innovation project under Law 46/1982 called "Environment"; this amount will be repaid in semi-annual instalments due between 2021 and 2024. In May 2018 Vard Group AS took out a loan with UBI Banca for a total of 10 million, which will be repaid in three-monthly instalments by May 2021. In March 2020, the bank granted the Parent Company a new medium/long-term unsecured loan for euro 70 million, repayable in a single instalment in March 2023. Lastly, in October 2020, a loan for euro 125 million was entered into with UBI Banca under Decree Law No. 23 of 2020.

In May 2020, Banco BPM granted the Parent Company a medium/long-term unsecured loan for euro 50 million, repayable in a single instalment in May 2025. Also, in October 2020, a loan for euro 140 million was entered into with Banco BPM under Decree Law No. 23 of 2020.

The exposure to Banca Popolare dell'Emilia Romagna refers to the residual debt of FINCANTIERI S.p.A.'s two unsecured medium/long-term loans; the first was entered into in 2018 for a total amount of euro 30 million, repayable in six semi-annual instalments starting in July 2019 and ending in January 2022, while the second was entered into in August 2018 for a euro 50 million, repayable in six semi-annual instalments starting in February 2021 and ending in August 2023. Also, in October 2020, a loan for euro 100 million was entered into with Banco Banca Popolare dell'Emilia Romagna under Decree Law No. 23 of 2020.

The exposure to Banco do Brasil, relating to Vard Promar SA, relates to a loan to support the construction of the Suape yard, which is pledged as collateral for the loan. The residual amount at 31 December 2020 amounts to euro 63 million.

In March 2020, China Construction Bank granted the Parent Company a new medium/long-term unsecured loan for euro 60 million, repayable in a single instalment in March 2023.

In March 2020, Mediobanca granted the Parent Company a new medium/long-term unsecured loan for euro 50 million, repayable in a single instalment in March 2023.

The Parent Company has an exposure to Credito Valtellinese consisting of the residual debt on two medium/long-term unsecured loans. The first loan was disbursed by the bank in September 2017 for euro 20 million to be repaid, after a 22-month grace period, in 5 semi-annual instalments ending in July 2021. The second loan, for euro 30 million, was disbursed in 2018 and is repayable, after a grace period of 36 months, in 3 semi-annual instalments ending in September 2022.

In February 2019, the Parent Company took out an unsecured medium-long term loan with Banca Mediocredito del Friuli Venezia Giulia, disbursed in the same month for euro 30 million, repayable in a single instalment in February 2022. Another exposure of the Parent Company's to Banca Mediocredito del Friuli Venezia Giulia refers to one loan, secured by a lien on plant, machinery and equipment at the Montalcone shipyard, as disclosed in Note 8, disbursed between 2009 and 2014 for the original total amount of euro 28 million. This loan is to be repaid progressively in semi-annual instalments by 2022.

The exposure to Cassa Depositi e Prestiti refers to five soft loans received by the Parent Company under the "revolving fund in support of businesses and investment in research" (the "Fund"), established under Law 311 of 30 December 2004, for the "Superpanamax cruise ship" development project under Law 46/1982 and for four technological innovation projects under Law 46/1982 known as "Environmental Logistics", "Payload", "Production Engineering" and "Environment".

The following loans have been granted to FINCANTIERI S.p.A. under this Fund through the Cassa Depositi e Prestiti:

- for the "Superpanamax cruise ship" project, a fully disbursed loan for euro 12,217 thousand. The loan is unsecured and must be repaid in semi-annual instalments by 30 June 2022;
- for the "Ecomos" project, a fully disbursed loan for euro 10,818 thousand. The loan is unsecured and must be repaid in semi-annual instalments by 30 June 2024;
- for the "Payload" project, a fully disbursed loan for euro 13,043 thousand. The loan is unsecured and must be repaid in semi-annual instalments by 30 June 2024;
- for the "Project Engineering" project, a fully disbursed loan for euro 10,822 thousand. The loan is unsecured and must be repaid in semi-annual instalments by 30 June 2024;
- for the "Environmental" project, a loan for up to euro 18,192 thousand, of which euro 14,554 thousand was disbursed by the end of 2016. The loan is unsecured and must be repaid in semi-annual instalments by 30 June 2024.

In May 2019, the Parent Company took out a medium/long-term unsecured loan with the Bank of China for euro 30 million, repayable in a single instalment in May 2024.

The Parent Company's exposure to Crédit Agricole – Friuliadria refers to a medium/long-term unsecured loan granted to FINCANTIERI S.p.A. in October 2017 and disbursed in January 2018 for euro 25 million, due to be repaid in a single instalment in January 2021.

The exposure to BNP Paribas refers to the portion of the loan pursuant to Decree Law No. 23 of 2020 entered into with the bank for euro 17.5 million.

Vard Group AS has four loans with Innovation Norway for a total of NOK 74 million (current and non-current portions) at 31 December 2020; these loans are secured by plant and machinery and by the dock at the Langelsten shipyard and also carry covenants (Consolidated Equity > NOK 1,500 million and Consolidated Cash and cash equivalents > NOK 500 million).

The item also contains the debt of subsidiary Vard Electro AS with a local bank, entered into in 2015, for about euro 5.5 million (NOK 58 million) and maturing in 2032, to finance construction of its new headquarters.

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

(euro/thousands)		31.12.2020		31.12.2019	
	Fixed rate	Flloating rate	Total	Fixed rate	Flloating rate
- between one and two years	40,642	224,190	264,832	19,766	94,501
- between two and three years	403,351	783,154	1,186,505	58,800	74,222
- between three and four years	4,380	442,355	446,735	282,978	90,557
- between four and five years	50,377	94	50,473	4,003	31,405
- beyond five years	62,919	358	63,277	66,940	3,045
Total	561,669	1,470,153	2,031,822	432,487	295,930
					728,417

See Note 33 for the disclosures required by IAS 7 about changes in current and non-current financial liabilities.

Liabilities to other lenders

The item "Liabilities to other lenders" is mainly composed of the debt to Esseti – Sistem e Tecnologie Holding S.r.l. for the payment in instalments of part of the shares of the subsidiary Fincantieri NexTech S.p.A. acquired in 2020 by implementing the agreements with the minority shareholders.

Note 23 - Other non-current liabilities

These are analyzed as follows:

(euro/thousands)	31.12.2020	31.12.2019
Capital grants	23,389	23,301
Other liabilities	4,961	5,233
Firm commitments	1,901	42
Total other non-current liabilities	30,251	28,576

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

"Other liabilities" include euro 4,694 thousand in payables to other parties in respect of the amount owed by the Iraqi Ministry of Defense (see Note 11).



Note 24 - Construction contracts - liabilities

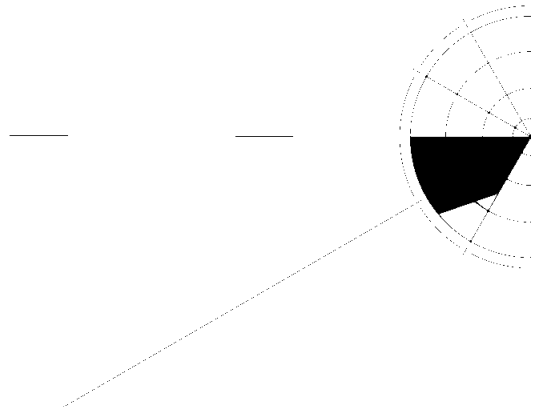
These are analyzed as follows:

(euro/thousands)	31.12.2020		31.12.2019	
	Construction contracts - gross	Impairment provision for expected losses	Construction contracts - gross	Impairment provision for expected losses
Shipbuilding contracts	4,696,991	5,830,213	1,133,222	4,080,158
Other contracts for third parties				
Client advances		27,938	27,938	57,729
Total	4,696,991	5,858,151	1,161,160	4,080,158
				5,342,871
				1,282,713

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

During 2020, construction contracts - liabilities at 31 December 2019 developed a volume of production and therefore of operating revenue of euro 1,009 million.

"Client advances" refer to contracts on which work had not started at the year-end reporting date. See Note 14.





Note 25 - Trade payables and other current liabilities

These are analyzed as follows:

(euro/thousands)	31.12.2020	31.12.2019
Payables to suppliers	1,894,356	1,777,752
Payables to suppliers for reverse factoring	466,341	492,404
Social security payables	45,324	45,019
Other payables to employees for deferred wages and salaries	99,096	91,571
Other payables	101,894	101,695
Other payables to Parent Company	100	9,118
Indirect tax payables	10,566	26,527
Firm commitments	5,477	1,397
Accrued expenses	1,459	5,315
Deferred income	4,368	2,903
Total trade payables and other current liabilities	2,628,981	2,553,701

"Payables to suppliers" shows an increase of euro 117 thousand compared to 31 December 2019, mainly due to the effect of the increase in production volumes in the last quarter of 2020.

"Payables to suppliers for reverse factoring" report the liabilities sold to factoring companies by suppliers. These liabilities are classified among "Trade payables and other current liabilities" since they are related to obligations for the supply of goods and services used during the normal operating cycle. The sale is agreed with the supplier and envisages the possibility for the latter to give further extensions for consideration or not.

"Social security payables" include amounts due to INPS (the Italian social security authorities) for employer and employee contributions on December's wages and salaries and contributions on end-of-period wage adjustments.

"Other payables to employees for deferred wages and salaries" reported at 31 December 2020 include the effects of allocations made for unused holidays and deferred pay.

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

The balance of "Other payables to the Parent Company" at 31 December 2019 refers to the payables to Cassa di Risparmio di Venezia S.p.A. recorded in Fincantieri S.p.A. for the tax consolidation.

"Firm commitments" reflect the fair value of the hedged item, represented by the construction contracts in currencies other than the functional currency and therefore subject to exchange rate risk, and it is the subject of fair value hedge used by the VARD group.

Note 26 - Income tax liabilities

(euro/thousands)	31.12.2020	31.12.2019
Italian corporate income taxation (IRES)	637	1,619
Italian regional tax on productive activities (IRAP)	367	1,445
Foreign tax	5,613	3,928
Total income tax liabilities	6,617	7,002

The item Other income tax liabilities includes euro 688 thousand for the tax risk provision relating to assessments on income tax reclassified by the item Other provisions for risks and charges for euro 3,600 thousand. This provision has been utilized for euro 2,912 thousand during 2020 following settlement by agreement of the assessment by the Italian Revenue Service of IRES and IRAP for the tax period 2014. This utilization has been accounted for as a direct reduction of the taxes paid on this assessment.





Note 27 - Current financial liabilities

These are analyzed as follows:

(euro/thousands)	31.12.2020	31.12.2019
Bonds issued and commercial papers	100,200	75,000
Bank loans and credit facilities - current portion	119,176	140,336
Loans from BIS - current portion	131	4,762
Bank loans and credit facilities - Construction loans	1,325,342	811,410
Other short-term bank debt	129,681	162,674
Liabilities to other lenders - current portion	1,604	1,035
Bank credit facilities repayable on demand		97
Payables to joint ventures	1,679	1,573
Payables to associates		55
Financial liabilities for leasing IFRS 16 - current portion	14,490	15,441
Fair value of options on equity investments	21,351	21,542
Derivative liabilities	29,202	21,681
Accrued interest expense	3,202	2,565
Total current financial liabilities	1,746,058	1,258,171

For "Bank loans and credit facilities - current portion" and "Loans from BIS - current portion", see Note 22. "Construction loans" are analyzed as follows at 31 December 2020:

(euro/thousands)	31.12.2020	31.12.2019
Construction loans		
Italy	1,000,000	550,000
Norway	307,342	261,410
Singapore	18,000	
Total construction loans	1,325,342	811,410

With reference to the Euro-Commercial Paper Srep Label program structured by the Parent Company at the end of 2017 for a maximum of euro 500 million, euro 100.2 million of this financing had been drawn down as at 31 December 2020.

Construction loans are dedicated to financing specific projects and are secured by the vessels under construction. These loans are repaid in full by the time of vessel delivery or upon expiry of the loan agreement if earlier. It should also be noted that in the event of shipbuilding contract cancellation, the bank is entitled to request early repayment of the loan unless the Group provides adequate guarantees.

The existing facilities of euro 1,595 million relating to the construction loans are detailed as follows:

- in June 2019, the Parent Company entered into a committed revolving facility with a leading Italian bank dedicated to financing the construction of cruise ships for an amount of euro 500 million ending in December 2022. As at 31 December 2020, this credit facility had been fully drawn down;
- in November 2019, the Parent Company agreed construction financing with a syndicate of a leading international bank and a leading Italian bank for up to euro 300 million, to be disbursed in line with the progress of works on cruise ships. As at 31 December 2020, this loan had been fully drawn down;

- in May 2020, the Parent Company agreed with a syndicate of leading national banks, including Cassa di Risparmio di Venezia, a committed construction loan for up to 400 million to finance the construction of a cruise ship. As at 31 December 2020, euro 200 million of this loan had been drawn down;
- Vard Group AS has existing construction loan facilities with leading Norwegian, Italian and international banks for a total of euro 377 million (euro 313 million committed). These facilities had been drawn down by a total of euro 307 million at 31 December 2020;
- Vard Singapore Pte. Ltd has an existing committed construction loan facility with a leading international credit institution for a total of euro 18 million. As at 31 December 2020, this credit line had been fully drawn down.

The construction loans drawn down at 31 December 2020 consist entirely of a variable-rate loans.

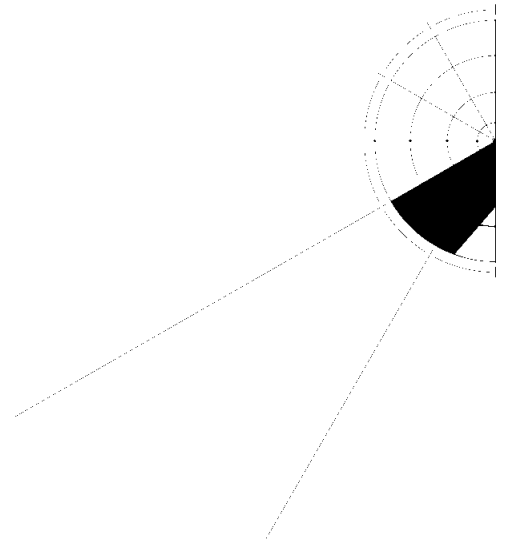
At 31 December 2020, "Other short-term bank debt" includes the drawing down of uncommitted lines of credit for euro 20 million by the Parent Company. At 31 December 2020, the Group had a total of euro 300 million in committed lines of credit with leading Italian and international banks maturing between 2021 and 2024. In addition to committed credit lines, the Group has access to additional uncommitted credit lines with leading Italian and international banks (about euro 575 million).

"Payables to joint ventures" relate to the negative balance on the intercompany current account with Orizzonte Sistemi Navali.

"Fair value of options on equity investments" (Level 3) amounting to euro 21,351 (euro 21,542 thousand at 31 December 2019) is related to the option held by minority shareholders of the American Group FMG; the decrease in which since 2019 is due to the positive effect of translating the balance expressed in foreign currency partially offset by the fair value adjustment recorded in profit and loss under finance costs for euro 1,751 thousand.

The fair value of derivative financial instruments has been calculated considering market parameters and using widely accepted measurement techniques (Level 2). The increase in the balance was mainly attributable to the depreciation of the Norwegian krone against the euro during the year. Further details can be found in Note 4.

See Note 33 for the disclosures required by IAS 7 about changes in current and non-current financial liabilities.





Note 28 - Revenue and income

These are analyzed as follows:

(euro/thousands)	2020	2019
Sales and service revenue	4,041,321	3,634,541
Change in construction contracts	1,741,081	2,140,310
Operating revenue	5,782,402	5,774,851
Gains on disposal	900	119
Sundry revenue and income	83,018	67,600
Government grants	131,134	6,638
Other revenue and income	97,052	74,357
Total revenue and income	5,979,454	5,849,208

Revenues from operations are mainly those arising from contractual obligations satisfied "over time", i.e. over the gradual progress of activities. "Revenue and income" is in line with that reported for the previous year (+0.5%). This trend, however, derives from the combined effect of a reduction due to the postponement of production programs caused by the shutdown of activities and the slowdowns following the resumption of production at the Group's Italian shipyards and facilities, as a result of the spread of the COVID-19 pandemic, and the positive impact resulting from the progress of orders for sale of two naval vessels (euro 690 million), the contracts for which were finalized in the fourth quarter. These are sales contracts which have a contra-entry in the cost item, since the Group invoices the entire contractual amount to the end customer but does not directly manage the construction contract. More details on segment information can be found in Note 35.

"Government grants" includes euro 1,627 thousand for the grants relating to the year, which were paid to the Parent Company by the Genoa Chamber of Commerce as compensation for damage caused by the 2018 sea storm. The remaining part chiefly comprises the grants related to income (euro 9,381 thousand) and capital (euro 2,126 thousand) mainly related to the Parent Company, the subsidiary Cetena S.p.A. and the US subsidiary Fincantieri Marine Group LLC.

Sundry revenue and income comprise:

(euro/thousands)	2020	2019
Penalties charged to suppliers	8,956	14,700
Rental income	1,009	1,021
Insurance claims	10,753	11,090
Recharged costs	32,391	14,945
Income from third parties relating to personnel	(71)	2,216
Other sundry income	29,888	21,470
Gains on hedging instruments not qualifying for hedge accounting	9	
Gains on trading foreign currency derivatives		148
Other income	83	10
Total	83,018	67,600

"Recharged costs", of euro 32,391 thousand, mainly refer to various kinds of recharge to customers and suppliers not attributable to specific cost categories.

"Other sundry income" of euro 29,888 thousand mainly includes the recharge of services made available to subcontractors at the shipyards and out-of-period income and adjustments arising on settlements agreed with suppliers during the year.

Note 29 - Operating costs

Materials, services and other costs

Materials, services and other costs are analyzed as follows:

(euro/thousands)	2020	2019
Raw materials and consumables	12,985,220	12,881,856
Services	(1,475,030)	(1,470,079)
Leases and rentals	(27,995)	(29,133)
Change in inventories of raw materials and consumables	16,443	14,128
Change in work in progress	(7,125)	(94,888)
Sundry operating costs	(65,394)	(75,897)
Cost of materials and services capitalized in fixed assets	16,425	17,616
Total materials, services and other costs	(4,727,896)	(4,520,109)

The item "Raw materials and consumables" includes costs related to the orders for the two naval vessels mentioned above (euro 690 million).

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

"Sundry operating costs" also include euro 1,746 thousand in losses on the disposal of non-current assets (euro 1,422 thousand at 31 December 2019).

Details of the cost of services are as follows:

(euro/thousands)	2020	2019
Subcontractors and outsourced services	(910,495)	(861,408)
Insurance	(51,471)	(45,134)
Other personnel costs	(24,470)	(36,564)
Maintenance costs	(30,761)	(26,591)
Commissioning and trials	(9,147)	(11,491)
Outsourced design costs	(64,526)	(51,741)
Licenses	(7,568)	(8,578)
Transportation and logistics	(36,075)	(41,796)
Technical and other services	(457,424)	(309,459)
Cleaning services	(44,244)	(42,147)
Electricity, water, gas and other utilities	(55,877)	(95,894)
Utilization of product warranty and other provisions	17,028	28,161
Total cost of services	(1,675,030)	(1,463,044)

It should be noted that "Technical and other services" includes charges related to the "Performance Share Plan" (euro 1,001 thousand) for the portion for the Parent Company's Chief Executive Officer. More details on the operation can be found in Note 33.



Personnel costs

(euro/thousands)	2020	2019
Personnel costs		
- wages and salaries	(737,409)	(750,547)
- social security	(191,539)	(187,834)
- costs for defined contribution plans	(38,369)	(35,570)
- costs for defined benefit plans	(138)	(1,232)
- other personnel costs	(29,350)	(33,237)
Personnel costs capitalized in fixed assets	10,566	7,027
Total personnel costs	(986,259)	(1,001,395)

"Personnel costs" represent the total cost incurred for employees, including wages and salaries, employer social security contributions payable by the Group, gifts and travel allowances. The change compared to 31 December 2019 reflects the reduction of the workforce in the foreign yards, mainly referred to Norway, following the closure of the Aukra and Brevik shipyards and to Romania as a result of the efficiency measures undertaken by the Group.

It should be noted that "Other personnel costs" includes charges related to the "Performance Share Plan" (euro 4,323 thousand). More details on the operation can be found in Note 33.

Personnel costs in 2019 included euro 4,188 thousand in non-recurring expenses attributable to the subsidiary VARD (see Note 35).

Headcount

Employees are distributed as follows:

(number)	2020	2019
Employees at period end		
Total at period end	20,150	19,823
- of whom in Italy	9,844	9,334
- of whom in Parent Company	8,510	8,287
- of whom in VARD	8,091	8,437
Average number of employees	19,798	19,546
- of whom in Italy	9,545	9,002
- of whom in Parent Company	8,358	8,036
- of whom in VARD	8,141	8,585

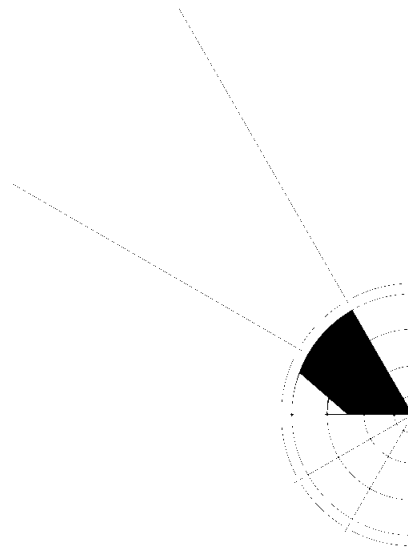
Depreciation, amortization and impairment and provisions

(euro/thousands)	2020	2019
Depreciation and amortization:		
- amortization of intangible assets	(78,373)	(57,170)
- depreciation of rights of use	(17,189)	(16,644)
- depreciation of property, plant and equipment	(91,026)	(87,763)
Impairment:		
- impairment of goodwill	(65)	(394)
- impairment of intangible assets	(23)	(479)
- closure of lease contracts	833	(904)
- absorption of impairment of tangible assets	389	
- impairment of property, plant and equipment	(1,534)	(3,953)
Total depreciation, amortization and impairment	(186,988)	(167,509)
Provisions:		
- impairment of contractual assets	(3,790)	(12,604)
- impairment of receivables	(4,428)	(1,344)
- increases in provisions for risks and charges	(78,812)	(73,467)
- release of provisions and impairment reversals	6,954	12,879
Total provisions	(80,076)	(74,536)

A breakdown of depreciation and amortization is provided in Notes 6, 7 and 8.

"Impairment of receivables" relates to prudent appropriations to align the nominal value of receivables with estimated realizable value.

"Increases in provisions for risks and charges" mainly comprise provisions for obligations deriving from contractual warranties for 23,421 thousand (euro 31,897 thousand at 31 December 2019), and provisions for litigation for euro 45,564 (euro 35,040 thousand at 31 December 2019). More details about the nature of the provisions made can be found in Note 20 and Note 33.



**Note 30 - Finance income and costs**

These are analyzed as follows:

(euro/thousands)	2020	2019
Finance income		
Interest and fees from joint ventures and associates	770	299
Bank interest and fees and other income	9,566	5,011
Income from derivative financial instruments	18,914	
Interest and other income from financial assets	11,189	6,360
Foreign exchange gains	31,249	40,929
Total finance income	71,688	52,599
Finance costs		
Interest and fees charged by joint ventures	(26)	(99)
Interest and fees from related parties	(2,490)	(2,745)
Interest and fees charged by controlling companies	(133)	(242)
Expenses from derivative financial instruments	(59,096)	(60,574)
Unrealized finance costs - delta fair value	(1,751)	(1,799)
Interest on employee benefit plans	(641)	(848)
Interest and fees on bonds and commercial papers	(491)	(627)
Interest and fees on construction loans	(15,112)	(13,834)
Bank interest and fees and other expense	(53,057)	(45,802)
Interest paid on leases (FRS 16)	(2,768)	(3,535)
Impairment of financial receivables FRS 9	(13,365)	(6,927)
Foreign exchange losses	(62,958)	(49,918)
Total finance costs	(211,888)	(187,050)
Total finance income and costs	(140,200)	(134,451)

"Income from derivative financial instruments" includes the recognition in the income statement of the finance income arising from the contractual changes made to the loan pursuant to Decree Law no. 23, which led to the redefinition of the interest rate.

"Interest and other income from financial assets" includes the income of euro 10,277 thousand arising from the early termination of the option of minority shareholders in the Fincantieri NexTech Group.

"Expenses from derivative financial instruments" mainly includes the finance costs related to the derivatives negotiated to hedge the Parent Company's contracts in US dollars (accounted for in cash flow hedge and reversed in the income statement as the hedge transaction progresses) and the subsidiary VARD's contracts in euros, as well as the finance costs relating to the hedging of the interest rate risk on medium/long-term loans. In particular, it includes the cost related to the IRS subscriptions to hedge the interest rate risk of the loan pursuant to Decree Law No. 23/2020.

Finance costs in 2020 include impairment of existing financial receivables determined on the basis of the expected credit loss model introduced by IFRS 9.

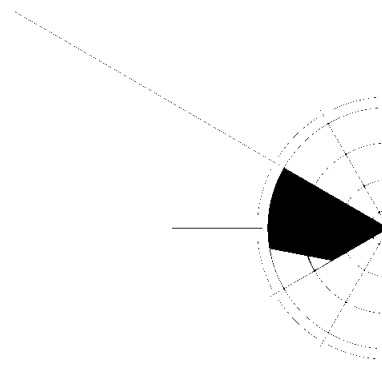
Note 31 - Income and expense from investments

These are analyzed as follows:

(euro/thousands)	2020	2019
Income		
Dividends from associates		50
Dividends from other companies	734	31
Gains from sale of investments		
Fair value measurement gains		
Total income	734	81
Expense		
Investment impairment losses	(600)	(78)
Total expense	(600)	(78)
Income/expense from investments	134	3
Share of profit/(loss) of investments accounted for using the equity method		
Profit	718	3,209
Loss	(12,611)	(6,377)
Share of profit/(loss) of investments accounted for using the equity method	(11,893)	(3,168)
Total income and expense from investments	(11,759)	(3,165)

Investments accounted for using the equity method show a profit of euro 718 thousand and refer to the Group's share of the result for the year reported by the PSC Group (euro 26 thousand) and by CSCC - Fincantieri Cruise Industry Development Limited (euro 692 thousand). The loss of euro 12,606 thousand mainly reflects the Group's share of the results for the year of Olympic Challenger KS (euro 6,335 thousand), Rem Supply AS (euro 2,123 thousand) and Naviris S.p.A. (euro 2,366 thousand).

For more details on the changes to investments, see Note 9.





Note 32 - Income taxes

These are analyzed as follows:

	2020	2019
(euro/thousands)		
Current taxes	9,359	(45,507)
Deferred tax assets:		
- sundry impairment losses	(1,553)	(5,731)
- product warranty	408	(1,925)
- other risks and charges	(5,651)	(10,049)
- fair value of derivatives	(1,141)	2,151
- carry forward tax losses	(5,776)	(5,982)
- other items	13,169	(15,066)
- tax rate and other charges		2
	(924)	(36,600)
Deferred tax liabilities:		
- business combinations	2,600	7,222
- other items	(2,232)	2,912
- tax rate and other charges		18
	368	10,152
Total deferred taxes	(156)	(26,448)
Total income taxes	9,203	(71,955)

Note: Negative figures indicate the recognition of deferred tax assets. Positive figures indicate the reversal of deferred tax liabilities or recognition of deferred tax assets.

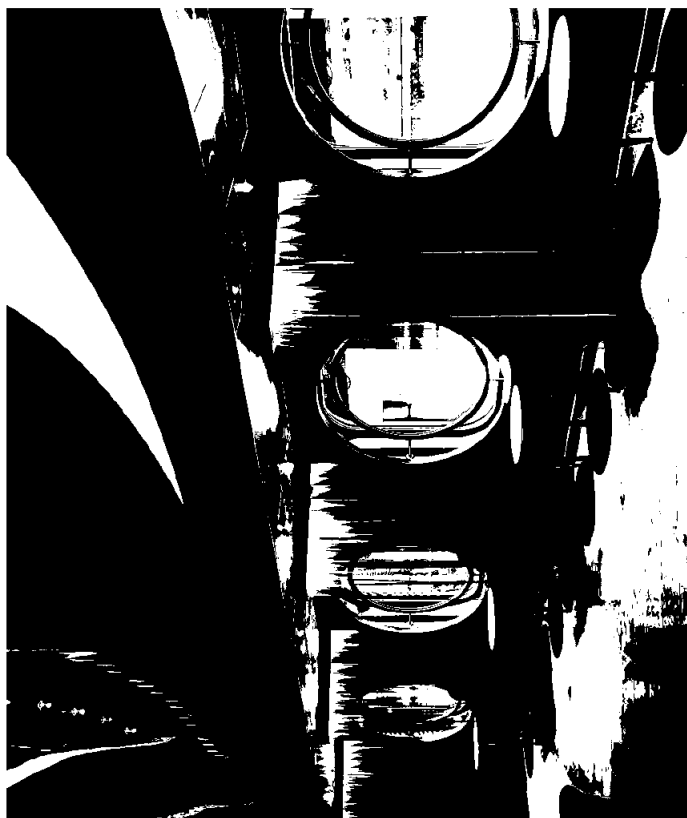
The theoretical tax rate is reconciled to the effective tax rate as follows:

	2020	2019
(euro/thousands)		
Theoretical corporate income tax rate (IRES)	24%	24%
Profit/(loss) before tax	(253,723)	(51,955)
Theoretical corporate income tax (IRES)	60,894	12,469
Impact of taxes relating to prior periods	(3,332)	9,467
Impact of tax losses	(35,755)	(2,872)
Impact of deferred tax assets	(16,224)	(18,904)
Impact of permanent differences and unrecognized temporary differences	5,751	(49,523)
Impact of temporary differences not recognized in previous years	1,695	
Effect of change in tax rates	1,130	4,127
Impact of different tax rates applicable to foreign entities	801	(8,286)
Provisions for tax risks	(2,192)	(5,479)
Tax credit on R&D costs		190
Other taxes charged to profit or loss	(3,564)	(13,144)
Total income taxes through profit or loss	9,203	(71,955)
Current taxes	9,359	(45,507)
Deferred taxes	(156)	(26,448)

"Provisions for tax risks" refer to the provision made during the year to the tax risk provision in relation to certain preliminary investigations launched by the tax authorities in 2020 in Romania and which are still to be determined.

The following table shows a breakdown of current and deferred income taxes in Italy and other countries:

	2020	2019
(euro/thousands)		
Current taxes	9,359	(45,507)
- Italian companies	17,976	(38,174)
- Foreign companies	(8,617)	(7,333)
Deferred taxes	(156)	(26,448)
- Italian companies	9,667	(26,436)
- Foreign companies	(9,823)	(12)
Total	9,203	(71,955)





Note 33 - Other information

Net financial position

For the purposes of complying with Consob Communication no. DEM/606/293/2006, the following table shows the Net financial position as per ESMA recommendation.

(euro/thousands)	31.12.2020	31.12.2019
A. Cash	155	134
B. Other cash equivalents	1,274,487	381,656
C. Trading securities		
D. Cash and cash equivalents (A)+(B)+(C)	1,274,642	381,790
E. Current financial receivables	75,986	2,144
- of which related parties	1,418	389
F. Current bank debt	(1,455,023)	(974,181)
- of which related parties	(109,636)	(22,500)
G. Commercial papers	(100,200)	(75,000)
H. Current portion of non-current debt	(122,354)	(142,907)
- of which related parties	9,636	(10,120)
I. Other current financial liabilities	(22,822)	(18,098)
- of which related parties	(1,755)	(1,575)
J. Current debt (F)+(G)+(H)+(I)	(1,700,399)	(1,210,186)
K. Net current debt (D)+(E)+(J)	(349,771)	(826,252)
L. Non-current bank debt	(2,033,498)	(730,237)
- of which related parties	(20,772)	(30,376)
M. Bonds		
N. Other non-current financial liabilities	(100,304)	(82,135)
O. Non-current debt (L)+(M)+(N)	(2,133,802)	(812,372)
P. Net financial position (K)+(O)	(2,483,573)	(1,438,624)

"Other current financial liabilities" and "Other non-current financial liabilities" do not include the fair value for options on equity investments or liabilities for foreign exchange derivatives since they are linked to hedging firm commitments and planned transactions connected with the Group's operations.

The following table reconciles the Net financial position as per ESMA recommendation and the Net financial position monitored by the Group.

(euro/thousands)	31.12.2020	31.12.2019
Net financial position as per ESMA recommendation	(2,483,573)	(1,438,624)
Non-current financial assets	96,282	91,510
Construction loans	1,325,342	811,410
Net financial position monitored by the Group	(1,061,949)	(735,704)

Statement of net financial debt flows

The following table shows the movements in the financial position with regard to financing activities and cash flows (IAS 7).

(euro/thousands)	11.2019	Business combinations	Cash flows	Changes in fair value	Exchange rate differences	Other non-monetary changes	31.12.2019
Non-current financial liabilities	766,552	1,884	105,197		(927)	(136,979)	735,277
Current bank loans and credit facilities	883,991	8,216	74,167		5,200	145,514	1,117,088
Other current financial liabilities			188		5	(371)	2,657
Current bonds/commercial papers	231,000		(156,000)				75,000
Financial liabilities for leasing (IFRS 16)		1,950	(14,184)		(1,031)	107,351	92,086
Receivables/payables for held-for-trading financial instruments	(781)			781			
Total liabilities from financing activities	1,880,762	12,050	7,368	781	3,247	115,515	2,022,558
Purchase of non-controlling interests in VACD			(635)				
Purchase of own shares			(3,475)				
Third party capital			159				
Cash flows from financing activities		12,050	3,497	781			
(euro/thousands)	11.2020	Business combinations	Cash flows	Changes in fair value	Exchange rate differences	Other non-monetary changes	31.12.2020
Non-current financial liabilities	735,727		1,449,773		(21,091)	(102,787)	2,061,622
Current bank loans and credit facilities	1,117,088	2,249	364,647		(25,612)	119,005	1,577,377
Other current financial liabilities	2,657	190	259		(6)	5,612	8,712
Current bonds/commercial papers	75,000		25,200				100,200
Financial liabilities for leasing (IFRS 16)	92,086		(19,592)		(4,208)	18,384	86,670
Receivables/payables for held-for-trading financial instruments							
Total liabilities from financing activities	2,022,558	2,439	1,820,287		(50,917)	40,214	3,834,581
Purchase of non-controlling interests in VACD			(221)				
Purchase of own shares							
Third party capital			189				
Cash flows from financing activities		2,439	1,753,511				



GROUP REPORT
ON OPERATIONS

FINCANTIERI GROUP CONSOLIDATED
FINANCIAL STATEMENTS

205

THE FINCANTIERI GROUP

Significant non-recurring events and transactions

With reference to the provisions of Consob Resolution no. 15519 of 27 July 2006, there were no significant non-recurring events and/or transactions at 31 December 2020.

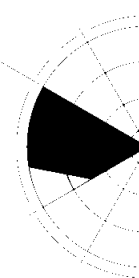
Atypical and/or unusual transactions

In accordance with the disclosures required by Consob Communication no. DEM/6044293 dated 28 July 2006, it is reported that no atypical and/or unusual transactions were carried out during 2020.

Related party transactions

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

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



204



Consolidated statement of financial position

(euro/thousands)

	31/12/2020				
	Non-current financial assets	Current financial assets	Trade receivables and other non-current assets	Trade receivables and other current assets	Trade payables and other current liabilities
CASSA DEPOSITO E PRESTITI S.p.A.	-	-	35,915	(20,772)	(143)
ORIZZONTE SISTEMI NAVALI S.p.A.	-	49,500	56,805	(1,491)	(265,145)
TOTAL PARENT COMPANIES	-	-	35,915	(20,772)	(143)
UNIFER NAVALE S.r.l.	-	-	-	1,491	(587)
CSSC - FINCANTIERI CRUISE INDUSTRY DEVELOPMENT Ltd.	22,000	1,024	24,666	-	(383)
ETHAD SHIP BUILDING LLC	-	-	6,344	-	(240)
CONSORZIO FSB	-	-	19	-	(51)
BISBARAF S.r.l.	-	1,547	602	-	(1,155)
FINCANTIERI CLEA BUILDINGS S.r.l.	-	2,451	602	-	(2,169)
PERENNOVA S.p.A.	-	-	34,288	-	(3,511)
ISSEL MIDDLE EAST INFORMATION TECHNOLOGY CONSULTANCY LLC	4	-	-	-	(17)
NAMRIS S.p.A.	-	-	3,507	-	-
TOTAL JOINT VENTURES	22,000	1,028	52,643	-	(1,703)
ARSENAL S.r.l. **	-	-	108,049	-	(273,331)
PSC GROUP	-	-	132	-	(9,054)
CENTRO SERVIZI NAVALI S.p.A.	-	-	1,447	-	(1,040)
OLYMPIC CHALLENGER AS	669	-	-	-	-
BREVIK TECHNOLOGY AS	165	-	-	-	-
MINISTER SUPPLYS AS	-	-	-	-	-
DOF IEMAN AS	3,784	-	-	-	-
CSS DESIGN	-	-	628	-	-
ISLAND DILIGENCE AS	4,881	-	-	-	-
DECOMAR S.p.A.	5,117	-	-	-	-
CASTOR DRILLING SOLUTIONS AS	-	390	-	-	-
OLYMPIC GREEN ENERGY AS	-	-	-	-	-
ISLAND OFFSHORE XII SHIP AS	12,121	-	-	-	-
BRIDGE BENDOM AS	-	-	-	-	-
ISLAND VICTORY AS	3,428	-	-	-	-
TOTAL ASSOCIATES	30,165	390	7,336	628	-
SACE FCT	-	-	1,572	-	(10,095)
SACE S.p.A.	-	-	-	-	(11)
TERNA RETE ITALIA S.p.A.	-	-	-	-	(14)
VALITALIA S.p.A.	-	-	1,083	6	(2,008)
SUPPLEMENTARY PENSION FUND FOR SENIOR MANAGERS OF FINCANTIERI S.p.A.	-	-	-	-	(1,408)
COMETA NATIONAL	-	-	-	-	(4,067)
SUPPLEMENTARY PENSION FUND SOLIDARETA VENETO - PENSION FUND	-	-	-	-	(106)
ACAM CLIENTI S.p.A.	-	-	-	-	-
HORIZON S.p.A.	-	-	-	-	-
TOTAL CDP GROUP	-	-	1,083	6	(7,615)
QUANTA S.p.A.	-	-	-	-	-
EXPERIS S.r.l.	-	-	2,217	-	(18,427)
LEONARDO GROUP	-	-	155,153	-	668
ENEL GROUP	-	-	99	-	141
COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE	-	-	43	-	(77)
TOTAL RELATED PARTIES	52,165	1,418	628	148,042	(111,339)
TOTAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION	99,985	85,391	499,042	26,941	(983,390)
% on consolidated statement of financial position	52%	2%	43%	2%	6%

* Associates are classified in "Inventories" in Note 13.

** 100% of the shareholding was acquired and consolidated in full during 2020.

Consolidated statement of financial position

(euro/thousands)

	31/12/2019				
	Non-current financial assets	Current financial assets	Trade receivables and other non-current assets	Trade receivables and other current assets	Trade payables and other current liabilities
CASSA DEPOSITO E PRESTITI S.p.A.	-	-	-	3,171	(9,109)
ORIZZONTE SISTEMI NAVALI S.p.A.	-	-	-	101,518	(1,558)
TOTAL PARENT COMPANIES	-	-	-	3,171	(30,376)
UNIFER NAVALE S.r.l.	-	-	-	-	(643)
CSSC - FINCANTIERI CRUISE INDUSTRY DEVELOPMENT Ltd.	22,000	355	1,491	1,893	(383)
ETHAD SHIP BUILDING LLC	-	-	-	6,094	(944)
CONSORZIO FSB	-	-	-	-	(14)
BISBARAF S.r.l.	-	-	1,062	21	(1,145)
FINCANTIERI CLEA BUILDINGS S.r.l.	-	-	-	3	(610)
PERENNOVA S.p.A.	-	-	-	58,000	(68,037)
ISSEL MIDDLE EAST INFORMATION TECHNOLOGY CONSULTANCY LLC	4	-	-	-	(17)
NAMRIS S.p.A.	-	-	-	95	-
TOTAL JOINT VENTURES	22,000	359	2,553	167,624	(1,575)
ARSENAL S.r.l. **	-	-	-	-	(62,373)
PSC GROUP	-	-	-	38	(1,818)
CENTRO SERVIZI NAVALI S.p.A.	-	-	-	825	(351)
OLYMPIC CHALLENGER AS	532	-	-	-	-
BREVIK TECHNOLOGY AS	-	-	-	-	-
MINISTER SUPPLYS AS	-	-	-	-	-
DOF IEMAN AS	3,676	-	-	-	-
CSS DESIGN	-	-	-	-	-
ISLAND DILIGENCE AS	4,628	-	-	-	-
T. MARIOTTI S.p.A.	-	-	-	43	-
DECOMAR S.p.A.	3,500	30	-	-	-
CASTOR DRILLING SOLUTIONS AS	-	-	-	-	-
OLYMPIC GREEN ENERGY AS	-	-	-	-	-
BRIDGE BENDOM AS	-	-	-	-	-
TOTAL ASSOCIATES	12,356	30	4,743	906	-
SACE FCT	-	-	-	-	(12,169)
SACE S.p.A.	-	-	-	-	(11)
TERNA RETE ITALIA S.p.A.	-	-	-	-	52
VALITALIA S.p.A.	-	-	1,950	3	(4,080)
SUPPLEMENTARY PENSION FUND FOR SENIOR MANAGERS OF FINCANTIERI S.p.A.	-	-	-	-	(1,290)
COMETA NATIONAL	-	-	-	-	(3,844)
SUPPLEMENTARY PENSION FUND SOLIDARETA VENETO - PENSION FUND	-	-	-	-	(99)
ACAM CLIENTI S.p.A.	-	-	-	-	(1)
TOTAL CDP GROUP	-	-	1,550	3	(9,273)
QUANTA S.p.A.	-	-	-	-	(34)
EXPERIS S.r.l.	-	-	-	-	-
LEONARDO GROUP	-	-	177,638	2,579	(24,736)
ENEL GROUP	-	-	-	1,051	(62)
COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE	-	-	-	-	(56)
TOTAL RELATED PARTIES	34,356	389	186,484	175,334	(11,695)
TOTAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION	92,603	9,329	467,017	17,523	(1,258,171)
% on consolidated statement of financial position	37%	4%	40%	0%	1%

** Associates are classified in "Inventories" in Note 13.

** 100% of the shareholding was acquired and consolidated in full during 2020.



Consolidated statement of comprehensive income

	2020			
	(euro/thousands)	Operating revenue	Other revenue and income and other costs	Materials, services and other costs
CASSA DEPOSITI E PRESTITI S.p.A.	142	(143)		
TOTAL PARENT COMPANIES	-	142	(143)	-
ORIZZONTE SISTEMI NAVALI S.p.A.	55,737	671	(697,065)	(26)
UNIFER NAVALE S.r.l.	5		(8,238)	
CSSC-FINCANTIERI CRUISE INDUSTRY DEVELOPMENT LTD.	12,801	3,747		669
ETHAD SHIP BUILDING LLC	174	164	(68)	
CONSORZIO F.S.B.	45	299	(333)	
BUSBARAF S.c.a.r.l.	502	(1,899)		
FINCANTIERI CLEA BUILDINGS S.c.a.r.l.	2,129	(3,189)		
FERGENOVA S.c.p.a.	71,995	1,586	(20,396)	
NAMRIS S.p.A.	184	1,971		
4TCT S.c.a.r.l.	59	(290)		
TOTAL JOINT VENTURES	140,936	11,133	(725,478)	669
ARSENAL S.r.l. **				(26)
PSC GROUP	419	(28,640)		
CENTRO SERVIZI NAVALI S.p.A.	20	667	(4,980)	
BREVIK TECHNOLOGY AS				
OLYMPIC GREEN ENERGY KS				
DOF ICEMAN AS				
REM SUPPLY AS				
TAKLIFT AS				
DECOMAR S.p.A.				101
TOTAL ASSOCIATES	20	1,086	(34,210)	101
SAE FCT	45			(164)
SAE S.p.A.				(2,305)
VALITALIA S.p.A.	18	161	(8,273)	
TERNARETE ITALIA S.p.A.			(43)	
SNAM S.p.A.	28			
ACAM CLIENTI S.p.A.				
SIA S.p.A.			(3)	
TOTAL CDP GROUP	18	254	(8,319)	-
QUANTIA S.p.A.				(2,449)
EXPERIS S.r.l.				
LEONARDO GROUP	109	1,790	(128,051)	
ENI GROUP	1,403	72	(1,110)	
ENEL GROUP		71	(18)	
COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE		46	(49)	
TOTAL RELATED PARTIES	142,486	14,594	(897,378)	770
TOTAL CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	5,782,402	97,052	(4,727,896)	71,688
% on consolidated statement of comprehensive income	2%	15%	19%	1%
% on consolidated statement of comprehensive income				1%

** 100% of the shareholding was acquired and consolidated in full during 2020.

Consolidated statement of comprehensive income

	2019			
	(euro/thousands)	Operating revenue	Other revenue and income and other costs	Materials, services and other costs
CASSA DEPOSITI E PRESTITI S.p.A.	172	(136)		
TOTAL PARENT COMPANIES	-	172	(136)	-
ORIZZONTE SISTEMI NAVALI S.p.A.	147,405	637	(1,162)	(99)
UNIFER NAVALE S.r.l.	4		(11,975)	
CSSC-FINCANTIERI CRUISE INDUSTRY DEVELOPMENT LTD.	7,912	3,603		269
ETHAD SHIP BUILDING LLC	221	270	(193)	
CONSORZIO F.S.B.	45	223	(302)	
BUSBARAF S.c.a.r.l.	286	7	(917)	
FINCANTIERI CLEA BUILDINGS S.c.a.r.l.		5	(5,530)	
FERGENOVA S.c.p.a.	116,049	328	(29,080)	
NAMRIS S.p.A.		95		
TOTAL JOINT VENTURES	291,988	5,172	(49,159)	269
ARSENAL S.r.l. **				(26)
PSC GROUP		266	(28,349)	4
CENTRO SERVIZI NAVALI S.p.A.		915	(3,054)	
BREVIK TECHNOLOGY AS				
OLYMPIC GREEN ENERGY KS	6			
DOF ICEMAN AS	16			
REM SUPPLY AS	24			
TAKLIFT AS				
DECOMAR S.p.A.				30
TOTAL ASSOCIATES	46	1,181	(31,463)	34
SAE S.p.A.				(2,545)
SAE FCT		63		(200)
VALITALIA S.p.A.		240	(16,361)	
TERNARETE ITALIA S.p.A.			(111)	
SNAM S.p.A.			(81)	
ACAM CLIENTI S.p.A.		(3)	(3)	
SIA S.p.A.				
TOTAL CDP GROUP	-	300	(16,556)	-
QUANTIA S.p.A.				(281)
EXPERIS S.r.l.				(43)
LEONARDO GROUP	193	(460)	(112,193)	
ENI GROUP	15,518	133	(1,497)	
ENEL GROUP		57	(2)	
COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE	26	36	(372)	
TOTAL RELATED PARTIES	307,771	6,591	(211,702)	303
TOTAL CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	5,774,851	74,357	(4,520,109)	52,599
% on consolidated statement of comprehensive income	5%	9%	5%	1%
% on consolidated statement of comprehensive income				2%

** 100% of the shareholding was acquired and consolidated in full during 2020.



THE FINCANTIERI GROUP

The main related party relationships refer to:

- the Company's transactions with Orizzonte Sistemi Navali S.p.A., under the agreement signed in 2006 with the Italian Navy relating to the first phase of the "Renaissance" (or FREMM) program. This program, for which Orizzonte Sistemi Navali S.p.A. is the prime contractor, involves the construction of 10 ships for the Italian Navy, with ship design and production activities performed by the Company and its subsidiaries. The financial liabilities with Orizzonte Sistemi Navali S.p.A. at 31 December 2020 and 2019 relate to its current account with Fincantieri under a centralized treasury management arrangement. A contract was finalized during the fourth quarter of 2020 for the sale of two FREMM vessels, one of which was delivered in December 2020 and the other to be delivered in 2021, to the Egyptian Navy. The sale, carried out by FINCANTIERI S.p.A., involves the transfer of two vessels in the FREMM program that Orizzonte Sistemi Navali S.p.A. purchased as prime contractor for the Italian Navy under agreements with OCCAR (Organisation for Joint Armament Cooperation). As part of the operation, Orizzonte Sistemi Navali S.p.A. has ordered two more platforms for the construction of two new FREMM vessels for the Italian Navy under the above program;
- the Group's relations with the LEONARDO group, in connection with agreements to supply and install combat systems for naval vessels under construction;
- the Group's relations with the newly formed company PERGENOVA, a joint venture between Salini Impregilo and Fincantieri Infrastructure, are aimed at rebuilding the bridge over the Polcevera river in Genoa;
- relations with the joint venture CSSC - FINCANTIERI CRUISE INDUSTRY DEVELOPMENT Ltd. between Fincantieri and CSSC, prime contractor for the construction of new cruise ships at the CSSC group's Chinese shipyard, refer to the supply of specialist services and components to support CSSC shipyarding;
- the Group's transactions with the PSC Group refer mainly to the supply of turnkey air conditioning systems (engineering, supply of ventilation machines, accessories and ducts, their installation on board, start-up and commissioning);
- relations with the subsidiary Centro Servizi Navali mainly relate to shipyard and prefabrication activities;
- in relation to transactions with ENI, the framework agreement was finalized in 2018 under which studies were launched for new technologies related to gas exploitation. The rest refers chiefly to the sale of products and services and purchases of fuel with ENI S.p.A.;
- costs and revenue or receivables and payables with other related parties at 31 December 2020 and 2019 refer chiefly to the supply of goods or services used in the production process.

It should be noted that FINCANTIERI S.p.A. entered into eight exporter indemnity agreements with SIMEST S.p.A., as standard transactions of lesser importance pursuant to Art. 13(3)(c) of the Consob Regulation concerning related party transactions.

In the context of standard transactions of lesser importance, FINCANTIERI S.p.A. was granted a five-year revolving credit line by Mediocredito Centrale in June 2019 to cover financial needs for ordinary activities. At 31 December 2020, FINCANTIERI S.p.A. also had a total of euro 300 million in committed lines of credit with leading Italian and international banks maturing between 2021 and 2024. At 31 December 2020, these revolving facilities had not been drawn down. In addition to these committed credit facilities, the Company had uncommitted credit lines with leading national and international banks for euro 483.5 million, of which euro 20 million has been drawn down.

In the context of standard transactions, it should be noted that:

- in May 2020, Cassa Depositi e Prestiti S.p.A., in syndicate with a leading national bank, granted FINCANTIERI S.p.A. a construction loan for euro 400 million for which euro 100 million the share of Cassa Depositi e Prestiti S.p.A.), to finance construction of a cruise ship to be delivered in 2021. As at 31 December 2020, euro 200 million of this loan had been drawn down;
- in July 2020, MPS granted a medium/long-term unsecured loan for euro 70 million, repayable in semi-annual instalments ending in June 2023.

Remuneration of the board of directors, board of statutory auditors,
independent auditors and key management personnel

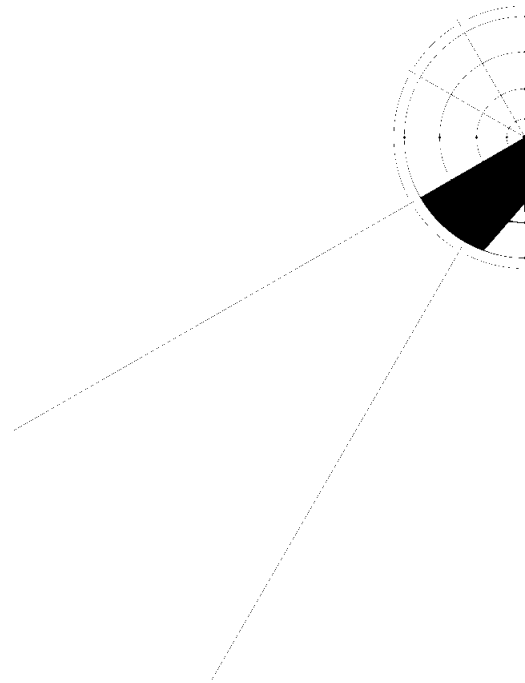
(euro/thousands)

	2020		
	Emoluments of office ¹	Non-monetary benefits	Bonuses and other incentives
Board of Directors of Parent Company	2,193	4	1,754 ²
Board of Statutory Auditors of Parent Company	89		
General Managers and Key Management Personnel		230	2,377 ²
Independent Auditors for Parent Company	291		4
2019			
Board of Directors of Parent Company	2,018	4	1,797 ³
Board of Statutory Auditors of Parent Company	89		
General Managers and Key Management Personnel		168	1,812 ³
Independent Auditors for Parent Company	343		410

¹ Excluding amounts paid on behalf of subsidiaries.
² This figure includes euro 1,001 thousand for the Board of Directors and euro 1,276 thousand for the General Manager and Key Management Personnel. The fair value accrued in 2020 of the rights assigned under the incentive plan based on performance (Performance Share Plan 2016-2018 and Performance Share Plan 2019-2021) is euro 1,754 thousand in 2020 and euro 1,797 thousand in 2019. The rights assigned under the incentive plan based on performance (Performance Share Plan 2016-2018 and Performance Share Plan 2019-2021) are euro 1,754 thousand in 2020 and euro 1,797 thousand in 2019.

More details can be found in the Remuneration Report.

The fees of the independent auditors cover the statutory audit of the separate financial statements and the audit of the IFRS consolidated financial statements and the reporting package for Cassa Depositi e Prestiti S.p.A., the controlling company.





Basic and diluted earnings/(loss) per share

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

(euro/thousands)	31.12.2020	31.12.2019
Basic/Diluted Earnings/(Loss) Per Share		
Earnings/(loss) attributable to owners of the parent	(240,057)	(141,242)
Weighted average number of shares outstanding to calculate the basic earnings/(loss) per share	1,693,753,311	1,689,527,202
Weighted average number of shares outstanding to calculate the diluted earnings/(loss) per share	1,707,978,030	1,698,210,974
Basic earnings/(loss) per share		
euro	(0.14173)	(0.08360)
euro	(0.14055)	(0.08317)

Basic earnings per share have been calculated by dividing the profit for the period attributable to owners of the parent by the weighted average number of FINCANTIERI S.p.A. shares outstanding during the period, excluding own shares.

Diluted earnings per share have been calculated by dividing the profit for the year attributable to the Group by the weighted average number of FINCANTIERI S.p.A. shares in circulation during the year, excluding own shares, plus the number of shares that could potentially be issued. At 31 December 2020, the shares that could potentially be issued concerned only the shares assigned under the Performance Share Plan 2016-2018 and the Performance Share Plan 2019-2021 described below.

Guarantees

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

(euro/thousands)	2020	2019
Surities	11,702	11,702
Other guarantees	312,728	3,090
Total	324,430	14,792

"Surities" at 31 December 2020, as in 2019, entirely refer to guarantees issued on behalf of the joint venture Orizzonte Sistemi Navali S.p.A.

"Other guarantees" refer to guarantees issued in the interest of Orizzonte Sistemi Navali S.p.A., (euro 305,147 thousand), 4TCC1 S.c.a.r.l. (euro 4,758 thousand), BUSBAR4F S.c.a.r.l. (euro 2,742 thousand) and Consorzio F.S.B. (euro 81 thousand) against obligations arising from the projects developed by the companies themselves. It should be noted that the Parent Company has guaranteed financial support to the subsidiary Vard Holdings Ltd and all its subsidiaries for a period of 18 months from the date of approval of the 2020 financial statements, committing itself to providing the financial resources that may be necessary to enable it to continue operations. During 2020, the Parent Company provided the necessary financial support to the VARD group through the granting of a loan similar to a participating instrument, carried out through Fincantieri Oil&Gas, for euro 500 million, and the granting of a committed loan, in the form of a revolving credit facility, for euro 230 million but which, at the reporting date, had not yet been drawn down.

Medium/long-term incentive plan

Performance Share Plan 2016-2018

On 19 May 2017, the Shareholders' Meeting of FINCANTIERI S.p.A. approved the medium/long-term share-based incentive plan for management, called the Performance Share Plan 2016-2018 (the "Plan") and related Terms and Conditions. It should be noted that the related project had been approved by the Board of Directors on 10 November 2016.

The Plan, structured in three-year cycles, provides for the free grant, to the beneficiaries identified by the Board of Directors, of entitlements to receive a maximum of 50,000,000 ordinary shares in FINCANTIERI S.p.A. without nominal value, based on the achievement of specific performance targets for the three-year periods 2016-2018 (first cycle), 2017-2019 (second cycle) and 2018-2020 (third cycle). The performance targets for all three cycles have been identified as Total Shareholder Return ("TSR") and EBITDA, deemed to represent objective criteria for measuring long-term value creation for the Company.

The Plan provides for a three-year vesting period for all beneficiaries from the date the entitlements are awarded to the date the shares are allotted to the beneficiaries. If the performance targets are achieved and the other conditions of the Plan's Terms & Conditions are satisfied, the plan envisages that the shares vesting for the first, second and third cycle be allotted and delivered to beneficiaries by 31 July 2019, 31 July 2020 and 31 July 2021 respectively.

The Plan also provides for a lock-up period for part of the shares given to members of the Board of Directors or key management personnel of the Company.

With reference to the Plan's first cycle, 9,101,544 ordinary shares in FINCANTIERI S.p.A. were awarded to the beneficiaries identified by the Board of Directors on 15 December 2016; while, for the second cycle, 4,170,706 shares in FINCANTIERI S.p.A. were awarded to the beneficiaries identified by the Board of Directors on 25 July 2017; and lastly, for the third and last cycle, 3,604,691 shares in the Parent Company were awarded to the beneficiaries identified by the Board of Directors on 22 June 2018.

The economic and financial performance targets are comprised of two elements:

- a "market based" component (with a 30% weight on total entitlements awarded) linked to measuring Fincantieri's performance in terms of TSR related to the FTSE ITALY ALL SHARE and the peer group identified by the Company;
- a "non-market based" component (with a 70% weight on total entitlements awarded) linked to the achievement of the Group's set EBITDA targets.

With reference to the market based component, the Monte Carlo calculation method is used, based on appropriate assumptions, which enables a consistent number of alternative scenarios to be defined over the time period in consideration. Unlike the market based performance target, the non-market based component (EBITDA) is not relevant for the fair value estimation, but is updated every quarter in order to take into account the expectations relating to the number of entitlements that could vest, depending on the achievement of the set EBITDA targets. To estimate of the number of entitlements at the reporting date, it is assumed that the targets are achieved.

The fair value amount determined on the grant date for each cycle of the Plan is illustrated below.

	Grant date	No. shares awarded	Fair value
First cycle of the Plan	19 May 2017	9,101,544	6,866,206
Second cycle of the Plan	25 July 2017	4,170,706	3,672,432
Third cycle of the Plan	22 June 2018	3,604,691	3,963,754



With reference to the Performance Share Plan 2016-2018, it should be noted that:

- on 27 June 2019, the Board of Directors approved the closure of the first cycle of the "Performance Share Plan 2016-2018" incentive plan, allocating free of charge to the recipients 10,104,787 ordinary Fincantieri shares through the use of 2,572,497 own shares in portfolio and by issuing 7,532,290 new shares, without a par value. The issue and delivery of the shares took place on 31 July 2019;
- on 10 June 2020, the Board of Directors approved the closure of the second cycle of the "Performance Share Plan 2016-2018" incentive plan, allocating free of charge to the recipients 4,822,542 ordinary Fincantieri shares through the use of own shares in portfolio. The net shares actually allocated amounted to 2,685,862 shares (net of those withheld to meet the tax obligations of the assignees). The delivery of the shares took place on 3 July 2020.

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

Performance Share Plan 2019-2021

On 11 May 2018, the Shareholders' Meeting of Fincantieri S.p.A. approved the Performance Share Plan 2019-2021 (the "Plan") for management, and the related Terms and Conditions, the structure of which was defined by the Board of Directors at the meeting held on 27 March 2018.

The Plan, structured in three-year cycles, provides for the free grant, to the beneficiaries identified by the Board of Directors, of entitlements to receive a maximum of 25,000,000 ordinary shares in Fincantieri S.p.A. without nominal value, based on the achievement of specific performance targets for the three-year periods 2019-2021 (first cycle), 2020-2022 (second cycle) and 2021-2023 (third cycle).

The Plan provides for a three-year vesting period for all beneficiaries from the date the entitlements are awarded to the date the shares are allotted to the beneficiaries. Therefore, if the performance targets are achieved and the other conditions of the Plan's Terms & Conditions satisfied, the shares vesting for the first cycle will be allotted and delivered to beneficiaries by 31 July 2022, while those vesting for the second and third cycles will be allotted and delivered by 31 July 2023 and 31 July 2024 respectively.

The Plan also provides for a lock-up period for part of the shares given to members of the Board of Directors or key management personnel of the Company. The free award of a number of rights is left to the Board of Directors, which also has the power to identify the number and names of the beneficiaries.

With reference to the Plan's first cycle, 6,842,940 ordinary shares in Fincantieri S.p.A. were awarded to the beneficiaries identified by the Board of Directors on 24 July 2019.

With reference to the Plan's second cycle, 11,133,829 ordinary shares in Fincantieri S.p.A. were awarded to the beneficiaries identified by the Board of Directors on 30 July 2020.

Among the Plan's targets, in addition to the EBITDA and TRS already included in the Performance Share Plan 2016-2018, the Group introduced another parameter, the sustainability index, to measure achievement of the sustainability targets set by the Group in order to align with European best practices and the financial community's increased expectations for sustainable development.

The references used to test achievement of the sustainability target are market parameters such as the "CDP" (Carbon Disclosure Project) and a second rating by another agency which evaluates the entire basket of sustainability aspects.

The fair value amount determined on the grant date for each cycle of the Plan is illustrated below.

	Grant date	No. shares awarded	Fair value
First cycle of the Plan	24 July 2019	6,842,940	6,668,616
Second cycle of the Plan	30 July 2020	11,133,829	5,968,937

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

Litigation

Foreign litigation

With reference to the "Iraq" dispute, described in detail in the Notes to the Consolidated Financial Statements at 31 December 2014, and the subject of various subsequent updates, it is recalled that following the failure to agree the operating contracts (Refurbishment Contract and Combat System Contract) required for the Settlement Agreement, the Iraqi Government stepped up the proceedings pending before the Appeals Court of Paris against the arbitration awarded to Fincantieri. On 18 January 2018, the Appeals Court of Paris rejected the counterparty's claims. On 20 June 2018 the Iraqi Government notified Fincantieri of its appeal before the French Supreme Court against the decision of the Appeals Court of Paris. In a ruling issued on 15 January 2020, the French Supreme Court finally rejected the Iraqi Government's appeal in its entirety.

With reference to the "Papanikolaou" dispute, brought before the Court of Patras (Greece) by Mr. Papanikolaou and his wife against the Company, Minoan Lines and others following the accident that occurred to the plaintiff in 2007 on board the "Europa Palace", built by Fincantieri, in the case relating to the alleged loss of income until 2012, the Patras Court of Appeal has agreed with the main principles of law stated by the Court of Cassation (which referred to the case back to the Court of Appeal in relation to a relatively minor point), but Fincantieri brought an appeal against the ruling before the Court of Cassation, whilst in the case relating to the alleged loss of income from 2012 to 2020 is currently suspended.

With reference to the claim brought by the Brazilian subsidiary Vard Promar against Petrobras Transpetro S.A., after the losses incurred on eight shipbuilding contracts, a claim for compensation is pending. In December 2015, Petrobras Transpetro S.A. terminated the contracts for the construction of two vessels and demanded repayment of its previous advance payments. The related claim has been brought in the court of the State of Rio de Janeiro. VARD has not recognized any receivable in its financial statements at 31 December 2020 for the Transpetro disputes.

With regard to the above litigation where the Group is the defendant, the Parent Company has recognized provisions for a total of euro 2.7 million against liabilities considered probable in the event the case is lost.

Italian litigation

Client credit recovery

With reference to legal action against customers that are insolvent, bankrupt or the subject of other reorganization measures, with whom disputes have arisen, it is reported that legal actions are continuing against Tirrenia and Siremar, both under special administration.

The Company's credits have been appropriately impaired in cases where the expectation of recovery is less than the amount of the credit.

Litigation with suppliers

These are disputes involving claims by suppliers and contractors that the Company considers unjustified (alleged contractual liability, alleged receivables for invoices not due or for extra items not due), or concerning



the recovery of extra costs and/or losses incurred by the Company due to supplier or contractor breaches of contract. In some cases, it has been considered appropriate to bring two negative assessment actions against such alleged claims relating in one case to rectification of an alleged excessive downward adjustment applied to a relationship described by the other party as a subcontract and in another case, following the termination of orders commissioned and reaching of a settlement agreement.

A provision for risks and charges has been recognized for those disputes thought to probably not be settled in the Group's favour.

Employment litigation

This refers to cases brought by employees and former employees of contractors and subcontractors, which involve the Company under the "customer co-liability" principle (art. 1676 of the Italian Civil Code and art. 29 of Legislative Decree 276/2003).

Litigation relating to asbestos continued to be settled both in and out of court in 2020. The provision set aside for this has been estimated in relation to litigation pending at the reference date for the estimate. The total liability relating to cases that have not yet emerged or are not yet known cannot be reliably estimated based on the information currently available and therefore is not reported in the notes to the financial statements.

Other litigation

Other litigation includes: i) claims involving government bodies for environmental expenses, including disputes with the City of Ancona and the dispute with the Ministry of the Environment involving the shipyard in Muggiano; ii) appeals against claims by social security authorities, including litigation against INPS for claims arising from the non-payment of contributions by contractors and subcontractors under the customer co-liability principle; iii) compensation for direct and indirect damages arising from the production process; iv) civil actions for injury compensation claims.

Whenever the outcome of such litigation is thought probable to result in a possible outflow of economic resources, suitable provisions for risks and charges have been recognized.

Criminal prosecutions under Legislative Decree 231/2001

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

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

of limitations. At the hearing held on 15 July 2020, the sentence was given to dismiss the proceeding against the former Plant Manager, who had been in the position since 1 July 2013, owing to the expiry of the statute of limitations (as regards the facts established in February 2015). The next hearing in the proceeding, in which the Company is still involved (as regards the facts established in February 2015), is scheduled for 17 March 2021 for the continuation of the investigative activities.

- in September 2015, notices of conclusion of preliminary investigations were served not only on the former Montalcone shipyard manager and three other employees under investigation for violation of art. 19, letter f), and art. 71 of Legislative Decree no. 81/2008 (respectively concerning breach of management obligations and failure to provide suitable personal protective equipment) and in general of art. 2087 of the Italian Civil Code (failure to adopt suitable measures to protect worker health), but also on the Company itself, under art. 25-septies, par. 1, 2 and 3, of Legislative Decree no. 231/2001, in connection with an accident on 24 November 2009 at the Montalcone shipyard involving an employee, resulting in a sprained shoulder that took a year to heal;
- in March 2016, notices of conclusion of preliminary investigations were served on the former Montalcone shipyard manager, under investigation for the offense of "bodily harm" under art. 590 of the Italian Criminal Code in relation to the violation of certain provisions of Legislative Decree No. 81/2008 and in general art. 2087 of the Italian Civil Code (failure to take suitable measures to protect worker health), and on the Company under art. 25-septies, par. 3, of Legislative Decree No. 231/2001, in connection with an accident on 29 March 2012 at the Montalcone shipyard involving an employee with an injury to the little finger on his left hand that healed in eight months;
- in June and July 2016, notices of conclusion of preliminary investigations were served on the former Montalcone shipyard manager, under investigation for the offense of "bodily harm" under art. 590 of the Italian Criminal Code in relation to the violation of certain provisions of Legislative Decree No. 81/2008 and in general art. 2087 of the Italian Civil Code (failure to take suitable measures to protect worker health), and on the Company under art. 25-septies, par. 3, of Legislative Decree No. 231/2001, in connection with an accident on 25 August 2010 at the Montalcone shipyard involving an employee of a contractor with a contusion to his left knee, which took more than forty days to heal;
- in June 2018, notifications were served of the conclusion of the preliminary investigations into the management and disposal of waste, involving many persons and companies, including the Company's Chief Executive Officer, the former manager and two employees of the Palermo shipyard for the offence referred to in art. 452-quadriecies of the Criminal Code ("illegal waste trafficking activities") and the Company for the offence referred to in art. 25-undecies, par. 2(f) Legislative Decree No. 231/2001 ("Environmental Offences"). By order of 23 April 2019, the Judge for Preliminary Investigations, in acceptance of the request made by the counsel of the Company's Chief Executive Officer, ordered the dismissal of the proceedings against the Chief Executive Officer. At the hearing held on 11 September 2020, the Judge for the Preliminary Hearing issued the decree ordering the defendants, including the Company, to stand trial. The first trial hearing was held on 25 November 2020 at the Court of Agrigento and was postponed to 23 February 2021 for the same matters;
- in September 2019, notices of conclusion of preliminary investigations were served on the hull pre-assembly foreman, under investigation for the offense of "bodily harm through negligence" under art. 590 of the Italian Criminal Code in relation to the violation of certain provisions of Legislative Decree No. 81/2008 and in general art. 2087 of the Italian Civil Code (failure to take suitable measures to protect worker health), and on the Company under art. 25-septies, par. 3, of Legislative Decree No. 231/2001, in connection with an accident on 3 February 2016 at the Montalcone shipyard involving an employee with an arm fracture that healed in 83 days;
- in February 2020, notices of conclusion of preliminary investigations were served on the Manager of the Montalcone shipyard, the Manager of the Marghera shipyard and the Production Manager at the Marghera shipyard for the offences referred to in art. 256, par. 1, of Legislative Decree No. 152/06 ("Unauthorized Waste Management Activities"), art. 137 of Legislative Decree No. 152/06 ("Unauthorized discharges of industrial waste water"), art. 279 of Legislative Decree No. 152/06 ("Unauthorized emissions into the



atmosphere") and, with regard to the Manager of the Montalcone shipyard alone, the offence referred to in art. 29 quaterdecies, par. 4(b) of Legislative Decree No. 152/06 ("Failure to comply with the requirements of the AIA"). As far as the Company is concerned, it contests the violation of art. 25 undecies, par. 2(b)(1) and (2) in relation to art. 5, par. 1(a) and (b) of Legislative Decree 231/01 (Environmental offences);

- between March and May 2020, notices of conclusion of preliminary investigation were served, among others, on the Manager of the Montalcone shipyard, the Project Manager in charge of the project on behalf of the Company, and the legal representative at the time of the events of the subsidiary Fincantieri SI, for the offense of "Manslaughter" under art. 589, par. 1 and 2 of the Italian Criminal Code in relation to the violation of certain provisions of Legislative Decree No. 81/2008 and in general art. 2087 of the Italian Civil Code (failure to take suitable measures to protect worker health), and on the Company under art. 25 septies, par. 2, of Legislative Decree No. 231/2001, in connection with a fatal accident that took place on 2 March 2017 at the Montalcone shipyard involving an employee of a subcontractor;
- in November 2020, notices of conclusion of preliminary investigation were served on the Manager of the hull manufacturing centre area, under investigation for the offense of "bodily harm through negligence" under art. 590 of the Italian Criminal Code in relation to the violation of certain provisions of Legislative Decree No. 81/2008 and in general art. 2087 of the Italian Civil Code (failure to take suitable measures to protect worker health), and on the Company under art. 25 septies, par. 3, of Legislative Decree No. 231/2001, in connection with an accident on 13 April 2018 at the Montalcone shipyard involving an employee with bruising and contusions on the elbow and right knee that healed in over two months days.

Tax position

National tax consolidation

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

Audits and assessments

Fincantieri

In 2020, the Italian Revenue Service conducted investigative activities in relation to the tax periods 2014 and 2015, arising from the assessment on 2017 concluded in 2019. The findings were settled by agreement.

Fincantieri SI

The audit launched in 2020 by the Financial Police on the tax period 2018 is still suspended due to the pandemic emergency.

Marine Interiors Cabins S.p.A.

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

With reference to the sentence on the adjustment of the value of the deed of transfer of the company branch for the purposes of the registration fee, Revenue Service Pordenone office appealed against the first degree sentence in the Company's favour; and the latter has entered an appearance to oppose the appeal.

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

Vard Tulsea

The subsidiary was subject to an audit by the Romanian tax authorities for the 2012-2016 years, which was concluded with an assessment notice; the subsidiary continues to defend itself against all the claims. The Romanian tax authorities have confirmed that sanctions do not apply. The subsidiary has made the appropriate provisions.

Vard Braila

The tax audit by the Romanian tax authorities for the tax periods 2014-2018 ended with findings of no significant amount.

Antitrust

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

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

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

Headcount

The Group's average workforce numbered 19,798 employees in 2020 (19,546 in 2019), distributed between the various contractual grades as follows:

(number)	2020	2019
Average number of employees		
- Senior managers	395	381
- Middle managers	1,089	1,215
- White collars	8,012	7,297
- Blue collars	10,302	10,654
Total average number of employees	19,798	19,546



GROUP REPORT ON OPERATIONS

FINCANTIERI GROUP CONSOLIDATED FINANCIAL STATEMENTS

THE FINCANTIERI GROUP

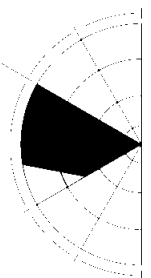
Grants and economic benefits received from government bodies

Under art. 1 paragraph 125 of Law no. 124 of 2017 the tables below give information on grants and other economic benefits received from Italian public entities during 2020:

(euro/thousands)			
Type	Grantor	Reason	Amount received
Non-repayable	La Spezia Chamber of Commerce	Contribution for "Valent Storm" damage	844
Non-repayable	Genoa Chamber of Commerce	Contribution for "Valent Storm" damage	783
Non-repayable	MIT	XL Project/DM 10 JUNE 2015	480
Non-repayable	Friuli Venezia Giulia Region	POR FESR 2014-2020	352
Non-repayable	Distretto Ligure delle Tecnologie Marine S.c.a.r.l.	Prodicon	336
Non-repayable	Friuli Venezia Giulia Region	Project co-funded under Friuli Venezia Giulia Region Research	203
Non-repayable	Distretto Ligure delle Tecnologie Marine S.c.a.r.l.	Prodicon	114
Non-repayable	Distretto Ligure delle Tecnologie Marine S.c.a.r.l.	Prodicon	27
Capital	Gestore dei servizi energetici GSE S.p.A.	DM 14/02/2016 winter air conditioning system with heat pump	48

Low cost financing

The Group did not receive new low cost financing during 2020.



Donations and contributions

Under art. 1 paragraph 126 of Law no. 124 of 2017 the tables below give information on donations and contributions made by the Group during 2020:

(euro/thousands)		
Beneficiary	Reason	Amount paid
Agostino Gemelli University Polytechnic Foundation	Donation	500
IRCCS San Martino Polyclinic Hospital - Liguria Region Health System	Donation	500
ULSS3 SERENISSIMA Health Authority - COVID-19 emergency medical equipment for the delungedo Hospital in Venetia Mesure	Donation	400
Giuliano Isontina University Health Authority - for the hospitals Cattinara and Maggiore in Trieste and San Pio in Montebelluna	Donation	400
Specialist "dei Colli" hospital - Domenico Conugno Hospital in Naples	Donation	300
University Hospital, united hospitals of Arcona Umberto I-GM Lancisi-G Salesi	Donation	300
United hospitals of Villa Solfa-Cervello Palermo	Donation	300
Ligurian Healthcare Authority 5 ASL5 Sanr' Andrea Civil Hospital in La Spezia	Donation	200
University of British Columbia	Contribution	1%
Civil Protection of the Friuli Venezia Giulia Autonomous Region	Donation	150
Civil Protection of the Veneto Region	Donation	150
Civil Protection of the Liguria Region	Donation	150
Civil Protection of the Marche Region	Donation	150
Civil Protection of the Campania Region	Donation	150
Civil Protection of the Sicily Region	Donation	150
Ligurian Healthcare Authority 4 ASL 4 - Lavagna Hospital (GE)	Donation	100
Municipality of Montalcione / School	Donation	50
CARITAS Italy - supporting soup kitchens	Donation	29
Atlantic Council	Contribution	26
Aurora Health Care Foundation Inc.	Donation	22
Bellin Health Foundation Inc.	Donation	22
Friends of the Heart Association	Contribution	20
Peschiera University Student Accommodation Foundation (GE) of the RUI Foundation	Contribution	10
"Fino a Pieve Contraria" Association	Contribution	10

**Note 34 - Cash flows from operating activities**

These are analyzed as follows:

	31.12.2020	31.12.2019
Profit/(loss) for the period	(244,520)	(123,911)
Depreciation and amortization	186,588	161,777
(Gain)/losses from disposal of property, plant and equipment	1,666	1,296
(Revaluation)/impairment of property, plant and equipment, intangible assets and equity investments	11,305	5,079
(Revaluation)/impairment of working capital	13,406	3,946
Increases/(releases) of provisions for risks and charges	70,506	63,937
Interest expenses capitalized		
Interest on employee benefits	1,246	1,343
Interest income	(21,479)	(15,664)
Interest expense	74,277	66,435
Income taxes	(9,203)	71,955
Long-term share-based incentive plan	5,325	5,073
Non-monetary operating income and expenses		19,118
Impact of unrealized exchange rate changes	41,029	60
Finance income and costs from derivatives	(9,461)	
Gross cash flows from operating activities	120,685	260,464

**Note 35 - Segment information**

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

Shipbuilding, encompassing the business areas cruise ships and expedition cruise vessels, naval vessels, ferries and mega yachts, Offshore and Specialized Vessels, encompassing the design and construction of high-end offshore support vessels, specialized ships, vessels for offshore wind farms and open ocean aquaculture, as well as the offer of innovative products in the field of drill ships and semi-submersible drilling rigs.

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

Other activities primarily refer to the cost of corporate activities which have not been allocated to other operating segments. It should be noted that as from 2020 Vard Electro's activities were reallocated from the Offshore and Specialized Vessels segment to the Shipbuilding segment and the comparison data at 31 December 2019 were consequently restated.

The Group evaluates the performance of its operating segments and the allocation of financial resources on the basis of revenue and EBITDA, in the configuration monitored by the Group, defined as Profit/(loss) for the period adjusted for the following items: *(i)* Income taxes, *(ii)* Share of profit/(loss) of investments accounted for using the equity method, *(iii)* Income/(expense) from investments, *(iv)* Finance costs, *(v)* Finance income, *(vi)* Depreciation, amortization and impairment, *(vii)* Costs relating to reorganization plans and other non-recurring personnel costs, *(viii)* Provisions for costs and legal expenses associated with lawsuits brought by employees for asbestos-related damages, *(ix)* Costs related to the impacts deriving from the spread of COVID-19 mainly refer to the failure to absorb fixed production costs during the shutdown period, the impact of reduced efficiency resulting from the implementation of the preventive measures adopted, and the costs for sanitary aids and expenses to ensure employee health and safety, *(x)* Other extraordinary income and expenses and *(xi)* Net result from discontinued operations. The results of the operating segments at 31 December 2020 and 31 December 2019 are reported below.

(euro/thousands)

	2020			
	Shipbuilding	Offshore and Specialized Vessels	Equipment Systems and Services	Other Activities
Segment revenue	5,226,107	389,309	937,161	2,156
Inter-segment elimination	(295,026)	(17,363)	(340,176)	(1,694)
Revenue *	4,930,081	371,926	576,985	462
EBITDA	286,764	(4,965)	76,015	(41,627)
EBITDA margin	5.4%	-1.3%	8.1%	5.3%
Depreciation, amortization and impairment				(186,988)
Finance income				71,688
Finance costs				(211,888)
Income/(expense) from investments				129
Share of profit/(loss) of investments accounted for using the equity method				(11,888)
Income taxes				9,203
Costs not included in EBITDA				(229,163)
Net profit/(loss) from discontinued operations				
Profit/(loss) for the period				(244,520)

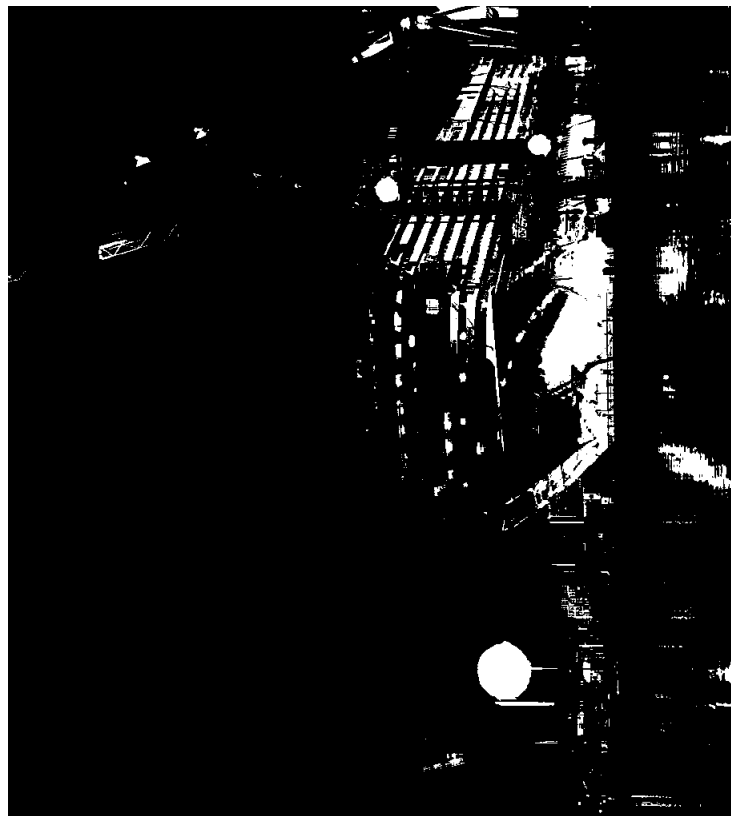
*Revenue Sum of "Operating revenue" and "Other revenue and income" reported in the consolidated statement of comprehensive income.



Details of "Costs not included in EBITDA" gross of the tax effect (positive for euro 48,244 thousand) are given in the following table.

(euro/thousands)	2020
Costs relating to reorganization plans and other non-recurring personnel costs ¹	
Provisions for costs and legal expenses associated with asbestos-related lawsuits ²	(52,347)
Costs relating to the impacts deriving from the spread of COVID-19 ³	(1,67,388)
Other extraordinary income and expenses ⁴	(9,428)
Costs not included in EBITDA	(229,163)

¹ Amount included in "Personnel costs".
² Of which euro 7 million included in "Materials services and other costs" and euro 45 million in "Provisions".
³ Of which euro 1 million included in "Personnel costs", euro 1 million in "Provisions" and euro 162 million in "Other costs".
It should also be noted that the impacts of the spread of COVID-19 have an effect on "Depreciation, amortization and impairment" of euro 20 million and on "Finance income/costs" of euro 7 million.
⁴ Amount included in "Materials services and other costs".



(euro/thousands)

	2019			
	Shipbuilding	Offshore and Specialized Vessels	Equipment, Systems and Services	Group
Segment revenue	5,144,475	327,193	899,520	6,429,473
Intersegment elimination	(131,845)	(35,524)	(355,237)	(580,265)
Revenue *	5,012,630	291,669	544,282	5,849,208
EBITDA	347,940	(99,347)	89,904	319,617
EBITDA margin	7.2%	(30.41%)	10%	5.5%
Depreciation, amortization and impairment				(166,403)
Finance income				52,999
Finance costs				(187,050)
Income/(expense) from investments				3
Share of profit/(loss) of investments accounted for using the equity method				(3,168)
Income taxes				(71,955)
Costs not included in EBITDA				(67,353)
Net profit/(loss) from discontinued operations				(24,329)
Profit/(loss) for the period				(148,239)

* Revenue, 5.1m of "Operating revenue" and "Other revenue and income" reported in the consolidated statement of comprehensive income.

Details of "Costs not included in EBITDA" gross of the tax effect (euro 14,291 thousand) are given in the following table.

(euro/thousands)	2019
Costs relating to reorganization plans and other non-recurring personnel costs ¹	(8,816)
Provisions for costs and legal expenses associated with asbestos-related lawsuits ²	(39,546)
Other non-recurring income and expenses ³	(18,990)
Costs not included in EBITDA	(67,353)

¹ Of which euro 42 million included in "Personnel costs", euro 3.7 million in "Provisions", and euro 0.5 million in "Depreciation, amortization and impairment".
² Of which euro 1 million included in "Personnel costs", euro 1 million in "Provisions" and euro 37 million in "Other costs".
³ Of which euro 13.6 million for legal expenses and euro 5.4 million for other extraordinary expenses included in the item "Sundry operating costs".

The following tables show a breakdown of "Property, plant and equipment" in Italy and other countries and the analysis of "Capital expenditure" according to the relative operating segments:

(euro/million)	31.12.2020	31.12.2019
Italy	8%	815
Other countries	405	410
Total Property, plant and equipment	1,301	1,225

(euro/million)	31.12.2020	31.12.2019
Capital expenditure		
Shipbuilding	250	222
Offshore and Specialized Vessels	3	6
Equipment, Systems and Services	32	30
Other assets	24	21
Total	309	279



Capital expenditure in 2020 on intangible assets and Property, plant and equipment amounted to euro 309 million (euro 279 million in 2019), of which euro 219 million related to Italy (euro 235 million in 2019) and the remainder to other countries.

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

	2020		2019	
	Revenue and income	%	Revenue and income	%
Italy	745	13	1,059	18
Other countries	5,134	87	4,790	82
Total Revenue and income	5,879		5,849	

The following table shows a breakdown of revenue and income according to country of production:

	2020		2019	
	Revenue and income	%	Revenue and income	%
Italy	4,974	85	4,868	83
Norway	820	14	1,036	18
Romania	380	6	381	7
Rest of Europe	7		9	
North America	629	11	630	11
South America	17		10	
Asia and Oceania	151	3	115	2
Consolidation adjustments	(1,099)	(19)	(1,200)	(21)
Total Revenue and income	5,879	100	5,849	100

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:

	31.12.2020		31.12.2019	
	Revenue and income	%	Revenue and income	%
Client 1	910	15	1,451	25
Client 2	696	12	699	12
Total	1,606		2,150	

Note 36 - Discontinued operations

In October 2019 the Board of Directors of the subsidiary Vard Group AS approved the decision to leave the small vessel construction business for the fishery and aquaculture sectors and to proceed with the sale of the Aukra shipyard. Following that decision on 28 October 2019, Vard Group AS signed a letter of intent with a potential purchaser. Pending completion of the sale transaction, the shipyard's activities were completed with the delivery of the last vessel in December 2019. The sale is expected to be concluded by 2021.

The gains and losses net of tax effects relating to this transaction as at 31 December 2019 have been classified as discontinued operations in profit and loss.

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

(euro/thousands)	31.12.2020	31.12.2019
Non-current assets	5,785	6,141
Current assets		
Total assets	5,785	6,141
(euro/thousands)	31.12.2020	31.12.2019
Non-current liabilities		
Current liabilities		
Total liabilities	-	-

Note 37 - Acquisition of support logistic services

Description of the operation

On 2 July 2020 the Group, through its subsidiary Fincantieri NexTech S.p.A., finalized the acquisition of 60% stake in Support Logistic Services S.r.l. (SL5), a company specializing in the construction, installation and maintenance of satellite communication, radar and radio communication systems for naval and civil applications. The purchase price of the investment is euro 2.5 million. The agreement also provides that Fincantieri may exercise a call option on the remaining 40% and the minority shareholder may exercise a put option on the same stake. The liability associated with the Put Option has been recorded as a contra-entry among financial liabilities in the Group equity for an amount equal to the value that will be paid to the counterparty, determined on the basis of the contractual agreements.

Accounting for the acquisition

The fair value of the net assets acquired amounts to euro 1.2 million, resulting in the pro-rata equity acquired of euro 0.7 million. The portion of the consideration not allocated to the company's assets, amounting to euro 1.8 million, has been recognised as goodwill on a definitive basis.



229

Note 38 - Events after 31 December 2020

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

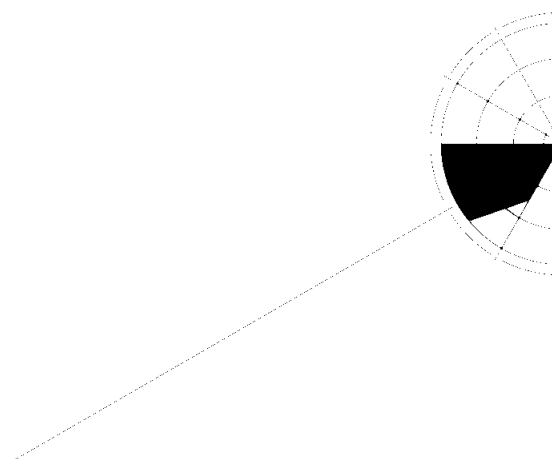
On 3 February 2021, Fincantieri officially started its activities within the SEA Defence project, selected under the European Defence Development Programme (EDDP, 2019) and started last December. The EDDP, forerunner of the European Defence Fund, aims to strengthen the European defense technological and industrial base and increasing the EU's technological leadership and strategic autonomy.

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

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

On 18 February 2021, VARD, one of the world's leading companies in the construction of specialized vessels, announced that it will design a cable repair vessel for the French company Orange Marine, leader in submarine telecommunications, which chose the Fincantieri subsidiary's design.

228





Companies included in the scope of consolidation

Principal activity	Registered office	Countries in which they operate	Share capital	% interest held	% consolidated by group
Subsidiaries consolidated line-by-line					
BACINI DI PALERMO S.p.A. Dry-dock management	Palermo	Italy	EUR 1,032,000.00	100.00	Fincantieri S.p.A. 100.00
CENTRO PER GLI STUDI DI TECNICA NAVALE CETENA S.p.A. Ship research and experimentation	Genoa	Italy	EUR 1,000,000.00	71.10 15.00	Fincantieri S.p.A. 86.10 Seal S.p.A.
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	Netherlands	EUR 9,529,384.54	100.00	Fincantieri S.p.A. 100.00
FINCANTIERI MARINE SYSTEMS NORTH AMERICA Inc. Sale and after-sale services relating to mechanical products	USA	USA	USD 501,000.00	100.00	Fincantieri USA Inc. 100.00
FINMA YK Servicing and sale of spare parts	Japan	Japan	JPY 3,000,000.00	100.00	Fincantieri Marine Systems North America Inc. 100.00
GESTIONE BACINI LA SPEZIA S.p.A. Dry-dock management	Muggiano (La Spezia)	Italy	EUR 240,000.00	99.89	Fincantieri S.p.A. 99.89
ISOTA FRASCHINI MOTORI S.p.A. Design, construction, sale and after-sale services relating to fast medium-duty diesel engines	Bari	Italy	EUR 3,300,000.00	100.00	Fincantieri S.p.A. 100.00
SOCIETÀ PER L'ESERCIZIO DI ATTIVITÀ FINANZIARIE SEAF S.p.A. Financial support for Group companies	Trieste	Italy	EUR 6,562,000.00	100.00	Fincantieri S.p.A. 100.00
BOP & S.c.a.r.l. Electrical installation	Trieste	Italy	EUR 40,000.00	5.00 95.00	Fincantieri S.p.A. 100.00 Fincantieri S.p.A.
ISSEL NORD S.r.l. Logistics engineering	Follo (La Spezia)	Italy	EUR 400,000.00	100.00	Fincantieri S.p.A. 100.00
SEASTEMA S.p.A. Design and development of integrated automation systems	Genova	Italy	EUR 300,000.00	100.00	Fincantieri S.p.A. 100.00
FINCANTIERI AUSTRALIA Pty Ltd Dormant	Australia	Australia	AUD 2,400,100.00	100.00	Fincantieri S.p.A. 100.00
FINCANTIERI Services Middle East LLC Project management services	Qatar	Qatar	EUR 200,000.00	100.00	Fincantieri S.p.A. 100.00
FINCANTIERI USA Inc. Holding company	USA	USA	USD 1,029.75	65.00 35.00	Fincantieri S.p.A. 100.00 Fincantieri USA Holding Inc.
FINCANTIERI USA HOLDING Inc. Holding company	USA	USA	USD -	100.00 ¹	Fincantieri S.p.A. 100.00
FINCANTIERI Services USA LLC After-sales services	USA	USA	USD 300,001.00	100.00	Fincantieri USA Inc. 100.00
FINCANTIERI MARINE GROUP HOLDINGS Inc. Holding company	USA	USA	USD 1,027.97	87.44	Fincantieri USA Inc. 87.44
FINCANTIERI MARINE GROUP LLC Ship building and repair	USA	USA	USD 1,000.00	100.00	Fincantieri Marine Group Holdings Inc. 87.44

Principal activity	Registered office	Countries in which they operate	Share capital	% interest held	% consolidated by group
MARINETTE MARINE CORPORATION Ship building and repair	USA	USA	USD 146,706.00	100.00	Fincantieri Marine Group LLC 87.44
ACE MARINE LLC Building of small aluminium ships	USA	USA	USD 1,000.00	100.00	Fincantieri Marine Group LLC 87.44
FINCANTIERI DO BRASIL PARTICIPAÇÕES SA Dormant	Brazil	Brazil	BRL 1,310,000.00	80.00 20.00	Fincantieri S.p.A. 100.00 Fincantieri Holding B.V.
FINCANTIERI INDIA Pte. Ltd. Design, technical support and construction	India	India	INR 10,500,000.00	99.00 1.00	Fincantieri Holding B.V. 100.00 Fincantieri S.p.A.
MARINE INTERIORS CABINS S.p.A. Ship interiors	Trieste	Italy Romania and Norway	EUR 5,120,000.00	100.00	Marine Interiors S.p.A. 100.00
LUXURY INTERIORS FACTORY S.r.l. Ship interiors	Fondazione	Italy	EUR 50,000.00	100.00	Marine Interiors Cabins S.p.A. 100.00
MARINE INTERIORS S.p.A. Ship interiors	Trieste	Italy Romania and Norway	EUR 1,000,000.00	100.00	Seal S.p.A. 100.00
MI S.p.A. Ship interiors	Trieste	Italy	EUR 50,000.00	100.00	Marine Interiors S.p.A. 100.00
SEABERGY & MARINE INTERIORS COMPANY S.r.l. Manufacture of furniture	Fondazione	Italy Romania	EUR 50,000.00	85.00	Marine Interiors S.p.A. 85.00
FINCANTIERI SI S.p.A. Electric, electronic and electromechanical industrial solutions	Trieste	Italy France	EUR 500,000.00	100.00	Seal S.p.A. 100.00
FINCANTIERI INFRASTRUCTURE S.p.A. Carpentry	Trieste	Italy Romania	EUR 500,000.00	100.00	Fincantieri S.p.A. 100.00
FINCANTIERI INFRASTRUCTURE USA Inc. Holding company	USA	USA	USD 100.00	100.00	Fincantieri Infrastructure S.p.A. 100.00
FINCANTIERI INFRASTRUTTURA SOCIAL S.r.l. Dormant	Rome	Italy	EUR 200,000.00	90.00	Fincantieri Infrastructure S.p.A. 90.00
FINCANTIERI INFRASTRUCTURE WISCONSIN Inc. Construction of maritime, land and building works	USA	USA	USD 100.00	100.00	Fincantieri Infrastructure USA Inc. 100.00
FINCANTIERI INFRASTRUCTURE OPERATIONS S.p.A. Design, construction, maintenance, supply of civil, maritime, port and hydraulic infrastructures	Trieste	Italy	EUR 100,000.00	100.00	Fincantieri Infrastructure S.p.A. 100.00
FINCANTIERI SWEDEN AB Sales, maintenance and after-sale service for a series of systems, equipment and related activities	Sweden	Sweden	SEK 5,000,000.00	100.00	Fincantieri S.p.A. 100.00
FINCANTIERI (SHANGHAI) TRADING Co. Ltd Engineering design, consulting and development	China	China	RMB 352,500,000.00	100.00	Fincantieri S.p.A. 100.00
FINCANTIERI EUROPE S.p.A. Holding company	Trieste	Italy	EUR 50,000.00	100.00	Fincantieri S.p.A. 100.00
E-PHORS S.p.A. Design, production of products or services in the field of IT security, hardware systems and software applications	Milan	Italy	EUR 500,000.00	100.00	Fincantieri S.p.A. 100.00



GROUP REPORT ON OPERATIONS

THE FINCANTIERI GROUP

FINCANTIERI GROUP CONSOLIDATED FINANCIAL STATEMENTS

Principal activity	Registered office	Countries in which they operate	Share capital	% interest	% consolidated by group
FINCANTIERI NEXTECH S.p.A. Automation systems	Milan	Italy	EUR 10,791,543.00	92.50	Fincantieri S.p.A. 100.00
RECOM S.r.l. Design and engineering	Milan	Italy	EUR 400,000.00	100.00	Fincantieri NextTech S.p.A. 100.00
SÉCURITÉ DES ENVIRONNEMENTS COMPLEXES Design and engineering	Milan	Italy	EUR 10,000.00	100.00	Fincantieri NextTech S.p.A. 100.00
C.S.I. CONSORZIO STABILE IMPIANTI S.r.l. System installation	Milan	Italy	EUR 40,000.00	75.65	Fincantieri NextTech S.p.A. 75.65
HMS IT S.p.A. Design and engineering	Rome	Italy	EUR 1,500,000.00	60.00	Fincantieri NextTech S.p.A. 60.00
ESSEITI SISTEMI E TECNOLOGIE S.r.l. IT consulting and services	Milan	Italy	EUR 100,000.00	51.00	Fincantieri NextTech S.p.A. 51.00
MARINA BAY S.A. Dormant	Luxembourg	Luxembourg	EUR 31,000.00	100.00	Fincantieri NextTech S.p.A. 100.00
S.I.S. - SUPPORT LOGISTIC SERVICES S.r.l. Design and construction of electronic and telecommunication systems	Gudonia Montecelio (RM)	Italy	EUR 131,519.00	60.00	Fincantieri NextTech S.p.A. 60.00
FINCANTIERI DRAGAGGI ECOLOGICI S.p.A. Eco-dredging, construction and maintenance of river, lake and maritime works	Rome	Italy	EUR 500,000.00	55.00	Fincantieri S.p.A. 55.00
ARSENAL S.r.l. IT consulting	Trieste	Italy	EUR 10,000.00	100.00	Fincantieri Oil & Gas S.p.A. 100.00
VARO HOLDINGS Ltd. Holding company	Singapore	Singapore	S\$60 932,200,000.00	98.30	Fincantieri Oil & Gas S.p.A. 98.30
VARO GROUP AS Shipbuilding	Norway	Norway	NOK 26,795,600.00	100.00	Varo Holdings Ltd. 98.30
VARO SHIPHOLDING SINGAPORE Pte. Ltd. Charter of boats, ships and barges	Singapore	Singapore	USD 1.00	100.00	Varo Holdings Ltd. 98.30
VARO ELECTRO AS Electrical/automation installation	Norway	Norway	NOK 1,000,000.00	100.00	Varo Group AS 98.30
VARO ELECTRO ITALY S.r.l. Installation, production, sale and assistance for electrical equipment and parts	Genoa	Italy	EUR 200,000.00	100.00	Varo Electro AS 98.30
VARO RO HOLDING S.r.l. Holding company	Romania	Romania	RON 82,573,830.00	100.00	Varo Group AS 98.30
VARO NITERÓI Ltda. Dormant	Brazil	Brazil	BRL 354,883,790.00	99.99 0.01	Varo Group AS 98.30 Varo Electro Brazil Ltda. 98.30
VARO PROMAR SA Shipbuilding	Brazil	Brazil	BRL 1,109,108,180.00	99.99 0.001	Varo Group AS 98.30 Varo Electro Brazil Ltda. 98.30
VARO INFRAESTRUTURA Ltda. Dormant	Brazil	Brazil	BRL 10,000.00	99.99 0.01	Varo Group AS 98.30 Varo Group AS 98.30
ESTALEIRO QUISSAMÁ Ltda. Dormant	Brazil	Brazil	BRL 400,000.00	50.50 49.50	Varo Group AS 98.30 Varo Promar SA 98.30
VARO SINGAPORE Pte. Ltd. Sales and holding company	Singapore	Singapore	USD 6,000,000.00	100.00	Varo Group AS 98.30

Principal activity	Registered office	Countries in which they operate	Share capital	% interest	% consolidated by group
VARO DESIGN AS Design and engineering	Norway	Norway	NOK 4,000,000.00	100.00	Varo Group AS 98.30
VARO ACCOMMODATION AS Accommodation installation	Norway	Norway	NOK 500,000.00	100.00	Varo Group AS 98.30
VARO PIPING AS Pipe installation	Norway	Norway	NOK 100,000.00	100.00	Varo Group AS 98.30
SEAOINICS AS Offshore handling systems	Norway	Norway	NOK 46,639,721.00	56.40	Varo Group AS 55.44
VARO SEAOINICS HOLDING AS Dormant	Norway	Norway	NOK 30,000.00	100.00	Varo Group AS 98.30
SEAOINICS POLSKA SP Z O.O. Engineering services	Poland	Poland	PLN 400,000.00	100.00	Seaoinics AS 55.44
VARO DESIGN LUBIRNA Ltd. Design and engineering	Croatia	Croatia	HRK 20,000.00	51.00	Varo Design AS 50.13
VARO ELECTRO TULCEA S.r.l. Electrical installation	Romania	Romania	RON 4,149,525.00	100.00	Varo Electro AS 98.30
VARO ELECTRO BRAZIL (INSTALAÇÕES ELÉTRICAS) Ltda. Electrical installation	Brazil	Brazil	BRL 3,000,000.00	99.00 1.00	Varo Electro AS 98.30 Varo Group AS 98.30
VARO ELECTRO BRAILA S.r.l. Electrical installation	Romania	Romania	RON 45,000.00	100.00	Varo Electro AS 98.30
VARO ELECTRICAL INSTALLATION AND ENGINEERING (INDIA) Pvt. Ltd. Electrical installation	India	India	INR 14,000,000.00	99.50 0.50	Varo Electro AS 98.30 Varo Electro Tulcea S.r.l. 98.30
VARO TULCEA SA Shipbuilding	Romania	Romania	RON 151,606,459.00	99.99% 0.004	Varo RO Holding S.r.l. 98.30 Varo Group AS 98.30
VARO BRAILA SA Shipbuilding	Romania	Romania	RON 165,862,177.50	94.12 5.88	Varo RO Holding S.r.l. 98.30 Varo Group AS 98.30
VARO INTERNATIONAL SERVICES S.r.l. Dormant	Romania	Romania	RON 100,000.00	100.00	Varo Braila S.A. 98.30
VARO ENGINEERING CONSTANTIA S.r.l. Engineering	Romania	Romania	RON 1,408,000.00	70.00 30.00	Varo RO Holding S.r.l. 98.30 Varo Braila S.A. 98.30
VARO VUNG TAU Ltd. Shipbuilding	Vietnam	Vietnam	USD 800,000.00	100.00	Varo Singapore Pte. Ltd. 98.30
VARO ACCOMMODATION TULCEA S.r.l. Accommodation installation	Romania	Romania	RON 436,000.00	99.77 0.23	Varo Accommodation AS 98.30 Varo Electro Tulcea S.r.l. 98.30
VARO ENGINEERING BREVIK AS Design and engineering	Norway	Norway	NOK 105,000.00	100.00	Varo Group AS 98.30
VARO MARINE INC. Design and engineering	Canada	Canada	CAD 9,783,700.00	100.00	Varo Group AS 98.30
VARO MARINE US INC. Design and engineering	USA	USA	USD 1,010,000.00	100.00	Varo Marine Inc. 98.30
VARO ENGINEERING GDANSK Sp. Z o.o. Offshore design and engineering activities	Poland	Poland	PLN 50,000.00	100.00	Varo Engineering Brevik AS 98.30
VB01 AS Dormant	Norway	Norway	NOK 500,000.00	100.00	Varo Group AS 98.30



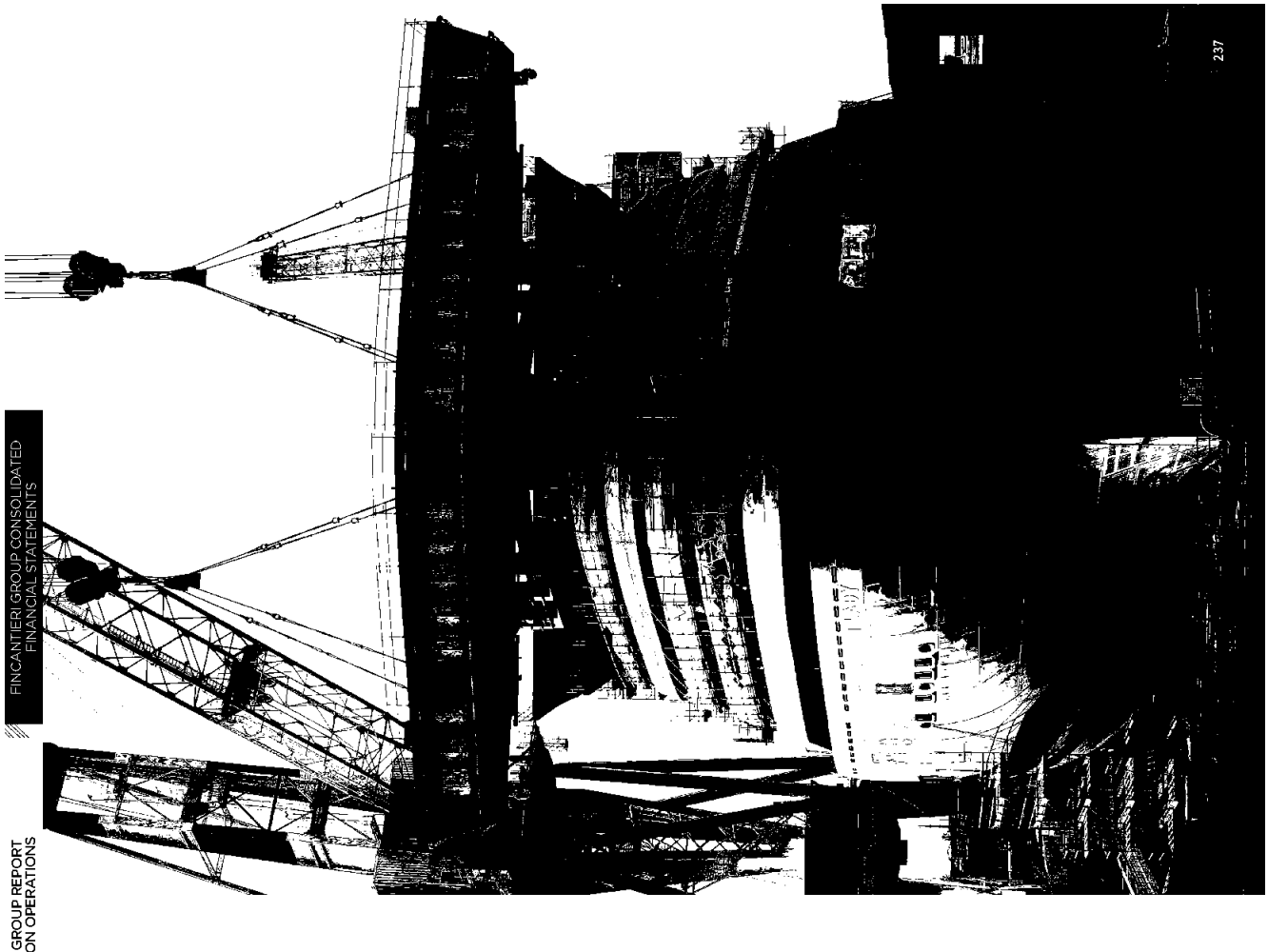
GROUP REPORT ON OPERATIONS

FINCANTIERI GROUP CONSOLIDATED FINANCIAL STATEMENTS

THE FINCANTIERI GROUP

Principal activity	Registered office	Countries in which they operate	Share capital	% Interest	% consolidated by group
VARO CONTRACTING AS Contract	Norway	Norway	NOK	100.00	Varo Group AS 98.30
CDP TECHNOLOGIES AS Research and development of software	Norway	Norway	NOK	100.00	Seamless AS 55.44
CDP TECHNOLOGIES ESTONIA OU Automation and control system software	Estonia	Estonia	EUR	100.00	CDP Technologies AS 55.44
VARO ELECTRO CANADA INC. Installation and integration of electrical systems	Canada	Canada	CAD	100.00	Varo Electro AS 98.30
VARO ELECTRO US INC. Installation and integration of electrical systems	USA	USA	USD	100.00	Varo Electro Canada Inc. 98.30
VARO AQUA SUNDAL AS Supplier of aquaculture equipment	Norway	Norway	NOK	100.00	Varo Group AS 98.30
VARO AQUA CHILE SA Supplier of aquaculture equipment	Chile	Chile	CLP	95.00	Varo Aqua Sundal AS 98.39
VARO AQUA SCOTLAND Ltd Supplier of aquaculture equipment	UK	UK	GBP	100.00	Varo Aqua Sundal AS 98.30
Joint ventures consolidated using the equity method					
ORIZZONTE SISTEMI NAVALI S.p.A. Management of large naval vessel contracts	Genoa	Italy	EUR	51.00	Fincantieri S.p.A. 51.00
ETHAD SHIP BUILDING LLC Design, production and sale of civilian and naval ships	Arab Emirates	Arab Emirates	AED	35.00	Fincantieri S.p.A. 35.00
NAVIRIS S.p.A. Design, manufacture, maintenance and conversion of ships for naval or government use	Genoa	Italy	EUR	50.00	Fincantieri S.p.A. 50.00
NAVIRIS FRANCE SAS Shipbuilding	France	France	EUR	100.00	Naviris S.p.A. 50.00
CSSC - FINCANTIERI CRUISE INDUSTRY DEVELOPMENT LIMITED Design and marketing of cruise ships	Hong Kong	Hong Kong	EUR	40.00	Fincantieri S.p.A. 40.00
ISSEL MIDDLE EAST INFORMATION TECHNOLOGY LTD IT services, IT consulting, Oil & Gas services	Arab Emirates	Arab Emirates	AED	49.00	Isseel Nord S.r.l. 49.00
CSSC - FINCANTIERI (SHANGAI) CRUISE DESIGN LIMITED Engineering, Project Management and Supply Chain Management	Hong Kong	Hong Kong	RMB	100.00	CSSC - Fincantieri Cruise Industry Development Limited 40.00
BUSBARME S.p.A. Installation of electrical systems	Trieste	Italy	EUR	10.00	Fincantieri S.p.A. 60.00
FINCANTIERI CLEA BUILDINGS S.r.l. Contract management and execution	Verona	Italy	EUR	51.00	Fincantieri Infrastructure S.p.A. 51.00
4TCCI - società consortile a.r.l. ITER project	Trieste	Italy	EUR	5.00	Fincantieri S.p.A. 80.00
PIRENOVA S.p.A. Costruzione viadotto di Genova	Genoa	Italy	EUR	50.00	Fincantieri Infrastructure S.p.A. 50.00

40% of the voting rights are held through USA Marine Trust, a legally recognized nonparent trust based in the state of Delaware, USA.



THE FINCANTIERI GROUP

Management representation on the consolidated financial statements pursuant to art. 154-bis, par. 5 of legislative decree 58/1998 (italy's consolidated law on finance)

1. The undersigned Giuseppe Bono, in his capacity as Chief Executive Officer and Felice Bonavolontà, as Manager Responsible for Preparing Financial Reports of FINCANTIERI S.p.A. ("Fincantieri"), with reference to the requirements of art. 154-bis, paragraphs 3 and 4, of Legislative Decree 58 dated 24 February 1998, hereby represent:

- the suitability in relation to the business's organization and,
- the effective application

of the administrative and accounting processes for the preparation of the consolidated financial statements during the year 2020.

2. The adequacy of the administrative and accounting processes for preparing the consolidated financial statements at 31 December 2020 has been evaluated on the basis of a procedure established by Fincantieri in compliance with the Internal Control - Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission, which is the generally accepted standard model internationally.

3. The undersigned also represent that:

3.1 the consolidated financial statements:

- 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 reliable analysis of the performance and results of operations, as well as the situation of the issuer and of all the companies included within the consolidation, together with a description of the main risks and uncertainties to which they are exposed.

25 February 2021

CHIEF EXECUTIVE OFFICER
Giuseppe Bono

MANAGER RESPONSIBLE FOR
PREPARING FINANCIAL REPORTS
Felice Bonavolontà



Deloitte.

Notes to the consolidated financial statements, and in particular Note 6, provide Directors disclosures with regards to the impairment test, including the result of the sensitivity analysis performed, which describes the effects to the outcome of the test, deriving from changes in the key variables used in performing the impairment test itself.

Audit procedures performed

We have preliminarily examined methodologies used by Management in determining the value in use of CGUs, analysing methods and assumptions utilized in the execution of the impairment test.

Within our verifications, we have carried out, among others, the following procedures, also with the support of experts, part of our network:

- Identification and understanding of relevant controls enacted by Group Management with regards to the impairment test process;
- analysis of reasonableness of main assumptions adopted in forecasting cash flows projections, also through analysis of industry data and information obtained from Management;
- retrospective analysis of actual figures with respect to original plans in order to evaluate the nature of deviations, which include the effects of Covid-19, and the reliability of the planning process;
- evaluation of reasonableness of the discount rate (WACC) and long-term growth rate (g-rate) applied;
- verification of the clerical accuracy of the model used to determine the CGU value in use;
- testing of the accuracy of the CGU carrying value and comparison with the value in use deriving from the impairment test;
- verification of the sensitivity analysis prepared by Management.

Furthermore, we examined the appropriateness and compliance of disclosures on the impairment test included in the consolidated financial statements with respect to IAS 36 requirements.

Evaluation of construction contracts Description of the key audit matter

Fincantieri Group in its consolidated financial statements accounted for construction contracts assets and liabilities totalling Euro 3,125 million and Euro 1,161 million respectively. Construction contracts are valued on the basis of the percentage of completion, estimating the progress with the cost-to-cost method. Moreover, in the event the completion of the contract is expected to result in a loss, such loss is entirely accrued in the period in which it can be reasonably predicted.

The valuation of construction contracts under such method requires the application of estimates with regards to the total costs and cost to complete for each contract. Such estimates are periodically updated and request significant and complex assumptions from Management, which can be affected by several elements, such as:

- Management's capability to develop reasonable estimates at the beginning of the contract and at subsequent updates;

Deloitte.

- multi-annual duration of the contracts;
- the complexity, customization and degree of innovation of contracts;
- contractual obligations for interventions during the warranty period of the contracts.

Taking into consideration the relevance of values pertaining to construction contracts and the complexity of assumptions used in the estimates about costs to complete the projects, we deemed the evaluation of construction contracts to be a key audit matter for the Fincantieri Group's consolidated financial statements as of 31 December 2020.

Disclosures related to Construction contracts assets and Construction contracts liabilities are included in Notes 14 and 24 of the consolidated financial statements as well as in the description of accounting standards used and in the paragraph "Subjective accounting estimates and Judgements - Revenue recognition for construction contracts".

Audit procedures performed

- The procedures addressing this key audit matter included, among others: understanding of criteria and procedures adopted by Management in determining the percentage of completion of the contracts;
- understanding of relevant internal controls pertaining to both initial estimates and subsequent periodical updates on total revenues, total costs and costs to complete the contracts;
- analysis, on a sample basis, of reasonableness of estimates of contracts costs to complete through:
 - analysis of contracts signed with customers,
 - tests on projects costs incurred,
 - discussions with project managers, controllers and/or head of business lines;
- retrospective analysis on results of estimates made in the prior year related to construction contracts;
- discussion with head of legal department of the Company with regards to potential lawsuits related to contracts;
- examination of appropriateness of disclosures included in the notes to the consolidated financial statements and its compliance with applicable accounting standards.

Other Matters

The consolidated financial statements of Fincantieri Group for the year ended as of 31 December 2019 were audited by other auditors that on 20 April 2020 expressed an unmodified opinion on such financial statements.



Deloitte.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

Deloitte.

If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Fincantieri S.p.A. on 15 November 2019 appointed us as auditors of the Company for the years from 31 December 2020 to 31 December 2028.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.



Deloitte.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Fincantieri S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Fincantieri Group as at 31 December 2020, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 7209 in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Fincantieri Group as at 31 December 2020 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Fincantieri Group as at 31 December 2020 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the Implementation of Legislative Decree 30 December 2016, no. 254

The Directors of Fincantieri S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

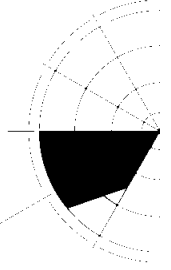
DELOITTE & TOUCHE S.p.A.

Signed by

Barbara Moscardi
Partner

Udine, Italy
15 March 2021

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







1 - Operating Activities	CGT - Compensated Gross Tonnage An international unit of measurement that provides a common way of measuring the amount of work needed to build a given ship. It is calculated by multiplying the GT of a ship by a coefficient determined according to the type and size of ship.	
	Dry-dock Basin-like structure in which ships are built or repaired.	
	GT - Gross Tonnage A unit that measures a ship's total internal volume, including its engine rooms, fuel tanks and crew quarters. Its measurement is based on the external area of the bulkheads.	
	Mega yachts The business of building motor yachts that are at least 70 meters (230 feet) in length.	
	Merchant vessels Ships intended for commercial purposes, mostly involving passenger transportation. Examples are cruise ships, ferries (either for transporting just vehicles or for both vehicles and passengers), container ships, oil tankers, dry and liquid bulk carriers, etc.	
	Naval Vessels Vessels used for military purposes, such as surface combat vessels (aircraft carriers, destroyers, frigates, corvettes, patrol ships) as well as support craft and submarines.	
	Order backlog Residual value of orders not yet completed. This is calculated as the difference between the total value of an order (including any additions and amendments) and the value reported as "Work in progress" at the period-end reporting date.	
	Order book Value of principal contracts, order additions and variations, in respect of orders not yet delivered or fulfilled.	
	Order intake Value of new orders, including order additions and variations, awarded to the Company in each reporting period.	
	Refitting/refurbishment The business of refitting ships that are obsolete or no longer fit for use after changes in the law and/or regulations.	
	Shipowner The entity that operates the ship, irrespective of whether it is the owner or not.	
	Soft Backlog 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.	

Total backlog
This is calculated as the sum of the order backlog and soft backlog.

Total order book
This is calculated as the sum of the order book and soft backlog.



2 - Accounting and Finance

Basic or diluted earnings per share

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

Diluted earnings per share are calculated in the same way as for basic earnings per share, but take account of all dilutive potential ordinary shares as follows:

- profit or loss attributable to ordinary shares is increased by the after-tax amount of dividends and interest recognized in the period in respect of the dilutive potential ordinary shares and is adjusted for any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares;
- the weighted average number of ordinary shares outstanding is increased by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Business combination

This is the aggregation of entities or businesses into a single entity that is required to prepare financial statements.

CGU

Acronym for Cash-Generating Unit, defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

EBIT

Acronym for Earnings Before Interest and Taxes. It is defined as: Profit/(loss) for the year 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) costs associated with the "Wage Guarantee Fund", (vii) costs relating to reorganization plans and other non-recurring personnel costs, (viii) provisions for costs and legal expenses associated with lawsuits for asbestos-related damages, and (ix) other non-recurring income and expenses.

EBITDA

Acronym for Earnings Before Interest, Taxes, Depreciation and Amortization. It is defined as: 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: (i) provisions for costs and legal expenses associated with lawsuits brought by employees for asbestos-related damages, (ii) costs relating to the impacts deriving from the spread of COVID-19, (iii) costs relating to reorganization plans and non-recurring other personnel costs, (iv) other extraordinary income and expenses.

Fair value

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

IAS/IFRS

Acronyms for the International Accounting Standards and International Financial Reporting Standards, adopted by the Company.

Impairment testing

This is the work performed by the Group to assess, at every reporting date, whether there is evidence that an asset might be impaired, by estimating its recoverable amount.

Net expenditure/disposals

These represent investments and disinvestments in property, plant and equipment, intangible assets, equity investments and other net non-operating assets.

Net financial position

A line in the statement of financial position that summarizes the Company's financial position and includes:

- Net current cash/(debt): cash and cash equivalents, held-for-trading securities, current financial receivables, current bank debt (excluding construction loans), current portion of long-term loans and credit facilities, other current financial liabilities;
- Net non-current cash/(debt): noncurrent financial receivables, non-current bank debt, bonds, other non-current financial liabilities.

Net fixed capital

This reports the fixed assets used in the business and includes 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 invested capital

This represents the sum of Net fixed capital and Net working capital.

Net working capital

This is equal to capital employed in ordinary operations which includes inventories and advances, Construction contracts and advances from clients, 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).

Operating capex

This represents investments in property, plant and equipment and intangible assets other than those acquired in a business combination and allocated to property, plant and equipment or intangible assets.

Revenue

This line in the income statement reports revenue earned on contracts and revenue from the sale of various products and services.

Revenue and income excluding pass-through activities

The item Revenue and income excluding pass-through activities: these exclude the portion of revenues that relates to sales contracts with pass-through activities and which have a contra-entry in the cost item: pass-through activities are those contracts for which the Company invoices the entire contractual amount to the end customer but does not directly manage the construction contract.

Statement of cash flows

This examines all the cash flows that caused changes in cash and cash equivalents, in order to determine "Net cash flows for the period", as the difference between cash inflows and outflows in the period.

WACC

Acronym for: Weighted Average Cost of Capital. This represents the average cost of the various sources of company financing, both in the form of debt and of capital.



FINCANTIERI

Parent Company
Registered office Via Genova no. 1 – 34121 Trieste – Italy
Tel: +39 040 3193111 Fax: +39 040 3192305
fincantieri.com
Share capital Euro 862,980,725.70
Venezia Giulia Company Registry and Tax No. 00397130584
VAT No. 00629440322

Graphic design and layout
EY YELLO







FINCANTIERI



Deloitte.

Deloitte AS
Strandavegen 15
NO-6905 Florø
Norway

Tel: +47 23 27 90 00
www.deloitte.no

Til generalforsamlingen i Vard Group AS

UAVHENGIG REVISORS BERETNING

Uttalelse om revisjonen av årsregnskapet

Konklusjon

Vi har revidert Vard Group AS' årsregnskap som viser et underskudd på TNOK 1.859.166. Årsregnskapet består av balanse per 31. desember 2020, resultatregnskap og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noteopplysninger til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening er det medfølgende årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettviseende bilde av selskapets finansielle stilling per 31. desember 2020, og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i Revisors oppgaver og plikter ved revisjon av årsregnskapet. Vi er uavhengige av selskapet slik det kreves i lov og forskrift, og har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Øvrig informasjon

Ledelsen er ansvarlig for øvrig informasjon. Øvrig informasjon omfatter informasjon i årsrapporten bortsett fra årsregnskapet og den tilhørende revisjonsberetningen.

Vår uttalelse om revisjonen av årsregnskapet dekker ikke øvrig informasjon, og vi attesterer ikke den øvrige informasjonen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese øvrig informasjon med det formål å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom øvrig informasjon og årsregnskapet, kunnskap vi har opparbeidet oss under revisjonen, eller hvorvidt den tilsynelatende inneholder vesentlig feilinformasjon.

Dersom vi konkluderer med at den øvrige informasjonen inneholder vesentlig feilinformasjon er vi pålagt å rapportere det. Vi har ingenting å rapportere i så henseende.

Styrets og daglig leders ansvar for årsregnskapet

Styret og daglig leder (ledelsen) er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettviseende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik internkontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet så lenge det ikke er sannsynlig at virksomheten vil bli avvirket.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål med revisjonen er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.no to learn more.

© Deloitte AS

Registrert i Foretaksregisteret Medlemmer av Den norske Revisorforening
Organisasjonsnummer: 980 211 282



Deloitte.

side 2
Uavhengig revisors beretning -
Vard Group AS

med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar basert på årsregnskapet.

Som del av en revisjon i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- identifiserer og anslår vi risikoen for vesentlig feilinformasjon i regnskapet, enten det skyldes misligheter eller utilsiktede feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoen, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes utilsiktede feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av internkontroll.
- opparbeider vi oss en forståelse av den interne kontroll som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll.
- evaluerer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige.
- konkluderer vi på hensiktsmessigheten av ledelsens bruk av fortsatt drift-forutsetningen ved avleggelsen av regnskapet, basert på innhentede revisjonsbevis, og hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape tvil av betydning om selskapets evne til fortsatt drift. Dersom vi konkluderer med at det eksisterer vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i regnskapet, eller, dersom slike tilleggsopplysninger ikke er tilstrekkelige, at vi modifiserer vår konklusjon om årsregnskapet og årsberetningen. Våre konklusjoner er basert på revisjonsbevis innhentet inntil datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapet ikke fortsetter driften.
- evaluerer vi den samlede presentasjonen, strukturen og innholdet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet representerer de underliggende transaksjonene og hendelsene på en måte som gir et rettviseende bilde.

Vi kommuniserer med dem som har overordnet ansvar for styring og kontroll blant annet om det planlagte omfanget av revisjonen og til hvilken tid revisjonsarbeidet skal utføres. Vi utveksler også informasjon om forhold av betydning som vi har avdekket i løpet av revisjonen, herunder om eventuelle svakheter av betydning i den interne kontrollen.

Uttalelse om andre lovmessige krav

Konklusjon om årsberetningen

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen og i redegjørelsen om samfunnsansvar om årsregnskapet, forutsetningen om fortsatt drift og forslaget til resultatdisponering er konsistente med årsregnskapet og i samsvar med lov og forskrifter.

Konklusjon om registrering og dokumentasjon

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendig i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Florø, 22. mars 2021
Deloitte AS

Hans-Jørgen Kirkeeide
statsautorisert revisor



Annual Report 2020

for

Vard Group AS

Org.nr: 980 100 820



Board of Directors' Report 2020

Vard Group AS

Address: Skansekaia 2, 6002 Ålesund

Enterprise reg. no: 980 100 820 MVA

Business activities and domicile

Vard Group AS ("the Company") is a wholly-owned subsidiary of Vard Holdings Limited controlled by Fincantieri Oil & Gas S.p.A. and the ultimate parent is Cassa Depositi e Prestiti S.p.A., incorporated in Italy. Vard Holdings Limited was delisted from the main-board of the Singapore Exchange, SGX-ST, on 2 November 2018.

The Company is headquartered in Ålesund, Norway. The major business of the Company is the shipbuilding of highly specialized vessels.

During 2019 the Company decided to implement a new operational strategy which, among other matters, implies reduce its shipbuilding footprint in Norway, and concentrate the shipbuilding activity around three core yards in Norway. A disposal process has been ongoing during 2020 for Vard Aukra, while Vard Brevik was disposed during 2020. VARD operates seven strategically located shipbuilding facilities on three continents and serves the global maritime industry with innovative vessels, products and services through its network of shipyards and highly specialized subsidiaries.

Three of VARD's strategically seven shipyards; Vard Brattvaag, Vard Langsten, and Vard Søviknes, are located in Norway. VARD also operates two shipyards in Romania, one in Brazil and one in Vietnam. The Norwegian yards are held directly by the Company, while the foreign yards are held by subsidiaries. In addition, the Company holds a series of subsidiaries, both wholly and partially, that mainly deliver products and services to internal as well as external shipbuilding projects. The collaboration between all of VARD's disciplines and locations, combined with an international network of specialists and suppliers, provides the ability to offer tailor-made solutions and ensures that customers receive consistent and high-quality products and services in all markets served worldwide.

While remaining a major global designer and shipbuilder of specialized vessels and solutions for the Energy sector, VARD also continues to focus its presence in the areas Adventure, Seafood, and Security.

During the year 9 vessels were delivered from the Norwegian yards. In addition, one longliner vessel was delivered through the Company's subsidiary in Vietnam. In 2020 the Company entered into a contract for the delivery of a cable layer and two fishing vessels. In addition, eight multipurpose offshore vessels, one wind vessel and one fishing vessel were signed for construction in Vietnam.

At the end of the year, the order book comprised 28 vessels, including 13 vessels at the Company subsidiary in Vietnam. Total backlog value for the Company at NOK 15.5 billion by year-end 2020.

In the current order book, the cruise segment is representing 41 % of the backlog, distributed on six cruise vessels. In addition, the order book contains offshore, fishery and coast guard vessels. The coast guard vessels are for the Norwegian Navy and are representing 26 % of the total backlog.



Going concern

The equity as of 31 December 2020 amounts to NOK 1.3 billion. The equity in the company have been effectively restored by virtue of a hybrid capital loan agreed with Fincantieri Oil & Gas S.p.A for a total of EUR 500 mill.

The 2020 financial statements have been prepared based on the premise of a going concern, in accordance with Section 4-5 of the Norwegian Accounting Act.

The Board of Directors hereby confirms that the premise of a going concern is present, in accordance with Section 3-3a (7) nr. 1.

The Directors have verified that there are no financial, operating or other types of indicators that might cast significant doubt upon the company's ability to meet its obligations in the foreseeable future and particularly within the 12 months from the end of the reporting period based on expected cash flows available at the date the financial statements are approved. In particular, it should be noted that the company's financial capacity at 31 December 2020 makes it possible to support the financial requirements expected over the next 12 months. The Company's estimates and projections have been prepared taking into account the agreements defined to date with the shipowners, which, on the one hand, envisage the deferment of payment of part of the instalments due during construction of the cruise contracts and, on the other, the redefinition of the schedule of planned deliveries for 2021 for offshore and cruise contracts as a result of the COVID-19 pandemic. Additionally, the Company has a EUR 230 Million committed Revolving Credit Facility signed with Fincantieri S.p.A as of December 2020, which is expected to be partially utilized within the next 12 months, providing an additional source of liquidity to the Company if required.

Furthermore, Fincantieri S.p.A. (being the only owner of Fincantieri Oil & Gas S.p.A.) has provided a letter of support to provide a financial support that include Vard Group AS and subsidiaries if funding sources are not available to Vard Group AS and its subsidiaries either from their own cash flows or through the recourse to external financial sources on a stand-alone basis. The Board of Directors has concluded that the parent company is financially able to provide the necessary funding when required.

Impact of COVID-19 and further development

In the cruise ship business area, Vard established close cooperation with the ship owning companies, which have been particularly hard hit by the pandemic, succeeding in preserving production schedules and the substantial backlog and ensuring production for its shipyards. The Company proceeded to redefine the delivery schedule and to suspend the scheduled instalments for ships under construction.

The cruise business was strongly affected by the spread and resurgence of the pandemic, significantly impacting its activities and leading to the complete cessation of cruises. In particular, while the European cruise market slowly and gradually resumed its activities in 2020, the United States, the world's largest market, had to comply with the measures issued by the CDC (Centers for Disease Control and Prevention): first the "no sail order", issued on 14 March 2020, and then the "Framework for conditional sailing", from 30 October 2020. Although the latter allowed the resumption of operations, implementing the high safety standards contained in it led the ship owning companies to extend the voluntary suspension of cruise activities once again. However, in the light of statements made by the main cruise operators and the dawn of the vaccination campaign, the prospect of cruises restarting in late spring 2021 is becoming increasingly realistic. The objective, shared among operators in the sector, is to bring almost all fleets back in use by the end of the year, albeit with reduced rates of occupancy. In view of the prospects for recovery, the strategy of decommissioning older vessels and maintaining orders will



enable ship owning companies to appear in the market with a renewed, more competitive and efficient fleet while complying with health and environmental safety standards. .

Exploration cruise is the cruise market niche that seems to be in the better position to start growing again as the investment in new vessels from shipowners was still in the beginning phase before the pandemic.

2020 also marks a recovery in the Offshore segment, thanks to the diversification strategy introduced during 2019 that has seen VARD's ability to build products characterized by innovative technologies and reduced environmental impact rewarded. Among the most important orders of the year, there were two vessels for offshore wind farms: one Service Operation Vessel (SOV) for wind farm maintenance and one cable-laying vessel. The orders mark the entry into the fast-growing renewable energy sector, confirming the Group's transition to markets with sustainable products and processes. The high technology in the product portfolio enabled VARD to finalize in 2020 a contract for the design and construction of eight robotic vessels for Ocean Infinity. The vessels will be able to be controlled from the shore and will feature next-generation technologies to reduce the environmental impact.

These new market niches that require not only shipbuilding expertise but also ability to integrate different high technology systems are very promising for both near future and medium-long term.

The changing circumstances, which are exceptional in their nature and extent, have had and continue to have direct and indirect repercussions on economic activity in general and have created a situation of general uncertainty. However, thanks to the order book acquired and the financial resources available, the Company believes it can reasonably meet its obligations.

Vard has also established a dedicated team for follow up rules and regulations and a comprehensive quarantine facility and test regime for ensuring compliance with the constant changes of requirements from authorities and continuity of shipbuilding activities.

Presentation of annual accounts

2020 operating revenues were NOK 6 541 million, reduced by NOK 1 397 million from 2019. Operating profit was negative with NOK 1 002 million and pretax result was negative with NOK 1 843 million. The corresponding figures for 2019 were NOK -1 568 million and NOK -1 980 million respectively. The 2020 profit after tax was negative with NOK 1 859 million vs NOK -2 232 million in 2019. The negative profit after tax is mainly driven by write-downs relating to investments in the subsidiaries, impairment of seller credits and as a result that projects are still affected by the complexity of the current, highly challenging, specialized vessels' portfolio, that features different projects and categories of vessels under construction at the same time.

Total assets as of 31 December 2020 were NOK 10 748 million of which equity amounted to NOK 1 304 million. Compared to 2019, equity increased by NOK 3 569 million and equity ratio by year end was 12,1%. Short-term debt was 99 % of total debt as per 31 December 2020 driven by project-related items as construction loans and advance payments received from customers.

It is important to highlight that the only loan with financial covenants (equity and minimum cash) is the long-term loan with Innovasjon Norge. The facilities signed with Deutsche Bank, Intesa SanPaolo and all other short term committed and uncommitted credit lines do not place any financial covenants on the Company. The changes have been possible in light of the consistent reduction in the average exposure vis a vis the Norwegian banks, and by actions taken to strengthen both the capital and the funding sources of the Company.



Net cash flow from operations in 2020 was negative with NOK 4 412 million. Total investments in 2020 were negative with NOK 445 million and cash flows from financing activities amounted to NOK 5 334 million. As of 31 December 2019, total cash and cash equivalents were NOK 214 million. The Company is monitoring the cash situation on an ongoing basis to address the market conditions and volatility.

Market risk

Guided by a project-based business model, VARD's performance is dependent on maintaining an order book of projects with an adequate risk-return profile. Despite the continued downturn in the offshore-related vessels market, VARD successfully managed its market risk by playing up its diversification strategy. Through leveraging on the Group's strengths and aligning its design, sales, and marketing efforts towards new market segments, VARD was able to expand its project portfolio in these segments.

The downturn in the oil and gas industry also increased the exposure to counterparty risk, however, the counterparty risk has been further reduced during 2020 as further one vessel was delivered in addition to vessels sold in 2019.

To manage these risks, VARD has continued to invest in efforts to create new revenue streams and develop technical and commercial opportunities in new markets.

Operational risk

The Company's business operations entail the delivery of complex and technologically advanced vessels. The Company's projects are subject to turnkey contracts at fixed prices awarded following competitive bidding. Failure to meet delivery times, performance guarantees, or project cost increases can result in non-recoverable costs, which could exceed revenues realized from the applicable projects. To reduce such risk, the Company focuses on project management and maintaining open and direct dialogue with customers and subcontractors.

Financial market risk

The Company adheres to strict guidelines to reduce financial market risk. All significant foreign-currency exposure is hedged against currency fluctuations. All signed contracts with future settlements in foreign currencies are hedged. The Company is allowed to enter into derivative transactions, primarily forward foreign currency contracts, and to hedge either the nominal exposure (applies when the full exposure, both on the revenue and cost side, is fully hedged) or the net economic exposure (applies when a portion of the revenue in foreign currency can perfectly match with corresponding costs in the same currency). Thus, the Company's net currency exposure is considered relatively moderate.

The Company is also exposed to changes in interest rates because company debt is subject to floating interest rates. VARD has continued to improve upon this known risk, by diversifying the group's banking relationships and continued to apply a prudent cash management approach, to ensure sufficient levels of working capital financing as described above.

Working environment and HSE

The sick leave rate averaged 4.0% in 2020, and a total average Lost Time Injury (LTI) rate of 2.6, hereof 2.5 for own employees and 2.2 for insourced personnel. (The international classification LTI-rate = number of accidents causing absence next day per one million worked hours).



There have not been any accidents resulting in damages to property, plant or equipment. The Company has systematic, ongoing efforts to develop and improve health, safety, and environment in the Company. Considered the challenging market and pandemic situation, the work environment is considered to be good.

Environmental reporting

There is a constant process to minimize adverse environmental effects from the Company's operations. Emissions from production facilities, including substances that may impose environmental damages, are well within official requirements imposed by the authorities. Environmental reports for all the Norwegian yards will be prepared. The reports provide detailed information on environmental parameters at each yard.

Equality and discrimination

The purpose of discrimination regulation is to promote equality of opportunities, rights, and treatment, and to prevent discrimination due to ethnicity, national origin, descent, color, language, and religion. The Company works actively, goal-oriented, and systematically to promote the legislative purpose within the Company. The activities include recruiting, wage and working conditions, promotions, growth opportunities and protection against harassment.

The Company aims to be a workplace without discrimination against people with disabilities. Hence, the Company works actively and goal-oriented to adapt the physical conditions such that as many as possible can perform the different operations/functions. Individual adaptations of both workplace and duties/responsibilities are considered for both current employees and those seeking employment.

The Company has an agreement with its employees regarding issues of gender equality and diversity. Among the agreement's objectives is to ensure that the Company is a workplace that offers full gender equality. Procedures have been established to prevent the occurrence of unequal treatment. According to the law Equality and Anti-Discrimination Act, the company have implemented routines for complying with the new requirements. As soon as the complete survey has been carried out the results will be made available on the company's website. At year-end 2020, The Company had 814 employees, of whom 146 were women, that represent an increase of 2% in comparison with the previous year. Women are also represented throughout the different age groups. Employees are divided in three groups: ≤ 30 years, 31-49 years and ≥ 50 years. The largest group is the 31-49 years, representing 45% of the total of employees and women representing 21% of this specific group.

Result and allocation

The Board of Directors proposes that the loss for the year is covered as follows:

- Transferred to accumulated losses	TNOK	1 859 166
- Total allocations	TNOK	1 859 166

It is the Board's opinion that the proposed financial statements give a true and fair view of the financial positions, results and cash flows.



The Board of Directors of Vard Group AS, Ålesund, 17 March 2021

Alberto Maestrini
Chairman

Luigi Matarazzo
Board member

Andrea Qualizza
Board member

Giuseppe Coronella
Board member

Fredrik Mordal Hessen
Board member

Attilio Dapelo
Board member

Arne Otto Rogne
Board member

Kjell Halle
Board member

Henning Karleif Øye
Board member



Annual financial statements 2020

Income statement 01.01-31.12

All amounts in TNOK unless otherwise stated			
	Notes	2020	2019
Operating revenues			
Operating revenues	4	6,528,688	7,931,907
Other operating revenues		11,816	6,523
Total operating revenues		6,540,504	7,938,430
Cost of raw materials and semi-finished goods	22	6,642,254	8,316,962
Wages and other personnel expenses	2	612,636	767,820
Depreciation and amortization	6,7	33,721	84,608
Other operating expenses	2	253,450	337,469
Total operating expenses		7,542,061	9,506,859
Operating profit/(loss)		-1,001,557	-1,568,428
Financial income and financial expenses			
Financial income	3	350,886	333,557
Financial expenses	3	1,191,977	744,966
Net financial items		-841,091	-411,409
Pre-tax loss		-1,842,648	-1,979,838
Tax expense/(Income)	14	16,518	252,451
Loss for the year		-1,859,166	-2,232,288
Transfers			
Transferred other equity/accumulated losses	15	-1,859,166	-2,232,288
Total transfers		-1,859,166	-2,232,288



Annual financial statements 2020

Balance sheet 31.12

All amounts in TNOK unless otherwise stated

	Notes	2020	2019
Assets			
Fixed assets			
<i>Intangible assets</i>			
Other intangible assets	7	91,770	62,946
Total fixed assets		91,770	62,946
Fixed operating assets			
Land, buildings, and other real estate	6	275,001	296,488
Machinery and equipment	6	99,103	76,566
Asset under constructions	6	207,892	126,697
Total fixed operating assets		581,997	499,751
Financial fixed assets			
Investments in subsidiaries	8	420,726	473,541
Loans to Group companies	11,13	622,075	808,769
Investments in associates	8	425,585	167,839
Investment in other shares	9	1,451	6,451
Other receivables	11	609,116	583,024
Deferred tax assets	14	0	11,000
Total financial fixed assets		2,078,953	2,050,624
Total non-current assets		2,752,719	2,613,321
Current assets			
Inventory	18	6,485	6,685
Projects under construction	5	3,719,237	2,933,682
Receivables			
Accounts receivables		141,350	56,419
Accounts receivable from group companies	13	3,000,514	1,797,621
Other receivables		436,725	437,447
Total receivables		3,578,588	2,291,487
Bank deposits, cash, and cash equivalents	19, 20	691,351	213,830
Total current assets		7,995,661	5,445,684
Total assets		10,748,381	8,059,005



Annual financial statements 2020

Balance sheet 31.12

All amounts in TNOK unless otherwise stated

	Notes	2020	2019
Equity			
Paid-in capital			
Share capital	15,16	26,796	26,796
Share premium	15	2,308,940	2,308,940
Other paid-in capital	15	6,384,016	955,625
Total paid-in capital		8,719,752	3,291,361
Retained earnings			
Reserves	15	0	0
Other equity/accumulated losses	15	-7,416,031	-5,556,864
Total retained earnings		-7,416,031	-5,556,864
Total equity		1,303,721	-2,265,503
Debt			
Provisions and charges			
Other provisions	21	50,000	50,000
Total provisions and charges		50,000	50,000
Other long term liabilities			
Liabilities to financial institutions	11, 19	43,376	81,782
Liabilities to group companies	13	0	0
Total other long term liabilities		43,376	81,782
Current liabilities			
Liabilities to financial institutions	19	3,638,882	3,809,566
Trade creditors		1,144,133	1,485,470
Liabilities to group companies	5, 13	2,880,476	2,936,321
Public duties payable		44,141	49,371
Other current liabilities	5,10,12	1,643,652	1,911,999
Total current liabilities		9,351,284	10,192,727
Total liabilities		9,444,660	10,324,508
Total equity and liabilities		10,748,381	8,059,005



Ålesund, 17 March 2021
Board of directors, Vard Group AS

Alberto Maestrini
Chairman

Luigi Matarazzo
Board member

Andrea Qualizza
Board member

Giuseppe Coronella
Board member

Fredrik Mordal Hessen
Board member

Attilio Dapelo
Board member

Arne Otto Rogne
Board member

Kjell Halle
Board member

Henning Karleif Øye
Board member



Annual financial statements 2020

Cash flow statement

All amounts in TNOK unless otherwise stated

	Notes	2020	2019
Cash flows from operations			
Profit / (loss) before tax		-1,842,648	-1,979,838
Taxes paid		-1,742	0
Ordinary depreciation	6, 7	33,721	84,608
Impairment of shares of shares, loans and receivables in subsidiaries/associates		356,146	208,064
Dividend/Group contribution from subsidiary, recognized		-18,149	0
Dividend/Group contribution from subsidiary, received		8,148	0
Changes to projects under construction		-797,497	1,645,296
Proceeds from construction loans		1,949,530	1,551,636
Repayment of construction loans		-2,120,213	-3,029,780
Change in other working capital assets		-1,269,263	971,849
Loan provided to subsidiaries		0	-632,757
Changes to trade payables		-359,699	775,033
Change in other accrued items		-273,577	-1,558,056
Other non-cash items in the PnL		5,000	1,359
Net cash flow from operations		-4,330,243	-1,962,586
Cash flow from investment activities			
Payments for purchase of fixed assets	6.7	-144,791	-58,366
Proceeds from sale of shares		12,095	0
Additional equity contribution to existing subsidiaries		0	0
Acquisition/ exit of subsidiary		-15,923	0
Increase in ownership interest in associates		-313,320	0
Net change in interest bearing receivables		-64,437	68,416
Net cash flow from investment activities		-526,376	10,050
Cash flow from financing activities			
Repayment of loans		-19,290	-95,328
Changes in short term liabilities		0	0
Funds received upon issuance of new debt to group companies		186,006	1,547,770
Funds received upon issuance of new debt		5,428,391	891,975
Funds received from issuance of new equity		-260,967	-550,506
Repayment of loans to group companies		-260,967	-550,506
Net cash flow from financing activities		5,334,140	1,793,910
Net changes to cash and cash equivalents during the year		477,521	-158,625
Bank deposits, cash, and cash equivalents 01.01		213,830	372,455
Bank deposits, cash, and cash equivalents 31.12		691,351	213,830



Annual financial statements 2020

Note 1 – Accounting principles

The financial statements have been prepared and presented in accordance with the rules and regulations of the Norwegian Accounting Act and generally accepted accounting practices in Norway. All amounts are presented in NOK thousands (TNOK) unless otherwise stated.

Consolidated accounts

The company is part of the consolidated accounts of the parent company Fincantieri SpA. In accordance with section 3-7, paragraph 4, of the Norwegian Accounting Act, Vard Group AS has been exempted from preparing consolidated financial statements. The consolidated financial statements for Fincantieri SpA are available at the offices of Vard Group AS, Skansekaia 2, P.O. Box 76, NO-6001 Ålesund or at Fincantieri SpA website www.fincantieri.com

Subsidiaries

Subsidiaries are entities in which the company, directly or indirectly, owns more than 50 percent of the voting rights or by other means has decisive influence over the company's operating and financial management. In determining whether control over an entity is present, share options that may be exercised and convertible and other equity instruments are taken into consideration.

Subsidiaries are valued using the cost method of accounting in the company accounts. Such investments are valued at acquisition cost for the shares unless a write-down has been necessary. Write-downs to fair value are made when impairment is attributable to factors that are not deemed to be of a temporary nature and they are regarded as necessary in accordance with generally accepted accounting practices. Write-downs are reversed when the basis for the write-down is no longer present.

Dividends and other disbursements are recognized in the income statement in the same year as the allocation is made by the subsidiary. If dividends exceed the share of withheld profit after the acquisition, the excess amount represents repayment of invested capital, and disbursement are deducted from the investment's carrying value in the balance sheet.

Associated companies

Associated companies are entities in which the company, directly or indirectly, owns more than 20 percent of the voting rights but equal to, or less than, 50 percent, and has determined that it does not have decisive influence over the company's operating and financial management. In determining whether control over an entity is present, share options that may be exercised and convertible and other equity instruments are taken into consideration.

Associated companies are valued using the cost method of accounting in the company accounts. Such investments are valued at acquisition cost for the shares unless a write-down has been necessary. Write-downs to fair value are made when impairment is attributable to factors that are not deemed to be of a temporary nature and they are regarded as necessary in accordance with generally accepted accounting practices. Write-downs are reversed when the basis for the write-down is no longer present.

Dividends and other disbursements are recognized in the income statement in the same year as the allocation is made by the associate. If dividends exceed the share of withheld profit after the acquisition, the excess amount represents repayment of invested capital, and disbursement are deducted from the investment's carrying value in the balance sheet.

Operating revenues/construction contracts

The company's business activities largely comprise manufacture and delivery of goods and services according to signed contracts with customers. Revenues associated with construction contracts are recognized using the percentage of completion method, based primarily on incurred contractual expenses to date compared with the project's estimated overall contract expenses.

Percentage of completion of a contract is closely related to the activities performed and risk assessments made by management.

Revenues and margins are recognized using the project's percentage of completion and projected margin for the project as a whole. The total margin is the excess of total projected revenues less project expenses. Uncertainty as to project estimates is reflected by incorporating a risk margin contingency as a component of project costs.

When the final outcome of a contract cannot be estimated reliably, profit is recognized only to the extent incurred costs are expected to be recovered. Anticipated future losses on work performed under signed contracts are expensed and classified as accrued costs/allocation under current liabilities in the balance sheet. Losses on contracts are recognized in full as soon as they are identified.



Revenues from construction contracts includes the original revenue figure agreed to in the contract and any changes in contractual work, requirements and remuneration for various inputs to the extent it is likely that they will lead to operating revenues and can be measured reliably. Recognized contract income includes profit on change orders and disputed amounts when realization is likely in management's assessment and reliable estimates can be prepared.

Project expenses include costs directly associated with specific contracts and indirect costs attributable to the contracts in question. Direct costs include direct personnel expenses, cost of materials used, design and technical assistance related to the contracts, estimated costs for rectification and guarantee work, as well as financial expenses associated with the project (construction loans) netted against financial income associated with customers' prepayments. Project costs also include indirect production costs such as project management, maintenance, insurance, design and technical assistance, expenses associated with wage and salary payments, purchasing and invoicing for the project, and depreciation.

The percentage of completion method is used cumulatively for each accounting period with current estimates for contract revenues and expenses. The effect of estimate changes as to contract revenues, expenses, and/or margins is recognized in the profit and loss account in the period which the change occurred.

Project revenues for work performed are classified as operating revenues in the profit and loss account. Work in progress is classified as current receivables in the balance sheet. Customers' advances are deducted from the value of projects in progress. To the extent that customer advances exceed this offset figure, the excess amount is recognized under advances from customers and classified as current liabilities.

Inventory

The Company measures inventory at the lower of cost and net realizable value, where the net realizable value is the estimated selling price less the cost of completion and selling expenses. Inventory also consists of a vessel reclassified from project under construction. Cost of vessel includes both direct and indirect cost.

Hedging

All financial hedges are documented with regards to the nature of the risk that is being hedged, description of hedged item, the type of hedging instrument being used and whether the hedge is a cash flow hedge or a fair value hedge. If the hedged item is a future transaction, a probability assessment is performed to document that it is more than likely that the transaction will occur. Furthermore an assessment on the effectiveness of the hedge is carried out.

In a cash flow hedge the unrealized and realized profit and loss from the hedged item is not recognized in profit or loss until the hedged item affects the income statement. The hedge instrument is not accounted for until this occurs.

In a fair value hedge the hedge instrument is recognized at fair value, and a change in fair value of the hedged item is accounted for on an ongoing basis.

If the assumptions for the hedge are no longer present, e.g. due to the hedge instrument or the hedged item being disposed of, or if the hedge instrument no longer effectively reduces the risk related to the hedged item or because the transaction is no longer more than likely to occur, the financial hedge is cancelled. The amortization of the deferred profit and loss related to the changes in fair value will depend on the reason for the hedge not being carried forward.

The profit and loss resulting from a hedge instrument is presented together with the hedged risk related to the hedged item.

The fair value of the hedging instruments are assessed as follows:

Fair value of forward currency contracts are derived from currency rates and interest rates offered in the open market. Fair value is calculated by discounting the difference between contractual rate and present rate for the remaining life of the contract, using a risk free interest rate (derived from government bonds) while adjusting for credit spread.

Fair value of interest rate swaps is measured as the present value of future cash flows calculated based on observable market rates at the balance-sheet date including accrued interest.

Classification and valuation of balance sheet items

Current assets and short-term debt include items that fall due for payment within one year after the acquisition date and items associated with the business cycle. Other items are classified as fixed assets/long-term liabilities.

Current assets are valued at the lower of acquisition cost and fair value. Short-term liabilities are recorded in the balance sheet at nominal value at the time of acquisition.

Fixed assets are valued at acquisition cost, but are written down to fair value upon impairment that is not deemed to be of a temporary nature. Long-term liabilities are recorded in the balance sheet at nominal value at the time of establishment. The first year's repayment principal of long-term debt is classified as current interest-bearing debt.

Receivables

Accounts receivable and other receivables are recorded in the balance sheet at nominal value less allocations for expected losses. Loss allocations are made based on individual assessment of receivables. In addition, an unspecified allocation is made for other accounts receivable to cover expected losses.

**Foreign currency**

Foreign-currency denominated monetary items are valued at the exchange rate at the close of the accounting year.

Short-term investments

Short-term investments (shares and ownership interests classified as current assets) are valued at the lower of acquisition cost and fair value at the balance sheet date. Dividends received and other disbursements from the companies in question are recognized as other financial income.

Fixed operating assets

Fixed operating assets are recorded in the balance sheet and depreciated over their expected economic lifetime. Direct maintenance of operating assets is expensed on a current basis, which is recorded under operating expenses. Expenditures that add value to an asset or otherwise improve it are added to the cost price of the operating asset and depreciated along with the operating asset. If the recoverable value of an operating asset is lower than its carrying value, the asset is written down to its recoverable value. The recoverable value is the higher of net sales value or value in use. Value in use is the present value of the future cash flows the asset will generate.

Research and development costs are expensed as they are incurred.

Leasing and leasing agreements

Property, plant and equipment leased on terms that largely transfer the risk and benefits associated with ownership to the company, are classified as financial leasing agreements (financial leasing). Financial leasing agreements are entered in the balance sheet at the start of the leasing period at a value corresponding to the lower of the fair value of the leased asset and the present value of the minimum lease amount. Leasing payments are allocated between financial expenses and reductions to leasing liabilities.

Property, plant and equipment acquired through financial leasing agreements are depreciated over the shorter of the asset's economic lifetime or the leasing period.

Leasing agreements where a significant proportion of risk and benefits associated with ownership of the asset remains with the lessor are classified as operating lease agreements. Payments under operating lease agreements less any incentives received from the lessor are expensed on a straight-line basis in the profit and loss account such that a constant periodic interest rate applies to the remaining liability in the balance sheet.

Pensions

All company employees participate in the AFP program, an early-retirement plan under the aegis of major Norwegian labor and business organizations (the LO and NHO, respectively) and the Norwegian government. The program is based on standard requirements and terms in the LO/NHO program. The AFP program has been treated as a defined benefit-based program, but as of 2010 it is treated as a defined contribution plan (refer note 17)

Furthermore, all company employees are included in a contribution-based pension plan. The pension premium is expensed as it is incurred.

Tax

Tax expense in the profit and loss account comprises both tax payable for the period and change in deferred tax. Deferred tax is calculated using a 22 percent tax rate, based on the temporary differences that exist between accounting and tax values, and tax losses to be carried forward at the close of the accounting year. Tax-increasing and tax-reducing temporary differences that are reversed or can be reversed in the same period are offset. Net deferred tax benefit is recorded in the balance sheet to the extent it is likely that it can be utilized.

Cash flow statement

The cash flow statement has been prepared using the indirect method. Cash and cash equivalents include cash and bank deposits. Loans provided to subsidiaries are considered to be operating cash flows.

Use of estimates

Preparation of the annual financial statement in accordance with generally accepted accounting practices requires management to make judgements and prepare estimates and assumptions that affect the application of guidelines and principles and the reported amounts of assets and liabilities, revenues and expenses. Estimates and associated assumptions are based on management's best knowledge of historical and current events and actions, experience and various other factors and conditions deemed reasonable under the circumstances. Actual performance may ultimately differ from such assumptions and estimates.

Estimates and underlying assumptions are assessed on an ongoing basis. Changes in accounting estimates are reflected in the period in which the estimate change occurs.

Critical accounting estimates and assumptions for the company are as follows:



Revenue recognition

The company applies percentage of completion for projects in progress, which are recorded on a current basis. The use of percentage of completion requires the Group to estimate both production completed as a proportion of total project production and expected per-project profit. Income recognition will be affected by factors such as steel price developments, cost of other input factors, extent of risk margin contingency applied and project progress and shipyard capacity. The scope of change orders and acceptance of claims may affect income estimates. Uncertainty as to revenue and income estimates will also be affected by the company's experience from similar construction projects. Generally, greater uncertainty applies to income recognition of new construction projects compared with building sister ships. Events, changes in assumptions and management's judgment will affect income recognition in the relevant accounting period.

Going Concern

The 2020 financial statements, pursuant Section 4-5 of the Norwegian Accounting Act, have been prepared based on the premise of a going concern. The equity situation in the company have been effectively restored by virtue of a hybrid capital loan agreed with Fincantieri Oil & Gas S.p.A for a total of EUR 500 mill. The hybrid capital contribution agreed with Fincantieri Oil and Gas S.p.A. is fully subordinated to others creditors, with no maturity date and zero interests. Given the specific terms and conditions, the hybrid capital contribution is to be classified as part of the Vard Group AS equity.

The Directors have verified that there are no financial, operating or other types of indicators that might cast significant doubt upon the company's ability to meet its obligations in the foreseeable future and particularly within the 12 months from the end of the reporting period based on expected cash flows available at the date the financial statements are approved.

The company's estimates and projections have been prepared taking into account the agreements defined to date with the shipowners, which, on the one hand, envisage the deferment of payment of part of the instalments due during construction of the cruise contracts and, on the other, the redefinition of the schedule of planned deliveries for 2021 for offshore and cruise contracts as a result of the COVID-19 pandemic.

Furthermore, Fincantieri S.p.A. (being the only owner of Fincantieri Oil & Gas S.p.A.) has provided a capital guarantee to provide financial support to Vard Group AS and subsidiaries if funding sources are not available to Vard Group AS and its subsidiaries either from their own cash flows or through the recourse to external financial sources on a stand-alone basis. The Board of Directors has concluded that the parent company is financially able to provide the necessary funding when required.



Note 2 - Personnel expenses, number of employees and remuneration to auditors

Wages and other personnel expenses	2020	2019
Wages and salaries	487,502	615,471
Employer's social security contribution	72,992	91,200
Pension expenses	30,883	35,403
Other benefits	21,260	25,746
Total	612,636	767,820

Total company employment for the accounting year amounted to 792 man-years (2019; 903).

Remuneration to key personnel

	CEO and GM's	Board of Directors
Salary	6,021	
Pension expenses	293	
Bonus	915	
Other compensation	467	2,064

The Structure of the Company changed from September 2020 and a Chairman and CEO was appointed and the two General Managers of the two Business Units were put at his direct report.

The CEO and the General Manager of the Business Unit Cruise have a bonus based on company and individual objectives that, if reached, generate a Bonus payout according Fincantieri Group MBO discipline. Their contract doesn't contain any severance payment clause in case of termination of their position in VARD Group AS upon request of the Company. Being seconded executives from Fincantieri their contractual discipline is reflecting the Collective agreement of the Italian Category of "Dirigenti" (executives) of manufacturing Companies. Like for the other executives of Fincantieri their contract include a non compete clause.

The Contract for the position of General Manager OSSV business unit contains non competition and non solicitation clauses, binding for 6 months and 12 months respectively after contract's termination. The General Manager of OSSV BU is entitled to a 6 month severance in case of termination of his position in VARD Group AS upon request of the Company. The contract includes also a variable salary (Bonus) based on Company and individual objectives. No loans or guarantees have been issued to the CEO or the General Managers.

Auditor fees by category:	2020	2019
Legally mandated auditing services	2,074	2,279
Other assurance services	46	-
Tax advisory service	409	229
Non-audit related services	254	-

Auditor fees are stated exclusive of VAT



Note 3 - Items combined in the accounts

	2020	2019
Profit from investment in subsidiaries and associated companies ¹⁾	18,149	0
Interest income from group companies	52,167	30,177
Other interest income	30,803	26,983
Agio ³⁾	238,157	262,057
Dividend received	7,845	4,600
Other financial income	3,765	9,740
Financial income	350,886	333,557
Impairment of shares, loans and receivables in subsidiaries ²⁾	195,335	367,751
Impairment of shares in associated companies (Note 8)	93,919	12,855
Impairment of other shares	0	1,299
Impairment other loans	163,187	54,000
Interest expense group companies	10,784	9,415
Other interest expenses	50,957	51,132
Loss disposal of shares subsidiaries	21,084	
Disagio ³⁾	601,694	241,654
Other financial expenses	55,018	6,861
Financial expenses	1,191,977	744,966

¹⁾ Profit from investment in subsidiaries and associated companies consists of a group contribution and dividends from subsidiaries and gain on sale of subsidiaries.

²⁾ Impairment of shares, loans and receivables in subsidiaries mainly relates to write down of capital contributions and loans and receivables in Vard Promar SA. The company wrote down TNOK 144 644 (2019:TNOK 357 439).

³⁾ The main part of the net foreign exchange gain relates to transactions with subsidiaries.



Note 4 - Operating revenues

	2020	2019
By business segment		
Offshore, cruise and specialized vessels	6,528,688	7,931,907
By geographical location		
Norway	2,122,426	1,387,248
Europe	2,974,078	6,152,209
America	1,432,184	257,945
Asia	0	24,910
Other	0	109,595
Total	6,528,688	7,931,907

Note 5 - Projects under construction

The company's projects are treated according to the percentage of completion method. The below disclosed rows "Operating revenues, projects in progress", "Expenses, projects in progress" and "Net recorded profit, projects under construction" represent cumulative information. The figures represent their performance since the projects started. An individual construction contract can last from several months up to 5 years depending on its nature.

	2020	2019
Operating revenues, projects in progress	10,286,683	8,203,772
Expenses, projects in progress	11,257,370	8,671,444
Net recorded loss, projects under construction	-970,687	-467,672
Projects under construction	9,183,422	6,604,860
Advance payments received	-6,085,826	-5,287,357
Effect of hedge accounting	36,950	56,273
Total	3,134,546	1,373,776
Presented as:		
Project under construction(asset)	3,719,236	2,933,682
Other current liabilities(liability)	-584,690	-1,559,906
Total	3,134,546	1,373,776

Percentage of completion is calculated according to the ratio of incurred project expenses compared with estimated total project expenses. Gross value of projects under construction includes share of profit, according to the expected profit margin for the overall project. Losses on contracts are recognized as soon as they are identified.

Projects under construction are classified as current assets in the balance sheet less customer prepayments. When customer advances exceed this offset value, the projects in progress will be classified as customer advances and recorded under current liabilities.

Provision for lossmaking contracts are included in above mention figures. Provision for such contracts amount to 583 millions by year-end. Remaining work for loss making contracts is up to 13 months.



Note 6 - Property, plant and equipment

	Land, buildings and other real estate	Machinery and equipment	Asset under constructions	Total
Acquisition cost 01.01.	727,014	330,254	221,559	1,278,827
Additions, operating assets acquired	0	35,425	77,025	112,450
Disposals, Scrapping	-6,612	0		-6,612
Acquisition cost 31.12.	720,402	365,679	298,584	1,384,665
Accumulated depreciation 01.01.	430,525	253,686	94,862	779,073
Disposals accumulated depreciation		0		0
Accumulated depreciation 31.12.	445,400	266,574	90,691	802,665
Book value as of 31.12.2020	275,001	99,103	207,893	581,997
Depreciation for the year	14,875	12,888		27,763
Impairment for the year	0	0	-4,171	-4,171

Economic lifetime 10-30 years 5-10 years
Depreciation schedule Straight line Straight line

The reduction of impairment is in profit and loss presented as a reduction of ordinary depreciations.

Expensed rental amounts for leasing agreements that are not recorded in the balance sheet amounted to TNOK 29 711 (2019; TNOK 29 711) for premises and TNOK 56 402 (2019; 56 402) for other operating assets.

Note 7 - Intangible assets

	Other Intangibles	Goodwill
Acquisition cost as of 01.01.	83,338	
Additions, operating assets acquired	4,070	34,882
Acquisition cost as of 31.12.	87,408	34,882
Accumulated amortization 01.01.	20,390	-
Disposals		
Accumulated amortization and impairment 31.12.	27,060	3,458
Book value as of 31.12.2020	60,346	31,424
Amortizations for the year	6,670	3,458
Impairment of the year	0	0

Economic lifetime 3-5 years 5 years
Amortization schedule Straight line Straight line

Addition of goodwill is related to a new Design and Engineering department in Vard Group AS.



Note 8 - Subsidiaries, Associates etc

Company	Headquarter	Ownership	Voting rights
Vard Accommodation AS	Norway	100%	100%
Vard Design AS	Norway	100%	100%
Vard Electro AS	Norway	100%	100%
Vard Niterói SA	Brazil	100%	100%
Vard RO Holding SRL	Romania	100%	100%
Vard Piping AS	Norway	100%	100%
Vard Singapore Pte. Ltd.	Singapore	100%	100%
Vard Braila SA*	Romania	5.9 %	100%
Vard Promar SA	Brazil	100.0 %	100.0 %
Vard Seonics Holding AS	Norway	100.0 %	100.0 %
VBD1 AS	Norway	100.0 %	100.0 %
Estaleiro Quissamã Ltda	Brazil	50.5 %	50.5 %
Seonics AS	Norway	56.4 %	56.4 %
Vard Marine Inc	Canada	100%	100%
Vard Aqua Sundal AS	Norway	100%	100%
Vard Engineering Brevik AS	Norway	100%	100%
Vard Contracting AS	Norway	100%	100%

* Vard RO Holding SRL holds 94.12 % such that Vard group AS controls 100% of the shares

Investments in subsidiaries are treated according to the cost method.
The subsidiaries Vard Offshore Brevik AS and VBD2 AS are sold in 2020.

Company name	Share capital	Number of shares	Net Book value	Equity	Result
Vard Accommodation AS	500	500	0	-164,006	-53,240
Vard Design AS	4,000	4,000	23,507	38,930	7,152
Vard Electro AS	1,000	1,000	8,322	96,345	24,909
Vard Niterói SA*	887,822	349,383,790	0	-348,762	-12,846
Vard RO Holding SRL	175,882	3,983,301	145,718	-384,999	-126,264
Vard Piping AS	100	100	25,227	31,672	4,079
Vard Singapore Pte. Ltd.	33,398	6,000,000	57,179	307,306	-21,304
Vard Braila SA	353,286	3,899,470	25,350	328,265	-88,942
Vard Promar SA**	2,263,108	869,108,180	0	-1,048,009	-330,289
Vard Seonics Holding AS	30	30,000	30	20	-10
VBD1 AS	500	500	3,000	3,022	32
Estaleiro Quissamã Ltda	890	400,000	571	-586	0
Seonics AS	29,130	29,130,000	42,755	26,630	-49,038
Vard Marine Inc	81,069	1,273,370	54,276	121,813	6,434
Vard Aqua Sundal AS	1,100	10,000	31,011	33,051	1,707
Vard Engineering Brevik AS	105	1,500	3,750	3,740	-945
Vard Contracting AS	30	30,000	30	4	0
Total			420,726		

Number of shares are presented at the exact number and not in thousands.

* Shareholders loan from Vard Group AS is classified as debt in the balance sheet of Vard Niterói SA. The gross value of the investment in Vard Niterói SA, including the loans, amounts to 2 979 millions. The investment is fully written off in the financial statements of Vard Group AS.

** Shareholders loans from Vard Group AS is classified as debt in the balance sheet of Vard Promar SA. The gross value of the investment in Vard Promar SA, including the loans, amount to 3 907 millions, the investment is fully written off in the financial statement of Vard Group AS.



Associated companies	Office	Ownership	Voting rights
Rem Supply AS	Norway	26.7 %	26.7 %
Olympic Challenger KS	Norway	35.0 %	35.0 %
Olympic Green Energy KS	Norway	30.0 %	30.0 %
Møkster Supply KS	Norway	36.0 %	36.0 %
Møkster Supply AS	Norway	40.0 %	40.0 %
DOF Iceman AS	Norway	50.0 %	50.0 %
Taklift AS	Norway	0.0 %	0.0 %
Brevik Technology AS	Norway	34.0 %	34.0 %
Island Dilligence AS	Norway	39.0 %	39.0 %
Island Offshore XII Ships AS	Norway	35.2 %	35.2 %

Investments in associated companies are accounted for by the cost method.

Company	Opening balance	Addition/disposal*	Impairment	Book value	Equity	Result
Rem Supply AS	25,519		-25,519	0	** -100 920	-10,324
Olympic Challenger KS	69,400		-68,400	1,000	** 178 960	-24,813
Olympic Green Energy KS	0			0	** -91 121	-6,606
Møkster Supply KS	11,288			11,288	47,064	-10,911
Møkster Supply AS	5,326			5,326	** 16 480	-13,095
DOF Iceman AS	0			0	** -148 700	-13,933
Taklift AS	647	-647		0	** 13 122	-1,198
Brevik Technology AS	1,514	0		1,514	** 65	-450
Island Dilligence AS	54,145		0	54,145	159,903	455
Island Offshore XII Ships AS	0	352,312	0	352,312	973,752	-14,239
				425,585		

* Addition/disposal represent either supply of capital or disposal through sale of shares/interest.

Impairment of REM Supply AS and Olympic Challenger KS is included in current years financial expenses.

** Figures for equity and profit are the latest available figures from year-end 2019.

The investment in Olympic Challenger KS is in 2021 sold at net book value.

Note 9 - Shares in other companies

Company	Ownership	Book value	Acquisition cost
Other shareholdings		<u>1,451</u>	14,373
		1,451	



Note 10 - Financial market risk and hedging

The industrial nature of the company's long-term international market contracts and international market presence entail exposure to financial risk, which includes but is not limited to foreign currency risk, interest rate risk, credit risk and liquidity risk. The Group uses various financial instruments to actively manage its financial exposure. Financial risk management is performed in accordance with established guidelines.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Company's exposure to fluctuations in interest rate relates primarily to construction loans and short-term facilities, and some of the term loans. Interest rate risk is managed on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates.

Normally the company will enter into construction loans with floating rates

No derivative financial instruments are entered into to manage the interest rate risks of the company

Currency risk

The company is exposed to currency fluctuations as both purchases and sales are made in foreign currencies, largely in EUR and USD. To reduce such risk, the company uses forward contracts. The company uses forward contracts purely as a hedging tool and does not use forward foreign currency contracts for trading purposes.

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's loans and receivables

The company's credit risk is mainly associated with its vessel contracts. Ship owners are credit evaluated at contract signing. Normally, ship owners have secured financing before entering into contracts with the company.

Liquidity risk

Liquidity risk is the risk that the Company will encounter in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company monitors its net operating cash flows based on individual construction contracts. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of available credit facilities and construction financing.

Hedging

The company utilizes, as mentioned above, forward contracts to reduce foreign exchange risk. Forward contracts are used solely for hedging purposes. As foreign exchange risk related to projects are hedged, the foreign exchange rate at the time of contract signing usually materialize in the result.

Forward contracts recognized in the balance sheet are included in the financial statements as part of other current receivables and liabilities. Year end 2020 forward contracts with positive market value of TNOK 178 272 is included as part of other current receivables and forward contracts with negative value of TNOK 389 657 is included as other current liabilities. In 2019 TNOK 77 731 is included as part of other current receivables and TNOK 163 008 as other current liabilities. Fair values are determined by discounting the difference between the forward price according to contract and prevailing forward price for the remainder of the contract maturity discounted by the risk free rate (government bonds).



As of 31.12.2020 the company has entered into the following forward contracts (translated to NOK at the agreed rates):

Currency forwards in USD as of 31.12.2020

Period	Sell	Buy
6 months	183,630	-
12 months	-	-
24 months	-	-
	<u>183,630</u>	<u>-</u>

Currency forwards in Euro as of 31.12.2020

Period	Sell	Buy
6 months	1,329,859	2,856,347
12 months	-	1,510,502
24 months	-	2,254,160
>24 months	-	1,121,950
	<u>1,329,859</u>	<u>7,742,958</u>

Total	1,513,489	7,742,958
--------------	------------------	------------------

Note 11 - Receivables and liabilities

Receivables with maturity exceeding one (1) year

	2020	2019
Loans to group companies	622,075	808,769
Other receivables	<u>609,116</u>	<u>583,024</u>
Total	<u>1,231,191</u>	<u>1,391,793</u>

Long-term debt that matures in more than one (1) years

Current portion of long term debt with maturity within one year (< 1)	36,214	60,244
Maturity after one year but within five years (1 < 5)	43,376	81,781
Maturity after 5 years (> 5)	<u>0</u>	<u>0</u>
Total	<u>79,590</u>	<u>142,025</u>

Covenants

The only loans with financial covenants are the NOK 56 million outstanding loans with Innovasjon Norge. Covenants are related to consolidated free cash and equity in Vard Holding Ltd. A waiver on equity was obtained for year-end results.



Note 12 - Guarantees

	2020	2019
Guarantee provision	27,288	47,780

Allocations for guarantees are associated with completed vessels and possible subsequent work under guarantee. Typical guarantee periods are one to two years; however, some allocations may run for longer periods.

Note 13 - Intercompany balances

Receivables	2020	2019
Gross book value		
Accounts receivable	3,270,656	2,850,854
Loans with maturity > 1 year after year end	928,376	1,216,033
Total Gross value	4,199,031	4,066,887
Impairment	-576,442	-1,460,497
Net book value	3,622,589	2,606,390
Liabilities		
Long-term debt to group companies	0	0
Accounts payable to group companies	1,835,487	1,357,492
Other short-term debt to group companies	1,044,989	1,578,829
Total	2,880,476	2,936,321



Note 14 - Tax

Breakdown of tax payable:	2020	2019
Ordinary pre-tax loss	-1,842,648	-1,979,838
Permanent differences	668,456	592,514
Change in temporary differences	382,129	-262,917
Group contribution	0	16,419
Interest expenses to related parties carried forward	61,184	143,582
Total taxable income	-730,879	-1,490,240

Tax payable	0	0
--------------------	----------	----------

Tax expense for the year is distributed as follows:

Tax payable	1,742	0
Over/(under) provision of tax prior years	0	0
Tax group contribution	3,776	-3,776
Change in deferred tax	11,000	256,227
Total tax expense for the year	16,518	252,451

Explanation why tax payable does not equal 22% of profit before tax

22% tax of profit before tax	-405,383	-435,564
Permanent differences	101,918	130,353
Other differences	5,518	0
Change in temporary differences not included in deferred tax*	314,464	557,662
Total	16,518	252,451

Tax payable in the balance sheet

Tax payable	0	0
Tax deduction for research and development("skattefunn" scheme)	0	0
Reduction tax payable for credit deduction for withholding tax	0	0

Specification of basis for deferred taxes

Fixed assets	-139,115	-71,120
Construction contracts not completed and inventory by year-end	-915,530	-472,396
Receivables	-1,877	-1,877
Capital gain and loss account	49	61
Pension assets	67	71
Derivative financial instruments and hedge accounting effects		
Provisions	-77,288	-97,780
Pension liabilities	0	0
Interest expense carried forward	-760,294	-699,105
Loss carried forward	-2,694,731	-2,019,127
Derivative financial instruments and hedge accounting effects	-363,464	-158,271
Credit deduction carried forward	-32,529	-32,529
Temporary differences not included in Deferred tax*	0	0
Deferred tax basis	-4,984,712	-3,552,073

22 % deferred tax on temporary differences	-1,096,637	-781,456
Deferred tax asset not booked	1,096,637	770,456
Deferred tax effect of cash flow hedge through equity	0	0
Deferred tax(tax asset) in the balance sheet	0	-11,000



Note 15 - Equity

	Share capital	Share premium	Other paid-in capital	Reserves	Accumulated losses	Total
Equity as of 01.01.	26,796	2,308,940	955,625	0	-5,556,864	-2,265,503
Loss for the year	0	0	0	0	-1,859,166	-1,859,166
Capital increase	0	0	5,428,391			5,428,391
Equity as of 31.12	26,796	2,308,940	6,384,016	0	-7,416,031	1,303,721

Other paid-in capital consist of a hybrid capital loan, ref going concern note 1

Note 16 - Share capital and shareholder information

The share capital of Vard Group AS comprises 267 956 shares, each with a par value of NOK 100. All shares are held by Vard Holdings Limited as per 31 December 2020.

Note 17 - Pensions

The Norwegian act on mandatory service pension requires the company to maintain a service pension program. The company's pension programs is a defined contribution plan, that complies with the requirements in the act. The cost for the defined contribution plan was TNOK 23 482 in 2020 (2019:24 790).

The company participates in the "LO/NHO" scheme which implies that all employees can chose to retire from the age of 62. The AFP-scheme, in force from 1 January 2011, is a defined benefit multi-enterprise scheme, but is recognised in the accounts as a defined contribution scheme until reliable and sufficient information is available for the group to recognise its proportional share of pension cost, pension liability and pension funds in the scheme. The company's liabilities are therefore not recognised as debt in the balance sheet. In 2020 the contributions to the pension plan was TNOK 7 401 (2019: TNOK 10 613)

Note 18 - Inventory

Inventory consists of raw materials comprise mainly steel plates and steel profiles, pipes and pipe fittings, tools and consumables which are used in the Group's construction projects.



Note 19 - Mortgages and guarantess

Mortgaged debt	2020	2019
Non current loans	27,779	61,164
1st year's repayment of long-term debt	15,597	16,340
Construction loans	2,562,930	2,578,493
Total mortgaged debt	2,606,306	2,655,997
Book value of pledged assets	2020	2019
Land, buildings and other real estate	275,001	296,488
Machines and equipment	99,103	76,566
Asset under constructions	207,892	126,697
Projects in progress	3,719,237	2,933,682
Inventory	6,485	6,685
Total	4,307,719	3,440,118

The company's construction loans are associated with its projects and are established on a project-by-project basis. Typically, the bank issuing the construction loan holds a security interest in the vessel while it is under construction. Projects are partly financed through customer advances. Often, customers demand bank guarantees as a security for such prepayments; these are provided by banks, guarantee institutions or as parent company guarantees from Fincantieri SpA.

As of 31 December 2020 Vard Group AS has provided guarantees totalling TNOK 1 566 979 (2019: TNOK 1 164 974) in favour of its subsidiaries, customers or financing institutions.

Note 20 - Bank deposits

Included within the line item Bank deposits are employees withholding taxes of TNOK 25 770 as per 31.12.20 (2019: TNOK 27 493)

Note 21 - Contingencies and capital commitments

Guarantee obligations

As part of its ordinary operations, completion guarantees and guarantees for advance payments from customers (refundment guarantees) are issued. Such guarantees typically involve a financial institution that writes the guarantee vis-à-vis the customer.

Project risks and uncertainties

The company's operations are subject to long term contracts, many of which are fixed-price, turnkey contracts that are awarded on a competitive bidding basis. Failure to meet schedule or performance guarantees or increase in contract costs can result in non-recoverable costs, which could exceed revenues realized from the applicable project. When a project is identified as loss-making, forecasted loss is provisioned for according to NRS 2. The accounting treatment is based on detailed project forecasts carried out by management on a monthly basis based on experience, events and best judgement at each reporting date. Inevitably, such circumstances and information may be subject to change in subsequent periods and thus the eventual outcome may be better or worse than the assessments made in drawing up periodical financial reports. The current financial turmoil, created by the Covid-19 global pandemic, increases the uncertainty of the assessment for the final outcome of the projects.

**Legal proceedings**

With its extensive operations, the company is in the course of its activities from time to time involved in legal disputes. Provisions have been made to cover the expected outcome of the disputes to the extent that negative outcomes are likely and reliable estimates can be made. However, the final outcome of these cases will always be subject to uncertainties and resulting liabilities may exceed booked provisions. As of the reporting date, the company is not part in any major ongoing legal dispute, which could have a material impact on the financial statements, and not already provided for.



Capital and other commitments

There is no formal capital commitment towards the subsidiaries but Vard Promar SA has unfunded capital needs for the next twelve months.

Clean-up costs

The company's operations are subject to numerous national environmental regulations, including mapping, possible removal and clean-up of environmental contamination. Although there have to date been no indications that the company have failed to comply with applicable environmental rules, regulations or permits, current concentration limits for hazardous material will apply to historical contamination, and any further studies or changes in concentration limits may result in further clean-up operations or protective measures being imposed in the future. The costs related to such clean-up or protective measures may be significant and could have a material adverse effect on our business, financial condition and results of operations.

During 2019 the company together with yards trade organization started negotiating with environmental authorities to achieve an understanding that contribution of seabed pollution has other sources than shipyards only. The requirement to present an action plan suggesting initiatives to address the pollution reported by an external consultancy firm is still valid, however. A conclusion on how to address the request from the authorities for an activity plan is still pending. Based on the inputs from an external consultancy firm estimating the cost of alternative initiatives and other supporting evidence, the Company has concluded to maintain the provision of MNOK 50, assuming that the cost will be shared by specifically identified parties that are considered jointly liable for pollution.

Note 22- Transactions with related parties

	2020	2019
<i>Transactions with group companies</i>		
Sale of goods and services directly related to shipbuilding	65,764	281,603
Cost of raw materials	-4,166,557	-4,814,824
Allocated group expenses, management fee etc. (cost reduction)	44,694	41,069
Interest and commission income	35,987	30,177
Interest and commission expenses	-1,315	-9,236
Dividends/Group contributions from Subsidiaries	8,148	4,600
<i>Transactions with associated companies</i>		
Operating revenues	907	-
Operating costs	-	-86
Interest and commission income	13,095	7,191
<i>Transactions with controlling shareholders (direct and indirect shareholdings)</i>		
Sale of goods and services directly related to shipbuilding	16,310	
Operating expenses	-20,043	-15,535
Interest and commission expenses	-54,188	-51,953
Interest and commission income	16,180	19,468

Transactions with related parties are carried out according to principles for arms lengths and the company's policy for transfer pricing between group companies.