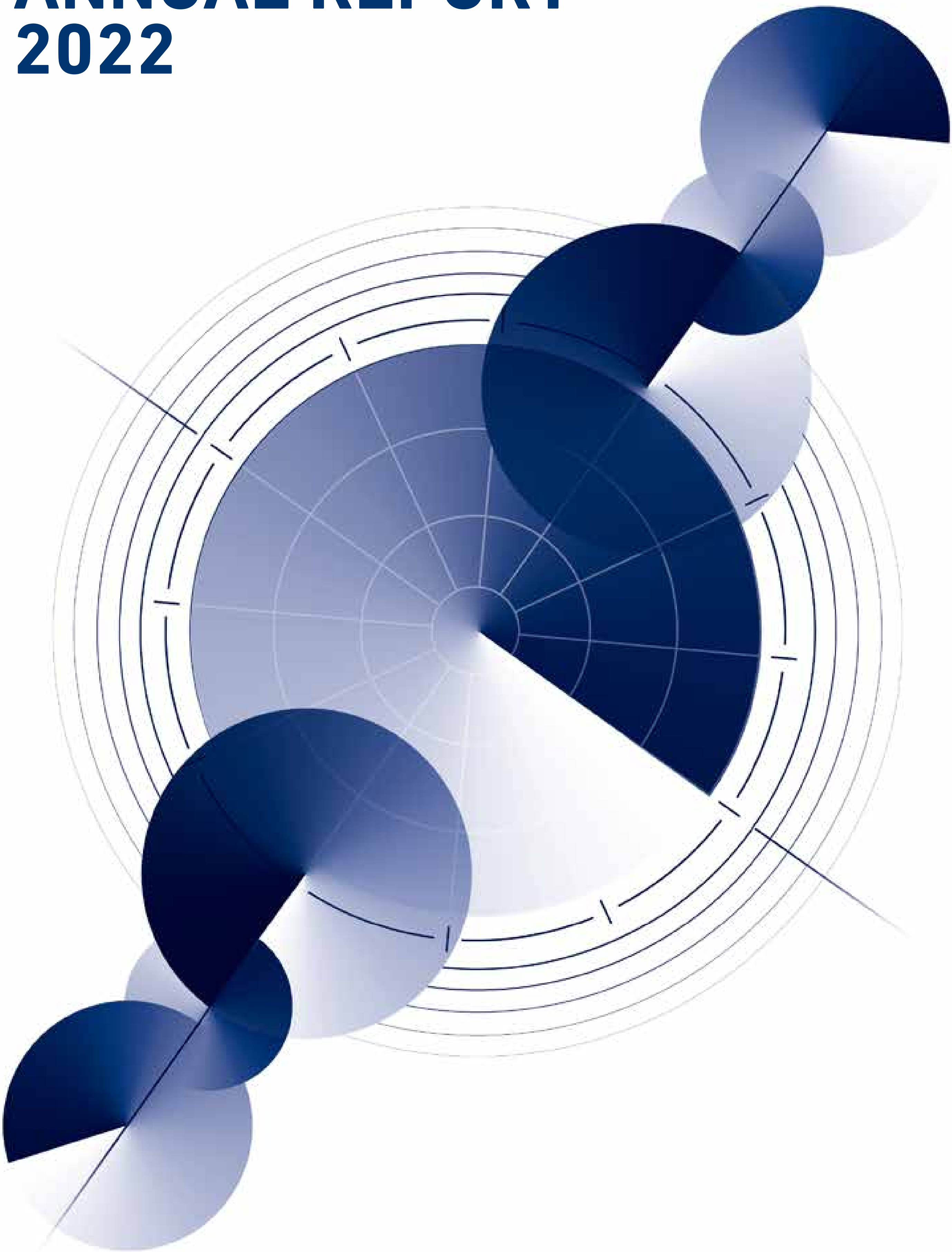
ANNUAL REPORT 2022



FINCANTIERI

ANNUAL REPORT 2022

FINCANTIERI

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Claudio Graziano
Chairman

Pierroberto Folgiero
Chief Executive Officer and Managing Director

To our Shareholders,

2022 was a year of transition for Fincantieri during which the Company took positive steps to review its strategy.
There was no shortage of events impacting company performance: added to the after-effects of COVID-19 were new factors linked to the supply chain, severely tested by the tail-end of the pandemic and the inflationary dynamics resulting from the conflict in Ukraine. Nevertheless, instead of falling victim to the conditions of general uncertainty, during the year we carried out a strategic review of orders and defined the new 2023-2027 Business Plan with the aim of outlining the future development of the Group within a sector in a profound state of flux.
Several overall trends are, in fact, altering the structure of the market and producing new competitive scenarios.
The European economy, having marginalized shipbuilding, allowing the relocation of low-complexity, steel and labour-intensive shipbuilding to the East, is experimenting with new concepts such as strategic autonomy and technological sovereignty as well as recognizing the importance of heavy industry in the "real" regional economy.
In this altered geopolitical context, the target of spending 2% of GDP on defence has established a new growth trend in global investments in naval vessels.
The new energy scenarios have led to the construction of offshore wind farms being considered as one of the countermeasures to accelerate energy autonomy as well as the green transition, feeding the potential demand for specialized vessels.
The post COVID-19 recovery of tourism and the cruise sector has started to strengthen the balance sheets of shipowners and their propensity to invest in more modern and environmentally friendly ships.
These market developments will lead to a demand for increasingly digitalized ships, generally designed to eliminate climate-altering emissions in compliance with the current regulations for the sector. These distinctive competencies must always go hand-in-hand with the maximum operational discipline and the ability to manage and optimize ship production times and costs.
Fincantieri has three competitive advantages to leverage in its approach to these new global trends.

(i) Simultaneous market presence in the three core businesses: cruise ship, naval vessels and offshore specialized vessels; scale and cross-fertilization of its distinctive technical competencies to enable innovation on the path to the digital and zero-emissions ship.
(ii) Internationalization and regionalization: ability to address geopolitical trends and the localization of production with a network of 18 shipyards in America, Europe and Asia.
(iii) Vertical integration: end-to-end design authority with the capacity for in-house integration of all the new complexities of the digital and green ship, in terms of new propulsion systems and automation and data management platforms, thanks to its historical competencies in the electromechanical field, as well as complete ship outfitting.

These aspects, part of Fincantieri's DNA, will shape the business capabilities and commercial direction of the Group in the next business cycle, creating the basis for long-term value creation for all stakeholders.
The 2022 Annual Report shows euro 5.3 billion of order intake during the financial year, much higher than the previous year, with revenues amounting to euro 7.4 billion, an increase of 11.7% compared to 2021 in line with expectations and the development of the backlog. The total backlog includes 109 ships, worth euro 34.3 billion, equivalent to 4.6 times revenues. These figures confirm the solidity of the Group, despite inflationary pressures and extraordinary or non-recurring expenses, which resulted in an operating margin of 3.0% and a loss for the Group of euro 324 million.
The global scenarios are constantly changing and it is essential to fully understand the underlying mechanism to be able to seize the opportunities they offer. As of December 2022, almost the entire fleet of cruise ships was operational, with occupancy rates close to historical levels. The gap in the value proposition between cruises and land-based holidays widened during the pandemic in favour of the former. According to the CLIA (Cruise Lines International Association), the number of passengers reached 28.2 million and this year it is expected to exceed the 30 million recorded in 2019. At an international level Fincantieri has acquired orders for five cruise ships and delivered seven. The company Viking, an established customer, has ordered four new generation vessels requiring the adoption of fuel cells, and with this shipowner we aim to develop applications linked to hydrogen on a large scale to contribute to the reduction in greenhouse gas emissions.
In line with this approach, in June we launched a new class of high-tech ships for TUI Cruises, based on a Fincantieri prototype design. In parallel, progress continues on the Explora Journeys fleet, the new luxury brand of the MSC group, which will be equipped with the latest technology, including for environmental protection and sustainability.
The luxury cruise sector showed particular vibrancy, with the entry of operators coming from the hotel sector who have succeeded in bridging the gap between cruises and the experience of travel on a private yacht, such as Four Seasons, which has commissioned its first ultra-luxury ship, with an option for a further two.
Moving to Defence, we note that the continuation of the Russian-Ukrainian conflict and the escalation of tensions on a large scale confirm that industrial policy in the sector cannot ignore the geopolitical context and foreign policy trends, which will lead to a demand for larger fleets with more advanced technological requirements. Moreover, maritime security is gaining in strategic value: still today, 90% of goods and finished products are transported by sea, and submarine cables for communications and energy infrastructures pass over the seabed.
In this area, the US Navy has renewed its confidence in the Group's US shipyards, awarding Fincantieri Marinette Marine with the construction of the third missile launching frigate as part of the Constellation program and Fincantieri Marine Systems North America with the maintenance contract for the Avenger-class mine countermeasures ships. Recently we signed an agreement with Abu Dhabi Ship Building, a subsidiary of the Edge Group, for the design, construction and management of naval vessels and merchant ships fleets, proof of our strong commitment to strengthening our reputation in the United Arab Emirates. In Greece we have signed an agreement for the establishment of a vessel production line and life-cycle maintenance, as well as a series of memoranda of understanding with a selection of potential new suppliers, as part of the prestigious Greek Ministry of Defence program for the construction of four corvettes, located at the Elefsis shipyard. For the same type of vessel, the European Commission has selected the proposal presented by the consortium including Fincantieri, Naval Group and Navantia for the "MMPC" program - Modular and Multirole Patrol Corvette. Finally, in the domestic market we have signed a contract with the Secretariat General of Defence and NAVARM to build a new Major Hydro-Oceanographic Ship (N.I.O.M.). Not to mention that in January production activities started on the first of 2 next-generation submarines as part of the U212NFS (Near Future Submarine) acquisition program of the Italian Navy.
The renewable energy sector represents the third pillar of our core business. Offshore wind is growing strongly; Fincantieri, through Vard, is already accumulating a significant market share, with fifteen orders acquired for Commissioning Service Offshore Vessels (CSOV) or Service Operation Vessels (SOV), together with two cable laying ships. Our Norwegian subsidiary will also oversee the production of fourteen robot

ships, equipped with technology for unmanned navigation and the capacity to use green ammonia as fuel, creating a new standard for remote, low-emissions operations.
Market trends show there is still an ample margin for further development. To date, operational wind farms are capable of delivering 55.2 GW of rated power, but ongoing and planned initiatives are expected to raise this amount to 271 GW by 2030. Moreover, the location of wind farms far from land and in deeper waters, together with the installation of increasingly large turbines, is also fuelling the demand for specialized vessels for their construction and maintenance. In terms of product, demand is growing in some areas for deepwater installations with large floating platforms, a solution which will find widespread application, especially in the Mediterranean. Some markets look particularly promising; the United States, for example, signed the largest federal law ever passed to tackle climate change, the Inflation Reduction Act, which provides for the collection of 740 billion dollars of government revenue through new taxes, part of which will support the development of offshore wind farms and the relevant supply chain. In this regard, in early 2023, the subsidiary Fincantieri Marine Group, as part of its diversification into green vessels, signed a contract for the design and construction of a Service Operation Vessel (SOV).
For size, portfolio diversification and operational capacity, Fincantieri is already the main shipbuilding group operating in high-complexity and high value-added sectors. However, now more than ever, it is time to unleash the heritage it holds within. We have the capabilities, the competencies and, above all, the people to take on some of the most complex challenges on the global industrial scene, and we are convinced that together we will overcome what has always been the most ambitious challenge: matching up to the future.

General Claudio Graziano
Chairman

Pierroberto Folgiero
Chief Executive Officer and Managing Director

PARENT COMPANY DIRECTORS AND OFFICERS

Parent Company directors and officers

BOARD OF DIRECTORS
Three-year period 2022-2024

CHAIRMAN
Claudio Graziano

CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR
Pierroberto Folgiero

ADVISERS
Paolo Amato
Alessandra Battaglia
Alberto Dell'Acqua
Massimo Di Carlo
Paola Muratorio
Cristina Scocchia
Valter Trevisani
Alice Vatta

SECRETARY
Giuseppe Cannizzaro

BOARD OF STATUTORY AUDITORS
Three-year period 2020-2022

CHAIRMAN
Gianluca Ferrero

STANDING AUDITOR
Pasquale De Falco
Rossella Tosini

ALTERNATE AUDITOR
Aldo Anellucci
Alberto De Nigro
Valeria Maria Scuteri

MANAGER RESPONSIBLE FOR PREPARING FINANCIAL REPORTS

Felice Bonavolontà

SUPERVISORY BODY
Pursuant to Legislative Decree 231/01
Three-year period 2021-2023

CHAIRMAN
Attilio Befera

MEMBER
Stefano Dentilli
Fioranna Negri

INDEPENDENT AUDITORS
Nine-year period 2020-2028

Deloitte & Touche S.p.A.

Information on the composition and functions of the sub-committees (the Internal Control and Risk Committee, which is also responsible for the functions of the committee responsible for transactions with related parties except for resolutions on remuneration, the Remuneration Committee, which is assigned the functions of the committee responsible for transactions with related parties in the case of resolutions on remuneration, the Appointments Committee and the Sustainability Committee) is provided in the "Ethics and Governance" section available on the Fincantieri website at www.fincantieri.com.

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

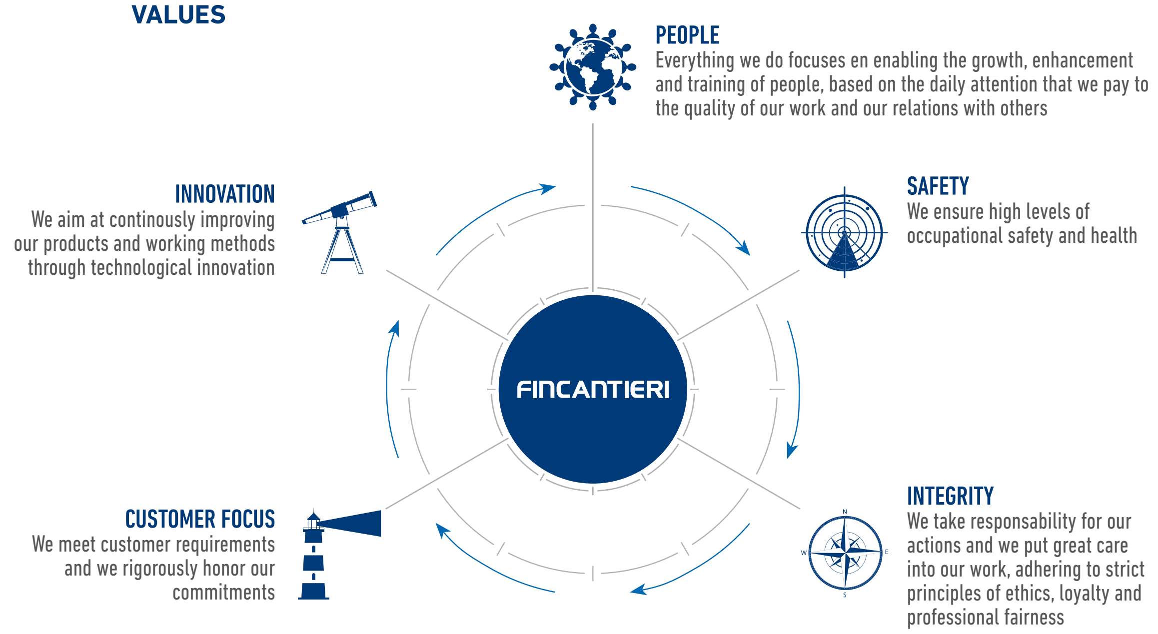
THE FINCANTIERI GROUP

Our Vision

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

Our Mission

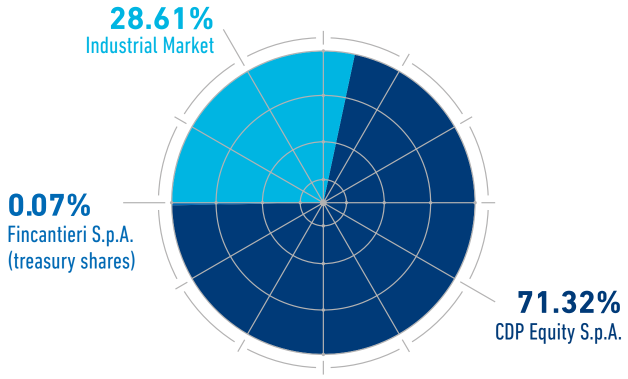
Technological development and continuous improvement are the goals that we have set for ourselves, and we are determined to pursue them.
Our every action, project, initiative or decision is based on strict observance of the law, labour protection and protection of the environment, safeguarding the interests of our shareholders, employees, clients, trade and financial partners, local communities and groups, creating sustainable value for every stakeholder.



Who we are

Fincantieri is one of the world's leading shipbuilding groups, the only one active in all areas of high-technology shipbuilding. It is a **leader in the construction and conversion of cruise vessels**, with a market share of over 40%, and naval and offshore vessels. It operates in the wind, oil & gas, fishing vessel and specialized vessel segments, as well as in the production of mechatronic and electronic marine systems, naval accommodation solutions and the provision of after-sales services such as logistical support and assistance to fleets in service.
In recent years, the **transition to the construction of green products** has continued, enabling the Group to become a market leader in the design and construction of SOVs (Service Operation Vessels) operating in offshore wind farms. This achievement testifies to the Company's commitment and ability to be a **player in the green transition**. The Group also operates in digital and cybersecurity, engineering services, critical infrastructure monitoring systems, advanced energy management systems for land-based applications and facility management.
The Group stands out in terms of its industrial expertise and its capacity, developed over the years, to manage highly complex projects, enabling it to offer one of the most advanced **integrated platforms** in the world.
With over 230 years of history and more than 7,000 ships built, Fincantieri maintains its know-how and management centres in Italy, where it employs 10,000 people and generates around 90,000 jobs, which double on a global scale thanks to a **production network of 18 shipyards on four continents** and more than 20,000 direct workers. 71.32% of Fincantieri's Share Capital of 862,980,725.70 euros is held, through the subsidiary CDP Equity S.p.A., by Cassa Depositi e Prestiti 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 treasury shares (of around 0.07% of shares representing the Share Capital).

SHAREHOLDERS



SHIPYARDS AND DOCKS

Europe

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

Norway
Brattvaag
Langsten
Søviknes

Romania
Braila
Tulcea

Asia

Vietnam
Vung Tau

Americas

Usa
Marinette
Sturgeon Bay
Green Bay

Brazil
Suape

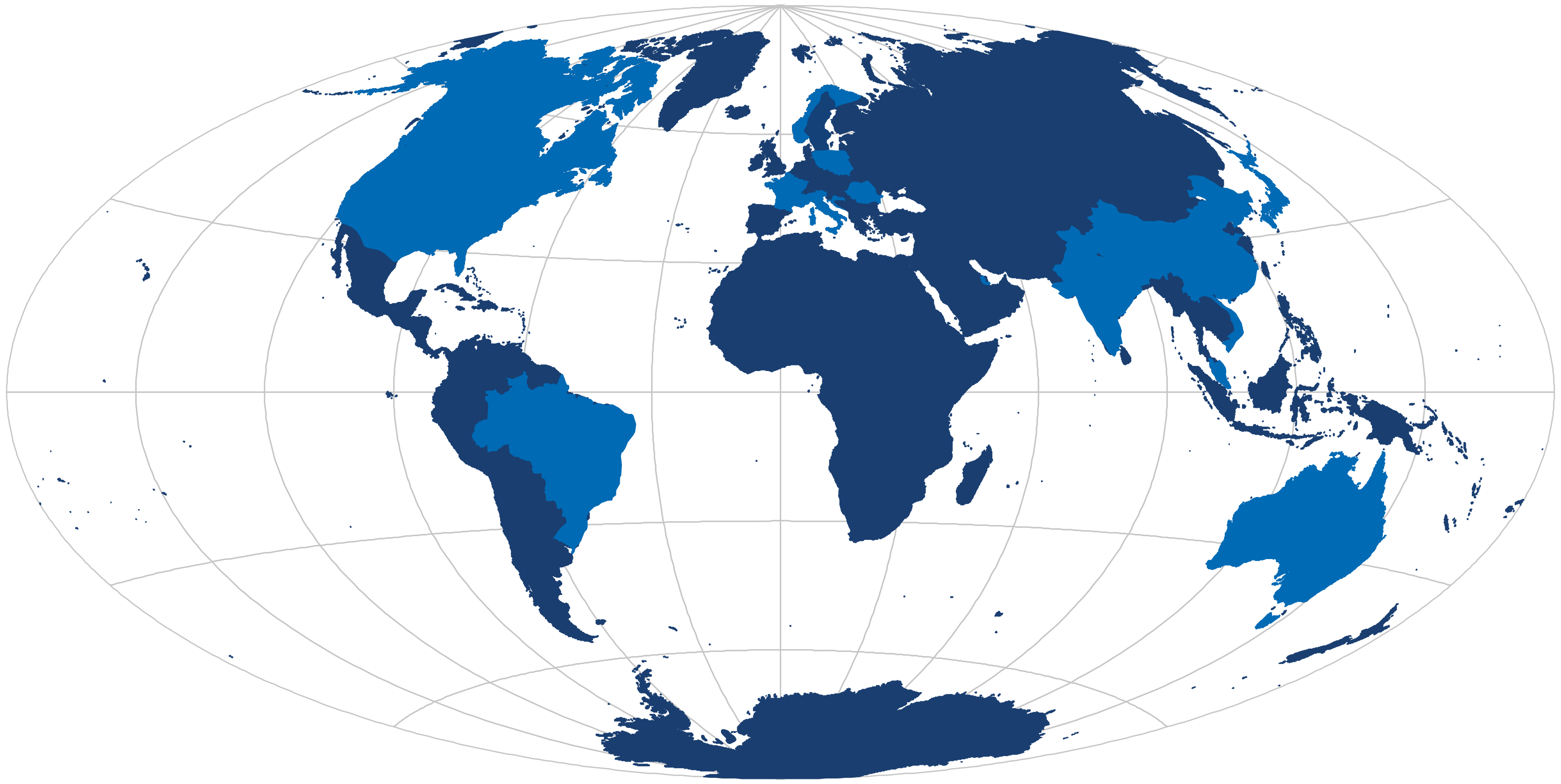
€ 7.5 bln
Revenues

+7,000
Ships designed and built

PRINCIPAL
Western shipbuilder

+230
Years of history

€ 158 mln
Research, development and innovation



18
Shipyards

+20,000
Employees at 31.12.2022
48% other countries | 52% Italy

€ 34.3 bln
Total backlog

1st
Player in diversification and innovation

88
vessels in order book

+7,000
Suppliers in Italy alone

4
Continents

MAIN SUBSIDIARIES

Europe

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

Norway
Vard Group
Vard Design
Vard Piping
Vard Electro
Vard Accommodation
Seaonics

Romania
Vard Tulcea
Vard Braila

France
Team Turbo Machines

Croatia
Vard Design Liburna

Poland
Seaonics Polska

Asia

China
Fincantieri (Shanghai) Trading

India
Fincantieri India
Vard Electrical Installation and Engineering (India)

Qatar
Fincantieri Services Doha

Singapore
Vard Holdings
Vard Shipholdings Singapore

Japan
FMSNA YK

Vietnam
Vard Vung Tau

Americas

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

Canada
Vard Marine

Brazil
Vard Promar

Oceania

Australia
Fincantieri Australia

Group Overview

The Group operates through the following three segments:

- **Shipbuilding**: encompassing the cruise ships and expedition cruise vessels and naval vessels;
- **Offshore and Specialized vessels**: encompassing the design and construction of high-end offshore support vessels for offshore wind farms and the oil & gas industry, specialized ships such as cable-laying vessels and ferries, crewless vessels, offering innovative products with reduced environmental impact;
- **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) Accommodation Cluster[1], which includes the fitting out of cabins, public areas, catering, wet units and windows, iii) Electronics Cluster[2], which focuses on advanced technological solutions, from the design and integration of complex systems (system integration) to telecommunications and critical infrastructure, iv) Mechatronics Cluster, i.e., integration of mechanical components and power electronics in naval and onshore applications and v) Infrastructure Cluster, which includes the design, construction and installation of steel structures for large-scale projects as well as the production and construction of maritime works and the supply of technology and facility management for the health, industry and the service sectors.

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

[1] This business area was previously called Complete Accommodation.
[2] This business area was previously called Electronics, Systems and Software.

SEGMENTS: SHIPBUILDING | OFFSHORE AND SPECIALIZED VESSELS | EQUIPMENT, SYSTEMS AND SERVICES | OTHER

BUSINESS AREAS

PRODUCT PORTFOLIO

SHIPBUILDING

CRUISE SHIPS

Contemporary

Premium

Upper Premium

Luxury

Exploration/Niche

Expedition cruise vessels

MAIN SUBSIDIARIES/ ASSOCIATES/JOINT VENTURES

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

Vard Group AS
- Søviknes

Vard Tulcea SA
- Tulcea

Vard Braila SA
- Braila

Vard Accommodations AS

CSSC - Fincantieri Cruise Industry Development Ltd.

NAVAL VESSELS

Aircraft carriers

Destroyers

Frigates

Corvettes

Patrol vessels

Amphibious ships

Logistic support ships

Multirole and research vessels

Special vessels

Submarines

MAIN SUBSIDIARIES/ ASSOCIATES/JOINT VENTURES

Fincantieri Marine Group Holdings Inc.

FMG LLC
- Sturgeon Bay

Marinette Marine Corporation LLC
- Marinette

ACE Marine LLC
- Green Bay

Fincantieri India Pte Ltd.

Fincantieri USA Inc.

Fincantieri Australia Pty Ltd.

Fincantieri (Shanghai) Trading Co. Ltd.

Etihad Ship Building LLC

Orizzonte Sistemi Navali S.p.A.

Naviris S.p.A.

OFFSHORE AND SPECIALIZED VESSELS

OFFSHORE AND SPECIALIZED VESSELS

Drilling units

Offshore support vessels (AHTS-PSV-OSCV)

Special vessels

Fishery/Aquaculture

Wind offshore

MAIN SUBSIDIARIES/ ASSOCIATES/JOINT VENTURES

Fincantieri S.p.A.

Fincantieri Oil&Gas S.p.A.

Vard Group AS
- Brattvaag
- Langsten

Vard Promar SA
- Suape

Vard Vung Tau Ltd.
- Vung Tau

Vard Design AS

Vard Piping AS

Vard Marine Inc.

EQUIPMENT, SYSTEMS AND SERVICES

SERVICE

Ship repairs

Refitting

Refurbishment

Conversions

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

Training and assistance

MAIN SUBSIDIARIES/ ASSOCIATES/JOINT VENTURES

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

FMSNA Inc.

Fincantieri Services Middle East LLC

Fincantieri Services USA LLC

Fincantieri Services Doha LLC

ACCOMMODATION CLUSTER

Cabins

Public areas

Catering

Wet units

Glazing

Refrigerated counters

MAIN SUBSIDIARIES/ ASSOCIATES/JOINT VENTURES

Marine Interiors Cabins S.p.A.

Marine Interiors S.p.A.

Seanergy a Marine Interiors company S.r.l.

MI S.p.A.

ELECTRONICS CLUSTER

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

Cyber security

Telecommunications

Critical infrastructures

MAIN SUBSIDIARIES/ ASSOCIATES/JOINT VENTURES

Fincantieri NexTech S.p.A.

Issel Nord S.r.l.

Cetena S.p.A.

E-PHORS S.p.A.

IDS Ingegneria Dei Sistemi S.p.A.

MECHATRONICS CLUSTER

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

MAIN SUBSIDIARIES/ ASSOCIATES/JOINT VENTURES

Fincantieri S.p.A.
- Riva Trigoso

Isotta Fraschini Motori S.p.A.

Fincantieri SI S.p.A.

Power4Future S.p.A.

FINMESA S.c.a.r.l.

Vard Electro AS

Seaonics AS

Team Turbo Machines S.A.S.

INFRASTRUCTURE CLUSTER

Design, construction and assembly of steel structures on large projects such as:
- Bridges
- Viaducts
- Airports
- Ports
- Maritime/hydraulic works
- Large commercial and industrial buildings

MAIN SUBSIDIARIES/ ASSOCIATES/JOINT VENTURES

Fincantieri Infrastructure S.p.A.

Fincantieri Infrastructure Opere Marittime S.p.A.

Fincantieri Dragaggi Ecologici S.p.A.

BOP6 S.c.a.r.l.

Fincantieri Infrastructure USA Inc.

Fincantieri Infrastructure Florida Inc.

Fincantieri INfrastrutture SOciali S.p.A.

SOF S.p.A.

OTHER

CORPORATE FUNCTIONS

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

MAIN SUBSIDIARIES/ ASSOCIATES/JOINT VENTURES

Fincantieri S.p.A.

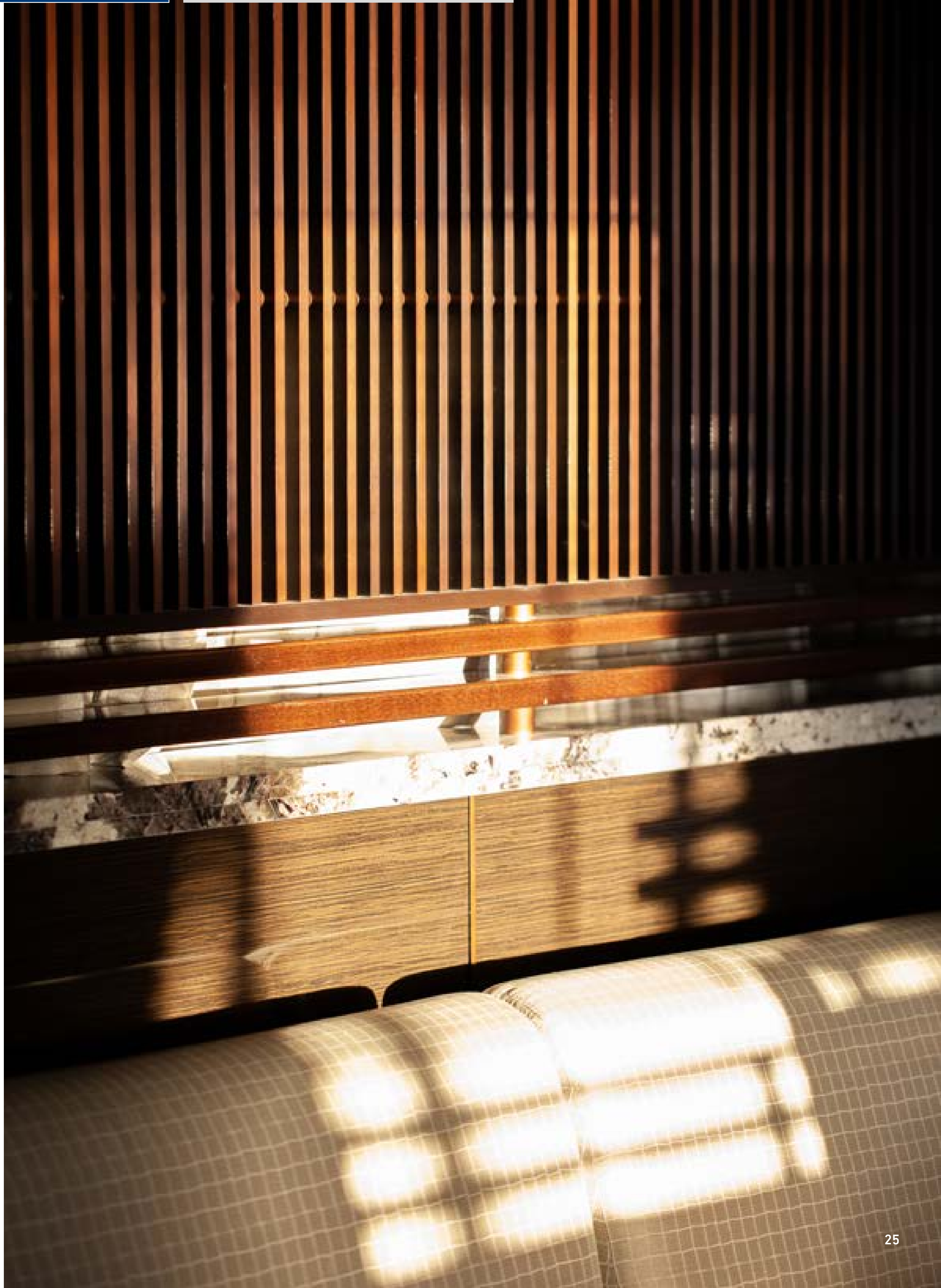
GROUP REPORT ON OPERATIONS

Overview

The year 2022 was characterized by a macroeconomic environment affected by the Russian-Ukrainian conflict and the continuing imbalances resulting from the COVID-19 pandemic. The Group has had to deal with the difficulties arising from inflationary pressures that particularly affected the prices of raw materials and energy (primarily natural gas and steel) and the rise in interest rates, in a scenario still conditioned by financial and operational uncertainty that has particularly affected the cruise market.
The second part of the year also saw management involved in an in-depth analysis to define the Group's strategic directions, which, in December 2022, led the Board of Directors of Fincantieri S.p.A. to approve the 2023-2027 Business Plan. The new strategic line has the ambition to strengthen the international competitive positioning of the Group and the Italian shipbuilding industry, to become a world leader in the construction and whole-life management of digital and green ships for the tourism, defence and energy sectors.
The Plan, which is divided into 5 pillars and 10 strategic projects, aims to **focus Fincantieri's activities on the high added-value shipbuilding business**. In this regard, synergies among cruise, defence and offshore specialized vessel businesses will be strengthened, benefiting from the energy transition and technological innovations. Building on its distinctive competencies, the Group demonstrates its commitment to becoming increasingly **sustainable in creating value for all its stakeholders**. The specific guidelines identified by the Plan place a strong emphasis on the enhancement of human capital, the search for innovative solutions and cutting-edge technologies, and a strengthening of the entire supply chain.
The new industrial cycle of the shipbuilding segment is characterized by three drivers: i) the **recovery of cruise tourism** to higher levels than 2019 and with new luxury niche operators entering the market; ii) the **growth of global defence spending** and in particular that for naval vessels, driven by investments from Western European and Asia-Pacific nations; iii) the **push towards decarbonization**, **digitalization and energy transition**, with higher demand for ships equipped with the most cutting-edge technologies and next generation engines.
Even in such a challenging environment, the Group confirms its expected growth prospects, supported by the operational excellence achieved in the shipbuilding segment. In fact, there was an increase in revenues compared to 2021, with the fourth quarter in line with the same period in the previous year, and an improvement in margins in the second half of the year compared to the first six months.
EBITDA, as defined further below, is negatively impacted by:

- worsening of the expected marginality of the Infrastructure business as a result of an updated risk and cost analysis carried out by the new management based on the additional information acquired during the first half of 2022;
- the increase in raw material and energy costs, with the latter having a significant impact on the fourth quarter result following the review, in the second half of the year, of the whole-life costs of shipbuilding contracts in the Cruise business. The resulting inflationary pressures also had negative effects, particularly on the US labour market and supply chain;
- the write-down of work in progress to reflect the counterparty risk of a cruise shipowner, risks associated with the execution phase of certain contracts, and extra costs due to revised production schedules.

In addition to the factors described above, the net result was affected by charges deemed extraordinary for disputes related to asbestos exposure in previous financial years (euro 52 million), impairment of intangible assets (euro 164 million), probable risks related to the non-performance of obligations for offset agreements (euro 20 million) and other charges (euro 2 million). The impairment of intangible assets relate to goodwill for about euro 140 million, recognised on the FMG Group and Vard Cruise CGUs following the update of the impairment tests, mainly related to the rise in interest rates, and development costs for about euro 24 million, following the review of the prospects of future recovery of the assets referred to therein.



Highlights

ECONOMIC AND FINANCIAL RESULTS

- **REVENUE AND INCOME**[1] AT EURO **7,440** MILLION, +12% COMPARED TO 2021 (EURO 6,662 MILLION)
- **EBITDA**[2] OF EURO **221** MILLION AND AN **EBITDA MARGIN** AT 3.0%, EXCLUDING PASS-THROUGH ACTIVITIES (VS. 7.4% IN 2021)
- **GROUP ADJUSTED NET INCOME**[3] NEGATIVE AT EURO **108** MILLION (POSITIVE AT 92 MILLION IN 2021)
- **GROUP NET INCOME** WAS NEGATIVE AT EURO **324** MILLION (POSITIVE AT EURO 22 MILLION IN 2021) AFTER DEDUCTING NON-RECURRING OR NON-OPERATING COSTS (EURO 238 MILLION), OF WHICH EURO 164 MILLION WERE NON-MONETARY IN NATURE (IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS)
- **NET FINANCIAL DEBT**[4], AMOUNTING TO EURO **2,531** MILLION (EURO 2,238 MILLION AS AT 31 DECEMBER 2021)

OPERATIONAL PERFORMANCE

- **TOTAL BACKLOG**[5] **WITH 109 SHIPS**, AT EURO **34.3** BILLION, EQUIVALENT TO 4.6 TIMES 2022[1] REVENUES, OF WHICH:
  - **BACKLOG**: EURO **23.8** BILLION AND **88** SHIPS FOR DELIVERY **UNTIL 2029**
  - **SOFT BACKLOG**: APPROXIMATELY EURO **10.5** BILLION
- **CONFIRMATION OF RECORD-HIGH PRODUCTION VOLUMES** ALREADY ACHIEVED IN 2021, WITH **16.4 MILLION PRODUCTION HOURS**
- **19 SHIPS** DELIVERED FROM **9 SHIPYARDS**
- **CRUISE**: ORDERS RESUMED IN JULY WITH AN INCREASE IN DEMAND FOR SHIPS EQUIPPED WITH STATE-OF-THE-ART TECHNOLOGY AND POWERED BY NEXT GENERATION ENGINES. SEVEN SHIPS WERE DELIVERED DURING 2022:
  - MSC SEASCAPE, THE SECOND VESSEL IN THE SEASIDE EVO CLASS FOR MSC, THE LARGEST AND MOST TECHNOLOGICALLY ADVANCED CRUISE SHIP EVER BUILT IN ITALY
  - DISCOVERY PRINCESS, SIXTH VESSEL IN THE ROYAL CLASS FOR PRINCESS CRUISES
  - VIKING MARS AND VIKING NEPTUNE, THE EIGHTH AND NINTH VESSELS IN THE CRUISE CLASS, AND VIKING POLARIS, THE SECOND EXPEDITION CRUISE SHIP FOR VIKING
  - RESILIENT LADY, THIRD VESSEL FOR VIRGIN VOYAGES
  - NORWEGIAN PRIMA, THE FIRST VESSEL OF SIX FOR NORWEGIAN CRUISE LINE
- **NAVAL**:
  - OPTION EXERCISED FOR THE THIRD VESSEL IN THE CONSTELLATION PROGRAM (FFG-62) FOR THE US NAVY ASSIGNED TO THE SUBSIDIARY FMG IN 2020
  - AS PART OF AN EU TENDER FOR THE DEFENCE AND SECURITY SECTOR, FINCANTIERI HAS SIGNED A CONTRACT FOR THE CONSTRUCTION OF A NEW MAJOR HYDRO-OCEANOGRAPHIC SHIP FOR THE HYDROGRAPHIC INSTITUTE OF THE ITALIAN NAVY
  - DURING 2022, FINCANTIERI DELIVERED FOUR VESSELS (TWO CORVETTES AND TWO PATROL VESSELS) OUT OF SEVEN TO THE QATARI MINISTRY OF DEFENCE. THE FIRST OF THE FOUR CORVETTES WAS ALREADY DELIVERED IN 2021
- **OFFSHORE**: VARD RECEIVED ITS SECOND ORDER FROM PRYSMIAN GROUP FOR THE DESIGN AND CONSTRUCTION OF A CABLE-LAYING VESSEL, FOLLOWING THE FIRST VESSEL, WHICH WAS DELIVERED TO THE GROUP IN 2021

STRATEGIC GUIDELINES

- **FOCUS ON CORE BUSINESS**: PORTFOLIO REVIEW, MAXIMIZATION OF EFFICIENCY, MODERNIZATION OF THE PRODUCTION PROCESS
- **LIFE CYCLE MANAGEMENT**: EXTENSION OF SERVICE PROVISION ACROSS THE ENTIRE SHIP LIFE CYCLE, INTEGRATING COMPLEX SOLUTIONS SUCH AS AUTOMATION SYSTEMS, DATA MANAGEMENT AND ARTIFICIAL INTELLIGENCE
- **SYSTEM INTEGRATION**: RATIONALIZATION AND STRENGTHENING OF THE GROUP'S CAPABILITIES TO ACT AS PRIME CONTRACTOR, INTEGRATOR OF COMPLEX SYSTEMS IN THE DEFENCE BUSINESS
- **FINANCIAL DISCIPLINE**: OPTIMIZATION OF PURCHASING COSTS AND CASH FLOW MANAGEMENT
- **SUSTAINABILITY**: ENHANCING HUMAN CAPITAL, INNOVATIVE TECHNOLOGIES AND SUPPLY CHAINS, PLAYING A LEADING ROLE IN DECARBONIZATION WITH THE DELIVERY OF THE FIRST NET ZERO CRUISE SHIP BY 2050

TARGETS

- **REVENUE INCREASING TO AROUND EURO 9.8 BILLION IN 2027** (AVERAGE ANNUAL RATE OF +6% OVER THE PERIOD 2022-2027) AND AN ESTIMATED MARGINALITY OF AROUND 8%
- **NFP TO EBITDA RATIO** IMPROVING TO **BETWEEN 2.5 AND 3.5 IN 2027**, IN LINE WITH EXPECTED DELEVERAGING OVER THE PLAN PERIOD

SUSTAINABILITY RATINGS AND AWARDS

- **CDP**: FOR THE THIRD YEAR RUNNING, CDP (FORMERLY THE CARBON DISCLOSURE PROJECT) AWARDED FINCANTIERI A RATING OF A- (ON A SCALE OF MEASUREMENT FROM D, MINIMUM, TO A, MAXIMUM), FOR ITS COMMITMENT TO COMBATING CLIMATE CHANGE
- **SUSTAINALYTICS**: FOR THE SECOND YEAR, SUSTAINALYTICS, A MORNINGSTAR COMPANY, PLACED FINCANTIERI IN THE 'LOW RISK' RANGE WITH A SCORE OF 17.3 POINTS
- **OSCARS FOR FINANCIAL STATEMENTS 2022**: FINCANTIERI WON THE NFS (NON-FINANCIAL STATEMENT) SPECIAL AWARD IN THE 2022 EDITION OF THE OSCARS FOR FINANCIAL STATEMENTS, ORGANIZED BY FERPI (ITALIAN PUBLIC RELATIONS FEDERATION) AND PROMOTED BY BORSA ITALIANA AND BOCCONI UNIVERSITY, WHICH RECOGNISES THE MOST VIRTUOUS COMPANIES IN THEIR FINANCIAL REPORTING AND STAKEHOLDER RELATIONS
- **TOP EMPLOYER ITALY**: FINCANTIERI HAS RECEIVED THE 'TOP EMPLOYERS ITALY 2022' CERTIFICATION FROM THE TOP EMPLOYERS INSTITUTE, OFFICIAL RECOGNITION OF CORPORATE EXCELLENCE IN HR POLICIES AND STRATEGIES AND THEIR IMPLEMENTATION TO CONTRIBUTE TO PEOPLE'S WELL-BEING, IMPROVE THE ENVIRONMENT AND THE WORLD OF WORK

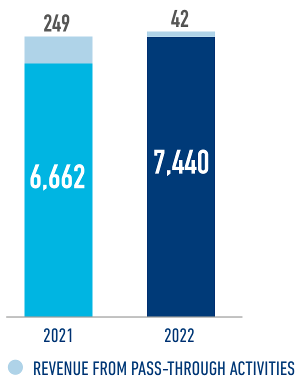
[1] Excluding pass-through activities of approximately euro 42 million (euro 249 million as at 31 December 2021). See the definition of pass-through activities contained in the section Alternative Performance Measures.
[2] EBITDA monitored by the Group excludes income and expenses indicated in the description contained in the section Alternative Performance Measures.
[3] Profit/(loss) for the period before extraordinary or non-recurring income and expenses.
[4] The Net financial position monitored by the Group has been changed, bringing it into line with ESMA recommendations, past figures are restated. The differences concerned the exclusion from the Net financial position monitored by the Group of the items construction loans, payables for derivatives on non-financial positions, payables for options on investments measured at fair value, and the inclusion of the item non-current financial receivables.
[5] Sum of backlog and soft backlog.

Key financials

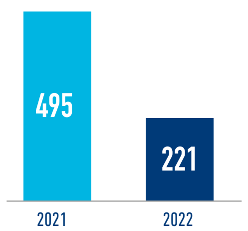
(euro/million)		31.12.2022	31.12.2021
ECONOMIC DATA			
Revenue and income		7,482	6,911
Revenue and income excluding pass-through activities[1]		7,440	6,662
EBITDA[2]		221	495
EBITDA margin*		3.0%	7.2%
EBITDA margin* excluding pass-through activities[1]		3.0%	7.4%
Adjusted profit/(loss) for the year[3]		(108)	92
Extraordinary or non-recurring income and (expenses)		(238)	(90)
Profit/(loss) for the year		(324)	22
Group share of profit/(loss) for the year		(309)	22
FINANCIAL DATA			
Net invested capital		3,118	3,072
Equity		587	834
Net financial position[4]		2,531	2,238
OTHER INDICATORS			
Order intake**		5,328	3,343
Order book**		34,591	36,339
Total backlog**/***		34,326	35,519
- of which backlog**		23,826	25,819
Investments		295	358
Research and Development costs		158	155
Employees at the end of the period	number	20,792	20,774
Vessels in order book	number	88	91

* Ratio between EBITDA and Revenue and income.
** Net of eliminations and consolidation adjustments.
*** Sum of backlog and soft backlog.
[1] See the definition contained in the section Alternative Performance Measures.
[2] This value does not include extraordinary or non-recurring income and expenses, including, in 2021, expenses from the impact of the spread of COVID-19. See the definition contained in the section Alternative Performance Measures.
[3] Profit/(loss) for the year before extraordinary or non-recurring income and expenses. See the definition contained in the section Alternative Performance Measures.
[4] The Net financial position monitored by the Group has been changed, bringing it into line with ESMA recommendations, past figures are restated. The differences concerned the exclusion from the Net financial position monitored by the Group of the items construction loans, payables for derivatives on non-financial positions, payables for options on investments measured at fair value, and the inclusion of the item non-current financial receivables. Consequently, the value of Net Invested Capital was redefined.
The percentages contained in this report have been calculated with reference to amounts expressed in thousands of euros.

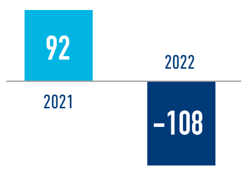
Financial - economic results



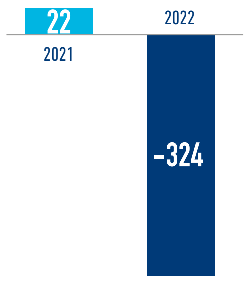
Revenues, amounting to **euro 7,440 million**, excluding pass-through activities (euro 42 million), **increased by 11.7%** compared to 2021. The result confirms the resumption of the growth trend started last year and it is spread across all sectors in which the Group operates.



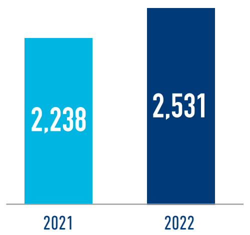
The **EBITDA**[1] of **euro 221 million**, down from 31 December 2021, was affected by the deterioration of the marginality of the Infrastructure business and by the effects related to the further increase in raw material and energy prices, as well as the write-down of work in progress to reflect the counterparty risk of a cruise shipowner, and some additional risks and costs related to some contracts in progress. The **EBITDA margin** thus stands at **3.0%**[2] compared to 7.4% as at 31 December 2021.



Adjusted profit/(loss) for the year is negative at euro 108 million (positive at euro 92 million as of 31 December 2021) after deducting amortization of euro 232 million, finance income and expenses and income and expenses from investments of euro 82 million and taxes of euro 15 million.



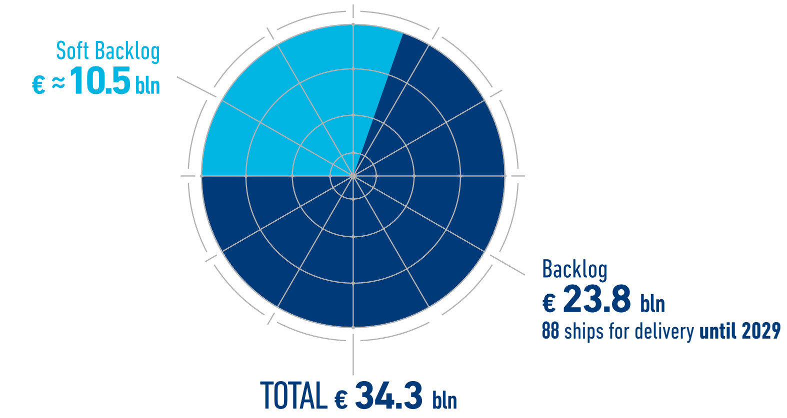
The **profit/(loss) for the year** is **negative** for **euro 324 million** (positive for euro 22 million as at 31 December 2021) after deducting impairment losses of goodwill and other intangible assets for euro 164 million, litigation costs for damages caused by asbestos for euro 52 million, and other costs for euro 22 million.



Net financial debt[3], **amounted to euro 2,531 million** (euro 2,238 million as at 31 December 2021), increasing in relation to working capital requirements dictated by the production plan and capital expenditure in the period. It is still affected by the support strategy for shipowners implemented following the COVID-19 outbreak.

[1] This value does not include extraordinary or non-recurring income and expenses. See the definition contained in the section Alternative Performance Measures.
[2] Excluding pass-through activities.
[3] The Net financial position monitored by the Group has been changed, bringing it into line with ESMA recommendations, past figures are restated. The differences concerned the exclusion from the net financial position monitored by the Group of payables for construction loans, payables for derivatives on non-financial positions, payables for options on investments measured at fair value, and the inclusion of non-current financial receivables.

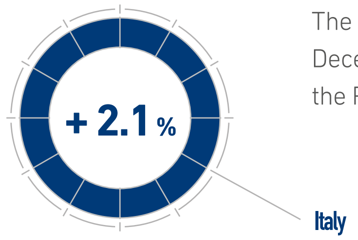
Operational performance



In 2022, the Group successfully delivered **19 vessels** including 7 cruise ships, 6 naval vessels, 1 SOV (Service Operations Vessel) and 2 fishery vessels.
The **backlog**, as at 31 December 2022, amounted to approximately euro 23.8 billion with 88 vessels to be delivered up to 2029, down from 31 December 2021 (euro 25.8 billion) due to the high production volumes recorded compared to new order intake.
In the cruise ship business, 2022 saw an order for a further 4 ships for the customer Viking. The design of these next-generation vessels incorporates hydrogen fuel cell propulsion technologies, setting a new standard for the industry.
A contract was also signed for the construction of an extra-luxury vessel for a new customer, Four Seasons Yachts, with an option for a further two ships. Lastly, a Memorandum of Agreement was signed in July with the customer Explora Journeys, a brand of the MSC group, for two next-generation **hydrogen-powered** ships with record-breaking features for the sector that will allow the ships to operate at "zero emissions" in port with their engines switched off.
With reference to the **naval vessel** business, in June the US Navy renewed its confidence in the Group's US shipyards, awarding Fincantieri Marinette Marine the order to build the third missile launching frigate in the **Constellation** program. The "Constellation" program was awarded to the US subsidiary in 2020 and includes an option for 7 more ships, as well as after-sales support and crew training. It should also be noted that, in the commercial construction sector, the US subsidiary Fincantieri Marine Group is continuing its diversification towards green vessels with the signing of a contract in January 2023 for the design and construction of a Service Operation Vessel (SOV) for the customer CREST Wind.
As part of the renewal program of vessels in the Navy's hydrographic service, Fincantieri has signed a contract with the Secretariat General of Defence and NAVARM to build a new Major Hydro-Oceanographic Ship.

In the **Offshore and Specialized vessels segment**, VARD signed an order with the Norwegian company Norwind Offshore for the design and construction of 2 Commissioning Service Operation Vessels (CSOV) for support operations in offshore wind farms. A contract was also signed for the construction of 6 additional marine robotic vessels for the customer Ocean Infinity, and a contract for the design and construction of an innovative Fishery vessel for the German company Deutsche Fischfang-Union, intended for the storage and processing of fish and a contract for the construction of a second cable-laying vessel for the customer Prysmian Group.
In the **Infrastructure Cluster** business area, it should be noted that in the third quarter of the year, a consortium led by Webuild, of which the subsidiary Fincantieri Infrastructure Opere Marittime has a 25% share, was awarded the construction of the new breakwater at the Port of Genoa.

Headcount



The headcount in Italy increased from 10,681 on 31 December 2021 to 10,905 on 31 December 2022. The increase is mainly attributable to the recruitment carried out by the Parent Company, the Accommodation Cluster and the Mechatronics Cluster.

The total headcount as at 31 December 2022 stood at 20,792 resources, in line with 2021 levels. The increase in the workforce in Vietnam, Italy and the US, linked to the development of new projects, offset the reduction following the reorganization of production processes in Romania.

Reference scenarios

The strategic directions for the five-year period 2023-2027 are set in a challenging context that nevertheless opens up significant opportunities for the Group. The reference scenario is characterized by:

- the **recovery of the cruise market**, after two years of activity affected by health and safety measures to deal with the COVID-19 outbreak. The positive turn in the pandemic has enabled the major cruise brands, while still feeling the effects of the prolonged shutdown, to bring almost all of their fleets back into service from Q3 2022, thus responding to growing demand and confirming the normalization of the market. Under current conditions, passengers are expected to increase to around 38 million in 2026;
- a **defence market that is expected to grow**, in line with global defence spending (average annual rate of +2% over the period 2023-27), driven by Europe and the Asia-Pacific region; the ongoing conflict between Russia and Ukraine has underlined how the evolution of the defence sector requires increasing competitive skills and the size of the players involved;
- **strong demand for special vessels to service offshore wind farms**, offsetting the more limited **demand** in the Oil & Gas segment;
- the forecast of **raw materials and energy prices remaining high**;
- the trend towards **decarbonization** with challenging carbon footprint targets set by regulators (IMO, -40% in 2030, -70% in 2050 compared to 2008 values) and **Net Zero Fleet** by shipowners by 2050.

Pillars and strategic projects

To support the response to the challenges, the Group management has identified 5 pillars that define the strategy for the next five years:

Focus on Core Business: portfolio review, maximization of efficiency, modernization of the production process

The Group operates in a complex scenario that necessitates choices to streamline the business and optimize production resources. The Company therefore considers it necessary to focus efforts on its core naval, cruise and offshore business through five strategic initiatives:

- **operations excellence**, with the aim of increasing the efficiency of manufacturing and engineering processes, digitalizing and automating support processes and low added value activities;
- improving **competitive positioning in the specialized vessels business** to seize opportunities in the fast-moving offshore wind industry;
- **derisking & partnering** of the **Infrastructure** business area, to implement the necessary improvement initiatives to secure and enhance the segment, leveraging the backlog;
- **strengthening** the **accommodation** business, reinforcing performance in support of the captive business, enhancing refitting as an adjacent business area and exploring potential development in the civil accommodation sector;
- management of **contracts**, with the start of a joint growth path with satellite businesses to support their growth, increase the availability of resources, reduce turnover and improve capabilities.

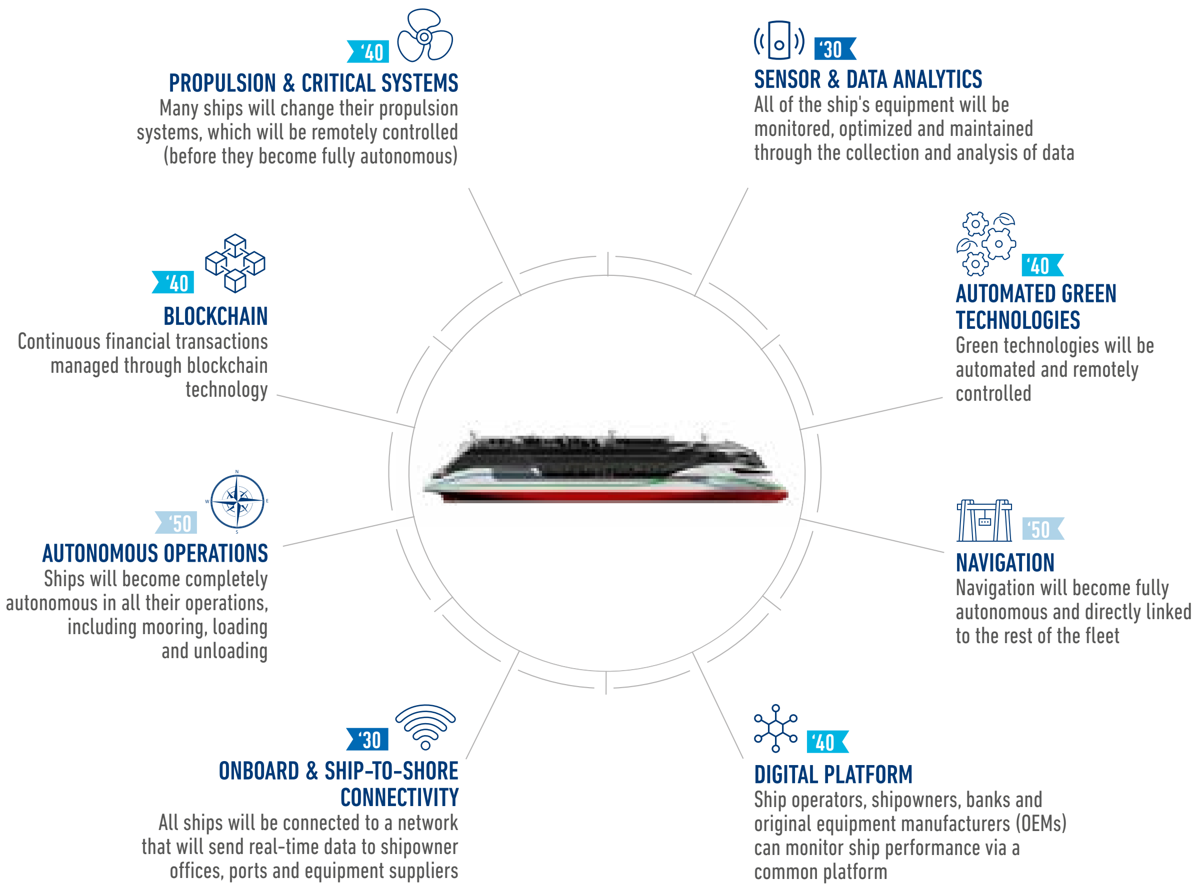
Life Cycle Management: development of digital applications and data platforms to enable the transition from CAPEX provision to leadership also in service provision

The market for **digital services** for shipowners represents an opportunity for the Group to:

- anticipate potential future trends in shipowners' business models;
- strengthen the control of innovation and ship requirements;
- penetrate a highly profitable segment;
- accommodate different requests and needs of potential new shipowners.

Fincantieri will have to develop the ability to collect and exploit data produced by the systems and incorporate applications that generate value for the customer, further enhancing the role of physical and digital Design Authority of the ship system.
In the first phase of the extension of the Group's sphere of expertise, conceivable by 2030, the technologies integrated in the products will be those related to on-board system sensors and ship-to-shore connectivity. At a later stage, by 2040, development will also cover applications for green propulsion systems and the implementation of a single digital platform for all stakeholders in the process (e.g. shipowners, shipyard, suppliers). The transition to autonomous navigation systems, as well as remote management of critical naval activities, is expected in the following decade.

WHAT SHIPS WILL LOOK LIKE IN 2030 - 2040 - 2050



Key: Most ships will have the specific technology by: '30 '40 '50

System Integration: rationalization of the Group's capabilities to act as Prime Contractor, integrator of complex systems in the defence business

Increased commercial effectiveness with foreign navies is crucial to compete successfully in the future defence scenario. This is why Fincantieri believes it is necessary to further develop Design Authority and Combat System Integration capabilities to transform operational requirements into technical requirements for the Ship Project (**Whole Warship**), a model already adopted by leading European shipbuilders. Instrumental to this aim is the strengthening of the operations and capabilities of the Group company Orizzonte Sistemi Navali.

Financial Discipline: optimization of purchasing costs and cash flow management

The changed competitive scenario with increasing customer demands and pressure on supply chains requires an evolution of the core business support model, particularly along two lines:

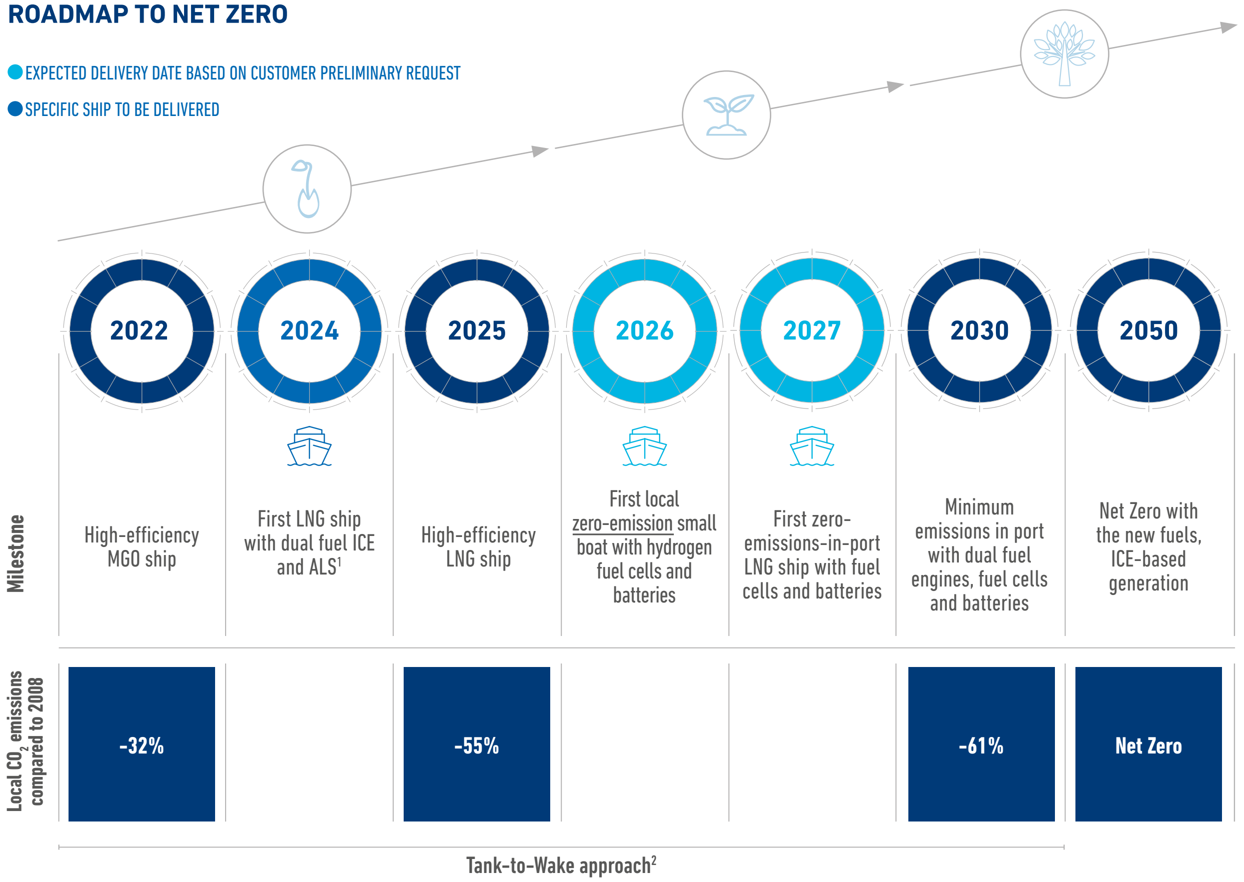
- **Procurement**: introduction of new digital/organizational tools and instruments, in order to:
  - adopt an inter-functional and inter-divisional approach;
  - extend and systematize Group best practices;
  - provide greater flexibility by reducing technical and commercial constraints and requirements.
- **Cost optimization**:
  - identification of Category cost owners with specific, cross-Group responsibilities and tools to control expenditure;
  - standardization of processes for planning, approving and monitoring expenditure.

Industrial Sustainability: delivery of the first Net Zero cruise ship by 2050 and achieving a leading role in decarbonization and ESG

The key areas for improvement identified by Fincantieri to maintain ESG leadership include:

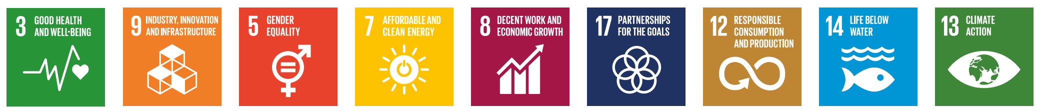
- Environment (**E**):
  - achieving zero net emissions by 2050, in line with the EU target, with the delivery of the first Net Zero ship, anticipated by the first high-efficiency LNG unit by 2025 and a ship with minimum emissions in port with dual fuel (**green fuel**) engines, fuel cells and batteries by 2030;
  - transition to operations with lower CO_2 emissions;
  - investment in research and innovation;
- Social (**S**): development and protection of human resources, promotion of equity and inclusion and respect for human rights, improvement of health conditions and dialogue and support for local communities;
- Governance (**G**): improvement of health and safety conditions for workers, promotion of transparency in the supply chain and promotion of growth, training and enhancement of human capital.

ROADMAP TO NET ZERO

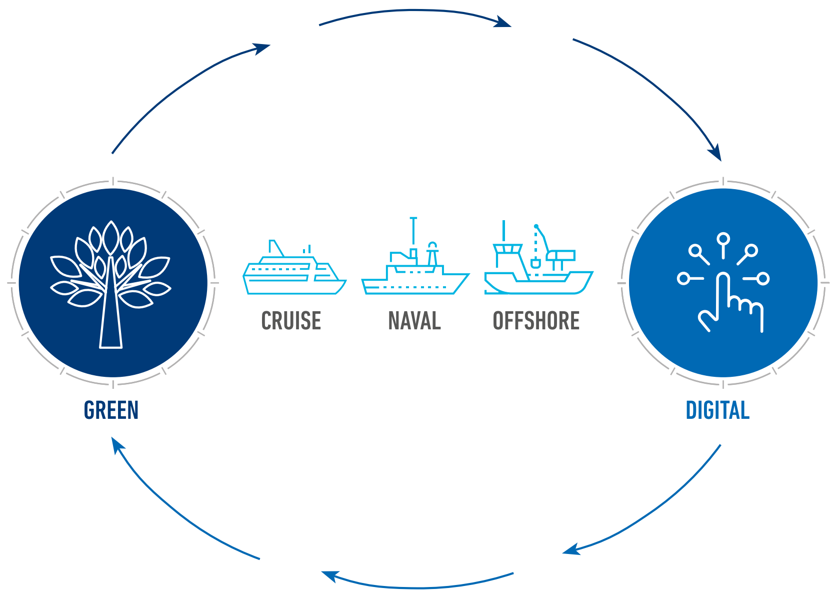


Note: Emission reduction based on "standard profile selected": 63% at sea, 37% in port and compared to baseline FC.
[1] Air Lubrication System.
[2] Tank-to-Wake approach: takes into account emissions from the combustion or use of a fuel once it is already in the tank.

The strategic guidelines related to the pillar of industrial sustainability will be expressly implemented according to the 2023-2027 Sustainability Plan, approved by the Board of Directors of Fincantieri S.p.A. on 16 February 2023 and detailed in the Sustainability Report. The plan aims to contribute to the achievement of the 17 Sustainable Development Goals ("SDGs") defined by the United Nations 2030 Agenda, focusing particularly on the 9 SDGs that Fincantieri considers relevant to its business:



The green and digital transition processes are catalyst for the cross-fertilisation of know-how, skills and best practices between all segments of the Group's core business and will strengthen Fincantieri's distinctive positioning in the competitive environment.
The new strategic direction will, on the one hand, help lower the risk profile of the Group's activities, and on the other hand, strengthen sustainable value creation for all stakeholders.



Based on the initiatives that the Group will develop over the next five years, management anticipates **business growth to approximately euro 9.8 billion in revenue in 2027** (average annual rate of +6% over the period 2022-2027) with an **estimated marginality of around 8%**. It is also worth noting the initiation of **structural cost efficiency** actions for all Group companies. Finally, it is expected that the debt ratio, i.e. the ratio of **Net financial position to EBITDA**, could reach **between 2.5 and 3.5 in 2027**, reflecting the typical financial dynamics of the business and the expected deleveraging over the Plan period.

Sustainability ratings and awards

In 2022, we consolidated our commitment to sustainability in our industry, as evidenced by the following ratings and awards obtained by Fincantieri.

Sustainability ratings

CDP
For the third year running, CDP (formerly the Carbon Disclosure Project) awarded **Fincantieri the A- score** (on a scale of measurement from D, minimum, to A, maximum), for its commitment to combating climate change and affirming its leadership on this issue as well.

Moody's ESG Solutions
Fincantieri's last assessment in 2021 resulted in **a score of 70/100, confirming the Company's place in the "Advanced" range**, the highest in Moody's ranking, an agency that assesses the integration of social, environmental and governance factors in sustainability. The next assessment will be carried out during 2023.

Gaïa Rating
In 2022, Gaïa Rating, a French sustainability rating company, part of the EthiFinance group, updated its criteria for assessing the scores of the companies analysed based on the new methodology. With the new methodology, **Fincantieri achieved an overall score of 70/100 in 2022**.

S&P Global
Fincantieri, through the Corporate Sustainability Assessment (CSA) questionnaire, was assessed by S&P Global, within the **IEQ Machinery and Electrical Equipment basket, obtaining a score of 61/100** on 16 December 2022 (58/100 in 2021).

Sustainalitycs
For the second year, Fincantieri was assessed by Sustainalytics, a Morningstar subsidiary that specializes in evaluating how effectively companies manage Environmental, Social and Governance (ESG) risks. **It obtained the score of 17.3 points in the "Low Risk" band** (scale 0 best, >40 worst) (19.7 points in 2021), ranking 11th out of 540 companies evaluated in the Machinery basket.

Integrated Governance Index 2022
Fincantieri was placed among the "Leader" companies assessed through the Integrated Governance Index (IGI) 2022, promoted by EticaNews. IGI is a quantitative index developed on the basis of a questionnaire given to leading Italian companies with the aim of measuring the degree of integration of ESG factors in corporate governance and identity. In 2022, 86 companies joined the project, which is now in its seventh year.

Sustainability awards

Oscar for Financial Statements 2022
Fincantieri won the "Special Award for Non-Financial Statement" in the 2022 edition of the Oscars for Financial Statements. In its 58th edition, the award organized by FERPI (Italian Public Relations Federation) and promoted by Borsa Italiana and Bocconi University, recognises the most virtuous companies in their financial reporting and stakeholder relations. The awarding commission recognised Fincantieri's non-financial statement as "characterized by an adequate and balanced coverage of all areas of sustainability reporting, highlighting the desire for transparent communication to the various stakeholder categories. An overall very comprehensive NFS that identifies targeted objectives precisely, with a particular focus on the environment and social issues."

Universum
For the fourth consecutive year, Fincantieri has been recognised as "Most Attractive Employer in Italy" in the Universum survey, a Swedish company that certifies the most attractive companies for university students and professionals, further strengthening its leadership among many industrial companies.
Fincantieri was recognised top prize as Italy's Most Attractive Employer for the "Manufacturing, Mechanical and Industrial Engineering" sector in the Universum survey dedicated to young STEM professionals, i.e. people with a seniority of up to 5 years, and was awarded second place in the ranking dedicated to STEM students.

Top Employer Italy
Fincantieri has received the 'Top Employers Italy 2022' certification from the Top Employers Institute, official recognition of corporate excellence in HR policies and strategies and their implementation to contribute to people's well-being, improve the working environment and the world of work. Top Employers Certification is awarded to companies that achieve and meet the high standards required by the HR Best Practices Survey. The Survey covers 6 macro-areas in HR, examines and analyses in detail 20 different topics and respective Best Practices including People Strategy, Work Environment, Talent Acquisition, Learning, Diversity, Equity & Inclusion, Well-being and many others.
According to Top Employers, Fincantieri has shown that it cares about the well-being of its people and is committed to improving working conditions, thus contributing to a collective improvement in the world of work.

Safety Award
In 2022, the Shipbuilders Council of America (SCA) awarded the two US shipyards of Fincantieri Marinette Marine and Fincantieri Bay Shipping (Sturgeon Bay) with the "Improvement in Safety Award", for the health and safety of the two shipyards. Fincantieri Marinette Marine also received the "Excellence in Safety" award.

Business Outlook

In the **Cruise** sector, it should be noted that the major cruise brands have brought almost all of their fleets back into service starting from the third quarter 2022 reaching 93% of global fleet capacity calculated in lower berths at the end of December 2022, with occupancy rates close to pre-pandemic values. The trend in bookings for the year 2023 is expected to return to historical levels or even reach new highs. These positive signs, accompanied by the recovery of orders even as early as 2022, support the expectations of new orders, taking also into consideration the necessary financial support provided by institutions to clients, as per industry practice (see also Risk Management - Financial Risks on page 74).

The continuation of the Russian-Ukrainian conflict and the escalation of tensions on a large scale confirm that industrial policy in the **defence** sector cannot ignore the geopolitical situation and foreign policy orientations within a context that requires the availability of larger fleets and higher technological standards, thus creating new opportunities for industry players.

The Group's shipyards are operating at full capacity. Therefore, in order to guarantee production progress, Fincantieri will continue with risk mitigation actions in order to preserve the execution of the backlog, ensuring the availability of materials and resources, and continuing with actions to improve production efficiency and cost control, as outlined in the 2023-2027 Business Plan. Priority strategic initiatives aimed at increasing the operating performance of production processes and executive design phases, the analysis and review of procurement processes, and the governance of structural costs have already been launched in early 2023.

In order to meet the challenges imposed by the reference scenarios in its core business, the Group is working on integrating its offer through the development of digital and automation solutions (transition from a Capex supplier to a leadership role also in the provision of services) and the rationalization of its capabilities to offer itself as a prime contractor and integrator of complex systems in the defence business.

Finally, as part of the roadmap to **reduce emissions** from cruise ships, construction work will proceed on the first dual fuel ship, powered primarily by liquefied natural gas (LNG), with air lubrication systems (ALS) to reduce friction drag, scheduled for delivery in the first half of 2024.

Net of a further possible deterioration of the macroeconomic scenario and further operational and financial repercussions, particularly for the cruise business, attributable to the Russian-Ukrainian conflict and the continuing imbalances caused by the pandemic, Fincantieri expects to maintain full production capacity in 2023, which will allow a level of **revenues substantially in line with 2022**, with an improvement in marginality to around 5%.

The **Net financial position** for 2023 is expected to be substantially in line with that at year-end 2022, and mainly reflects the cash absorption from the construction of certain contracts in the Offshore segment and in the Infrastructure business to be delivered in early 2024.

Group Performance

Order intake, order backlog and deliveries

In 2022, **the Group recorded orders of euro 5,328 million** compared to euro 3,343 million in 2021, with a book-to-bill ratio (order intake/revenue) of 0.7 (0.5 in 2021).

(euro/million)

	31.12.2022		31.12.2021	
ORDER INTAKE ANALYSIS	Amounts	%	Amounts	%
Fincantieri S.p.A.	3,004	56	940	28
Rest of Group	2,324	44	2,403	72
Total	**5,328**	**100**	**3,343**	**100**
Shipbuilding	3,398	64	1,816	54
Offshore and Specialized vessels	837	16	508	15
Equipment, Systems and Services	1,509	28	1,418	43
Consolidation adjustments	(416)	(8)	(399)	(12)
Total	**5,328**	**100**	**3,343**	**100**

The **Group's total backlog** reached euro 34.3 billion at 31 December 2022, comprising euro 23.8 billion of backlog (euro 25.8 billion at 31 December 2021) and euro 10.5 billion of soft backlog (euro 9.7 billion at 31 December 2021) with development of the projects in the portfolio expected to continue up to 2029. The backlog and total backlog guarantee about 3.2 years and 4.6 years of work respectively in relation to the 2022 revenues excluding pass-through activities. The composition of the backlog by segment is shown in the following table.

(euro/million)

	31.12.2022		31.12.2021	
TOTAL BACKLOG ANALYSIS	Amounts	%	Amounts	%
Fincantieri S.p.A.	17,658	74	19,942	77
Rest of Group	6,168	26	5,877	23
Total	**23,826**	**100**	**25,819**	**100**
Shipbuilding	19,678	83	22,132	86
Offshore and Specialized vessels	1,160	5	972	4
Equipment, Systems and Services	3,826	16	3,627	14
Consolidation adjustments	(838)	(4)	(912)	(4)
Total	**23,826**	**100**	**25,819**	**100**
Soft backlog*	**10,500**	**100**	**9,700**	**100**
Total backlog	**34,326**	**100**	**35,519**	**100**

* Soft backlog represents the value of contract options, existing letters of intent and projects at an advanced stage of negotiation not yet reflected in the order backlog..

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

(number of vessels)

	31.12.2022	31.12.2021
DELIVERIES, ORDER INTAKE AND ORDER BOOK		
Vessels delivered	19	19
Vessels ordered	17	15
Vessels in order book	88	91

The following table shows the deliveries in 2022 and those scheduled in future years for vessels currently in the order book, analysed by the main business areas and by year.

(number)

	2022	2023	2024*	2025	2026	2027	Beyond 2027	Total**
Cruise ships and expedition cruise vessels	7	6	5	5	5	3	2	26
Naval	7	8	5	8	4	4	2	31
Offshore and Specialized vessels	5	16	7	8				31
Total	**19**	**30**	**17**	**21**	**9**	**7**	**4**	**88**

* As at 31 December 2022, one vessel was excluded from the order book due to the non-fulfillement of contract obligations.
** Number of vessels in the order book, analysed by the main business areas at 31 December 2022.

Capital expenditure

Capital expenditure amounted to euro 295 million in 2022, a decrease of 17.6% compared to the previous year. Capital expenditure represented 3.9% of the Group's revenue in 2022 compared to 5.4% in 2021, excluding pass-through activities.
Strengthening its assets and increasing its technological standards, both in Italy and abroad, is an essential prerequisite for Fincantieri's sustainable growth strategy, which is based not only on increasing its order book, but also on constantly improving product quality and optimizing costs, through continuous development of the production process in order to boost its operational excellence at global level.
In this context, approximately euro 962 million was invested in the three-year period 2020-2022 in the production sites, both Italian and foreign, to: i) make the production process more efficient, ii) further strengthen the Group's positioning in the shipbuilding segment, both cruise and naval, and iii) adapt its facilities to the significant backlog acquired in recent years.
Finally, ongoing initiatives aimed at increasing efficiency are helping to improve project margins, allowing them to partially absorb any exogenous factors, such as the increase in energy and raw material costs linked to the changed macroeconomic context.
For further detail, please refer to the "Investment Plan" chapter.

(euro/million)

	31.12.2022		31.12.2021	
CAPITAL EXPENDITURE ANALYSIS	Amounts	%	Amounts	%
Fincantieri S.p.A.	150	51	155	43
Rest of Group	145	49	203	57
Total	**295**	**100**	**358**	**100**
Shipbuilding	218	74	298	83
Offshore and Specialized vessels	19	6	6	2
Equipment, Systems and Services	46	16	30	8
Other activities	12	4	24	7
Total	**295**	**100**	**358**	**100**
Intangible assets	71	24	48	13
Property, plant and equipment	224	76	310	87
Total	**295**	**100**	**358**	**100**

R&D and innovation

The Group is well aware that Research and Innovation are the foundations for success and for increasing its future competitiveness in a rapidly changing environment. In 2022, the value of Research and Development costs charged to the income statement amounted to euro 158 million and related to numerous projects connected to process and product innovation, which also finds concrete application in the design phase of new vessels ordered. 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 24 million in development costs in 2022 for projects with long-term utility. These capitalized projects mainly relate to the development of innovative solutions and systems to 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. More details on the investment plan can be found in the chapter "Innovation and sustainability".

Group financial results

Presented below are the reclassified consolidated versions of the income statement, statement of financial position and statement of cash flows, the breakdown of Consolidated net financial position, in the configuration monitored by the Group, and the principal economic and financial measures used by management to monitor business performance. For a reconciliation between the reclassified financial statements and the statutory financial statements, please refer to the special section "Reconciliation of the reclassified financial statements used in the Report on Operations with the mandatory IFRS statements" (p. 142).

Reclassified consolidated income statement

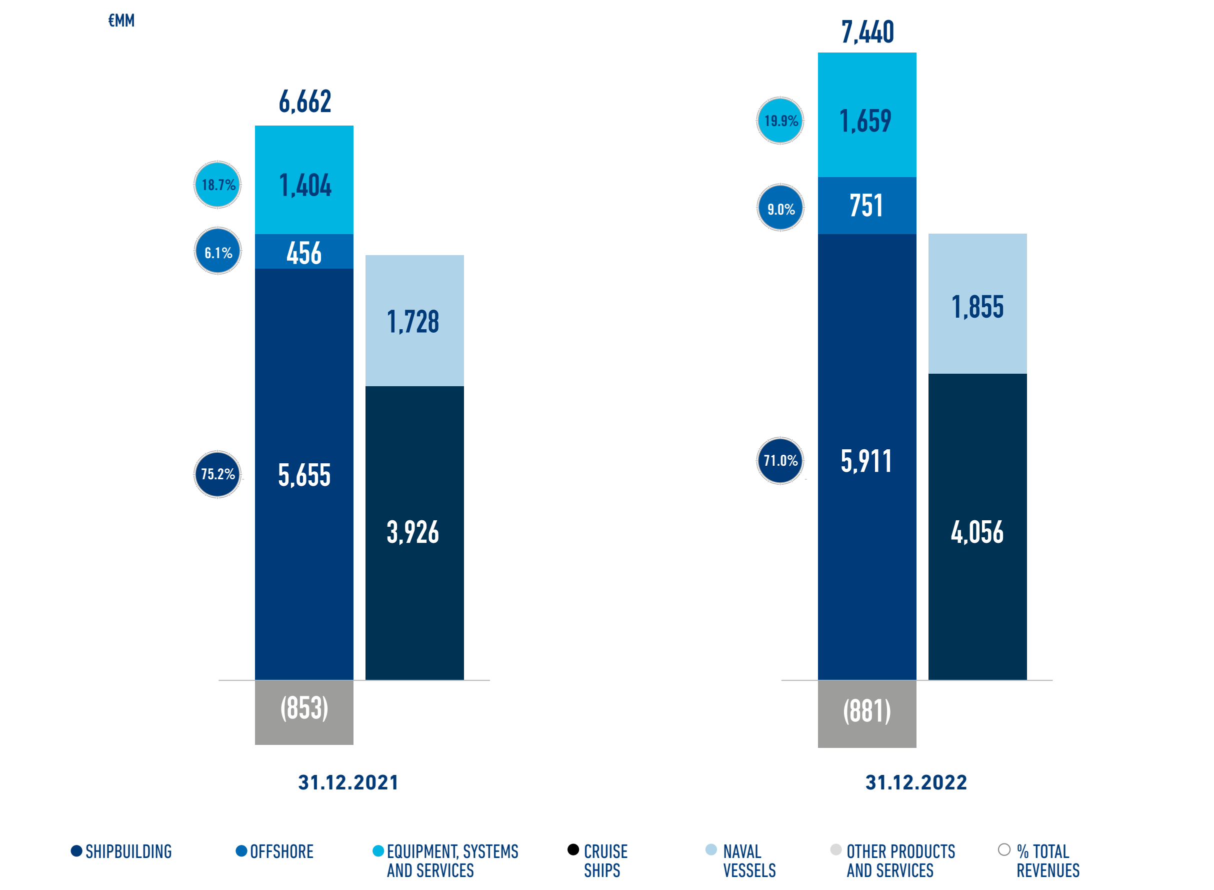
(euro/million)

	31.12.2022	31.12.2021
Revenue and income	7,482	6,911
Revenue and income excluding pass-through activities[1]	7,440	6,662
Materials, services and other costs[2]	(5,960)	(5,028)
Personnel costs	(1,186)	(1,076)
Provisions	(73)	(63)
EBITDA[3]	221	495
EBITDA margin	3.0%	7.2%
EBITDA margin excluding pass-through activities[1]	3.0%	7.4%
Depreciation, amortization and impairment	(231)	(206)
EBIT[4]	(10)	289
EBIT margin	-0.1%	4.2%
EBIT margin excluding pass-through activities[1]	-0.1%	4.3%
Finance income/(expenses)	(80)	(105)
Income/(expense) from investments	(2)	(14)
Income taxes	(16)	(78)
Adjusted profit/(loss) for the year[1]	(108)	92
of which attributable to Group	(104)	92
Extraordinary or non-recurring income and (expenses)	(238)	(90)
- of which costs relating to the impacts deriving from the spread of COVID-19[5]	-	(30)
- of which costs related to asbestos litigation	(52)	(55)
- of which impairment of intangible assets	(164)	-
- of which other costs linked to non-recurring activities	(22)	(5)
Tax effect of extraordinary or non-recurring income and expenses	22	20
Profit/(loss) for the year	(324)	22
of which attributable to Group	(309)	22

[1] See the definition contained in the section Alternative Performance Measures.
[2] This item excludes costs related to pass-through activities. See the definition contained in the section Alternative Performance Measures.
[3] This figure does not include extraordinary or non-recurring income and expenses. See the description contained in the section Alternative Performance Measures.
[4] This figure does not include impairment of goodwill, other intangible assets and property, plant and equipment recognised as a result of impairment tests or after specific considerations on the recoverability of individual assets.
[5] It should be noted that the charges associated with the impact of the spread of the COVID-19 virus related to reduced production efficiency and costs to ensure the health and safety of personnel incurred in 2021 have been classified in the item Extraordinary or non-recurring income and (expenses) as this representation excludes elements that management does not consider indicative of the Group's operating performance and allows a clear comparison with 2022 data.

Revenue and income excluding the pass-through activities in 2022 amount to euro 7,440 million, an increase of 11.7% compared to 2021, confirming the growth trend that started in previous periods. These results reflect the positive contribution of **all the sectors** in which the Group operates. Shipbuilding grew by 4.5% with production volumes in the Group's Italian shipyards in line with 2021 (16.4 million production hours). Performance of Offshore and Specialized vessels, with revenues up 64.7%, confirms the Group's successful repositioning strategy in the construction of specialized vessels for the wind offshore segment. Equipment, Systems and Services showed an increase in revenues of 18.1% driven by the Mechatronics and Accommodation Clusters.
Before consolidation adjustments, Shipbuilding contributes 71% (75% in 2021), Offshore and Specialized vessels 9% (6% in 2021) and Equipment, Systems and Services 20% (19% in 2021) of the Group's total revenue and income.
The trend in revenues also benefits from the positive impact (euro 113 million) of the translation into Euros of revenues in foreign currencies.
The proportion of revenues generated with foreign customers in 2022 amounted to 87% of total revenues (in line with 2021).

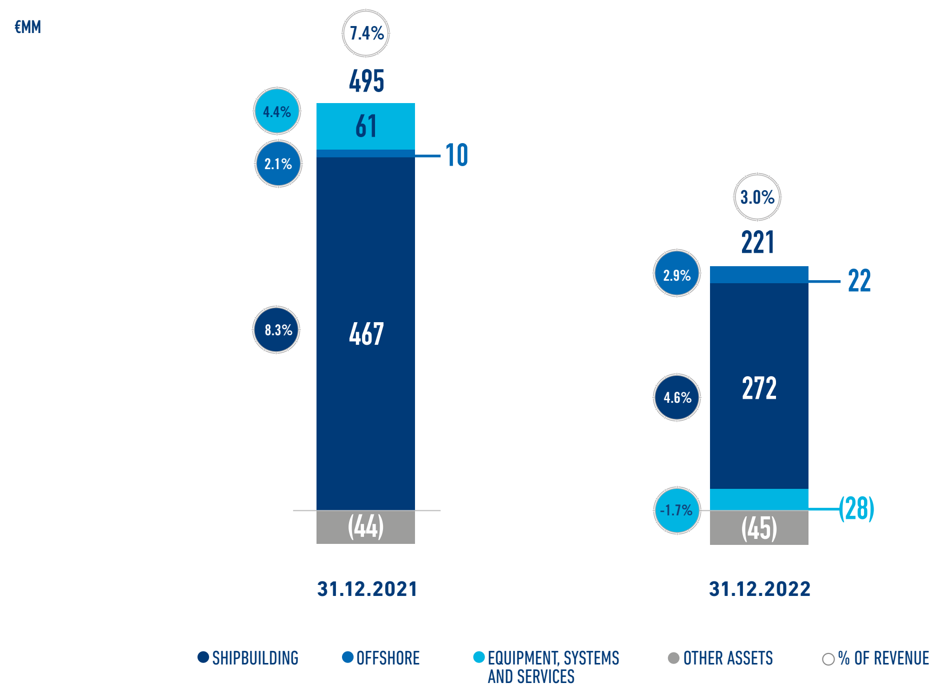
REVENUES ANALYSIS*



* Excluding pass-through activities.

Group **EBITDA**, as defined further below, amounted to euro 221 million (euro 495 million in 2021), with an **EBITDA margin, excluding pass-through activities**, of 3.0% (compared to 7.4% in 2021) which reflects in particular the worsening of the expected marginality of the Infrastructure business following an updated risk analysis carried out by the new management based on the additional information acquired during the first half of 2022. Margins were also affected by the increase in raw material and energy costs, with the latter having a significant impact on the fourth quarter result following the review, in the second half of the year, of the whole-life costs of shipbuilding contracts in the Cruise business. The considerable inflationary pressures during the period also had negative effects, especially on the US labour market and supply chain. Finally, the write-down of work in progress to reflect the counterparty risk of a cruise shipowner, risks associated with the execution phase of certain contracts, and extra costs due to revised production schedules. These were only partially offset by the efficiency gains in production processes in Italy, which were also the result of the investments made in recent years.

EBITDA ANALYSIS



Details of income and expenses not included in EBITDA are shown in the following table.

(euro/million)

	31.12.2022	31.12.2021
Provisions for costs and legal expenses associated with asbestos-related lawsuits	(52)	(55)
Costs relating to the impacts deriving from the spread of COVID-19		(30)
Other extraordinary or non-recurring income and expenses	(22)	(5)
Total	**(74)**	**(90)**

EBIT achieved was negative for euro 10 million in 2022 (positive for euro 289 million in 2021). The decrease in EBIT is attributable to the reasons already explained with reference to Group EBITDA, as well as to a higher incidence of depreciation and amortization (euro 231 million), following the investments made in recent years. Details of income and expenses not included under the item Depreciation, amortization and impairment are shown in the following table.

(euro/million)

	31.12.2022	31.12.2021
Impairment of goodwill	(140)	
Impairment of other intangible assets	(24)	
Total	**(164)**	-

Finance income/(expenses) report net expenses of euro 80 million (net expenses of euro 105 million at 31 December 2021). The reduction in net financial expenses is mainly due to the higher interest income received by the Group on financial loans granted to third parties at market rates and on trade extensions granted to its customers (euro 17 million), the positive fair value change in the put option towards the minority shareholders of the American FMG group (euro 18 million), and lower write-downs of financial receivables in accordance with IFRS 9 (euro 12 million). These effects were partially offset by the increase in interest and fees to banks and other charges, mainly due to the increase in the Group's borrowings and the rise in interest rates (euro 24 million). Furthermore, the rise in interest rates was partly mitigated by existing financial hedges.
Income and expenses from investments report a net expense of euro 2 million (net expense of euro 14 million in 2021). The positive change of euro 12 million compared to the previous year is attributable to lower losses realised by associates and joint ventures.
Income taxes record a net balance of euro 16 million in 2022, compared with a net balance of euro 78 million in 2021, mainly due to the Parent Company.
The **Adjusted profit/(loss) for the year** 2022 shows a net loss of **euro 108 million** (a net profit of euro 92 million in 2021), reflecting the factors discussed above. The Group's share registered a loss of euro 104 million (a profit of euro 92 million in 2021).
Extraordinary or non-recurring income and expenses were negative in the amount of euro 238 million (negative in the amount of euro 90 million in 2021). The item includes impairment losses on goodwill, recognised on the FMG Group and Vard Cruise CGUs following the update of the impairment tests performed in the presence of impairment indicators, mainly represented by the increase in interest rates recorded during the period, and other intangible assets for a total of euro 164 million, costs related to asbestos litigation in the amount of euro 52 million, and expenses related to probable risks linked to non-fulfilment of obligations for offset agreements in the amount of euro 20 million and other expenses related to non-recurring activities for euro 2 million. In 2021, the item included costs related to asbestos litigation for euro 55 million, costs related to impacts arising from the spread of COVID-19 for euro 30 million and other costs linked to non-recurring operations for euro 5 million.
The **Tax effect of extraordinary or non-recurring income and expenses** was positive for euro 22 million in 2022 (euro 20 million in 2021).
Profit/(loss) for the year 2022 was a net loss of **euro 324 million** (profit of euro 22 million in 2021). The Group's share of the result was a loss of euro 309 million (profit of euro 22 million in 2021).

Reclassified consolidated statement of financial position[1]

(euro/million)

	31.12.2022	31.12.2021
Intangible assets	509	688
Rights of use	127	116
Property, plant and equipment	1,636	1,518
Investments	118	123
Non-current financial assets	162	252
Other non-current assets and liabilities	1	(1)
Employee benefits	(54)	(64)
Net fixed capital	**2,499**	**2,632**
Inventories and advances	864	886
Construction contracts and client advances	1,669	1,182
Trade receivables	770	936
Trade payables	(2,694)	(2,490)
Provisions for other risks and charges	(191)	(101)
Other current assets and liabilities	200	27
Net working capital	**618**	**440**
Assets held for sale	**1**	**-**
Net invested capital	**3,118**	**3,072**
Share capital	863	863
Reserves and retained earnings attributable to the Group	(277)	(45)
Non-controlling interests in equity	1	16
Equity	**587**	**834**
Net financial position[1]	**2,531**	**2,238**
Sources of funding	**3,118**	**3,072**

[1] It should be noted that the Net financial position monitored by the Group has been changed, bringing it into line with that defined by ESMA, resulting in a restatement of the corresponding comparative figures. The differences concerned the exclusion of the following items from the Net financial position monitored by the Group: construction loans, payables for derivatives on non-financial positions, payables for options on investments measured at fair value, and the inclusion of the item non-current financial receivables. Consequently, the value of Net invested capital was redefined.

The **reclassified consolidated statement of financial position** shows a net invested capital as at 31 December 2022 of euro 3,118 million (euro 3,072 million as at 31 December 2021). The increase is mainly due to the following factors:

- **Net fixed capital**: with an overall decrease of euro 133 million. The most significant effects in particular are i) the decrease in Intangible assets of euro 179 million, mainly due to the impairment of goodwill recognised on the FMG Group and Vard Cruise CGUs and other intangible assets for euro 164 million; ii) the increase in Property, plant and equipment of euro 118 million, where investments made during the year (euro 224 million) and the positive impact of the foreign currency translation on the financial statements (euro 22 million) were partially offset by depreciation and amortization for the period (euro 126 million) and iii) the reduction in Non-current financial assets for euro 90 million in relation to the repayments made during the period and the reclassification of the short-term portion of the loans granted to third parties;
- **Net working capital**: increased by euro 178 million compared to 31 December 2021 (euro 440 million) to euro 618 million. The main changes are related to the increase in Construction contracts and client advances (euro 487 million) and Trade payables (euro 204 million) as an effect of the volumes generated in the period, particularly in the cruise business, which envisages 3 deliveries in the first half of 2023, and the decrease in Trade receivables of euro 166 million, mainly due to the invoicing of the last instalment for a cruise ship delivered in January 2022.

Equity amounting to euro 587 million, decreased by euro 247 million, mainly due to the profit/(loss) for the year (loss of euro 324 million), partially offset by the positive change in the cash flow hedge reserve linked to cash flow hedging instruments (euro 53 million) and the currency translation reserve (euro 14 million) and the reserve for gains/(losses) from remeasurement of employee defined benefit plans (euro 6 million).

Consolidated net financial position[1]

(euro/million)

	31.12.2022	31.12.2021
Current financial liabilities	(96)	(139)
Debt instruments - current portion	(81)	(220)
Current portion of bank loans and credit facilities	(1,110)	(273)
Construction loans	(645)	(1,075)
Current debt	**(1,932)**	**(1,707)**
Non-current financial liabilities	(1,345)	(1,915)
Non-current debt	**(1,345)**	**(1,915)**
Total financial debt	**(3,277)**	**(3,622)**
Cash and cash equivalents	**565**	**1,236**
Other current financial assets	**181**	**148**
Net financial position[1]	**(2,531)**	**(2,238)**

[1] It should be noted that the Net financial position monitored by the Group has been changed, bringing it into line with that defined by ESMA, resulting in a restatement of the corresponding comparative figures. The differences concerned the exclusion of the following items from the Net financial position monitored by the Group: construction loans, payables for derivatives on non-financial positions, payables for options on investments measured at fair value, and the inclusion of the item non-current financial receivables. Consequently, the value of Net invested capital was redefined.

The **Consolidated net financial position**[2] reports a net debt balance of euro 2,531 million, a slight worsening compared to 31 December 2021 (net debt of euro 2,238 million). The increase is mainly attributable to the financing of the net working capital requirements dictated by the production plan and capital expenditure made during the year. The Consolidated net financial position is still affected by the support strategy for shipowners implemented following the COVID-19 outbreak. As at 31 December 2022, the Group had non-current financial receivables of euro 94 million granted to its customers.

The Net financial position does not include payables to suppliers for reverse factoring, which amounted to euro 622 million at 31 December 2022 and represent the value of invoices, formally liquid and collectable, assigned by suppliers to an agreed lending institution and which benefit from extensions granted by the suppliers themselves in favour of the Group. For further detail, please refer to Section 8.1 "Reverse Factoring" in Note 3 to the Consolidated Financial Statements.

[2] See the definition contained in the section Alternative Performance Measures.

Reclassified consolidated statement of cash flows[1]

(euro/million)

	31.12.2022	31.12.2021
Net cash flows from operating activities	(58)	862
Net cash flows from investing activities	(225)	(535)
Net cash flows from financing activities	(389)	(377)
Net cash flows for the period	**(672)**	**(50)**
Cash and cash equivalents at beginning of period	**1,236**	**1,275**
Effects of currency translation difference on opening cash and cash equivalents	1	11
Cash and cash equivalents at end of period	**565**	**1,236**

[1] It should be noted that, following the reconfiguration of the Net financial position monitored by the Group that led to the inclusion of construction loans within it, the cash flows generated/absorbed by construction loans were included in financing activities. The comparative figures have been reclassified to reflect this change.

The **Reclassified consolidated statement of cash flows** shows negative **Net cash flows for the period** of euro 672 million (negative for euro 50 million in 2021) due to cash flow absorbed by operating activities in the amount of euro 58 million (positive for euro 862 million in 2021), to finance the net working capital requirements dictated by the production plan, the capital expenditure made during the year, which absorbed resources in the amount of euro 225 million (euro 535 million in 2021), and the financing activities for the year, which absorbed resources for euro 389 million (euro 377 million in 2021) for the net repayment of loans.

Economic and financial indicators

The following table presents additional economic and financial measures used by the Group's management to monitor the performance of its main business indicators in the periods considered. The following table shows the trend in the main profitability ratios and the strength and efficiency of the capital structure in terms of the relative importance of sources of funding between net debt and equity for the years ended 31 December 2022 and 2021.

	31.12.2022	31.12.2021
ROI*	-0.3%	9.0%
ROE*	-45.6%	2.7%
Total debt**/Total equity	5.6	4.3
Net financial position**/EBITDA[1]	11.5	4.5
Net financial position**/Total equity	4.3	2.7

* See the definition contained in the section Alternative Performance Measures.
** The Net financial position has been changed, bringing it into line with that defined by ESMA, resulting in a restatement of the corresponding comparative figures.
[1] This figure does not include Extraordinary or non-recurring income and expenses. See the definition contained in the section Alternative Performance Measures.

The performance of ROI and ROE, compared to 2021, was affected by the worsening of EBIT and Net result, which were heavily impacted by the macroeconomic environment which has highlighted non-recurring dynamics (procurement difficulties and increase in raw material prices, counterparty risk, inflation and interest rates) and by the worsening of the margins in the Infrastructure Cluster, which emerged following the careful analysis conducted by management in the second half of the year. Net Invested Capital has increased and Equity has decreased compared to 2021 values, also due to the negative net result.

The indicators of strength and efficiency of the capital structure reflect, compared to the previous year, the increase in both Total financial debt and Net financial position, with EBITDA significantly lower than the final balance at 31 December 2021, as commented in the section on the Income Statement.

Operational review by segment

Shipbuilding

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

(euro/million)

		31.12.2022	31.12.2021
Revenue and income*		5,953	5,903
Revenue and income excluding pass-through activities[1]		5,911	5,654
EBITDA[2]/*		272	467
EBITDA margin*/**		4.6%	7.9%
EBITDA margin*/** excluding pass-through activities[1]		4.6%	8.3%
Order intake*		3,398	1,816
Order book*		28,159	30,413
Order backlog*		19,678	22,132
Capital expenditure		218	298
Vessels delivered	number	14	15

* Before adjustments between segments.
** Ratio between segment EBITDA and Revenue and income.
[1] See the definition contained in the section Alternative Performance Measures.
[2] This figure does not include Extraordinary or non-recurring income and expenses. See the definition contained in the section Alternative Performance Measures.

Revenue and income

Shipbuilding segment revenues in 2022, excluding pass-through activities, come to euro 5,911 million, with a 4.5% increase compared to 2021. Euro 4,056 million of the revenues for the period refer to the **cruise ships** business area (euro 3,926 million at 31 December 2021) with an increase of 3.3% compared to 2021 and euro 1,855 million refer to the **naval vessels** business area, excluding pass-through activities (euro 1,728 million at 31 December 2021) with an increase of 7.3% compared to 2021, also benefiting from the positive effect of the translation of the financial statements of foreign subsidiaries for euro 69 million. Their percentage of Group revenues are 49% and 22% respectively (52% and 23% in 2021).

The performance of revenues of the **cruise ship business area** in 2022 reflected the progress of the production program (with 16.4 million production hours in line with 2021), consolidating the growth trend already achieved in 2021. The increase, in the same period, in the value of production of the **naval vessels business area** is an expression of the progress of orders for the Italian Navy, while the program for the Qatari Ministry of Defence confirms the same volumes as 2021. The US subsidiary FMG, net of exchange rate effect, maintains volumes in line with those of 2021 and remains committed to the development of the Foreign Military Sales program, signed between the US and Saudi Arabia, the commercial business (LNG barge), the Constellation FFG-62 and Littoral Combat Ship (LCS) programs.

EBITDA

EBITDA of the segment as at 31 December 2022 amounted to euro 272 million, down from 2021 (euro 467 million), with an EBITDA margin of 4.6% compared to 8.3% in 2021. The deterioration of margins in 2022 is due to the further increase in raw material prices (especially steel and energy), strongly impacted by the critical geopolitical framework and the subsequent rise in inflation rates, which also affected the US labour market and supply chain. Energy costs have had a significant impact on the fourth quarter result following the review, in the second half of the year, of the whole-life costs of shipbuilding contracts in the cruise ship business. It should be noted that the 2022 margins were also negatively impacted by the write-down of work in progress (in accordance with the IFRS9 accounting standard), to reflect the updated assessment of counterparty risk of a cruise shipowner, risks related to the execution phase of certain contracts, and extra costs due to revised production schedules. These effects were only partly offset by the efficiency gains in management processes achieved thanks to the investments made in recent years in Italy.

Order intake

In 2022, the new order intake of euro 3,398 million mainly refers to:

- one extra-luxury cruise ship for the Four Seasons customer;
- 4 more expedition cruise ships for the shipowner Viking;
- the construction by Fincantieri's US subsidiary Marinette Marine of the third missile-launching frigate under the FFG-62 "Constellation" program;
- a new Major Hydro-Oceanographic Ship for the Italian Navy's Hydrographic Institute.

Capital expenditure

Capital expenditure in Property, plant and equipment mainly involved:

- continuation of activities to improve the operational areas and infrastructure of the Monfalcone and Marghera shipyards to enable a more efficient development of the acquired backlog. For both sites, the investment plan is expected to be completed in early 2023;
- progress, at the Riva Trigoso shipyard, of the significant interventions planned in order to increase the shipyard's production capacity and streamline shipbuilding activities for naval projects;
- the continuation of the important investment program in the US sites of Marinette Marine and Bay Shipbuilding shared with the US Navy, to increase their efficiency in order to develop the order backlog resulting from the Constellation program. The program is scheduled for completion in 2023;
- the process of gradually replacing obsolete assets with more technologically advanced, energy-efficient and environmentally friendly solutions;
- upgrading and improvement of the safety and energy saving standards of machinery, equipment and buildings.

Production

The number of vessels delivered in 2022 is analyzed as follows:

(number)	Deliveries
Cruise ships	7
Naval vessels	6
Other	1

The vessels delivered were:

- "Discovery Princess", the sixth unit of the Royal class for the customer Princess Cruises, a brand of the Carnival Corporation group, at the Monfalcone shipyard;
- "Viking Mars" and "Viking Neptune", the eighth and ninth vessels of the class for the shipowner Viking, at the Ancona shipyard;
- "Norwegian Prima", the first vessel of six next-generation Prima class cruise ships for Norwegian Cruise Line (NCL), at the Marghera shipyard;
- "Viking Polaris", the second of two expedition cruise vessels for Viking built by the subsidiary Vard, at the Søviknes shipyard (Norway);
- "MSC Seascape" fourth of eight vessels commissioned by the customer MSC Cruises, at the Monfalcone shipyard;
- "Resilient Lady", the third of four cruise ships commissioned by Virgin Voyages;
- "Thaon di Revel" and "Francesco Morosini", the first two Multipurpose Offshore Patrol Vessels (PPA) for the Italian Navy, at the Muggiano (La Spezia) shipyard;
- "Musherib" and "Sheraouh", the two patrol vessels, and "Damsah" and "Al Khor", the second and third corvette for the Qatari Ministry of Defence, at the Muggiano (La Spezia) shipyard;
- an interlake bulk carrier vessel for the customer Interlake Steamship co.

Offshore and Specialized vessels

The Offshore and Specialized vessels segment includes the design and construction of high-end offshore support vessels for offshore wind farms and for the Oil & Gas industry, specialized vessels, ships for open ocean aquaculture and unmanned vessels, offering innovative products with reduced environmental impact. The Group operates in this market through the VARD group, Fincantieri S.p.A. and Fincantieri Oil & Gas S.p.A.

(euro/million)		31.12.2022	31.12.2021
Revenue and income*		751	456
EBITDA[1]/*		22	10
EBITDA margin*/**		2.9%	2.1%
Order intake*		837	508
Order book*		2,002	1,643
Order backlog*		1,160	972
Capital expenditure		19	6
Vessels delivered	number	5	4

* Before adjustments between segments.
** Ratio between segment EBITDA and Revenue and income.
[1] This figure does not include Extraordinary or non-recurring income and expenses. See the definition contained in the section Alternative Performance Measures.

Revenue and income

The Offshore and Specialized vessels segment closed the year 2022 with revenues of euro 751 million, up sharply (+64.7%) compared to the same period of the previous year, partly due to the positive exchange rate effect arising from the translation of the financial statements of foreign subsidiaries (euro 35 million). The growth trend recorded in 2021 continued, supported in particular by progress in the construction of three vessels for the Norwegian Coast Guard and vessels ordered in the offshore wind sector.

EBITDA

The EBITDA of the operating segment at 31 December 2022 amounts to euro 22 million (euro 10 million in 2021), with an EBITDA margin of 2.9% (2.1% at 31 December 2021). The result for year further confirms the positive effects of the repositioning strategy in the offshore wind sector, where the Group is the leading player in terms of order intake and customer diversification, with ten SOV units in its portfolio as of 31 December 2022, intended for the maintenance of marine wind farms.

Order intake

New order intake by the VARD group in 2022 amounted to euro 837 million and mainly related to:

- 6 robotic units for Ocean Infinity for the "Armada" fleet of remote controlled ships;
- 2 Commissioning Service Operations Vessels (CSOV) for the Norwegian company Norwind for the offshore wind sector;
- an innovative Fishery unit for the German company Deutsche Fischfang-Union, intended for the storage and processing of fish;
- a state-of-the-art cable laying unit for customer Prysmian Group.

Capital expenditure

Capital expenditure in 2022 mainly relates to:

- the launch, at the Vietnamese Vung Tau shipyard, of a significant investment program aimed at increasing the shipyard's production capacity, so as to consolidate the company's leadership position in the construction of SOVs, particularly dedicated to the offshore wind market;
- standard interventions in shipyards to maintain the efficiency and safety of production facilities in order to ensure business operations.

Production

The number of vessels delivered in 2022 is analyzed as follows:

(number)	Deliveries
Fishery vessels	2
Wind	1
Other	2

In detail:

- 1 Service Operation Vessel for customer Ta San Shang Marine for the maintenance of the Greater Changhua marine wind farms operated by the Danish power company Ørsted, at the Vung Tau shipyard (Vietnam);
- 2 Fishery vessels for customer Nergård Havfiske and customer Akraberg respectively, delivered at the Brattvåg shipyard (Norway);
- the first 2 robotic units for customer Ocean Infinity that will make up the high-tech "Armada" fleet.

Equipment, Systems and Services

The Equipment, Systems and Services segment includes the following business areas: Service, Accommodation Cluster, Electronics Cluster, Mechatronics Cluster and Infrastructure Cluster. These activities are carried out by Fincantieri S.p.A. and by its Italian and foreign subsidiaries.

(euro/million)	31.12.2022	31.12.2021
Revenue and income*	1,659	1,404
EBITDA[1]/*	(28)	61
EBITDA margin*/**	-1.7%	4.4%
Order intake*	1,509	1,418
Order book*	5,905	5,996
Order backlog*	3,826	3,627
Capital expenditure	46	30

* Before adjustments between segments.
** Ratio between segment EBITDA and Revenue and income.
[1] This figure does not include Extraordinary or non-recurring income and expenses. See the definition contained in the section Alternative Performance Measures.

Revenue and income

Equipment, Systems and Services segment revenues amounted to euro 1,659 million, an increase of 18.1% compared to 2021. This growth is attributable to the positive contribution of the Mechatronics and Accommodation Cluster, which are committed to the development of the important backlog.

EBITDA

The EBITDA of the segment at 31 December 2022 is negative for euro 28 million (positive at euro 61 million at 31 December 2021), with an EBITDA margin of -1.7% (4.4% at 31 December 2021), up in the fourth quarter compared to previous quarters. EBITDA for the period was affected by the worsening of the Infrastructure Cluster's margins (EBITDA negative for euro 126 million, which, against revenues of euro 262 million, resulted in an EBITDA margin of -47.9%), due to the effects, already noted in the first half of the year, following an updated risk analysis performed by the new management, together with an increase in construction costs that emerged at the conclusion of the design phase of some infrastructure works. These effects were further exacerbated by the general increase in the prices of raw materials.

Order intake

New order intake for the Equipment, Systems and Services segment amounted to euro 1,509 million in 2022 and for the business areas mostly comprises:

- Services: additional activities on the Through Life Sustainment Management program of the Italian Navy's FREMM units; extension of In Service Support (ISS) contracts for the Italian Navy on the "Orizzonte" and "Cavour" class units, and for the Algerian Navy on "BDSL" (Bâtiment de Débarquement et de Soutien Logistique); Life Cycle Management (LCM) activities on the Major Hydro-Oceanographic Ship for the Italian Navy; maintenance contract for the US Navy's "Avenger" class minesweeper units;
- Accommodation Cluster: supply, installation and refitting of cabins, wet units, public rooms, catering and windows for cruise customers, including the Chinese customer SWS and the customer Ritz Carlton with regard to the refitting of the luxury mega yacht "Evrima". There was an increase in the percentage of non-captive orders;
- Electronics Cluster: in the area of Cyber Security & Digital Solutions, the supply of Nutanix to Leonardo for the FREMMs, the supply of hardware and software to Tesly (TIM) and the supply of Cloud infrastructure and services for the Fincantieri Group. In the Maritime & Defence business, the supply of navigation and automation systems commissioned by Mariotti Shipyards for the Submarine Rescue unit, the supply of Minicolibrì systems and gyro-stabilized multi-sensor turrets for the customer Leonardo and the supply of a command and control system for the Italian Army for the customer Teledife. In the Smart Infrastructure business, the supply of level crossing monitoring systems for the customer Network Rail. As part of Specialized Engineering, the continuation of logistics support activities for Fincantieri's naval vessels;
- Mechatronics Cluster: azimuth thruster, two condensing turbo alternators, a stabilizing system to be installed on a vessel for Royal Caribbean Cruises at the shipyard of Meyer Turku, after-sales services and supply of spare parts on steam turbines, after-sales service and spare parts on engines for the Italian and French Navies, and for the Coast Guard, remote management and control systems for on-board material handling, including a winch system for Royal Greenland, integration of on-board energy storage systems;
- Infrastructure Cluster: construction of the Europa dock in Livorno, the breakwater in Genoa, eight viaducts in the Sassari-Olbia section, seven bridges and their steel piers in the Marche region, bridge over the Serchio river in Lucca, renewal of some contracts related to maintenance activities and additional works on projects already acquired.

Capital expenditure

Capital expenditure in 2022 mainly relates to:

- the continuation of FMSNA's investment plan at the US yard in Jacksonville to equip the site with the facilities, plant and equipment needed to carry out maintenance activities for US Navy surface vessels and other vessels in the civil business;
- the continuation of Isotta Fraschini Motori's capital expenditure as part of the IFuture project, a program launched in 2020 by the company with the aim of studying innovative solutions for the improvement and expansion of its product portfolio.

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)	31.12.2022	31.12.2021
Revenue and income	2	2
EBITDA[1]	(45)	(43)
EBITDA margin	n.a.	n.a.
Investments	12	24

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

Capital expenditure

The main initiatives relate to capital expenditure on:

- 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 implementation of these instruments in the main subsidiaries;
- ongoing work to install an integrated system for ship design (CAD) and project lifecycle management (PLM), aimed at improving the efficiency and effectiveness of the engineering process;
- continuation of digitalization initiatives aimed at i) strengthening the introduction of Industry 4.0 principles into shipbuilding (e.g. artificial intelligence, automation, IoT, virtual reality) and ii) use Robotic Process Automation tools and advanced analysis/reporting systems;
- the launch of the project to upgrade the IT environment through the implementation of a high-tech cloud infrastructure.

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

Risk management

Fincantieri's Internal Control and Risk Management System (ICRMS) consists of a set of tools, organizational structures, and corporate procedures which seek to contribute - through a process of identification, assessment, management and monitoring of the main risks - to a sound and correct management of the Company, in a way, that is consistent with the predetermined objectives defined by the Board of Directors.
This system, defined according to leading international practices, is based on the three traditional levels of control:

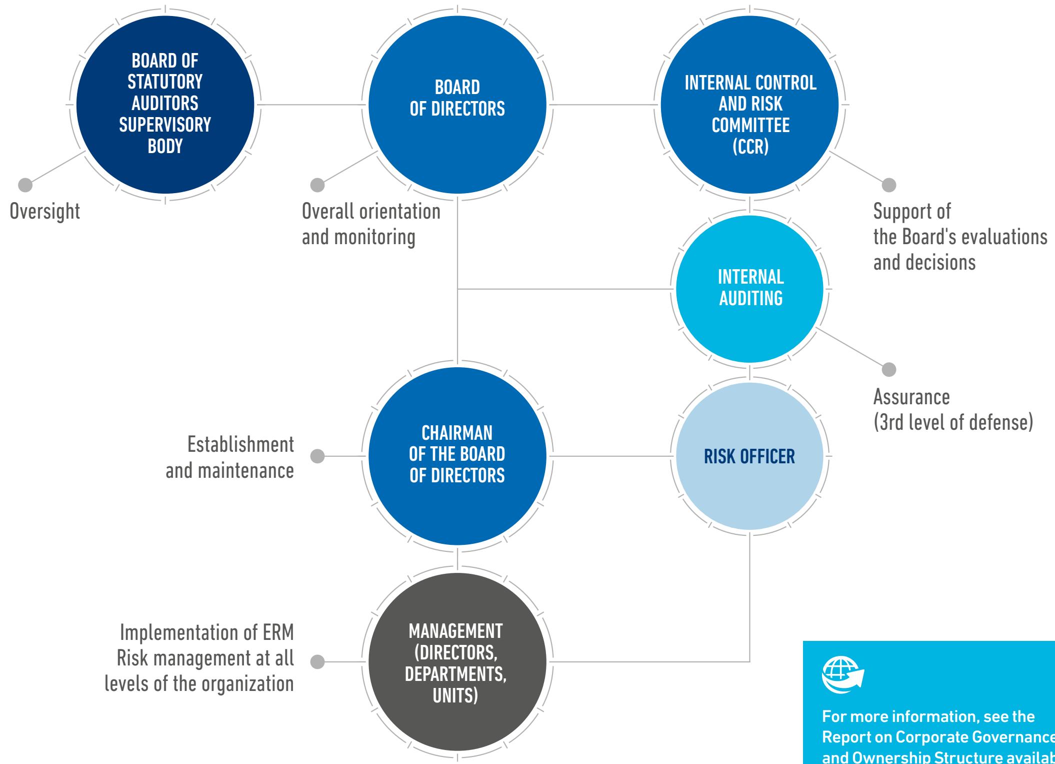
- 1st level: the operational departments identify and assess risks and implement specific actions to manage them;
- 2nd level: the functions in charge of risk management define risk management methods and tools, and conduct monitoring activities;
- 3rd level: the Internal Auditing department provides independent assessments of the entire system.

Fincantieri has adopted a Risk Management Policy that sets out the general principles it intends to pursue in order to implement the guidelines of the ICRMS adopted by the Board of Directors, that define the methods by which the main risks affecting the Parent Company and its subsidiaries are identified, measured, managed and monitored.

Risk management model

In order to implement the above-mentioned guidelines, Fincantieri has been adopting an Enterprise Risk Management (ERM) model for some time now. This model complies with the principles contained in the Corporate Governance Code of listed companies, taking the "CoSO ERM-Integrated Framework" as its reference, in order to identify and manage risks in a uniform manner throughout the Group.

The risk management process is carried out using a continuous approach involving different organizational structures, with different roles and responsibilities.



For more information, see the Report on Corporate Governance and Ownership Structure available on the website www.fincantieri.com/en/governance/internal-control-and-risk-management

The **Chairman of the Board of Directors** ensures that the ICRMS is an integral part of the Group's business ethic and operations, activating to this end appropriate information, communications and training processes as well as disciplinary and remuneration systems which incentivise the proper management of risks and discourage conduct that is contrary to the principles dictated by those processes. The Chairman also verifies that the ICRMS is capable of reacting promptly to significantly risky situations and facilitates the identification and prompt implementation of corrective actions.
The **Risk Officer** is responsible for:

- supporting the Chairman of the Board of Directors in determining the methodologies to identify, evaluate and monitor the main business risks;
- coordinating the activities of risk management and of support to management, verifying compliance with the ERM methods defined by Fincantieri;
- periodic reporting to the bodies responsible for the ICRMS on the risk management process.

The Risk Officer is not in charge of managing specific risks, which is the responsibility of management, but is responsible for implementing an integrated risk management process. The Risk Officer provides high-level support for the dissemination of risk culture.
Management is responsible for implementing ERM within the business processes under its remit, identifying, assessing and managing risks that may have an impact on the defined objectives.

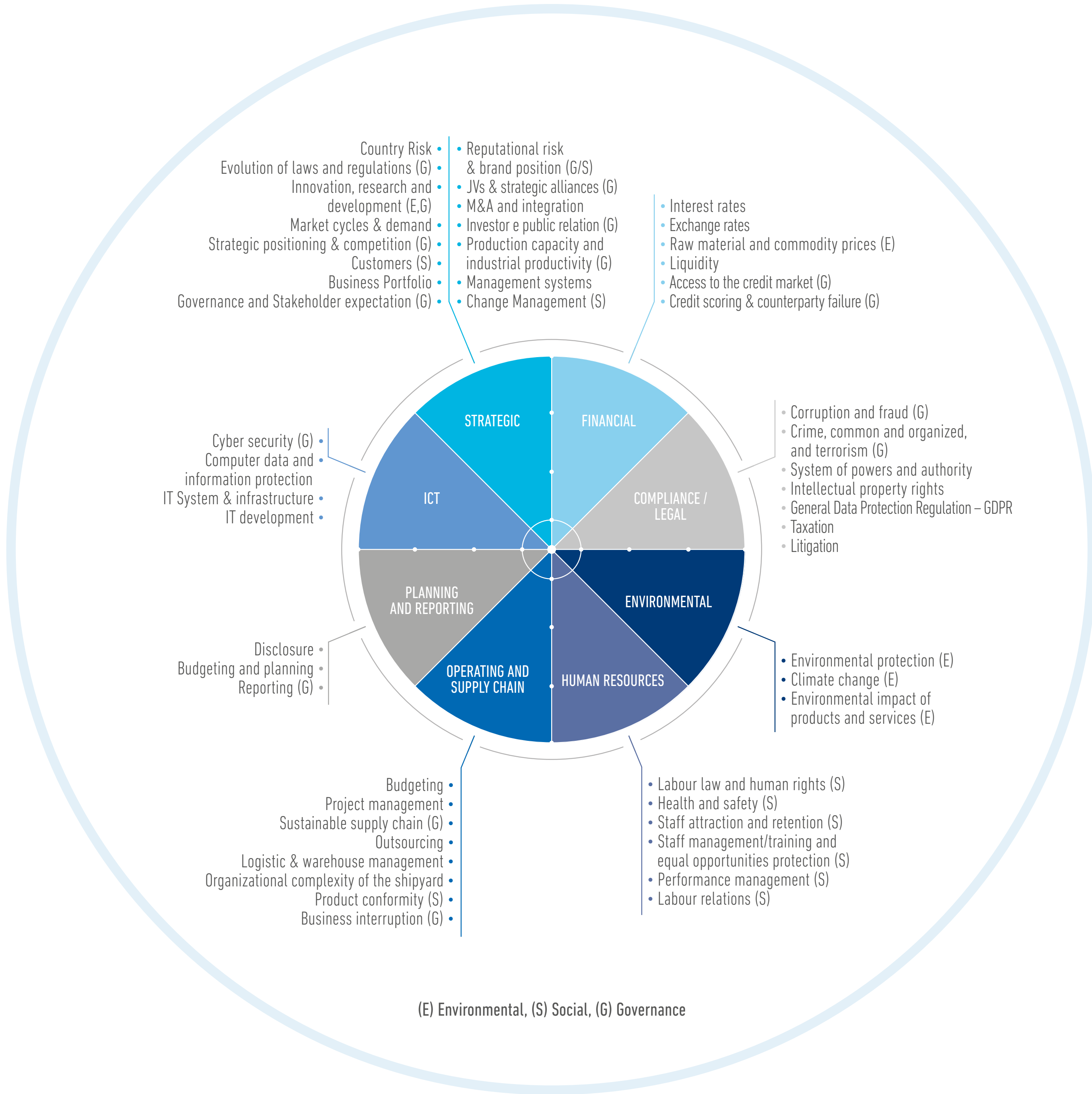
The risk management process

Risk management is a continuous and recurring process, spread throughout the organization, that involves the systematic and repeated identification, assessment, treatment and monitoring of risks.

Identification

The identification of possible existing risks, in relation to the defined strategic objectives, is carried out periodically in line with the time horizon of the company's strategic plan or whenever environmental factors inside or outside the Group make it necessary.
The Group's catalogue of risks (Risk Universe) consists of **52 risks**, divided into **8 macro-categories**, including **29 ESG** (Environmental - Social - Governance) **risks**.

RISK UNIVERSE



(E) Environmental, (S) Social, (G) Governance

The Risk Officer periodically updates the **Risk Management Model**, which maps the persons responsible for managing and monitoring the risks identified, i.e. the Risk Owners, reflecting in it any changes in the organizational structure.

Assessment

Each identified risk is assessed according to the parameters of probability of its occurrence over the plan horizon and its impact. Assessment scales are used to make the risks comparable. These are defined by the Chairman of the Board of Directors, with the support of the Risk Officer, based on the Risk Appetite and Risk Tolerance thresholds approved by the Board of Directors. The impact assessment is broken down into 8 types:

economic and financial | **social (community)** | **human capital**
operational | **environmental** | **intellectual capital**
assets | **reputational**

The assessment of each risk is carried out at Inherent level (i.e., the theoretical risk assumed in achieving the objectives) and at Actual Residual level (i.e., the risk that remains following the establishment of internal control procedures implemented to mitigate the probability and impact related to the occurrence of the risk event) and, as part of the assessment, each Risk Owner identifies the main prevention / mitigation measures in place and assesses their relative level of adequacy.
The combination of probability of occurrence and impact determines the risk rating, which enables the comparison of the risks under assessment and the representation of Fincantieri's overall exposure, comparing it with the defined thresholds, in order to identify the priorities for action for the subsequent risk response strategies.

Risk response

The definition of the risk management strategy is based on the risk assessment (mitigate, accept, transfer, avoid). For risks within their purview, the Risk Owner is responsible for identifying response plans for risks identified as critical and high and for submitting them, with the support of and through the Risk Officer, to the Chairman of the Board of Directors. In this phase, if the need arises, the Risk Owner is asked to identify and plan specific prevention/mitigation initiatives in addition to those already in place, in order to bring risks back to a level considered acceptable and consequently keep the risk profile within the set limits.
Having identified further actions and controls to be implemented, the Risk Owner carries out an assessment of their expected mitigating effect in terms of probability of occurrence and/or impact of the risk, determining the rating of the expected residual risk.

Monitoring

The internal and external context is subject to possible changes and it is therefore necessary to regularly monitor the risk portfolio in order to assess its dynamics and verify the operational effectiveness of the defined response strategies. Risk monitoring activities and their management is carried out at least once a year, by repeating the steps described above, and, during the year, with specific verification and/or analysis activities on:

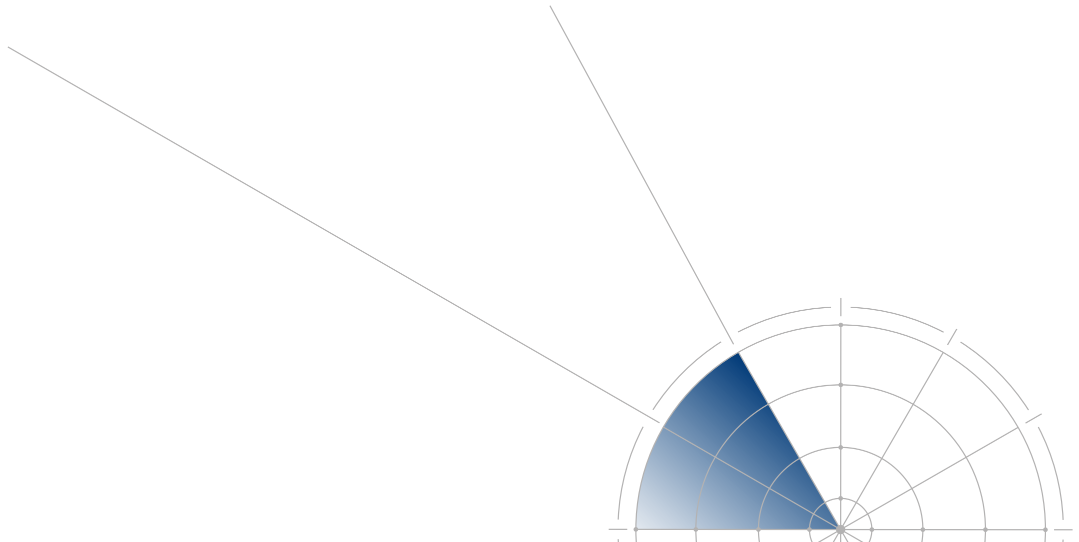
- the existence, traceability and risk mitigation capacity of the controls identified as in place during the risk assessment;
- the additional controls to be implemented and their implementation status;
- any changes in the risk profile following macro changes in the scenario (reassessment of inherent, actual residual and expected residual risk);
- the most significant risks (e.g., cause analysis, impact analysis, risk management and monitoring system).

Reporting

The Risk Officer, having completed the assessment and result consolidation process, prepares specific reports for the various actors of the ICRMS. The results of the ERM process are used:

- by the ICRMS actors to provide the necessary assurance to the Corporate Bodies regarding the identification of the main business risks, as well as the reasonable certainty that they are managed in accordance with the limits defined for value creation;
- by the Board of Directors when drawing up the Report on Corporate Governance and ownership structure providing information on the subject;
- by Internal Audit as information elements for the preparation of specific risk-based audit plans.

The 52 risks identified and included in the Risk Universe have been assessed in terms of their probability and impact by Fincantieri's Middle and Top Management. On the basis of the assessment, the most relevant risks (Top Risks at an inherent level) have been identified and analysed in detail, classified by category and accompanied by information on the relative potential impacts and the main existing controls.



STRATEGIC RISKS

Production capacity and industrial productivity

Risk that insufficient production capacity (either its own or that of its suppliers), excess capacity or incorrect distribution of workloads on the basis of available production capacity (plant, space and workforce) prevents the Group from meeting market demand and achieving optimum levels of efficiency and profitability. The risk may arise due to inadequate analysis of the production cycle (in terms of frequency and medium-term vision), force majeure events and inadequate maintenance or innovation of the equipment supporting the production process that fails to take into account energy efficiency and possible impacts on the environment.

Management methods

Production complexity is managed at different levels and in an integrated and cross-functional manner. Scenario analyses make it possible to optimize the distribution of workloads in the short/medium/long term on the basis of available production capacity and to monitor it over time thanks to the planning of activities, hours and resources by job, plant and production plant and to periodic monitoring of the progress of individual schedules (production, engineering, purchasing) and of the job as a whole. Periodic inter-functional committees analyse workloads and identify possible critical areas for action (resources, structural investments, logistical solutions) based on employment plans. Particular attention is paid to checking the supply chain, both in terms of capacity (e.g. lack of resources) and performance. The efficiency of suppliers is in fact constantly monitored through appropriate KPIs, with the timely identification and activation of recovery actions where critical issues are found. In order to create synergies and economies of use, the Group, in addition to certain common purchasing strategies, also acts through optimization of the production process. With the aim of optimizing production capacity and avoiding delays, inefficiencies and/or stoppages, the Group also pays particular attention to strategic investment planning, including the implementation of new projects in the areas of robotics, automation (e.g. real-time remote control systems on system operation status) and energy-efficient solutions. The systems, particularly the strategic systems, and their maintenance are periodically checked and prompt action is taken when necessary.

"Investment Plan" chapter
"Sustainable supply chain" chapter

Business Portfolio

Risk that top management does not have relevant or timely information (e.g. market trends, sudden changes in specific markets of interest, competitors) to adequately define the product portfolio or the balance between its segments with a view to long-term sustainability, with a consequent negative impact on the Group's overall future performance.

Management methods

Risk mitigation measures include: i) optimization and management of technical know-how as an opportunity to develop economies in the negotiation of outsourced production activities; ii) vertical integration of production (e.g. cabins); iii) increasing the range of technological solutions supplied as a lever for developing the after-sales segment; iv) the rebalancing of the business portfolio with a progressive concentration in the shipbuilding business and the development of partnerships for other businesses; v) strategies aimed at strengthening the Group's positioning in the foreign defence market, in order to present itself as prime contractor and create a solid, long-term relationship with the customer.

Core markets" chapter
"Innovation and sustainability" chapter

Country Risk

Risk that changing or unstable conditions, generated by the country in which the Group operates or in which its customers or strategic suppliers are located, may adversely affect investment variables, jeopardise operations and cash flows, create losses and put the safety of its employees at risk. This category includes Political Risk (e.g. new governments, uprisings, wars, terrorist threats), Location Risk (e.g. country surrounded by countries at war with each other), Sovereign Risk (country's reliability in repaying its debts), Economic Risk (e.g. restrictive economic policies, reduction of public expenditure allocated to defence, failure to provide contributions related to research, development and technological innovation, failure to allocate public resources to support export finance, which is crucial for the success of trade negotiations), Transfer Risk (e.g. rules that may regulate, and possibly restrict, the movement of capital, profits and dividends), Catastrophic Risks (e.g. emigration caused by acute weather phenomena and epidemics from other countries or within the company's country of operation).

Management methods

In order to mitigate risks related to potential socio-political, economic and environmental instability in foreign countries where the Group operates or has business interests, Fincantieri implements specific controls and preventive actions. In particular, given the frequent use of export finance by customers, there is continuous monitoring of the allocation of funds by the government and the status of negotiations between banks, customers and government organizations involved; there is also continuous dialogue with stakeholders to spread awareness of the need to maintain an agile, quick and efficient export credit mechanism. Other mitigating actions include: constant monitoring of the political-economic situation also with the support of local embassies, provision of e-learning courses on travel security, risk awareness and information actions aimed at travellers going to high-risk areas. In addition, with the aim of pre-emptively managing emergencies, Fincantieri has set up Crisis Management Committees and interdisciplinary Crisis Teams to conduct Security Assessments and draw up Contingency Plans dedicated to the countries abroad where personnel are seconded.

Note 4 "Financial risk management" of the Consolidated Financial Statements
"Health and safety in the workplace" chapter

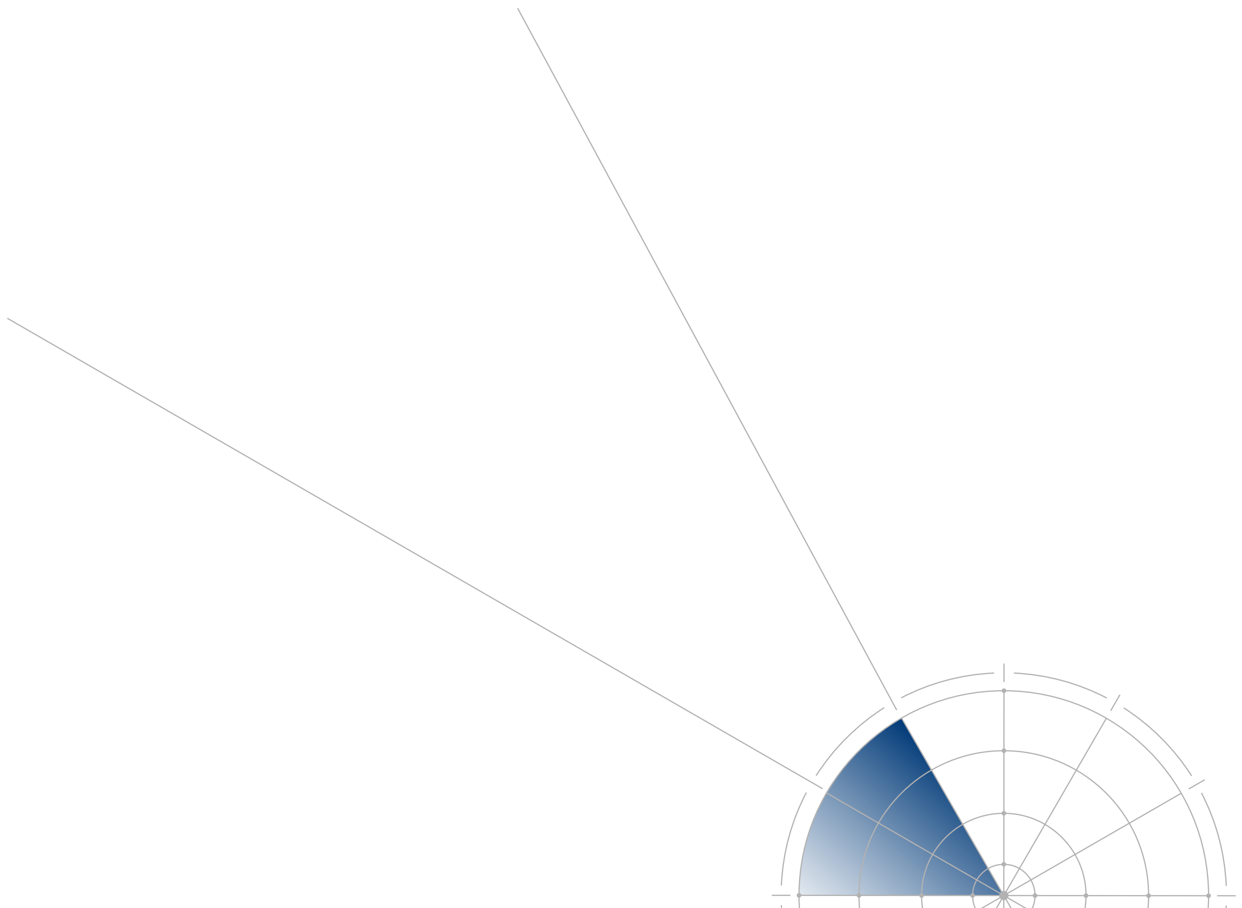
Reputational risk & brand position

Risk that image (brand) damage will expose the Group to loss of customers, profits and competitive advantage. Such a risk may, for example, arise due to unethical or non-compliant activities and/or behaviour, which do not respect the protection of the environment, biodiversity, and the protection and enhancement of people, the territory and the community by both members within the organization and external parties with whom the Group has business relations, or by a lack of customer satisfaction.

Management methods

In order to mitigate this risk, Fincantieri continuously monitors its communication strategy in line with management direction and market trends, and constantly dialogues with all business units of Group companies to ensure consistency of communication initiatives. The Group manages relations with the Italian and foreign (specialist and non-specialist) press to ensure that its external perception and image reflect management's direction, and has stepped up its social media and web monitoring to ensure that the company's image is not damaged. As part of the activities aimed at preparing the Sustainability Report, Fincantieri integrates the additional information required by rating companies in order to ensure transparency and completeness, and continuously updates its website for greater disclosure of information to stakeholders. The Group also carries out a careful selection of business partners and applies the relevant due diligence standards. Finally, in order to ensure its employees adopt ethical conduct consistent with corporate values, Fincantieri promotes initiatives aimed at disseminating knowledge of the Organization Model (Legislative Decree No. 231/2001), the Code of Conduct and the Anti-Corruption Management System through training programs.

"Sustainable supply chain" chapter



HUMAN RESOURCES RISKS

Health and safety

Risk that the Group does not invest enough in the protection of health and safety in the workplace with consequent damage to its own employees and any third parties involved in company activities. This risk may arise due to slow or inadequate adaptation of internal processes to satisfy the provisions of current and emerging regulations, an inadequate system for the management and control of health and safety risks related to company activities and related mitigation actions, incorrect or inadequate performance of ordinary and/or extraordinary maintenance, and/or the absence of adequate systems for identifying contamination risks, and/or catastrophic risks, or poor training, information and awareness of individuals.

Management methods

The Group constantly monitors regulatory and legislative developments, incorporating updates into its processes and procedures and verifying their correct implementation through internal and external audits. Internal procedures are in place for the identification, assessment and management of risks that could compromise people's health and safety, including the analysis of near misses with a view to early intervention and prevention. Particular attention is also paid to the dissemination and strengthening of the culture of prevention and protection and increasingly responsible individual behaviour, through the necessary training and information on accident prevention and emergency management and actions to raise awareness of compliance with the rules and procedures aimed at internal and external staff. The production plants and departments are ISO 45001 certified. In the area of health, safety and environment, regular meetings are held to review and promptly resolve any issues. Finally, the shared Protocol for updating measures to combat and contain the spread of the COVID-19 virus in the workplace is in place.

"Health and safety in the workplace" chapter

Staff attraction and retention

Risk that the Group is unable to attract and retain highly qualified and competent management personnel with a high level of diversity in terms of age, nationality and gender, or to enhance the organizational structure with figures capable of managing the Group's growth and ensuring business transformation.

Management methods

Fincantieri extensively applies an Employer Branding strategy in order to promote internally and externally the quality of its brand as a workplace, together with an Employee Value Proposition strategy aimed at satisfying the needs and expectations of employees. The remuneration policy adopted includes all variables and there is an ongoing employee engagement program (Fincantieri for the Future) to retain qualified and competent personnel.

People" chapter

OPERATING RISKS AND SUPPLY CHAIN

Project Management

Risk that the project management activities are inadequate and do not allow continuous and timely monitoring of the correctness and efficiency of the entire contract development process, resulting in failure to meet contractual and quality requirements, delays and/or additional costs with a consequent negative impact on the expected contract margin.

Management methods

The Group manages its projects through dedicated structures that control all aspects (contractual, technical/design, scheduling, economic and qualitative) of the contract life cycle (design, procurement, construction and outfitting). The identification, assessment and management of project risks is carried out through continuous risk management processes structured according to the type of business concerned. Contracts with suppliers include the possibility of applying penalties for delays or hold-ups attributable to such suppliers. In order to monitor the progress of both individual orders and the order portfolio and to promptly identify any critical issues and share corrective actions to be taken, there are regular meetings and discussions at different levels. The contracts entered into with customers provide that, in the event of a "force majeure event" preventing the regular construction of the project, such as a government order, a pandemic or a war, the company would not be required to pay penalties to the shipowner for late delivery.

"Sustainable supply chain" chapter

Organizational complexity of the shipyard

Risk that inefficient management of resources (internal and external personnel, production facilities, areas), due to inadequate medium/long-term planning, an ineffective control system, inefficient distribution of workloads or problems relating to the management of the complexities and risks associated with product diversification, generates slowdowns/interruptions in the production process, compromising the company's defined targets in terms of volumes, times, costs and quality.

Management methods

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. The risk is closely related to the "Production capacity and industrial productivity" risk.

"Investment Plan" chapter

Logistic & warehouse management

Risk of inefficient or ineffective materials management, warehousing and transport activities resulting in a slowdown or stoppage of operations or an increase in overall costs and working capital.

Management methods

The Parent Company's processes provide for dedicated management of those supplies with the greatest impact on the project result, defined as "critical supplies". For these components, a delivery and supply schedule is defined with the supplier to ensure compliance with the contractual delivery date and the completeness of the supply. In the event of deviations, highlighted in periodic monitoring, recovery actions are agreed with the supplier, involving all the competent company functions. In the course of 2022, the start of the Russian-Ukrainian conflict generated supply bottlenecks for some commodity categories whose production is partially located in these territories, such as ferrous products. The mitigation actions implemented concerned: i) issuing orders for larger quantities to suppliers not located in these areas, ii) issuing orders to support short-term needs to qualified suppliers not already part of the Parent Company's supplier base, iii) scouting for new sources to mitigate risks in the medium-long term, and iv) optimizing the use of existing inventories according to the priorities of the various sites. In addition, the service level of logistics operators and the tracking of transports are constantly and structurally monitored.

"Sustainable supply chain" chapter

Sustainable supply chain

Risk of not conducting adequate due diligence on potential suppliers, not monitoring their performance over time and/or not developing solid and long-lasting relationships for medium/long-term business development in line with current and emerging regulations and the Group's sustainability principles with consequent economic, legal and reputational impacts. This risk includes aspects of economic and financial soundness, compliance with business integrity (ethics and legality), compliance with environmental, social and human rights regulations, compliance with regulatory requirements relating to the awarding of contracts for the supply of ICT goods, systems and services falling within the scope of national cyber security, production capacity and quality. This risk also includes the inability to meet the Group's ESG requirements (e.g. efficiency, technological innovation, ability to provide the required information).

Management methods

In order to limit the damage associated with inadequate due diligence on suppliers, there is systematic monitoring of their performance by means of Scorecard evaluation. Management of exceptions and suppliers with an "insufficient" or "critical" Scorecard rating is carried out by the special inter-functional Supplier Observatory committee through the formalization and sharing of a recovery or phase-out plan and the subsequent monitoring of the actions taken. Preventive checks are carried out to verify that contracts are concluded with qualified suppliers and that there are clauses on environmental and safety policy and on regularity concerning remuneration, contributions, insurance and taxation. Within the framework of access management and controls on companies, each production site has procedures governing the verification of documentation provided by companies on personnel management and personnel presence at the shipyard. With the aim of ensuring the optimization of energy sources, the production sites have Energy Managers and Energy Teams who carry out monthly checks on correct energy consumption. The risk is closely related to the "Production capacity and industrial productivity" risk.

"Sustainable supply chain" chapter

Budgeting

Risk of inaccurate evaluation of the costs of raw materials, machinery, components, tenders and all construction-related costs in pricing, particularly with regard to prototype orders. Unanticipated cost increases at the pre-contract stage may lead to a decrease in the expected order margin.

Management methods

There is constant monitoring of upward trends in the components of contract costs and the Group takes into consideration predictable increases when determining the offer price and evaluates the possibility of sharing risk with customers. At the time of signing the contract, fixed-price purchase options will already have been defined for some of the vessel's principal components. There are also processes in place for the continuous sharing of information with the responsible entities and for reviewing and budgeting, with full involvement of all company functions. Finally, best-practices are defined for the creation of a correct loop between estimated and actual costs that can improve future budgeting. The risk is closely related to the "Raw material prices" risk.

ENVIRONMENTAL RISKS

Climate change

Risk that a catastrophic event resulting from acute weather phenomena (storms, floods, earthquakes, fires or heat waves) and/or chronic weather phenomena, i.e. long-term climate change (changes in temperature, rising sea levels, reduced water availability, loss of biodiversity, etc.), could damage assets or cause a production stoppage for the Group and/or its suppliers, and prevent the Group from carrying out its operations by interrupting the value chain or slowing down the supply chain.

Management methods

In order to prevent or limit potential damage to assets and/or production stoppages due to adverse weather events, each production plant has specific emergency plans, subject to periodic verification through internal and third-party audits, as well as procedures governing studies and checks on the positioning of ships, moorings, scaffolding, cranes and related safety and warning systems. Maintenance activities also contribute to limiting damage from extraordinary weather events. The entire system is geared towards identifying, assessing and managing site-specific risks and limiting the potential impacts on the company's assets, as well as in general terms the environmental and social impacts that could result. To date, the economic/financial and asset-related risks arising from acute weather events are covered by insurance policies that reduce the possible direct and indirect impact of business interruption. Crisis Management Teams are also in place to manage emergencies and evacuation plans from countries where Group personnel are permanently present.

Fincantieri for the climate" chapter
Sustainability report - The challenge of climate change and risk management

Environmental protection

Risk that the Group does not invest adequately in environmental protection, with consequent harm to the community in both the short and medium/long term. This risk may arise due to a lack of timely or adequate adaptation of existing and emerging regulations into internal processes, a flawed system of management, control and mitigation of potential environmental impacts arising from its activities (e.g. pollution, energy consumption, environmental disaster, damage to biodiversity) or poor training, information and awareness raising given to individuals.

Management methods

In order to mitigate the damages related to the failure to invest or inadequate investment in environmental protection, production sites carry out the controls required by environmental authorizations (AIA, AUA) and internal safety and environment procedures that regulate the management of environmental impacts from activities in the dock, the management of information relating to contractors with the authorization to carry out work in confined spaces or environments suspected of pollution, the analysis of atmospheric emissions, noise and chemicals in the workplace and in the external environment. In addition, there are Energy Teams whose function is to monitor energy consumption and identify actions aimed at improving energy efficiency. In addition, Fincantieri implements specific controls to verify the absence of hidden asbestos on shipyard systems and machinery, and the proper performance of storage, collection, sorting and disposal of waste and processing residues in the shipyard. The continuous monitoring of legislative compliance and its timely adaptation into internal processes are fulfilled through the use of specific software. In order to verify the correct application of all provisions on Safety at Work, Fire Prevention, Environment/Ecology, coordination meetings and periodic internal audits are in place, which include inspecting work areas to see whether they comply with legislation. Finally, with the aim of raising the awareness of the entire company population and strengthening its culture on environmental issues, specific training courses are provided in compliance with national and European regulations.

"Health and safety in the workplace" chapter

ICT RISKS

Cyber security

Risk that the Group suffers a cyber attack aimed at identity, data and information theft (e.g. confidential/privileged information, sensitive data, bank credentials, etc.), temporary suspension of company services or sabotage of computer systems, exploitation of the computing power of company computers for criminal purposes, resulting in reputational damage, loss of turnover, loss of customers and suppliers, sanctions and compensation claims, up to and including business interruption.

Management methods

Fincantieri has equipped itself with a set of tools designed to prevent and/or intercept computer attacks, such as cyber security insurance, a platform for correlating computer-related events to detect computer attacks and review accesses by system administrators, a notification system to warn about suspicious emails (phishing) and a system for blocking requests to Internet domains classified as malicious. To enable a higher degree of security, a threat intelligence service, which promptly intercepts cyber attacks or attempts, and preventive security checks through vulnerability assessments and penetration tests are also in place.
In addition, Fincantieri focuses on removing technological obsolescence on operating systems and any IT incidents are managed through structured processes that allow for prompt reactions.

"Cyber security" chapter

Computer data and information protection

Risk that company information, especially sensitive and confidential information, may be accessed by unauthorized internal or third-party personnel, who may make unlawful use of it, modify it or delete it with serious prejudice to the Group and its stakeholders.

Management methods

As part of the Information Security Policy Architecture model, various policies, procedures and processes are in place to mitigate risk, together with the latest specific organizational and technological safeguards aimed at limiting access to services and information according to the "Least Privilege" and "Defence in Depth" principles and at protecting, through proactive, preventive (network segregation and creation of a Security Operation Center - SOC) and reactive controls, information systems and the information managed within them. Networks and systems are maintained in order to remove any obsolescence that might weaken the perimeter of defence against fraudulent or unauthorized access to data. Cyber security risk mitigation measures help mitigate the risk of integrity and confidentiality of company data managed through information systems.

"Information and data security" chapter

FINANCIAL RISKS

Interest rates

Risk that changes in interest rates may lead to uncertainty about the value of net financial expenses, prospective cash flows, and the fair value of assets and liabilities. Interest rates could rise mainly due to changes in monetary policies decided by the Central Banks in the areas where the Group operates.

Management methods

In order to contain the impact of interest rate fluctuations on medium - to long-term results, the Group continuously monitors interest rate trends and risk exposure, diversifies sources of funding and implements, where appropriate, hedging policies through the trading of derivative financial instruments.

Note 4 "Financial risk management" of the Consolidated Financial Statements

Raw material prices

Risk that changes in the price of raw materials will impact the Group's production costs. This risk may arise, for example, as a result of catastrophic events affecting the supply chain, as a result of changes in customs policies or international import/export agreements or as a result of momentary or structural imbalances between supply and demand.

Management methods

In order to prevent and protect against the impact of raw material price changes on production costs, there is continuous monitoring of risk exposure and a constant evaluation of possible strategies to mitigate its impact, through both commercial agreements with suppliers (steel) and, where possible, through financial hedges (copper and diesel). Monitoring, also carried out with the help of specialists in the field, is supported by monthly reports with historical and forecast data. In addition, there is internal coordination with the Commercial Departments of each business unit to reflect potential cost increases in new offers and to assess the possibility of risk sharing with customers. At the time of signing the contract, fixed-price purchase options will already have been defined for some of the vessel's principal components. As of April 2022, a permanent inter-functional working group is in place to achieve consumption efficiency gains and create energy "autonomy". In addition, the market and the Authority's resolutions on electricity and gas are actively monitored, in order to take advantage of the best conditions offered by the legislator in good time and to consider possible postponements of investments that can be delayed beyond the price increase cycle.

Note 4 "Financial risk management" of the Consolidated Financial Statements

Liquidity

Risk associated with the Group's inability to repay its current financial liabilities or to meet unforeseen cash requirements, related to lower or higher than expected cash receipts or disbursements.

Management methods

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, diversifies its sources of funding in terms of duration, counterparty and technical form, and constantly monitors the trend in its own cash flows in order to anticipate and promptly manage any needs and/or critical issues. It should be noted that there are no financial covenants included in the Group's loan agreements.

Note 4 "Financial risk management" of the Consolidated Financial Statements

Credit scoring & counterparty failure

Risk that the Group establishes business relations with a counterparty without having carefully assessed the counterparty's financial solvency and the adoption of appropriate ESG criteria and/or risk that one or more counterparties with which the Group has ongoing contracts are unable to meet their commitments (one or more customers fail to fulfil their contractual obligations and/or one or more suppliers fail to discharge their obligations) due to financial causes, with impacts on cash flows, operating activities and related costs, and legal disputes.

Management methods

When acquiring orders, and where deemed necessary, the Group performs checks on the financial soundness 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. With regard to financial counterparties, only those of proven soundness are selected, maintaining an appropriate level of diversification of institutions. The Group works constantly with customers, financial institutions and government organizations involved in export finance to ensure the delivery of the orders in its order book. As regards the financial aspect, the Group offers its suppliers the opportunity to use instruments that facilitate their access to credit.

"Sustainable supply chain" chapter
Note 4 "Financial risk management" of the Consolidated Financial Statements

With reference to financial risks, see Note 4 of the Consolidated Financial Statements.

Core markets

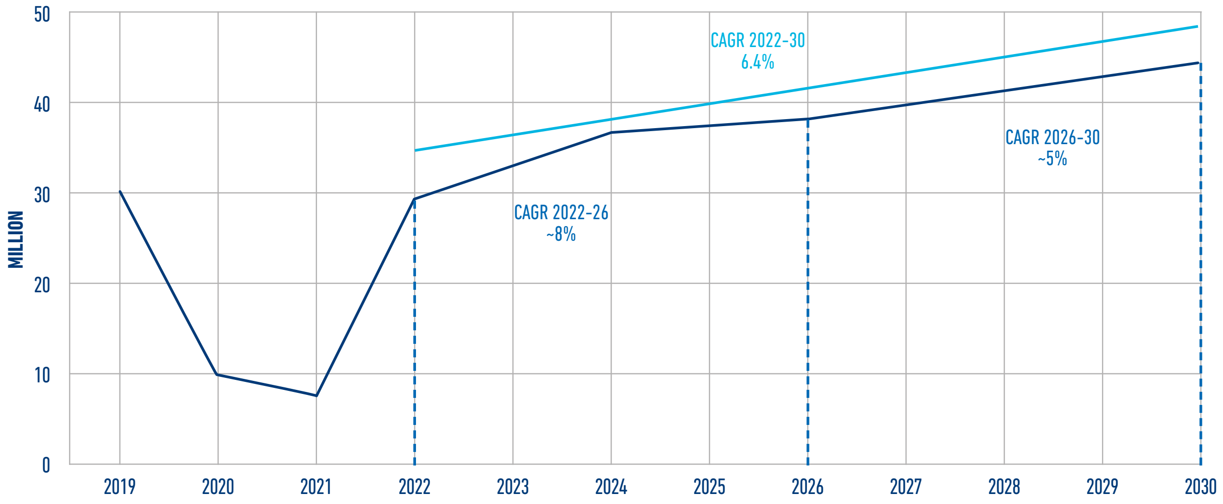
Reference scenario and Fincantieri's positioning

The year 2022 was characterized by the end of the COVID-19 health emergency and the disruption of global geopolitical and macroeconomic scenarios, in the face of Russia's aggression against Ukraine, rising inflation and tensions in supply markets, particularly for energy materials.
Energy transition and the spread of digital technologies are confirmed as the major levers that will influence all markets including shipbuilding, offering additional opportunities to competitors able to ride the wave of technological change and the establishment of new business models.
This situation might offer significant opportunities, thanks to Fincantieri distinctive competencies in the high value-added shipbuilding industry.
The Business Plan testifies the Group ambition to become a global leader in the development and lifecycle management of green and digital ships for the cruise tourism, defence and energy sectors. The strategy also aims to strengthen the international competitive positioning of the Group and of the Italian shipbuilding industry, capitalizing on its industrial excellence and also creating value for the supply chain. In this regard, the aim will be to further strengthen synergies among cruise, defence and offshore specialized vessel businesses, benefiting from the energy transition and technological innovations.
Distinctiveness and sustainability are therefore the defining traits of the Plan, which will allow for further growth, turning the macroeconomic and sector related challenges into opportunities.
Within the **cruise industry**, Fincantieri is leader with over 40% of the market share and 120 cruise ships built since 1990, namely over a third of the global fleet. The Group counts 26 vessels in the order book, with deliveries up to 2028 and has globally leading players in cruise tourism among its customers.
With a long-standing presence in the **defence industry**, since 1990 the Group has delivered over 130 defence units, of which over 50 to Italy, another 50 to the USA and over 30 vessels to foreign navies. Moreover, Fincantieri is a strategic partner of the Italian Navy, among the most advanced worldwide. It is one of the leading operators in the construction of high-tech surface vessels, is consolidating its capacity to produce next generation submarines and continuing to respond effectively to the needs of national and international customers.
Fincantieri is a prime mover in the construction of **support vessels for the wind offshore sector**, with ten Commissioning Service Operations Vessels (CSOV) - Service Operation Vessels (SOV) in portfolio, and two cable laying vessels. Furthermore, the development of cutting-edge offshore vessels, featuring green propulsion and remote-control solutions, is carrying on at full speed to support future offshore operations.

Cruise ships

After a two-year period 2020-2021 characterized by an almost total paralysis of the cruise industry due to COVID-19, 2022 was the year of recovery. The US Centers for Disease Control and Prevention's COVID-19 program came to an end in July and major companies gradually relaxed COVID-19 rules for pre-boarding and onboarding. By December, more than 90 per cent of the world's fleet was operational, with occupancy rates close to historical levels.
For the major cruise lines, during the pandemic the gap in the value proposition between cruises and land-based holidays widened in favour of the former, and the trend in bookings for 2023 is in line with, if not above, 2019 levels, with even higher net returns for some brands.
This fuels cautious optimism[1] and the conviction that cruise tourism has significant development potential, being, as yet, a marginal component of the tourism industry (weight of cruise passengers on tourist flows is less than 3%).
During the year, **orders** were confirmed **for 7 ships with a tonnage of over 10,000** and agreements were signed for the construction of more next generation ships; in addition, some hotel groups entered the sector by launching new brands.
Cruise Lines International Association (CLIA) estimates that about 28 million passengers will be reached in 2022, followed by an average annual growth at 8% with a target of 38 million cruise passengers in 2026[2] and 46 million in 2030 envisioning, in the second period, annual growth at 5%, in line growth rates recorded during the decade before COVID-19.

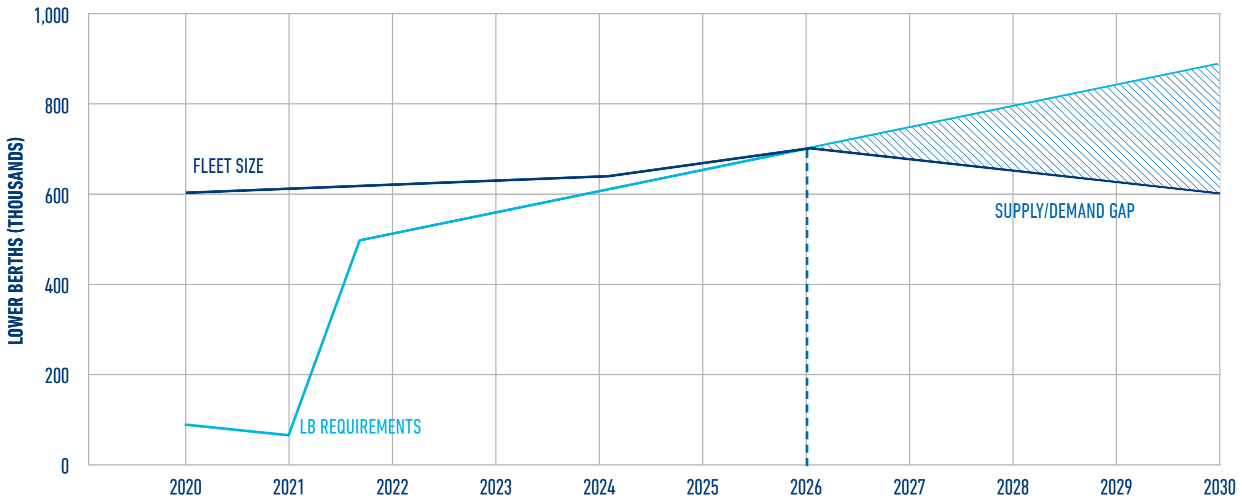
NUMBER OF PASSENGERS



The forecast scenario for the Plan period in terms of new orders takes into account the expected evolution of the size of the cruise fleet and the estimated needs in relation to the projected growth in passenger numbers.
The size of the fleet, which amounted to around 659 thousand LB[3] at the end of 2022, will grow to around 727 thousand LB in 2026 with the delivery of the vessels in order book. As of 2026, due to the decommissioning of obsolete ships (delivered more than 30 years ago), the supply of lower berths will begin to decline. The phase-out hypothesis is supported by the lower margins of the old ships, which are further penalized by rising bunker prices, and their non-compliance with the environmental parameters imposed by the new regulations.

[1] Shipowners' statements.
[2] Source: CLIA Report 2022, average passenger growth rate 2009-2019 = 5%, prepared by Fincantieri based on CLIA data.
[3] LB = Lower Berths, beds available on a ship considering the standard of two beds per cabin. Global fleet size, prepared by Fincantieri using Shippax data.

DEVELOPMENT OF SUPPLY AND DEMAND FOR LOWER BERTHS

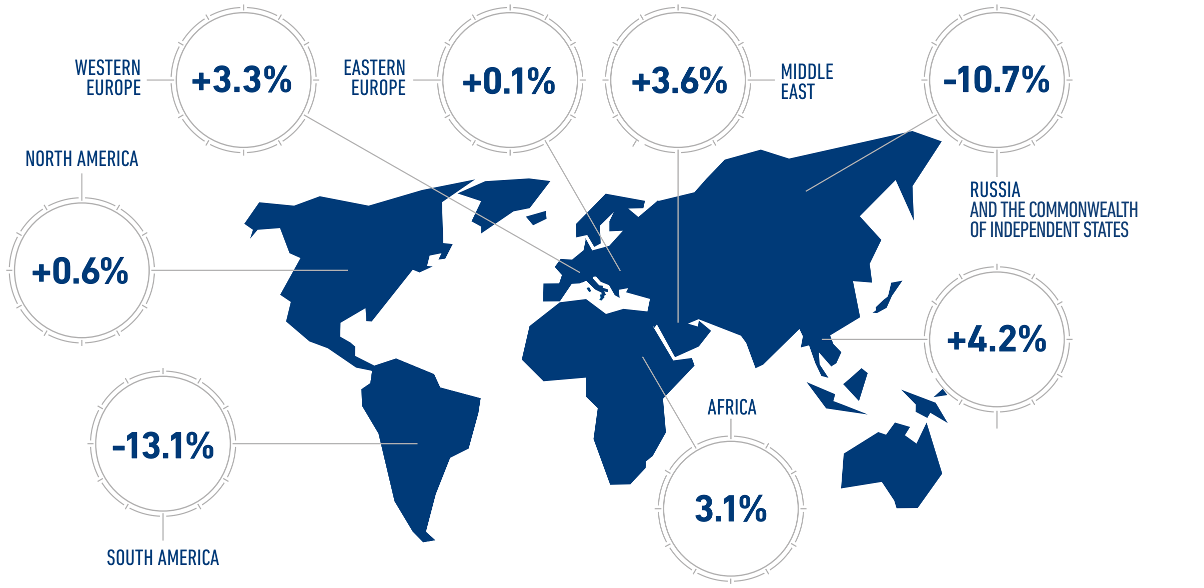


Forecasts on passenger growth and the average duration of cruises, after 2026, show a gap between supply and demand of approx. 200 thousand LB by 2030, which would justify a resumption of orders from 2023 onwards, taking into account the lead time for design and construction.
Today, the resurgence in demand for new ships is driven by the growth of the more luxury market segments served by small- to medium-sized ships, which provide an exclusive experience.
In any case, the evolution of the trade scenario will be influenced by the degree of maturity of technologies for compliance with emission reduction regulations, the need for financial support from Export Credit Agencies, and the evolution of the international economic and geopolitical scenario. Innovation capacity and export support will be the key elements on which competition will be played out, exacerbated by an increased availability of production slots at competitors.

Naval vessels

As far as the naval sector is concerned, the global defence budget stood at US$ 2.08 trillion[1], substantially confirming the 2020 and 2021 values and an upward trend since 2014 (CAGR 2014-22 of 1.6%).
In 2022, spurred by the Ukraine crisis, defence budgets were revised upwards, especially in Europe and in line with NATO guidance.
In 2023, a further 4.4% increase in overall spending is expected, with an estimated average growth rate of about +2% per year in the period 2023-27. This trend could generate an acceleration of some programs and a propensity to purchase also from non-domestic suppliers.

BUDGET NAVI MILITARI - CAGR 2023-27



Spending for naval vessels, amounting to around 6.6% of the total defence budget[2], is expected to grow in line with global spending in the period 2023-27, driven by investments by Western European (+3.3%) and Asia-Pacific (+4.2%) countries. Given the mission requirements expected in the future, spending is expected to grow more markedly than in the past, particularly for more complex vessels such as frigates, corvettes and submarines.
In Europe, Fincantieri is promoting the consolidation process in the naval sector through Naviris, the joint venture established with Naval Group and operating since 2020. Naviris is the "perfect" springboard to establishing a more integrated European defence industry and can support Europe in the process of aligning requirements and nurturing industrial cooperation.
Involvement of the industrial base has already been initiated through the European Patrol Corvette (EPC) program, presented within the framework of the Permanent Structured Cooperation (PESCO), which Italy has joined as coordinator, along with France, Spain and Greece so far.
The ambitious project saw the signing of a consortium agreement in 2022 between Fincantieri, Naviris, Naval Group and Navantia to regulate the execution of the call for tender for the development of the EPC project, maximizing synergies and collaboration between European shipbuilding industries for the development of the first joint naval defence capability.

[1] Source: Global Defence Budget, Jane's, October 2022 - Data in real terms (adjusted for inflation).
[2] Jane's estimated percentage of total budget. A budget is defined as "a spending plan that authorizes organizations to enter into contractual relationships to acquire specified goods or services." Jane's forecast takes into account the statements of various governments and assessments of the correlation between defence spending and GDP trends.

With regard to the trend in orders for naval vessels, the three-year period 2020-2022 was characterized by a slowdown in programs, which were mainly assigned to domestic shipyards: more specifically, orders amounting to an average of euro 18.9 billion were finalized compared to euro 34.4 billion in the three-year period 2017-2019.

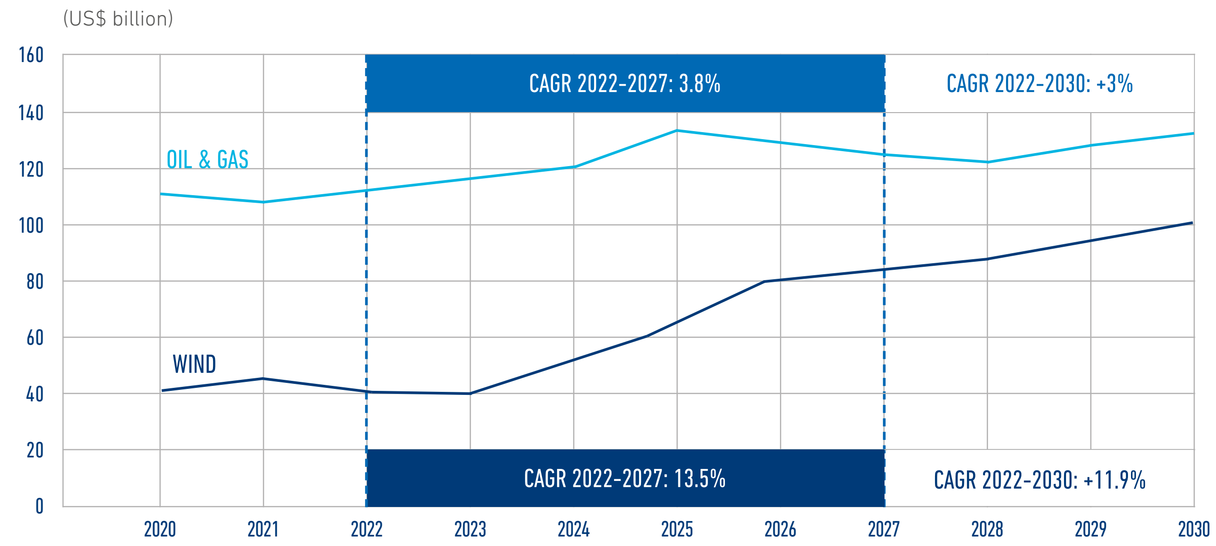
PROGRAMS 2023-2027

As far as the forecast scenario is concerned, the **foreign market accessible** to Fincantieri, for new surface vessels related to the most credible programs[1] with expected allocation during the Plan period, is euro 20.1 billion. Programs for small- and medium-sized vessels (corvettes and patrol vessels) account for more than 35% of the total expected orders (approx. euro 7.3 billion), while those for large units (frigates and destroyers) account for around 45% (approx. euro 9.2 billion).
Overseas, Fincantieri continues to develop established programs (e.g. FREMM and Corvette) to be adapted to customers' needs, and to pursue opportunities in the smaller vessel segment. At the same time, it intends to strengthen its positioning towards globally recognised navies by also developing new projects in accessible foreign markets such as Asia and the Middle East.
The Italian and US navies are expected to continue their renewal, modernization and expansion programs in domestic markets.

Offshore and Specialized vessels

The demand for ships in the offshore Oil & Gas market is influenced by energy policies.

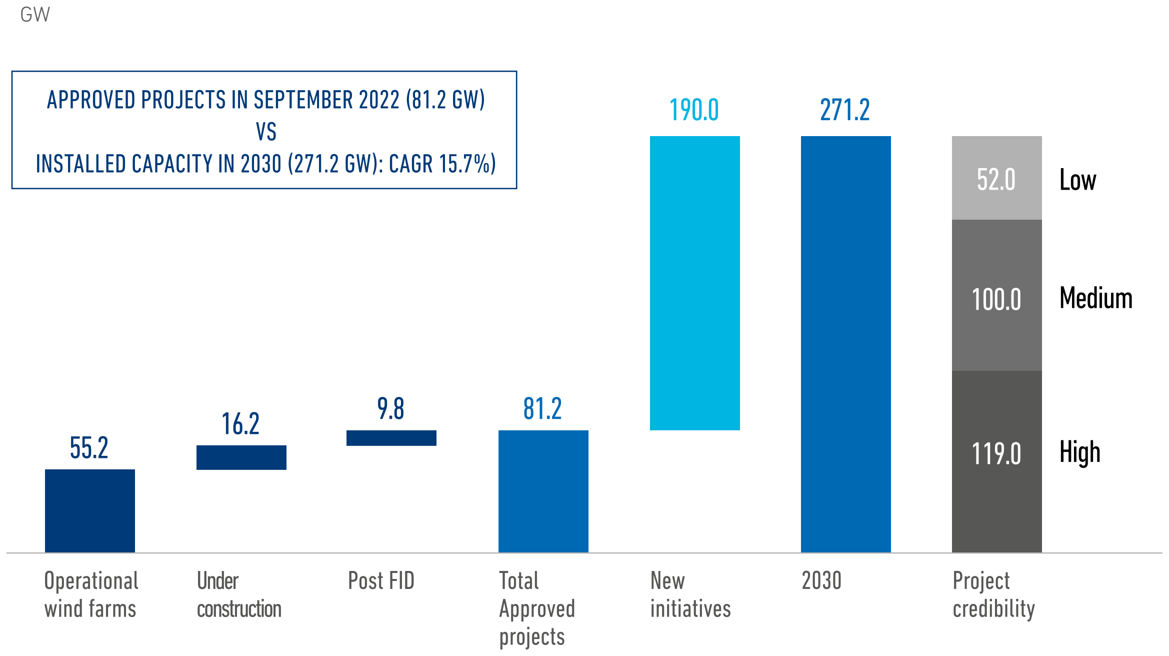
OIL & GAS VS WIND: OFFSHORE INVESTMENT SPENDING



[1] Accessible foreign market (surface vessels): new (non-refitting or MLU) conventionally powered vessels for countries that are not fully self-sufficient. This does not include programs for non-accessible countries (e.g. Russia, China), programs already assigned/started/subsequent batches that are difficult to access, programs relating to MCMVs, carriers and submarines, vessels of less than 30-45m in length. Source: DMM internal analysis and Fincantieri calculations based on Jane's data.

The growth in oil and gas prices, which averaged US$ 103/b in 2022[1], stoking an upswing in offshore investments, which are expected to reach an average annual value of around US$ 134 billion in the period (2023-27), remaining at roughly this level until 2030 (CAGR 2022-2030 +3%).[2]
The environmental policies of various countries are aimed at decarbonization and lead to a much faster growth of investments in renewables: spending on offshore wind is set to more than double, reaching US$ 100 billion in 2030 against US$ 46 billion in 2021.
In the naval field, the last decade has witnessed a rationalization process of the OSV-Offshore Support vessel (PSV and AHTS) fleets with the phase-out of the less efficient vessels and a slow rebalancing between demand and supply of vessels to support Exploration & Production activities, also in the context of the zeroing of orders for new vessels. The utilization rate of the OSV fleet (PSV > 1,000 DWT and AHTS > 4,000 BHP) is expected to increase from 75% at the end of 2022 to 80% at the end of 2023, supporting a general growth in freight rates.[3]
The sector could offer opportunities in terms of newbuilding and refitting, against the backdrop of an increase in overall Exploration and Production activity, as well as decommissioning, and the technological upgrading of a fleet that is old and inefficient in economic and environmental terms.
The offshore wind sector is growing strongly. To date, operational wind farms have a nominal capacity of 55.2 GW. Including those under construction and projects already authorized, the total capacity would be 81.2 GW.[4]

INSTALLED CAPACITY IN 2030



[1] Source: EIA.
[2] Source: Rystad: Global offshore wind capital expenditure to more than double, top $100 billion in 2030, 21 June 2022.
[3] Source: Clarkson – Offshore market outlook, March 2022.
[4] Source: 4COffshore, Global Market Overview Q3 2022.

The additional growth related to known initiatives is estimated at 190 GW, an amount that would bring the world's installed power to about 271 GW by 2030 (CAGR 15.7%) and over 400 GW by 2035.
The fastest growing areas are China, the UK, the US, Germany and the Netherlands.
The construction of new wind farms and the maintenance of those in operation will require an increasing number of specialized CSOVs and SOVs. The demand for SOVs/CSOVs and the characteristics of the vessels are influenced by: i) the number of new wind farm construction projects; ii) the emergence of gaps between supply and demand in the offshore market, including cable layers; iii) the increase in turbine size in terms of height, swept area and maximum power; iv) the installation of turbines in deeper waters and farther from the coast, which makes Crew Transfer Vessels (CTVs) unusable; v) the use of the vessels during the construction phase of wind farms and not only in the maintenance phase.
Excluding the units belonging to Chinese shipowners, the SOV/CSOV fleet numbers around 30 vessels; 21 vessels (including one conversion) have been ordered by 2022, with deliveries extending to 2025.
In 2022, the gap between vessel requirements and available specialized fleet was bridged using vessels built to operate in the Oil & Gas industry, variously adapted to work on offshore wind projects. These are less efficient vessels, with lower freight rates and higher operating costs. It is estimated that the increase in offshore Oil & Gas activity will again absorb these vessels, or limit their transfer from one sector to another.
Given these dynamics, the additional requirement in 2029 could exceed 150 SOVs/CSOVs to be ordered in the five-year period 2023-2027.[1]

[1] Source: Clarkson, September 2022 - Edda Wind 3Q 2022 presentation.

Investment plan

The growth strategy of the Fincantieri Group requires, in addition to an increase in the order book, an ever greater focus on **product quality and cost optimization**. The achievement of these objectives requires an across the board commitment and the implementation of multiple initiatives, among which the continuous development and enhancement of assets is of particular importance.
In particular, the significant work being carried out on assets in order to successfully execute the growing order backlog is enabling the Group to optimize the management of its production process, improving **quality and efficiency**.
In the last three years, the Group has invested around euro 962 million in its production units, both in Italy and abroad, to make its **production process safer and more efficient**. The main interventions focused on:

- adaptation of the operating areas and infrastructure of the Italian shipyards, with a particular focus on the Monfalcone and Marghera sites, to enable completion of the significant order backlog acquired. The significant production investment plan launched at these two shipyards, which has led to the acquisition of the latest machinery and equipment as well as a more efficient configuration of production processes, has reached its final stage and will soon be fully operational;
- implementation in the United States of the shipyard modernization program and the realization of projects to increase production efficiency and support fulfilment of the order backlog acquired (in particular, the Constellation program);
- the launch, at the Vietnamese Vung Tau shipyard, of a significant investment program aimed at increasing the shipyard's production capacity, so as to consolidate the company's leadership position in the construction of SOVs, particularly dedicated to the offshore wind market;
- constant improvement in the safety standards of machinery, equipment and buildings.

In addition, the Group is pursuing multiple initiatives to further raise its technological standard through the introduction of **advanced robotics solutions** and the launch of a major **digitalization program**. In this area, the most important initiatives concern:

- increased automation of the production process at the Marghera shipyard, through the introduction of a new semi-automatic line, about 300 metres long, for the production of panels and ship blocks. The new line, which features state-of-the-art plant solutions and is directly interconnected to the manufacturing logistics system for data exchange, will significantly increase the efficiency and quality of the production process, enabling Fincantieri to respond more effectively and precisely to the shipyard's growing workload;
- the development of prototype robotic solutions for steel welding, also through partnerships with leading companies operating in related sectors. The first step in this project, which is scheduled to be tested at Fincantieri sites in early 2023, will involve the design and construction of a welding robot-vehicle, consisting of an anthropomorphic robot with a welding head and a tracked vehicle that will be guided by a remote control system. This solution will make the process more efficient and increase the quality of finishes, especially in areas that are more difficult for a human operator to reach;
- the introduction of high-tech Mixed Reality and Augmented Reality instruments to support the production process which, through the use of special visors, will allow the assembly plan for the various components to be projected directly onto the production blocks.

The set of measures implemented and under development is expected to contribute positively to the margins on projects, allowing for coverage of any exogenous factors such as, for example, the increase in electricity and raw material costs related to the changed international environment.
Obviously, all these considerations cannot be separated from close attention to the environment and the social context in which the Group operates. In 2022 Fincantieri made **significant investments** in the area of **sustainability**, both in Italy and abroad, mainly with the aim of:

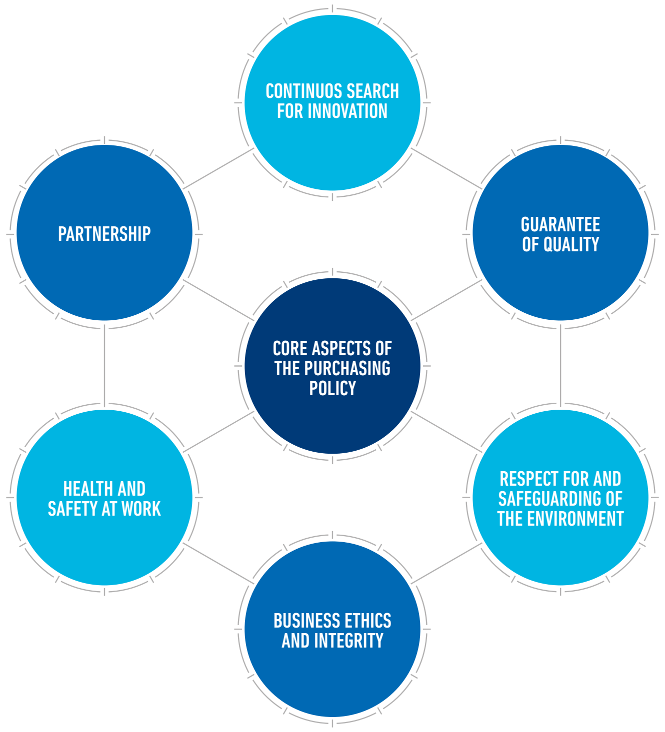
- optimizing energy consumption;
- introducing tools for monitoring water consumption and reducing waste;
- increasing the safety of its workers;
- reducing noise pollution;
- aligning shipyard standards with environmental regulations;
- increase the welfare of their employees. In this context, it is worth mentioning that the first company crèche was completed in 2022 at the headquarters of the Merchant Ships Division in Trieste to support parents.

Fincantieri believes that value can only be created through **sustainable and responsible management of growth**, which will generate benefits for all stakeholders. In this context, Fincantieri is bringing ESG issues to the centre of its processes and this is also reflected in its investment management.

Sustainable supply chain

The development of a responsible and sustainable supply chain is part of a broader corporate vision that actively enhances and protects social and environmental responsibility, fully integrating them into the strategic guidelines. Suppliers are an active part of this strategy and they are asked to share the **Purchasing Policy**, the primary goal of which is to affirm the Group's commitment to strengthening the development of solid and long-lasting relationships with its partners in order to pursue a common goal of sustainable development together.

The core aspects of the Purchasing Policy adopted by the Group are:

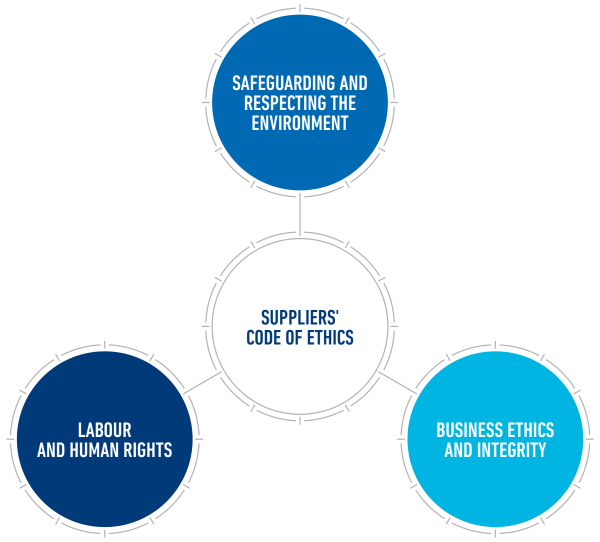


The Purchasing Policy is available on the website
https://www.fincantieri.com/globalassets/sostenibilita2/pdf/purchasing_policy.pdf

The awareness of the supply chain's strategic nature and the need to coordinate a vast and diversified network of suppliers make the search for long-term partner relationships characterized by transparency, collaboration and mutual respect, essential.
In this respect, it is extremely important that suppliers respect the **Code of Conduct** that Fincantieri has implemented, which contains the principles and rules that must be observed.

In order to consolidate relationships with suppliers, the **Supplier Code of Ethics** was drafted and approved by the Board of Directors in 2020. This document sets out and disseminates the **values**, **principles** and **responsibilities** defined by the Code of Conduct, the Charter of Sustainability Commitments and the Sustainability Plan, based on national and international best practices and principles. The document was developed by the Procurement Department with the involvement of other company functions (Sustainability, Human Resources, Internal Auditing, Legal Affairs), it was shared with Italian and foreign subsidiaries and subsequently published on Fincantieri website and company intranet.

The Code is based on three fundamental pillars:

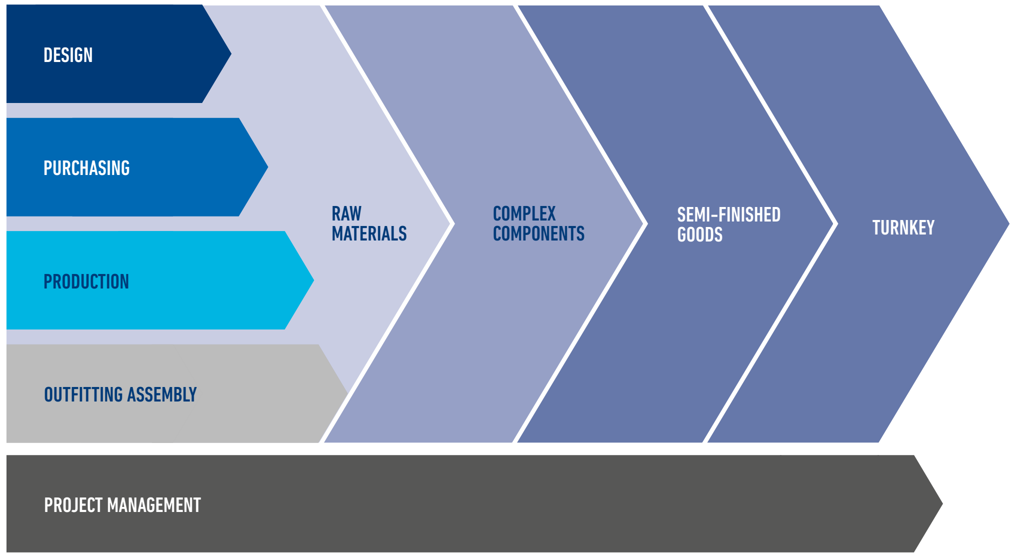


The Supplier Code of Ethics is available on the website
https://www.fincantieri.com/globalassets/sostenibilita2/responsabilita-economica/fincantieri_suppliers_code_of_ethics2.pdf

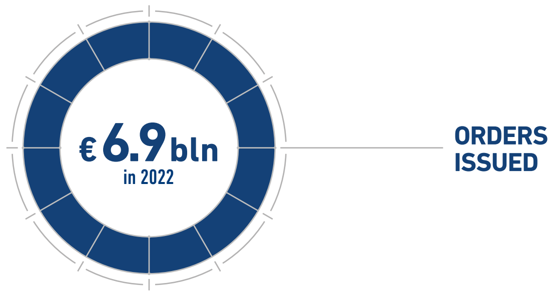
Supplier base

As regards the shipyard, approximately 80% of the finished product is made with the contribution of suppliers: Fincantieri works as de facto system integrator, taking responsibility for the project as a whole.

FINCANTIERI'S SUPPLY CHAIN



Supply chain numbers



As regards the Italian activities, Fincantieri acts as leader and group hub for a large number (**over 7,000**) of **Small and Medium Enterprises** (SMEs), giving them access to projects of great breadth and value that allow them to interact with a global market they would otherwise be excluded from due to their small size.
This network of Italian SMEs are highly specialized in various macro-sectors (such as suppliers of furniture, air conditioning systems, electrical/electronic systems, etc.).
In particular, through its shipyards, Fincantieri contributes to the maintenance and development of the industrial system of the regions in which it operates.
Furthermore, with the aim of facilitating access to credit for suppliers, a series of **reverse factoring** agreements have been stipulated with some of the leading Italian financial operators, providing the supply chain with the possibility of monetizing receivables due from the Parent Company and/or its main subsidiaries before their natural due date, at predefined economic conditions.

Reverse factoring agreements, which have been enhanced in recent years to better support suppliers' needs, support the supply chain by optimizing supplier payment flows, increasing their liquidity and facilitating access to credit on favourable terms.
Throughout the Group, a high percentage value of orders are issued to **local suppliers**, whose activities are mainly restricted to the same geographical areas as the companies for which they operate. In Italy, 79% of the total value of orders issued is distributed to local suppliers, while for the VARD group in Norway, 67% of expenditure is on Norwegian companies, while Fincantieri Marine Group's activities channel 98% of the value of orders to companies in the US.

Management of contracting companies in Italy

The Company's production model, structured to operate as an integrated system that makes use of both in-house and external skills, technologies and production capacities, requires the broad participation of the resources involved and the sharing of common values, conduct and goals.
On this premise, and in a logic of continuous improvement, action to significantly reduce the use of the supply chain for some specific activities (insulation, painting) has continued and will also affect other labour intensive activities in the future.
With identical goals, unbundling/insourcing initiatives inherent to systems and fitting out activities continued to be strengthened and concerned:

- the design and realization of naval interiors such as public areas, catering, cabins and wet units;
- high-tech activities, such as those in the IT and electronics area, as well as in automation, integrated physical security and logistics;
- the design, production and supply of innovative integrated systems in the field of system engineering and electrical, electronic and electromechanical industrial components.

Initiatives aimed at consolidating the **relationship with suppliers** considered strategic have been intensified, in particular for supply activities and "turnkey" contracts, through the definition of long-term partnerships that encourage the continued presence of those workers on the territory, thus also responding to the expectations expressed by institutional stakeholders.
The stabilization of companies and the reduction of worker turnover can in fact allow local authorities to improve the planning of infrastructure and social services, as well as result in a more effective management of integration policies.
Investments continued in 2022 to improve the logistics infrastructure of support services for the employees of external companies, particularly as regards changing rooms, canteens and car parks.
The entire procurement process, starting from the accreditation in the Register of Suppliers and the allocation of orders, is subject to controls and constraints aimed at checking that they meet their legal obligations, in particular with regard to the rights of employees. Further controls are envisaged when entering the individual sites and during the entire time they remain at the operating units.
These guidelines were shared at the trade union level and implemented in recent company agreements, the latest being the one signed at national level on 26 May 2021.

Qualification and monitoring

Development and efficiency of the Fincantieri supply chain starts immediately at the supplier selection phase, which follows a documented procedure in order to guarantee impartiality and equal opportunities for all the parties involved.
Management and the continuous improvement of a pool of trusted and innovative suppliers is essential in order to achieve the goals set at Group level in economic and sustainability terms. Fincantieri's purchasing office provides suppliers with **constant technical support** for all activities connected to the selection and qualification process, including those concerning sustainability. The supplier base is recognised as a

significant asset for Fincantieri, and as such it should be valued and protected. This is why Fincantieri has developed a **stringent qualification and performance monitoring process** for strategic suppliers, based on the evaluation of economic, technical, reputational, social and environmental aspects by the relevant corporate bodies, so as to ensure compliance with and observance of Fincantieri standards.

In this sense, the **collection of environmental and social information** is active during the pre-qualification stage, e.g. possession of certifications for occupational health and safety management systems and for environmental and energy management systems, as well as information on discharges and emissions, renewable sources, types of waste produced and accidents.

Prominence is given to issues related to **safety**, the **environment** and **protection of labour rights**, with a specific focus on **ethical and reputational aspects** during both the qualification and the monitoring phases. Evaluation of certain fundamental aspects, such as technical/professional suitability, the regularity of contributions and remuneration of employees, and the existence of a structure dedicated to safety at work, takes place during both the pre-qualification document collection phase and the quality inspection phase at the supplier's premises, as well as during entry in the Group's shipyards. In addition, for all suppliers operating in Fincantieri production units, it is verified that the **contractual minimum** is consistent with the relevant National Collective Bargaining Agreement (CCNL), while for foreign companies it is verified that equal treatment compared to that established by the Italian CCNL is observed.

The Group is one of the leading manufacturers of medium-sized ships in the United States, operating for civilian customers and government organizations through the subsidiary Fincantieri Marine Group (FMG). In the naval sector, the main customer of Fincantieri Marinette Marine (FMM) - a company belonging to Fincantieri Marine Group - is the US Government, a customer that requires high-quality, high-performance goods and services that must be provided with skill and proven expertise.

To verify that they meet certain insurance requirements, an **orientation course** is provided to suppliers performing services in US shipyards before the works begin. To this end shipyard safety training courses are also carried out and, in order to ensure an appropriate communication flow, they are informed about the correct contact representatives within the company.

For the VARD group, procurement of the strategic products is managed at the headquarters in Ålesund, while purchases of all other products (minor and non-critical) are handled by the procurement teams at the individual shipyards. Suppliers must be selected from among those that have been registered as approved suppliers (maker list) through a specific evaluation. Among the criteria adopted, anti-corruption is a mandatory requirement, as evidenced by the reference in the pre-qualification questionnaire to the transparency law passed in Norway on 1 July 2022.

To ensure inclusion and understanding of occupational health and safety issues, safety courses are provided to suppliers in five different languages.

A stringent performance monitoring process is carried out so that suppliers can maintain their "qualified status" and to promptly manage any critical issues.

A supplier remains qualified as long as the reasons for its inclusion in the Register of Suppliers continue to exist and until the monitoring of its performance is considered critical to the point of expulsion.

The Group monitors the supply chain using a "**life cycle**" management approach to minimize the environmental and social impact of a product or service over its entire lifetime. In particular, sensitivity towards and respect for the environment are spread along the whole production chain by means of ever more frequent exchanges of information and documents with suppliers.

As part of the supplier monitoring system, a continuous performance evaluation system (**balanced scorecard**) is used in which all the relevant company functions take part, in such a way as to guarantee that the required standards are met over time. Through the use of specific purchase methods adapted for the different product categories Fincantieri is committed to obtaining the best conditions and performance throughout the entire life cycle of the product.

Lastly, the main problems are examined through cross-involvement within **Supplier Observatory**, the body that gathers several functions and departments (Procurement, Quality, Finance, HR, Security, etc.). This Observatory oversees critical suppliers through close monitoring of the problems encountered and make the consequent decisions, which may consist of identifying targeted improvement plans or, where necessary, defining when and how to phase out the supplier. Monitoring is implemented through continuous cooperation with the entities involved in the process and following the reports received from them.

Innovation and Sustainability

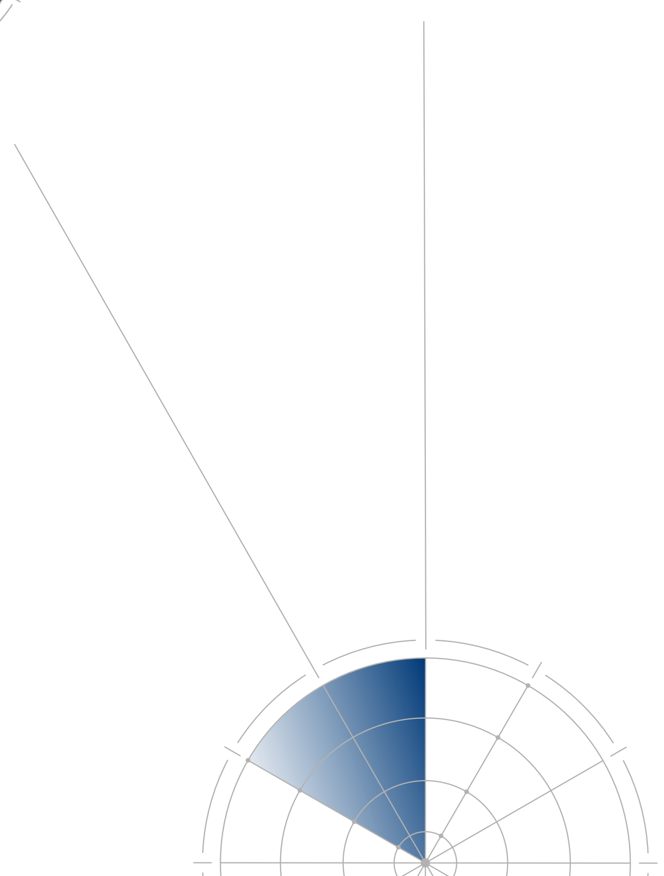
Fincantieri's main objective is to maintain and strengthen its world leadership in all the high value-added sectors in which the Group operates, aiming to acquire, to maintain and to strengthen its role of global leader. Fincantieri is attentive to potential commercial, regulatory and environmental developments, continually seeking innovative and high value-added solutions that anticipate customers' needs. The Group's competitive advantage lies in the capability to design and deliver highly technological and customized solutions, this is especially evident in the integration of complex systems.

In the current environment, where the challenges associated with the green and digital transition combined with the impacts of COVID-19 and global geopolitical and macroeconomic changes impose a radical transformation of business models, the Group has confirmed its position as one of the most competitive global players, thanks to its flexibility and ability to adapt to significant changes in market needs. The latter requires the adoption of a continuous process of change in order to develop new technologies to implement the product portfolio and recover productivity.

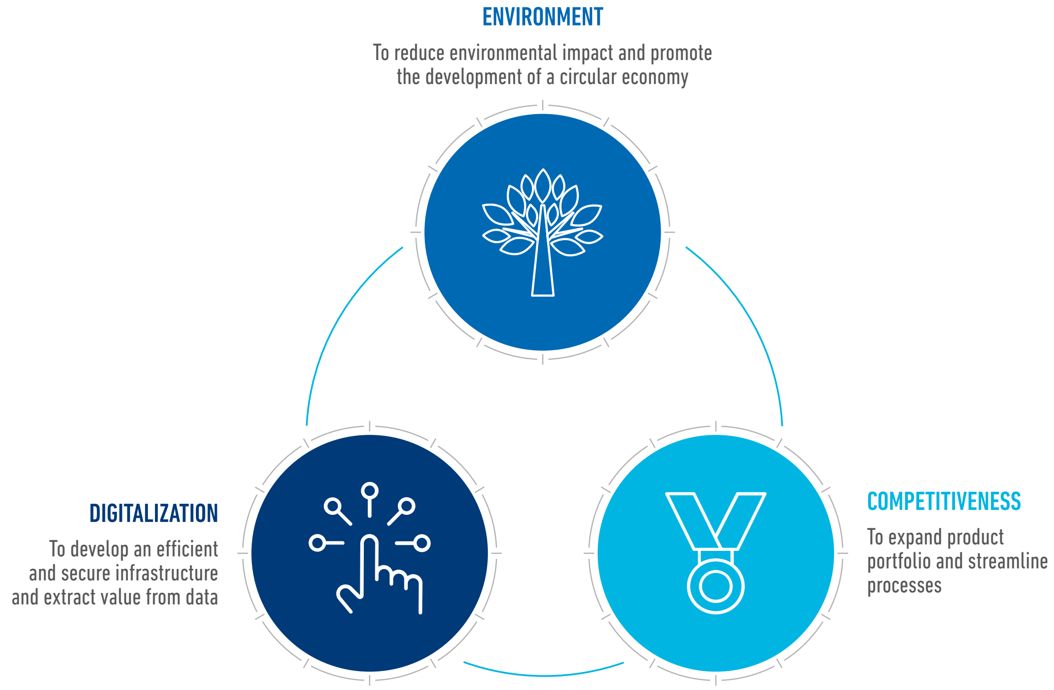
The ability to understand and anticipate changes in the markets in which it operates and the constant updating of products and processes are therefore the key features of the Fincantieri Group.

Innovation strategy

Research and development costs



The Group has identified three technological directions to guide and streamline its innovation efforts:



Environment

For many years, the concept of environmental protection has established itself as one of the guidelines for innovation processes and has acquired a fundamental importance for the sustainability of human activity on the planet.

Fincantieri is committed to further increasing the level of sustainability of its contracts and reduce their carbon footprint, throughout the product life cycle. These objectives are the cornerstones of its vision and stimulate innovation activities, including reducing air and water emissions, improving on-board waste management, and reducing noise and vibrations. This approach requires all new technologies be directed towards the decarbonization and the transition to green fuels.

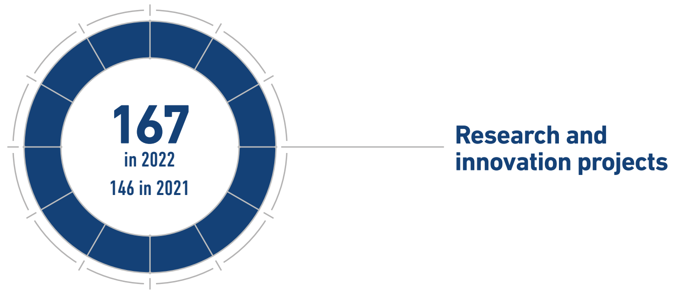
Digitalization

The digital transition is the foundation of the latest industrial revolution, currently underway, which is preparing the ground for a radical change in the business. The pervasive use of smart devices, the Internet of Things (IoT) and artificial intelligence, is already having impacts in most industries, including the design, manufacturing and construction processes in segments related to the maritime sector and other sectors in which Fincantieri operates.
The world of digitization poses significant challenges in the development of pervasive and efficient network infrastructures, in the management of ever-increasing amounts of data, and in the extraction of value from the analysis of the data itself.
These concepts also have important repercussions on the whole value chain, from the design of new systems, to their monitoring and maintenance in the after-sales phase, as well as strong implications on cyber security aspects. Great importance is given to the modelling of possible cyber attack risks and the countermeasures to be taken both at a logical and a physical level to prevent these eventualities. These logics and models are applied to the Group's products and infrastructures, both in the naval and in the civil sectors.

Competitiveness

Maintaining and enhancing global competitiveness and leadership is one the main objectives of the Fincantieri Group. The current technological transition sees the emergence of breakthrough solutions. Their applicability to the production processes is constantly evaluated in order to seize the best opportunities to increase company performance.
With this in mind, the Group is committed to perfecting all phases of design and production in the shipyard and to studying methodologies, technical solutions and innovative materials. This process of continuous improvement is accompanied by essential training and educational activities in order to develop and update skills.
A working group dedicated to identifying the evolution of customer needs has been set up to identify and anticipate the needs of the market in which the Group operates. This information is used to identify the necessary technologies, the technological gap to make them operational and consequently the development path to follow, which will be based on real research and industrialization projects.

Main projects



In 2022, at Group level, over 160 Research and Innovation (R&I) projects and programmes have been conducted, funded either through own resources or through the use of European, national and regional R&I programmes. Several projects are carried out in cooperation with universities and research institutes, through the awarding of specific assignments or the funding of PhD fellowships, research grants, or tenured and temporary positions in partner universities. All projects can be traced back to the three technological directions described above.

Environment

The main projects related to these issues are:

- **GREATS** - Green Ammonia / Methanol to Green Ships: developed in collaboration with the University of Genoa, the project involved a feasibility study on the use of ammonia and methanol to power internal combustion engines on board passenger ships. Following the guidelines of Annex VI of the International Convention for the Prevention of Pollution from Ships (MARPOL), the study analysed the impact caused by the use of ammonia and methanol, both in terms of energy efficiency and consequent polluting emissions, and in terms of integration with and modifications to on-board systems. In particular, as part of the project activities, HAZID (HAZards IDentification Analysis) was carried out to draw attention to the dangers connected with the use on board ships of systems powered by the two alternative fuels and consequently highlight the main requirements and recommendations to be respected to maintain and guarantee safety. Finally, a further analysis looked at the maturity of the four-stroke dual-fuel (methanol or ammonia) engines currently available, or under development, for future implementation on passenger ships.

- **FUCELL** (2018-2023): as part of the FUCELL project, in cooperation with the University of Trieste and its spin-off CEnergy, Fincantieri opened a new laboratory in the Area Science Park in Trieste. In particular, a prototype was made of a power generation plant for marine applications, consisting of a hydrogen production, compression, storage and distribution plant to power fuel cell system combined with a system of super capacitors. The research activities, the total cost of which is estimated at about euro 2,400,000, will enable the acquisition of specific know-how on fuel cell and hydrogen technology. Once the authorizations of the classification and flag authorities were obtained, the technologies developed within the project were applied at prototype level on board ship. Subsequently, downsizing the completed system will generate new business and revenue opportunities for the Fincantieri Group. The application of fuel cells on board has the advantage not only of reducing polluting emissions (GHG, NOx, SOx, particulates), but also of increasing the energy efficiency and the vibro-acoustic comfort of the ship.
- **TECBIA** - Technologies with low environmental impact (2018-2022): a project conducted by Fincantieri and Isotta Fraschini Motori in cooperation with the Italian National Research Council (CNR), Cetena, RINA, the National Research Body (ENR) for the promotion of standardization, and the Universities of Genoa, Naples and Palermo, with the contribution of the Ministry of Economic Development. The project aimed to study exhaust gas after-treatment devices and distributed electricity generation with fuel cells on board cruise ships, giving Fincantieri the opportunity to build a laboratory that is currently unique in the world: **ZEUS** - the **Zero Emission Ultimate Ship**. In the future, in order to accelerate technological innovation in decarbonization and digitalization, and thus maximize the positive effect of the investment, the Fincantieri Group intends to use the vessel to test further technologies.
- **GreenCruise** (2019-2022): development and testing of new tools, processes and methods for increasing product sustainability. The project aims to develop technologies, design and production processes and prototyping for verification and testing of different solutions capable of making future large cruise ships safer and more environmentally friendly.
- **EALING** - European flagship action for cold ironing in ports (2020-2023): the goal of the project was to accelerate the deployment of On-shore Power Supply solutions in EU maritime ports.
- **GREENSHIP** - Towards zero ship emissions (2019-2022): the project aimed to develop an e-learning course to train a new figure on board ship: the Emissions Manager, in compliance with the new IMO requirements.
- **Zero Coaster** (2020-2023): the project, managed by the subsidiary VARD, aims to develop optimization of design processes for a new class of zero-emission bulk carrier for coastal navigation.
- **TEOREMA** (2019-2022): the project enabled the design and testing of innovative offshore energy technologies through the development of two technologically advanced platform concepts for the production of wind, solar and wave power as well as Microbial Fuel Cell (MFC) technologies.

Digitalization

The main projects related to these issues are:

- **SHOPROM** - SHip OPtimization with Reduced Order Methods (2021-2022): in collaboration with SISSA (International School for Advanced Studies), the project dealt with the single-objective structural optimization of passenger ship hulls through model and parameter space reduction techniques, making it possible to reduce the computational complexity of numerical simulations while maintaining an adequate level of accuracy. The aim of the project was to provide the design functions with software that could explore thousands of different ship configurations in a very short time and identify those that would allow them to minimize the weight of the ship (saving tonnes of steel and reducing production costs).
- **ECHO** - European network of Cybersecurity centres and competence Hub for innovation and Operations (2019-2023): project, funded under the Horizon 2020 Programme, which aims to develop a new coordinated and integrated approach to proactively incentivise the EU's cyber defense through efficient cross-sectoral partnerships.
- **FLARE** - FLooding Accident REsponse (2019-2022): cooperative project, funded under the Horizon 2020 programme, for the development of a risk-based methodology in order to assess and control the risk of flooding in real time on board passenger ships.
- **SAFEMODE** - Strengthening synergies between Aviation and maritime in the area of human Factors towards achieving more Efficient and resilient MODEs of transportation (2019-2022): the project set out to develop a new "HUman Risk Informed Design" (HURID) design framework to identify, collect and evaluate human factor data to base the design of systems and operational procedures on risk models.
- **KPN IPIRIS** - Improving Performance in Real Sea (2020-2023): a project developed by the subsidiary Vard Design to increase the digitalization of design and construction processes in order to achieve the greenhouse gas emissions targets laid down by the IMO.
- **TETI** - Innovative technologies for control, monitoring and safety at sea (2021-2023): the project entails the study and development of innovative technologies to be used in monitoring the environment and safety at sea. Project activities are aimed at optimizing sensors to be used for remote control and real-time interconnections. In addition, the project includes activities aimed at the design and experimental implementation of smart float systems.

Competitiveness

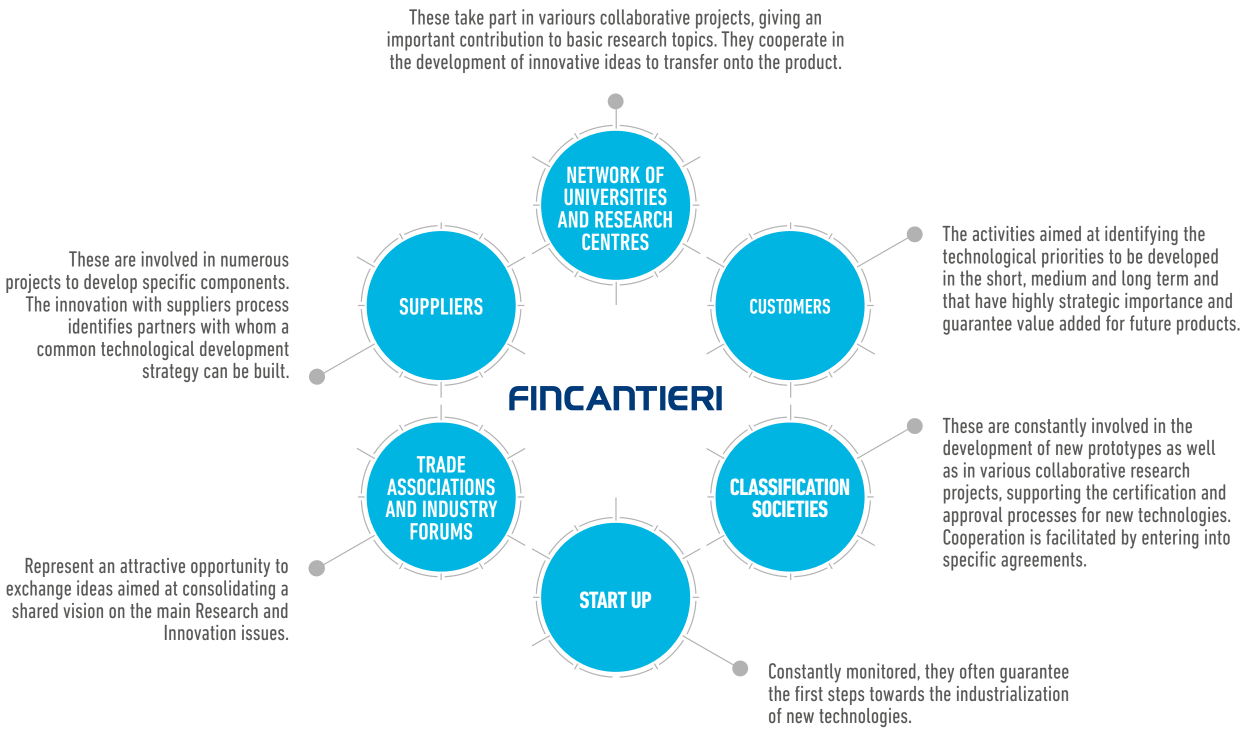
The main projects related to these issues are:

- **ALSO4** - Automated Laser Scanner Operations (2020-2023): a collaborative project, funded by the Autonomous Region of Friuli Venezia Giulia, involving other industrial partners (MarineLab and Studio Zerouno) and the Universities of Trieste and Udine. The project focuses on the research and development of optoelectronic control systems based on laser scanner technology in order to create a working prototype for the three-dimensional measurement of ship blocks and sections. The use of such technology is expected to result in less reliance on manual operations, reducing the overall time required to survey and process data and optimizing the performance of the design and production system, as well as less need for repair work which is expected to generate an annual saving of about 1.25% on the cost of the hull. Important positive effects on business are expected as a result of the activities and collaborations developed within the project; an increase in the perceived quality and satisfaction of the customers, as well as the creation of know-how and specific skills that will allow us to maintain and strengthen competitive advantage.
- **Hull Production 4.0** (2020-2023): the project, financed by the Ministry of Economic Development, aims to optimize hull production processes, by integrating production and quality control processes, in order to apply standards and methods that are as uniform as possible across the Group's various production plants. The project will ensure the development of advanced laser and vision systems to support processes and the construction of demonstrators at the Castellammare di Stabia and Palermo yards.
- **IFuture** (2020-2023): program agreement for the establishment of a research and innovation centre within Isotta Fraschini Motori for the development of a new family of engines for industrial applications, a remote monitoring system and a new engine for marine applications that is based on hybrid technologies and integrates digital tools that optimize performance.
- **AIP 2** - Reactants storage and production systems for second generation fuel cells / 2nd phase (2022-2023): the second phase of a project that focuses on the feasibility study, design, construction and validation of a technology demonstrator for an air-independent, fuel cell-based propulsion system for submarines.
- **SEA DEFENCE** - Survivability, Electrification, Automation, Detectability, Enabling Foresight of European Naval Capabilities in Extreme Conditions (2020-2023): the project, funded under the European Defence Industrial Development Programme (EDIDP), aims to indicate which are the emerging technologies for the next generation naval vessels in relation to future operational scenarios. These technologies will be the focus of European Defence Fund (EDF) investments during the 2021-2027 framework program.
- **ARES** - Naval support platform for underwater and airborne drones (2019-2022): the project aims to extend the operational capabilities of a naval platform through the use of a cooperative system of autonomous underwater and surface drones.

Cooperation

To maximize innovative capabilities, Fincantieri adopts an open working method open to collaborations with other industry and academic actors that can contribute systematically to an enrichment of its expertise. The Group continuously 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 sectors in which Fincantieri operates.
In this regard, long-term relationships are promoted through the creation of wide-ranging cooperative development programmes. Aware of the significant boost that these can provide, Fincantieri constantly aims to expand its partnership networks at local and international level.

In embracing the Open Innovation model, the Group takes into account a wide range of stakeholders, shown below:



Fincantieri strongly believes in the possibility of creating value in a collaborative way and, for this reason, has developed a dense network of relationships and participation in various regulatory and institutional round tables, both in Italy and in the main countries where the Group operates.

A common strategy: from global to local level

In the area of partnerships, those activated to implement the Group's vision and to jointly define the documents and actions that contribute to establishing and pursuing the sectoral strategic priorities, at local, national and supranational level, are particularly important. To this end, Fincantieri maintains numerous relationships with other industry partners, universities and research institutes, and various associations and forums.
The Group aims to regularly strengthen **partnerships with the entire value chain** to create added value and positive spillover throughout the chain, through co-design activities and sharing of best practices. With this in mind, Fincantieri is among the 35 European companies participating in the first IPCEI (Important Project of Common European Interest) on hydrogen, which, in July 2022, obtained the European Commission's authorization for funding through the State Aid scheme envisaged for IPCEIs.
On the associative level, during the year, Fincantieri participated intensively in the work of the main European sectoral organizations. One of the most important strategic partners of the European Commission is represented by the **European Waterborne Platform TP**, of which Fincantieri is an active member. The platform aims to maintain continuous dialogue between all stakeholders in the maritime, naval, port, logistics and blue growth fields (the latter being an expression that brings together various economic activities including, for example, fisheries, aquaculture, maritime tourism, maritime biotechnology, production of renewable energy from oceans, deep sea mining), through the consolidation of a shared vision aimed at identifying European priorities for Research and Innovation.
Waterborne TP, along with the European Commission, is the driving force behind the co-programmed European partnership, **Zero-emission Waterborne Transport**, which officially launched in June 2021. The partnership's ambitious goal is to demonstrate and provide zero-emission solutions for all ship types and services before 2030, enabling zero-emission waterborne transport before 2050.
Fincantieri has contributed to the work of the industry associations **SEA Europe** and **Hydrogen Europe**. The former is the European association representing shipyards and manufacturers of maritime equipment; the latter is the European association representing the industry and research for the development of hydrogen technologies and fuel cells and supporting the institutionalized European partnership Clean Hydrogen for Europe.
The Fincantieri Group is also a member of the **European Clean Hydrogen Alliance**, participating in the work of the round table dedicated to mobility and, from 2022, of the **Renewable and Low-Carbon Fuels Value Chain Industrial Alliance**, where it chairs the Waterborne Chamber (a group that brings together all members of the waterborne transport sector) and participates in the work of the round table dedicated to the maritime sector. The former supports the large-scale development of hydrogen-based technologies with the aim of fostering industry investment; the latter supports the increased use of low-carbon fuels in the aeronautical and naval sectors, with the aim of encouraging the implementation of the proposed FuelEU Maritime regulation.
Internationally, the Fincantieri Group cooperates with:

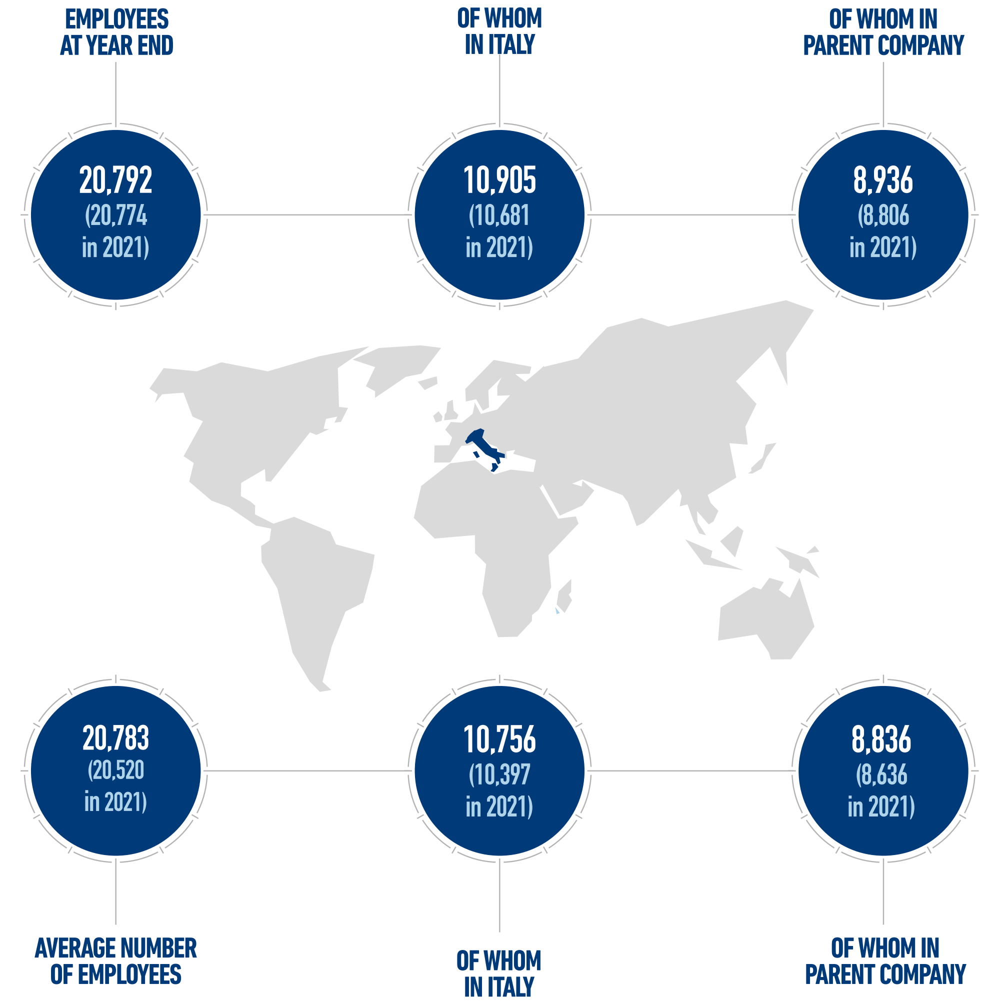
- **EuroYards**, European Economic Interest Group of leading European shipbuilders, where it actively contributes to the activities of the technical committee and the working group on product and process digitalization;
- The **Cooperative Research Ships** consortium, focused on the study of hydrodynamic and structural topics and general issues related to large ships, both from an operational and design point of view;
- **European Council For Maritime Applied R&D** (ECMAR), industry association that aims to develop a common strategy for European research in the maritime sector;
- **AeroSpace, Security and Defence Industries Association of Europe** (ASD), an association for the competitive development of European aerospace, security and defence industries;
- **Smart Marine SFI**, centre for innovation in collaboration with The Foundation for Industrial and Technical Research (SINTEF), whose main focus is to increase the potential of the Norwegian maritime sector within the sustainable waterborne transport segment.
- **Move SFI**: centre for innovation in collaboration with Norwegian University of Science and Technology (NTNU), whose activities are focused on increasing the value of maritime operations by developing IT knowledge, methods and tools;
- **National Shipbuilding Research Program** (NSRP), a program funded by the U.S. government to carry out research and innovation initiatives with the dual objective of reducing total cost and improving the capabilities of commercial vessels, providing a cooperative framework for managing, focusing, developing and sharing research and development, leveraging best practices in shipbuilding and repair.

As part of its Italian activities, Fincantieri has contributed to the work of the **National Technology Clusters (NTC)** and of the **regional technology districts** to which it adheres. At both national and regional level, collaborations enable the creation of synergies across different supply chains, identification of future cross-sectoral research trajectories and efficient targeting of available resources.
During 2022, Fincantieri actively participated in the initiatives promoted within the National Recovery and Resilience Plan (PNRR) aimed at stimulating technology transfer between various national stakeholders: the **National Research Centre in High Performance Computing, Big Data and Quantum Computing**, the **National Centre for Sustainable Mobility**, and the **Territorial Innovation Ecosystem - Robotics and AI for Socio-economic Empowerment**.
Lastly, Fincantieri is a member of several associations and sectoral initiatives: the Italian Hydrogen and Fuel Cells Association (**H2IT**), the Italian Association for Industrial Research (**AIRI**), the Federation of Italian Companies for Aerospace, Defence and Security (**AIAD**) and the two Competence Centres **START4.0** and **MediTech**, for the promotion of new Industry 4.0 solutions in the infrastructure and engineering sectors, respectively.
The Group's cooperation activities are often supported by the **Centro per gli studi di Tecnica Navale - CETENA** research centre, which, thanks to its experience in research and consultancy in the maritime field since 1962, represents the cornerstone of the Group's pre-competitive research and engineering. CETENA's main competences range from fluid dynamics to structural design, including the application of innovative materials, from energy efficiency and the control of emissions to safety issues at sea and onboard, and from the development of software and simulation systems to sea trials and lab activities.

People

The **Group's People Strategy**, developed over the years, was bolstered and updated in 2022 in order to build a solid foundation for the Group's growth and achieve successful performance, in an increasingly complex and dynamic scenario, and to design a sustainable future by seizing the opportunities of the digital and ecological transitions, in line with the new Business Plan and Sustainability Plan.
The implementation of the People Strategy, through cross-functional tools and processes, ensures, on the one hand, the consistency of HR objectives with business objectives and, on the other hand, the centrality of people in the organization. The development of a pipeline of talent and workers prepared for the future, continuous listening and dialogue with people, and the promotion of an inclusive work environment that recognises and values diversity are key elements of the Group's strategy, aimed at constantly improving the employee experience.
The Group's commitment to the effective implementation of the People Strategy has been recognised by the Top Employers Institute, a company that has certified the quality of people management and development processes as well as the work environment, including Fincantieri in the pool of companies certified as **Top Employer Italy 2022**.
The workforce as at 31 December 2022 consisted of 20,792 people, in line with 2021 levels. The increase in the workforce in Vietnam, Italy and the US, linked to the development of new projects, offset the reduction following the reorganization of production processes in Romania. In addition, the increase in resources in South America is due to ship maintenance activities (at the Promar shipyard) and to an order of the subsidiary FINSO to build a hospital in Chile.

HEADCOUNT



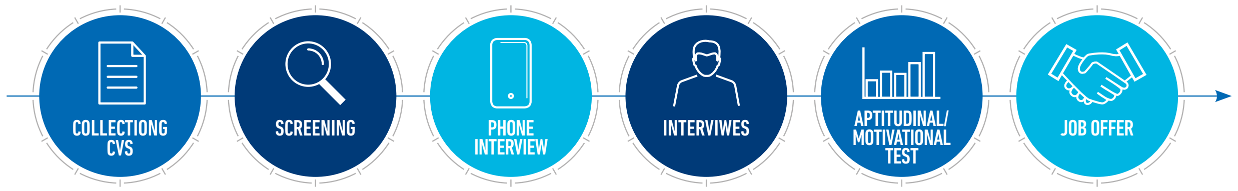
Development and safeguarding of human resources

In line with the Employee Value Proposition (EVP) "**Fincantieri**, **People Ahead**", employer branding strategies and practical actions for the management, training and growth of people have been implemented, with the aim of promoting Fincantieri in the labour market and maintaining a high sense of belonging and motivation, leveraging an organization capable of listening to and satisfying individual needs and expectations, enhancing skills and experience and offering real opportunities for growth. The Group's EVP guides all stages of the employee experience, starting with attraction, recruiting and onboarding, through to development processes, professional growth and dialogue with people.

Talent Acquisition & Employer Branding

In a national and international job market characterized by a growing mismatch between supply and demand (professional mismatch), especially for STEM subjects (Science, Technology, Engineering and Mathematics) and the consequent "war for talent", Fincantieri is committed to being recognised as one of the most attractive employers, as confirmed by the **2022 Universum award**, awarded for the student and young professional categories.

SELECTION PROCESS



The selection process structured and transparent, built on the principles of equality and inclusiveness in order to ensure equal opportunities for all individuals regardless of age, ethnicity, nationality, religion, gender, disability, sexual orientation, political affiliation, marital and socioeconomic status. It guarantees a thorough evaluation of candidates in terms of technical and cross-functional skills, aptitudes, experience and professional aspirations, avoiding distortions of judgement or unconscious bias. For some positions, internationally certified personality and motivational questionnaires are also administered.
In order to maintain Fincantieri's high level of attractiveness as an employer, in 2022 the Group continued to invest in initiatives for the continuous improvement of recruiting processes, which are increasingly tailored to the needs of candidates, in strategic and innovative **employer branding** actions aimed especially at recent graduates and young professionals, and in the digitalization of the onboarding process for new recruits.
The presence on social networks was further strengthened, also through communication campaigns aimed at describing, through interviews with employees, the different professions in the Group.
The collaboration has continued with recruitment start-ups, including Tutored, an online platform for university students, founded by young entrepreneurs, through which dedicated webinars and interviews with company testimonials have been proposed.
In order to attract and retain the best talent, Fincantieri relaunched the national and international **job rotation project** dedicated to the Administration, Finance and Control area. It includes an online selection process, a gamification activity and an in-person assessment. The goal of the project is to select the best undergraduates and recent graduates by offering them an accelerated growth path aimed at developing technical and managerial skills in an international context.
Positioning oneself among the most attractive companies, especially with regard to professionals in the industry, means ensuring a positive **candidate experience** throughout the selection process. This is why Fincantieri activated two surveys aimed at assessing the degree of candidate satisfaction during the various phases of the recruitment process.
The attention paid to monitoring the quality of the experience that Fincantieri people have throughout their career extends to the process of leaving the Group. Employees who have decided to leave the Group voluntarily are given a structured **exit interview** questionnaire that analyses the reasons that prompted them to resign and is the starting point for the exit interview. The questionnaire aims to investigate the overall degree of satisfaction with the Fincantieri Group and the experience gained, and provides useful information to identify new tools and actions aimed at creating the best possible working conditions for Fincantieri employees.
The Fincantieri Group boasts consolidated partnerships with numerous schools, universities and business schools in the countries where it is present, with the aim of creating a growing synergy between the worlds of work, education and training.
Various social responsibility projects have been launched by different Group entities, aimed at encouraging young people's orientation to the world of work starting from middle school, through company professionals who suggest professional models and profiles that students can identify with, as well as field trips to experience the reality of business.

Talent Management

Strengthening skills, enhancing experiences, creating the best possible conditions for employees to express their potential and achieve their aspirations, these are the key drivers of Fincantieri talent management process. Over the years, prioritizing internal mobility on a global scale as an accelerator of growth paths, Fincantieri has built a **network of talents** and **professionals** who are ready to face the new work challenges dictated by digital and ecological transitions.
With the aim of encouraging the global adoption of a single Group culture, the dissemination and implementation of the new **Skills Model**, common to all companies, continued in 2022 in order to guide people's behaviour in line with the Company's strategy, culture and values, aligned with the current competitive environment, but projected onto dynamic and constantly evolving scenarios. The Skills Model, called the **Excellence Map**, represents the foundations of the main HR processes and ensures transparency in the definition of career paths calibrated to individual's skills and expectations.

Training

Training is guaranteed to all Group employees without distinction of contract, level, grading or organizational position.

In 2022, Fincantieri invested **euro 9.2 million** in **training**, **coaching** and **mentoring** programs with the aim, on the one hand, of enhancing and disseminating the Group's distinctive know-how and, on the other, developing and enhancing new technical, relational and leadership skills with a view to continuous training. The adoption of innovative ways of engaging participants, such as **blended and distance learning**, enabled a high number of hours to be delivered while offering the flexibility and potential of digital training and the effectiveness and interactivity of face-to-face training .

To ensure the skills needed to achieve the company's objectives are maintained and that professional profiles are constantly updated, in recent years Fincantieri has developed a broad and varied offer by stepping up the use of **customized training programs** based on roles and experience gained. In addition to the traditional courses that focus on functional and transversal skills, we are constantly investing in the development of other training activities concerning health, safety at work and the environment, topics that are considered indispensable (over 125,000 hours of training have been provided globally through the **Fincantieri Safety Academy**). The Group also provides continuous training and updates on legislative compliance and corporate procedures, and does not merely comply with legal obligations. In particular, in 2022, we have been committed to developing and updating employee skills in the areas of Legislative Decree 231/2001, anti-corruption, IT security, GDPR and risk management.

As part of the corporate training offered, the role of the **Corporate University**, Fincantieri's in-house management training school, is strategic. It consists of technical-managerial training courses aimed at increasing employees' skills at various stages of their professional development path. In 2022, more than 22,300 hours of training were provided and 447 employees were involved. Particular importance was given to sustainability topics, which have been integrated in the Corporate University courses since 2019, involving over 830 employees.

The main thematic pillars of the 2022 training were:

TRAINING PROGRAMS

TECHNICAL KNOW-HOW: training initiatives aimed at increasing, transferring and monitoring the technical skills that represent a key element for Fincantieri. The knowledge transfer process, on the one hand, consolidates the knowledge and experience gained in certain areas by senior resources and, on the other, ensures the rapid integration of young talent. In 2022, the technical courses particularly focused on: design regulations and software, welding techniques, project management, procurement, knowledge of foreign languages, and training courses in preparation for obtaining certifications and licences, especially in the areas of production, ICT, and project management. The tool used extensively to raise technical and managerial skills is on-the-job training, which is particularly effective for learning in the production process.

DIGITAL TRANSITION: in recent years, Fincantieri has embarked on a major digital transformation process, necessary to address the ongoing digital transition in the industry, which is radically changing the business in which the Group operates. The pervasive use of smart devices, the Internet of Things (IoT) and artificial intelligence, is already having an impact on most business processes, such as the design, production and shipbuilding processes. This digital transformation process has entailed a major investment in training programs dedicated to developing new digital skills and updating those already present within the Group's ranks, which will continue in 2023. The goal behind such upskilling and reskilling activities is to make employees understand the evolutionary context in which they are operating and how digital transformation sees technology as an enabler of change and thus how digital tools are embedded in daily routines and can benefit operations and competitiveness.

LEADERSHIP: for several years now, the Group has been been continuously investing in the development of an effective and inclusive leadership model for employees already in management positions and for those who have the potential to become the leaders of the future. The importance the Group attaches to this issue is further highlighted in the new Skills Model and in the managerial training path called Fincantieri Next, developed in collaboration with SDA Bocconi. This training program provides a comprehensive overview of the most current scenarios and orientations of business management, with the aim of stimulating new approaches and perspectives in areas such as: strategy, innovation, sustainability, digital transformation and intercultural leadership. The coaching and mentoring that Fincantieri offers to its managers and young talents are effective tools that contribute to the diffusion of the Group's leadership model.

SUSTAINABILITY: training activities aimed at creating a comprehensive corporate culture of sustainability and conveying to all employees the values underlying environmental and social responsibility actively promoted by Fincantieri. In the area of environmental sustainability, Fincantieri has committed itself to raising the awareness of its employees, making them protagonists of a path of continuous improvement through virtuous behaviour, attention to waste and responsible use of resources, while it has also developed specialist training courses aimed at supporting and accelerating the ecological transition process. These initiatives are aimed at increasing the level of expertise for an increasingly efficient management of energy performance and the use of environmentally sustainable solutions that reduce the carbon footprint of orders, throughout the life cycle of the product. In the area of social sustainability, the Group has set up training programs focused on diversity and inclusion, in line with the action plan defined in 2021, with the aim of creating a work environment open to dialogue and sharing, leveraging the adoption of a more conscious and inclusive language, the promotion of prejudice-free behaviour and the enhancement of diversity.

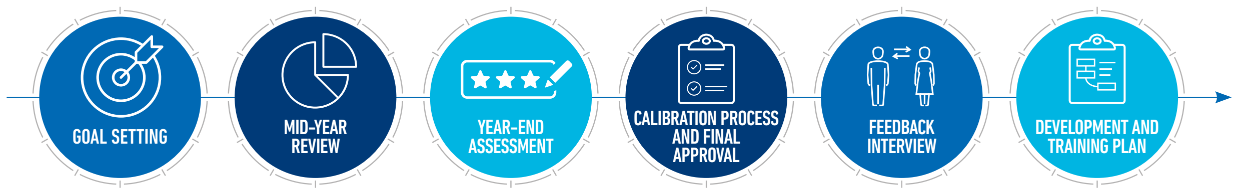
During the year, initiatives were organized for experiential **team building**, a skill that is of great strategic value for the Group's success, especially in a complex and constantly evolving context. These initiatives aim to promote a climate of collaboration, foster communication and teamwork, create a shared team identity, value individual characteristics, and develop an inclusive work environment. An important team-building program was launched in December, dedicated to the Fincantieri Group's management team, which will continue throughout 2023, with the aim of strengthening teamwork, cross-functional communication and widespread responsibility, which are key elements to enable a rapid implementation of the new strategic plan.

Evaluation processes

A key element behind the development and growth of our people is the **feedback culture**. This is a tool for dialogue and understanding that is present in all evaluation processes and, through constructive and ongoing exchange, it enables employees to reflect on their strengths, areas for improvement and motivational levers in which to invest.
The evaluation processes were redesigned in line with the new Group Skills Model to guarantee objective assessment, ensure accuracy, credibility and transparency, and incentivise the adoption of behaviour in line with the model:

- **Performance appraisal**: the Performance Management model, common at global level, includes the assignment of individual goals to the entire white collar and management population. This is a strategically important process because it connects employees - their roles, skills and results - to business strategies and goals. In order to empower people and make them protagonists of their own growth path, stages for self-assignment of role objectives and self-assessment are envisaged.

PERFORMANCE APPRAISAL



The Performance Management model evaluates two complementary drivers: individual goals (WHAT) and behaviours (HOW), which are linked to the skills in the Excellence Map. The actors in the evaluation process (assessees, assessors and HR managers) participate in dedicated training activities.
Meritocratic policies are linked to the Performance Management process that are aimed at recognising and enhancing the results achieved, as well as the professional growth paths of employees. The use of clear and objective parameters in performance appraisal ensures fairness in the definition of meritocratic interventions and career opportunities.

- **360° assessment**: a development tool intended for all managers with at least five staff members. It aims to assess the typical skills of team managers, such as feedback, delegation, management and development of team members and recognition of others. The tool enables the assessment carried out by the person concerned to be compared with those of their manager, colleagues and collaborators, highlighting the most significant gaps, areas of strength and areas for improvement, as a starting point for subsequent self-development actions.
- **Potential appraisal**: an assessment activity that focuses on the person in a forward-looking way, regardless of the role held, with the aim of supporting, on the one hand, Fincantieri in defining growth paths, job rotation, succession plans and organizational changes by mapping the wealth of skills and experience, and, on the other, the employees by highlighting strengths, areas for improvement and motivations for growth.

People Development

The training activities and the evaluation and development processes carried out during 2022, with the related evidence, were the basis on which to carry out **people review** activities, a fundamental management tool for enhancing human capital and defining **professional growth paths** and **succession plans** for key positions. These are updated on an annual basis in order to ensure the Group's continuity and competitiveness and to identify any new talent to be included as "successors".
People development activities also enable "high potential" people to be identified, namely resources with greater potential and usefulness, 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.
Young resources with high potential are included in the **Talent Project** designed for them. A professional development path is defined within Fincantieri for each participant. This path includes a short/medium-term growth plan with job rotation and mobility actions (also abroad), in line with their skills and aspirations, specific training that focuses on both technical and leadership skills and participation in a mentoring program lasting two years.
In order to further encourage **mobility**, especially international mobility, structured job rotation programs were developed to which all employees, both experienced and junior, have access. These projects, launched through the **internal job posting** platform, aim to enhance internal resources and accelerate their growth, promoting the development of new experiences, knowledge and technical and cross-functional skills. During 2022, 16 international job rotation opportunities (resulting in over 100 applications) were promoted at the Group's sites in the United States, India, Romania, China and Qatar, in addition to the program promoted by the US subsidiary, Fincantieri Marine Group, which provides a selected pool of employees with a six-month work experience at one or more Group sites in Italy.
With a view to continually improving the employee experience of those involved in international mobility, a monitoring process for the protection, support and development of expatriate staff was implemented at the end of 2022 through surveys.

Well-being for people

Fincantieri's **welfare model** has a positive impact on people's well-being and responds to the evolutionary processes of the job market and the company, making it possible to improve working relationships and the organizational climate. This model has increased the level of attractiveness of the organization and its work environment, raising the level of employee engagement and their sense of belonging, confirming Fincantieri's interest in and commitment to improving the living conditions and well-being of its employees and their families.
The welfare tools 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. At the same time, to provide an incentive to allocating a part of the variable bonus to the use of welfare services, employees who decide to use it in this direction are awarded an increase of 10% of the value. In 2022, 25% of the overall performance bonus allocated was converted into welfare services.
Utilization of company welfare is supported by a website through which employees can access a wide range of goods and services, such as:

- school fees and textbooks;
- assistance for family members;
- sports, wellness, travel, etc.;
- 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;
- repayments on mortgages, nurseries, public transportation season tickets, etc.

To address the emergency of high energy prices and its impact on the economic and social context, and especially on families, Fincantieri put in place the conditions so that employees, again through the aforementioned website, could benefit from the fuel bonus expressly excluded from taxation up to a maximum amount of euro 200. In addition, it promptly raised the tax-free threshold of fringe benefits to a maximum of euro 3,000 per capita for the year 2022.
The system also makes available a range of **corporate conventions**, reserved for Group employees, which offer a wide range of discounts on products and services of different categories related to national and international brands.
With regard to **supplementary health care**, Fincantieri is a member of the Health Fund for Steelworkers, called MètaSalute, 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 high limits, insured both directly, through the facilities contracted with the operator and in the form of reimbursement.
Fincantieri also guarantees the opportunity for **pensioners** to continue to make use of the supplementary health care benefits with a contribution paid for by them.
With the new supplementary labour agreement, signed on 27 October 2022 with the trade unions at national level, Fincantieri has introduced special coverage, in order to guarantee welfare benefits aimed at recognising treatment in cases of loss of self-sufficiency, so-called **Long Term Care**, and permanent disability from non-occupational illness and accidents, to protect workers from serious and dramatic impacts on their personal lives.
In order to meet both the need to safeguard health and the company's need to maintain continuity of production activities in the context of a constantly evolving pandemic situation, flexible work measures were maintained with an increased use of **smart working**, as a tool to facilitate work-life balance, where compatible with the activities performed. Starting from September 2022, the agreement previously signed with the Trade Unions was implemented to make agile work structural at the end of the emergency period with the aim of pursuing significant increases in employees' personal well-being, simultaneously fostering a better balance between work and personal needs and the development of their respective professional skills by enhancing their degree of autonomy and orientation towards objectives and results, while strengthening the trust relationship with the their managers. This agreement, following specific regulatory provisions enacted during 2022, was applied extensively in favour of vulnerable workers and parents with children under 14.
As part of Fincantieri's welfare system, of particular importance is the network of **company clubs** that organize initiatives locally that meet the needs of personnel, such as "after-school" activities, recreational, sports and cultural activities, holiday camps, and support for the purchase of schoolbooks for employees' children.
In 2022, around 8,600 registered members, including current and former Fincantieri employees, benefited from the activities of the 9 company clubs at national level.
As a further support to parents in managing their children during the working day, a project was set up to establish **company crèches** at the various company sites. The project, supported by a survey that showed strong employee interest in the initiative, led to the signing of a nationwide trade union agreement on 17 January 2022 in the presence of the Minister of Family and Equal Opportunities.
The first company crèche, open 11 months a year and with a service covering the entire working day with access to flexible time slots, was built inside the headquarters of the Merchant Ships Division in Trieste and the first school year started in September 2022.
Implementation of the program is continuing with the planning for the construction of facilities for employees at the Monfalcone and Marghera sites and will continue with the gradual construction of facilities at the other sites involved.
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 program.
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 at Vard Tulcea.

Industrial relations

Fincantieri's industrial relations model has evolved in a participatory direction and this direction has been strongly reinforced by the supplementary agreement signed with the trade unions at national level on 27 October 2022.
The new agreement focuses on issues of participation, sustainability, welfare, work-life balance, training, safety, diversity and inclusion, all topics of increasing sensitivity in the context of corporate life.
With particular regard to participation, the **Participation Body** was set up, consisting of the national trade union coordinators and three representatives chosen from among the employees, to whom the economic and financial results and the contents of the Sustainability Report will be illustrated for the first time after the Shareholders' Meeting held to approve the financial statements.
The same agreement provided for the establishment of the following Commissions at national level:

- **Commission for Diversity & Inclusion** - composed of three members from the employer, three national trade union coordinators and three workers' representatives and responsible for deepening the lines of action, jointly proposing and evaluating new initiatives and monitoring their progress in the field of diversity, inclusion and multiculturalism.

- **Joint Commission for Grading** - composed of three members from the company and three from the trade union and is dedicated to monitoring the implementation of the new professional grading system and to drawing up evaluations and proposals concerning professional profiles.
- **Joint Commission for Welfare** - composed of three members from the company and three from the trade union, with the task of analysing, evaluating and monitoring the development of company welfare.

The recent agreement also reconfirmed the full operation of the bodies provided for in the previous agreements, which were always participation-oriented. These include the **Advisory Committee**, a strategically important body composed of six company representatives and six 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 innovation, 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 programs.
The **National Joint Commission for Safety at Work** and the **National Joint Commission for Training** remain operational. The former analyses aspects related to the health and safety of employees as well as environmental factors of importance for the company as a whole. This Committee also monitors the development of operational projects implemented at individual sites that are closely linked to safety and environmental issues. The Joint National Training Committee is responsible for analysing training needs, evaluating and approving plans involving resources from different operating units and monitoring the progress and effectiveness of the training provided. As part of the Committee's activities, specific agreements were signed aimed at using the resources available in Fondimpresa.
The **Bilateral Joint Technical Body** and **Committee on Safety and Environment** will continue to operate at each company site. These bodies, 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 the Group's workers, Fincantieri and the Trade Unions, again with a view to participation, undertook to set up the **European Works Council** (EWC).
In view of the centrality of environmental and climate issues, a new **sustainability** target was included in the Result Bonus and in the Management Objective Plan, with related economic impact, linked to five indicators identified annually at company level (e.g., reduction of energy consumption, water use, greenhouse gas emissions).
Important innovations were also introduced as regards **work-family balance**. In addition to the crèche project mentioned above, a wide range of paid leave has been recognised, in addition to those in the metalworkers' national collective bargaining agreement (CCNL), for the placement of children in the first year of crèches and nursery schools, for the care of disabled children up to the age of 12, and for the care of elderly parents aged 75 or over when they are hospitalized and/or discharged from care institutions.
Confirming the innovative imprint of the supplementary agreement, ample space was also given to the topics of **diversity and inclusion**, for the enhancement of the intrinsic characteristics of each individual as an enriching factor for Fincantieri.
This also includes the establishment of a free counselling service and psychological assistance (with guarantee of anonymity) for those who are victims of gender-based violence in the workplace, as well as a coaching and counselling course called "Mum: work in progress" with the aim of supporting future and new mothers.
With the intention to increase the most informed and shared participation in **health and safety** issues by all workers, within the company supplementary agreement, a **joint initiative** has been established, starting from 2023, on an experimental basis, and on an annual basis, at each company site, consisting of an information/training meeting for all employees on safety and environmental issues identified jointly at a local level by the Health and Safety Officers and Workers' Safety Representatives.
Some of the main trade union agreements signed previously have also been incorporated into the new supplementary agreement.
These include the agreement establishing **Solidarity Leave** signed on 26 March 2021, through which workers may voluntarily give up, free of charge, their accrued rest and vacation time to colleagues who need to provide constant care for young children, seriously ill children and victims of gender-based violence. This opportunity, which is useful when dealing with delicate situations and needs of a personal and family nature, also intends to promote a system of mutual support, creating a sense of collective responsibility in the construction of a positive and supportive company climate.
Also included in the supplementary agreement is the trade union agreement on **contracts**, signed on 26 May 2021, to which primary importance must also be attached due to the company production model. The agreement confirms the validity of the initiatives developed in recent years and defines significant lines of action such as: the strengthening of actions against irregularities, the simplification and reduction of subcontracting activities in "labour intensive" areas, also through the launch of automation projects and the involvement of satellite businesses in sustainability issues. Among other things, the agreement highlights the need to strengthen the technical and professional skills of the shipbuilding industry through the extension of initiatives with local authorities for the preparation of recruiting and training/retraining programs, as well as strengthening the possibility for workers in satellite businesses to exercise their trade union rights.
Lastly, on 7 December 2022, Fincantieri signed an agreement with the Trade Unions at national level for the rescheduling of working hours that will allow access to the **New Skills Fund**, with the aim of developing workers' skills in the macro areas of digital and ecological transition in order to meet emerging needs within the company.
Employees are guaranteed **freedom of association** throughout the Group. In 2022, 49% of employees are registered with trade unions.
In all the countries where the Group operates there are contracts or agreements that regulate the employment relationship.
The VARD group has implemented a model of industrial relations that is strongly oriented towards dialogue with trade unions in order to identify and provide impetus for the conversions needed to ensure a stable and profitable future to the group. The national collective bargaining agreement in Norway guarantees a minimum wage level and the possibility of an early retirement scheme. In Romania, employees are covered by the Collective Bargaining Agreement at company level and also by the provisions of the Labour Code in relation to further applicable laws.
Fincantieri Marine Group cooperates every day with trade unions to discuss issues, concerns and opportunities. The vision with respect to relations with employee representatives in the company is to pursue continuous collaboration on day-to-day operations or future changes through listening and sharing opinions. This is made possible by meeting or convening assemblies on request, if not specifically scheduled when required. The workforce is covered by a collective bargaining agreement and although blue collar workers are not required to be union members, they must follow the parameters set by the collective agreement, which outlines working conditions and remuneration.

Health and safety in the workplace

Company management of the pandemic situation did not see any major changes in 2022, with the Crisis Management Team remaining fully operational to share information and the consequent actions to be implemented at each site.
As the State of Emergency proclaimed at general level came to an end on 31 March, it was agreed to extend the "Shared Protocol for updating measures to combat and contain the spread of the COVID-19 virus in the workplace", already adopted at each site of the Italian Group, and to provide similar instructions to foreign subsidiaries.
During the course of the year, some of the measures in place, such as temperature measurement at access points, Green Pass verification and screening with the use of rapid swabs, were removed based on the infection trend monitored both at company level and in general.
The smart-working tool, which was already the subject of regulation on the basis of company agreements that made its operation conditional on the end of the emergency period, was the subject of generalized use for so-called vulnerable workers and prudentially applied extensively for other workers as well, even though it was no longer related to the pandemic aspects.
Similarly, the measures already in place to contain crowding situations were maintained, favouring staggered access times to changing rooms and refreshment facilities, as well as related sanitation activities.
With regard to the use of personal protective equipment, its availability to all workers in the form of surgical masks has been constantly ensured, even when this obligation no longer applies nationwide, while the applicable provisions on FFP2 have been implemented in terms of both availability and use.
The use of such devices remains in specific situations, such as the use of lifts or hoists, the use of company vehicles, and access to and while inside medical facilities. In addition, based on the indications of the company physicians, vulnerable people are required to use them.
The Crisis Management Team together with the aforementioned measures are expected to remain in place until the end of March 2023, unless extended or modified as a result of indications from the competent authorities or changes in the pandemic situation.

Towards zero accidents

The Towards Zero Accidents project, continuously supported by the company structures within the framework of capillary and consolidated organizational processes, has involved both direct employees and those of subcontracted companies in the numerous planned initiatives.
For the **continuous monitoring** of the conditions in the production processes – which must be developed in harmony with the supervision and good practices in the field of safety in the workplace – inspections and coordination meetings are organized every two weeks in the various production areas, between the Workers' Safety Representatives and the Company's production supervisors and those of the contractors. The findings that emerge are recorded and their resolution is tracked.
Regular meetings of the **Quality and Safety Committees** are also held in each shipyard. The purpose of these meetings, attended by Management and first reports, is to monitor production processes in relation to quality and safety at work issues and to discuss the evidence that emerged during joint inspections of production areas or the issues developed during the sessions of the Safety and Environment Commission. The latter comprises the HSE reference figures and the Workers' Safety Representatives (RLS) and meets more frequently to prevent, monitor and address issues and contexts with significant impact.
In the United States, the Fincantieri Marine Group organizes meetings each month that involve 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. In 2022, Fincantieri Marinette Marine once again won the Shipbuilders Council of America Safety Excellence Award, confirming the positive trend established over the years.
To prevent any kind of accident affecting both people and the environment, the subsidiary VARD continues to implement its Vision Zero project which 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 an internal accident prevention week;
- electing an internal commission for the prevention of accidents;
- the internal distribution, based on the Group's guidelines, of a booklet with the ten golden rules for health and safety at work.

At the various sites of the foreign subsidiaries, numerous initiatives were also carried out in various areas, such as occupational hazards in production areas, health promotion and fire safety.
At both Group level and in each individual site, the **trend in injury data and rates** for employees and the workers of contractors is constantly monitored and subject, in various ways, to periodic reporting to the various levels of responsibility and to Top Management. The individual events that have led to an accident, as well as near misses, are the subject of detailed technical investigations and their dynamics are analysed in order to deduce the causes and identify possible corrective measures. The majority of injuries consist of falls or impacts against fixed parts, mainly concerning the injured person's lower limbs and hands.
Company coordination meetings, involving the heads of the prevention and protection services of each production site and the main Italian subsidiaries, are convened on a quarterly basis and are chaired by the Group Health, Safety & Environment (HSE) manager. These meetings involve analysing the data collected, sharing best practices and examining issues of common interest in order to identify improvement proposals on which to direct activities in this area. Each HSE Corporate Coordinator, who is the reference point for the various hubs grouping the prevention and protection services of the Italian and foreign subsidiaries, is then responsible for communicating the decisions taken at central level to the parties involved, verifying their applicability in the various production areas to which the hubs refer.
The process of **assessing the specific risks** present at the production sites is drawn up on the basis of common company guidelines and gives rise to consequent operational procedures, as well as providing the topics for the safety training delivered to all employees.
The company's best performance and health, safety and environment improvement objectives are key benchmarks for the entire company context, as well as the measurement target against which the related economic impact of the people with managerial and supervisory roles are determined as part of **variable remuneration** mechanisms.

Together in Safety

The multimedia course "Together in Safety", delivered at the Group's Italian plants to all resources involved in the production process, provides precise references on the safety risks present in shipbuilding activities and on correct environmental behaviour.
The training video, lasting about three hours, is intended for all employees of contracting companies (approx. 30,000 people). It has been produced in the 10 most widely used languages at Fincantieri's shipyard, and it is mandatory to watch it in the classroom when first entering the Group's production sites as it provides, among other things, specific information on each of the production units and their Emergency Plans.

Memorandum of understanding with INAIL

As part of the Memorandum of Understanding 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, a workshop was organized in 2022 which was attended remotely by over 300 people. On this occasion, HSE Managers from Fincantieri and other major companies such as Enel, Eni, Hitachi and Wärtsilä, compared their respective approaches to safety management in contract work with a view to improvement.

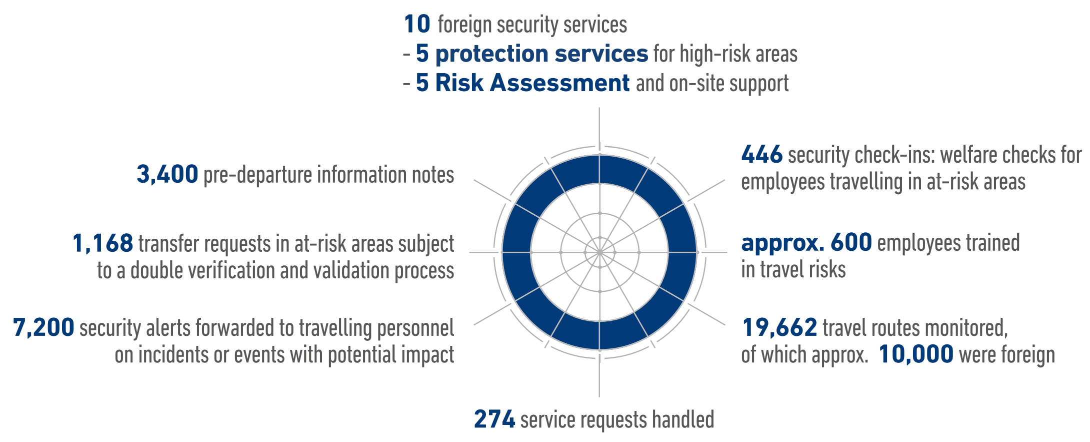
Supplier evaluation

Contractors are already subject to evaluation from a financial, quality, contractual and production perspective in order to access the Supplier Register and are subject to periodic behavioural checks using a predefined format, and also through **scorecards** focused on suppliers' performance in health, safety and environmental issues. The assessments by the various shipyards, with the direct involvement of the various production areas, have led to the calculation of the overall performances of the companies and are subject to permanent monitoring within the Supplier Observatory. In 2022, the entire base of main contractors and suppliers with exempt contracts with a significant presence within Fincantieri S.p.A. shipyards was evaluated for a total number of 1,223 assessments. As stipulated in the Sustainability Plan, criteria for scoring the degree of HSE compliance were identified within the e-NGAGE project (Supplier Portal) and entered into the HSE section of the SupplHI application. This will help determine the supplier's overall Environmental, Social and Governance (ESG) rating.

Security

Owing to the more frequent presence of Group employees who travel or are on secondment abroad, with the Travel Risk Management (TRM) program Fincantieri has developed an ongoing mapping and management of risks in foreign countries which has guaranteed the security of travelling employees and the sustainability of the locations associated with business operations.
2022 saw the launch of a review, audit and progressive adaptation of TRM processes to the new international reference standard ISO 31030 Travel Risk Management - Guidance for Organizations.
The activity, conducted with the support of a qualified external body, found numerous elements of compliance with the guideline in Fincantieri, highlighting a deep-rooted corporate culture of travel risk management. Finally, a road map was defined for the following years aimed at achieving full compliance with the technical standard at Group level.
In 2022, in a logic of harmonization of best practices at Group level, the extension of the TRM program continued, involving the companies of the controlled groups VARD and Fincantieri NexTech.

INITIATIVES TO HANDLE TRAVEL SAFETY



In 2022, the number of business trips increased sharply, marking a clear recovery after the two-year period 2020-21, characterized by the pandemic crisis that had drastically reduced international mobility.
The global scenario during the year, which remained fragmented also due to the persistence of restrictions in the East (in particular the Zero COVID-19 policy in China), growing protests in South America and the Middle East and North Africa, the rekindling of war scenarios in Europe and its economic-inflationary impacts, necessitated the supervision of any travel route considered to be at risk. Fincantieri ensured the safety of its people abroad by monitoring more than **10,000 foreign trips** and the double validation process of about 1,000 trips in areas with medium to high risk factors.
With the aim of strengthening the security culture, the training program on travel risks for frequent travellers and staff posted abroad was expanded and digitalized, and a new company video was also created: **around 600 people were trained** in 2022 (90% basic course, 10% advanced course).
As part of the **Crisis Management** system (abroad), **16 contingency plans** have been drawn up and updated for the most important foreign sites and locations where the Company is present. The plans are managed by special crisis committees (CMTs) which include, in addition to employers, travellers and the heads of the relevant Health and Safety departments, the heads of all functions involved in the travel and personnel management process.
In accordance with corporate procedures, each CMT met at least twice a year, to update team members on the evolution of risks present in local scenarios and for training activities based on contingency plans. A Crisis Management software platform is also operational. It allows committees to meet virtually to manage possible crisis situations even when on the move or during periods when the company is closed (at night or on holidays). In 2022, 24 new crisis team members were trained in the use of the platform.
In 2022, maintenance was ensured of the security measures implemented under the **International Ship and Port Facility Security** (ISPS) Code, Chapter XI-2 of the SOLAS Regulation developed by the International Marine Organization (IMO): a comprehensive set of rules to enhance ship and port facility security in order to mitigate the risk of acts of terrorism and other unlawful acts. The ISPS was guaranteed both in the shipyards where such regulations are mandatory (Arsenale Triestino San Marco, Muggiano and Palermo, Monfalcone and Marghera) and in the other shipyards and company headquarters where, though not required, it was taken as a reference standard to ensure an effective corporate governance and risk management system.

Occupational health and safety certifications

ISO 45001 certification is an international standard that defines the requirements for certifying the occupational health and safety management system.
100% of **Italian shipyards**, and 74% at Group level, are ISO 45001 certified.

For more information on the certified sites and companies, see the website www.fincantieri.com/en/sustainability/certifications/

Fincantieri for the climate

One of the greatest challenges facing humanity today is climate change, where an ecological transformation of technology, economy and society is essential.
The European Commission has made it a priority for Europe to become the first climate neutral continent by 2050, with an intermediate target of reducing greenhouse gas emissions by at least 55% compared to 1990 levels by 2030 (the commitment was increased to 57% during COP 27).
In support of this ambitious plan, the European Union has drawn up a series of 'Fit for 55' proposals, which transform the regulatory environment, with significant repercussions for businesses.
The Group's commitment in this area takes the form of a series of **mitigation** and **adaptation actions**.
As a key player, the Group wants to contribute to the fight against climate change through a strong commitment on three main areas:

- reducing the impacts directly generated by the Group's activities;
- reducing indirect impacts, i.e. actions related to the development of eco-sustainable products and services and the value chain;
- working in partnership with institutions and other market players.

COMMITMENTS TO AN ENVIRONMENTALLY SUSTAINABLE ECONOMY – THE NEW TARGETS OF THE SUSTAINABILITY PLAN 2023-2027

TO REDUCE DIRECT IMPACTS

- Reduction of carbon dioxide (CO_2) and other pollutant emissions with the aim of contributing to the fight against climate change.
- Implementation of projects to improve energy efficiency and conserve natural resources, protect biodiversity and reduce environmental impact to prevent soil, air and water pollution.

TO REDUCE INDIRECT IMPACTS

- Development of environmentally sustainable products and services with the aim of contributing to a circular and "low-carbon" economy.
- Promoting and sustaining a responsible supply chain that shares Fincantieri values and is based on lasting relationships founded on integrity, transparency and respect.

TO WORK IN PARTNERSHIP WITH INSTITUTIONS AND OTHER MARKET PLAYERS

- Supporting research to improve analysis and management of the risks associated with climate change.

Physical and transition climate risks

For the purpose of identifying, assessing and monitoring the main corporate risks ("Risk Universe"), Fincantieri has adopted Enterprise Risk Management (ERM) processes and systems, into which specific sustainability risks have been integrated. Starting from these, **six risks have been selected** which are linked to climate-related issues, exploring with the various responsible functions the Group's total exposure to these risks and the actions specifically implemented to mitigate them.

The six climate risks to which the Group is exposed fall within the three macro impact areas described in the table below:

MACRO IMPACT AREAS OF THE SCENARIO ANALYSIS	FINCANTIERI CLIMATE RISKS	MACRO RISK CATEGORIES
PHYSICAL IMPACTS	1. Business interruption	**Physical** risks **- Acute**
	2. Climate change	**Physical** risks - **Chronic** Physical risks - Acute
MARKET TRENDS	3. Environmental impact of products and services	**Transition** risks **- Technological** Transition risks - Reputational Transition risks - Market Transition risks - Policies and Laws
	4. Raw materials and commodity prices	**Transition** risk - **Market** Physical risks - Acute
REGULATION	5. Evolution of laws and regulations	**Transition** risks - **Policies and Laws** Transition risks - Reputational Transition risks - Market
	6. Investor and public relations	**Transition** risks - **Reputational**

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 and risks related to long-term climate change, i.e. **chronic** risks.
Transition risks are associated with the transition to a low-carbon economy and are closely related to changes in the social, economic and political environment, as well as changes in the CO_2 pricing framework and regulatory restrictions.
Transition risks also include reputational risks: not undertaking a gradual decarbonization process could, in fact, have a negative impact on reputation and, consequently, on financial results.
Climate change **mitigation** and **adaptation** efforts undertaken by Fincantieri 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. Finally, analysing the impacts, climate change could hinder the regular course of business, limiting the operation of the entire value chain and leading to a significant increase in costs. Below is a complete and detailed description of the climate-related risks to which the Group is exposed, the related management methods implemented and the associated opportunities.

1. BUSINESS INTERRUPTION

Among the expected consequences of climate change are more frequent extreme weather events. These phenomena, which are no longer isolated, could compromise business operations, causing interruptions to production activities and damage to strategic assets (including supply chain activities), affecting ship delivery dates and leading to possible penalties for the Group.

Management methods

In order to mitigate the exposure to this risk, the Group performs an annual test of the **Disaster Recovery** infrastructure, which includes detailed instructions on how to respond to unplanned incidents (natural disasters and extreme weather events, cyber attacks and/or other disruptions, etc.). The plan includes strategies to minimize the effects of an impending event in order to ensure business continuity by leveraging the potential of the cloud.
In addition, measures have been adopted to identify and analyse potential and alternative new suppliers through periodic direct (internet, trade fairs, etc.) and indirect (e-procurement, promoters) scouting activities focused on critical areas. Critical areas are identified through periodic interviews and mapping relevant ship items and/or specific needs related to the production context and the available supplier base. In addition, cross-functional visits to suppliers are organized and managed in order to check the suitability of the quality, health, safety and environmental management systems.

Opportunities

Research into and analysis of new suppliers allows the **identification of commercial partners** who are able to respond promptly and resiliently to Fincantieri's requests, even in adverse situations, guaranteeing operational continuity. In addition, it is possible to consolidate partnerships with new suppliers and thus strengthen the value chain, working together to **reduce the environmental impact** of the Group.

2. CLIMATE CHANGE

Business activities may be negatively impacted or interrupted by acute or chronic events, or indirectly through the supply chain, delaying the production cycle and changing the distribution of production between the Group's sites, also requiring new ways of managing the production process or the structure of the shipyard itself.

Management methods

In order to manage the risk in question, Fincantieri has implemented a series of mechanisms, including the internal definition of specific rules for the **management and monitoring** of emergencies in the event of adverse weather conditions, which outline measures and behaviour to be adopted when extreme weather events occur.
A **wind monitoring** system has been set up in addition to the forecasting system already described in the internal rules, providing for the installation in a strategic position within the shipyard (determined through a preliminary study by the subsidiary CETENA) of a sensor inserted in an anemometric station. This system will provide specific weather data for the shipyard area, timely, easily accessible by a greater number of users and through different interfaces (desktop, tablet, smartphone, etc.) as well as time histories for the last two years.
To mitigate exposure to the physical risk arising from more frequent extreme weather phenomena, some of Fincantieri's own **equipment** has been fitted with specific systems against such events. For example, all cranes located in the outside areas of the shipyard are equipped with a storm brake system. In addition, the Mooring Plan for the outfitting quays of ships under construction is prepared by a specialist third party entity, who issues a study including the impact of prevailing winds and storms.
The risk in question is mitigated by the constant commitment to maintaining and operating management systems in all production plants and all business units certified according to the **ISO 14001** (Environmental Management System) international standard. In particular, a risk and opportunity analysis extended to include climate risks has been defined in accordance with the standard.
The **water discharges** from the sites, which are checked every six months, are equipped with clapet (non-return) valves which do not allow high water from the sea to enter, and are only activated at the outlet during discharge.
With regard to the specific risk of **lightning**, the sites have updated their risk assessment, highlighting a tolerable value and stressing that all structures are protected. In addition, all earthing and lightning protection systems are subject to regular checks and inspections to assess their safety.
With a view to the future, the Group prepares and implements specific **maintenance activities** to limit the damage caused by extraordinary climatic events (storms, floods, earthquakes, fires, heat waves, etc.) and preserve the functionality and efficiency of the various items of equipment.
In order to limit the impact resulting from atmospheric events linked to climate change, the Group has taken out specific **insurance policies** to protect all of its yards against economic damage from catastrophic events.
In 2021, at the Monfalcone, Marghera, Riva Trigoso, Ancona, Muggiano and Sestri shipyards, an analysis commissioned by the insurers was carried out according to the international standard JH 143 (standardized procedure for the international insurance market), which provides for the review and assessment of the procedures and controls of the shipyard quality and safety systems. This principle is reflected in various aspects of the analysis, including those relating to fire risk management and prevention and safety in general. The result of the survey is summarised in a "rating" assigned on a scale from A (best result) to E (worst result). All the shipyards have a rating higher than B, which was maintained in 2022.

Opportunities

Strengthening the capacity to respond to extreme events can result in improved **capacity to meet customer requirements** and demands compared to competitors, **minimizing the effects** of extreme events on the Group's production processes.

3. ENVIRONMENTAL IMPACT OF PRODUCTS AND SERVICES

Risk of failing to develop products or services that can minimize their environmental impact throughout their entire life cycle, not considering an adequate incorporation of new green technologies, including through the implementation of products with a circular approach and regulatory guidance.

Management methods

In order to mitigate the risk in question, the Group actively takes part in national, European and international round tables with the aim of monitoring and directing the evolution of regulations and standards applicable to the maritime sector, which will subsequently be applied in the development of new products.
The Group considers **scouting** for innovative technological solutions with reduced environmental impact (hydrogen technologies, carbon capture, renewable energy sources, etc.) to be of absolute importance in managing the transition risk connected with the impact of the products offered on the market. This takes place through market surveys and the startup observatory, so as to monitor the emergence of ideas that may be useful for the development of new products.
Fincantieri also constantly monitors the evolution of green technologies on the market (ships powered by alternative fuels such as hydrogen and ammonia) and continually promotes **technologically innovative** products or services with a reduced environmental impact (projects for the production of energy on board ships using fuel cells, the prototyping of more environmentally friendly and safer solutions for cruise ships, the design of solutions for the production of energy from offshore renewable sources, etc.). To support these studies, the Design function of the Merchant Ships Division set up a team dedicated to the introduction of technologies other than LNG.
To avoid a negative impact on the climate and its reputation, Fincantieri ensures that during product development and construction, all decisions associated with the design process are in line with the Group's Environmental Policy and the principles of ecological design.
Research projects in the broader environmental field are also monitored with a view to the future. One example among many is the involvement in the IPCEI (Important Project of Common European Interest) on technologies for the creation of a European hydrogen value chain, which has received authorization from the European Commission for public aid of up to euro 5.4 billion, of which more than 1 billion is earmarked for Italy.
Finally, a **Group Innovation Call for Proposals** has been activated and executed, with open initiatives and the active involvement of external players (such as universities and regional districts) in order to create a structured flow of developing research and innovation initiatives (R&I), ensuring that projects are consistent with the Company's strategic guidelines, and, in particular, with the targets related to environmental protection.

Opportunities

Participation in round tables at a national, European and international level allows Fincantieri to **monitor and influence** the evolution of regulations and standards.
Scouting for innovative solutions, monitoring the evolution of green technologies on the market and the Group's Innovation Call for Proposals offer the opportunity to **develop products** with innovative technologies with reduced environmental impact, anticipating customer and regulatory requirements, while confirming Fincantieri's leadership position in an expanding market.

4. RAW MATERIALS AND COMMODITY PRICES

From the development of new products aligned with emerging regulatory requirements to the demands of customers increasingly sensitive to climate change issues, many factors are increasingly linked to the increase in the price of raw materials and commodities. This may be influenced by new regulations and customs policies, e.g. on carbon intensive products (CBAM), or by catastrophic events affecting the supply chain.

Management methods

The Group continuously monitors commodity price trends. Coordination between project controllers and purchasing departments allows risk exposure to be managed by increasing production efficiency and implementing financial hedging policies where applicable. An **analysis/monitoring report** is also prepared with the estimated final impacts, depending on the market situation, specific business needs, geographical factors or changing regulatory and geopolitical contexts (e.g. related to environmental or macroeconomic issues).
Lastly, with the aim of achieving consumption efficiency and greater energy autonomy, the Group has set up a permanent working team with the relevant business functions and shipyards.

Opportunities

The implementation of increasingly precise monitoring systems for prices of raw materials and commodities makes it possible to make **better-informed decisions** and to integrate these assessments into the **development of new products**, while also focusing on making production processes **more efficient**. This system makes the Group less susceptible to price trends in raw materials, with possible positive impacts on the cost structure (especially for energy).

5. EVOLUTION OF LAWS AND REGULATIONS

Fincantieri's business and the different sectors in which it operates are highly complex, so changing its strategy, product/service portfolio or adapting to regulations requires a long implementation time. In particular, the increasing specific and complex nature of new regulations aimed also at preventing climate change requires the implementation of targeted actions for the various business areas in which the Group operates.

Management methods

Participating in regular meetings with Ministries, technical committees and classification authorities to present its point of view as a shipbuilder on the various IMO regulations specific to the sector in which it operates allows the Group to identify possible evolving scenarios and mitigate the risk arising from the evolution of laws and regulations. Fincantieri bases its product development assessments on the decarbonization strategy and the directives defined by the regulatory bodies.
At the same time, a system is in place to monitor and update the regulatory framework every six months, e.g. for developments related to EU ETS (which will come into force in 2024 for ships with a gross tonnage of over 5,000) and CBAM. The Group makes use of this information for the design of ship equipment and systems via the environmental regulation observatory for specific projects. In addition, analyses of the national **regulatory framework** of the Country of interest are undertaken by the commercial function during the tender/contract management phase to ensure alignment with the specific provisions.
In order to provide evidence of environmental compliance, the Principles of Environmentally Sustainable Design procedure is issued at the pre-contractual design stage to ensure and measure the environmental sustainability of the specific vessel, with the subsequent issue of the Environmental Profile document during post-contractual design, summarizing the results obtained from the previous document.

Opportunities

Opportunity to be an **active player** and participant in regulatory development in the naval industry, bringing attention to issues relevant to the Group.
The monitoring and contextual update of the regulatory framework to which Fincantieri is subject allow it to **anticipate** regulatory changes also in the development of its products and services.

6. INVESTOR AND PUBLIC RELATIONS

The adoption of an appropriate company communications and public relations strategy on climate change supports the Group's fulfilment of the expectations of ESG rating agencies, investors and stakeholders in general.

Management methods

The Group pays particular attention to preserving relations with its investors and the set of relationship and communication activities aimed at building and consolidating long-term relationships with the different stakeholders. In order to mitigate the reputational risk, Fincantieri oversees the activities involved in drawing up the **Sustainability Report**, integrating the additional information required by rating companies in order to ensure transparency and completeness, and continuous updating of the website for greater disclosure of information to stakeholders.
The Group also adheres to the **CDP initiative** and fills in the relevant questionnaire in cooperation with the departments most involved in environmental issues. Once the score has been obtained, it proceeds with implementation of the gap analysis to identify possible improvement actions, also with the aim of continuously refining its own performance and improving perceptions of the Group among investors.
At the same time, the **Sustainability Plan** is periodically revised, with the direct contribution of the departments, in order to externalize and formalize Fincantieri's strategic vision of sustainability and to outline the commitments undertaken by the Group. The continuous updating of the Plan allows for an alignment with the evolution of the international economic, regulatory and social context in which it operates.
The Group has implemented specific projects for the **TCFD** report, in line with the Task Force's recommendations and international best practices, and plans to set targets for reducing greenhouse gas emissions in line with the SBTi initiative, aligning itself with the level of decarbonization required to keep the global temperature increase below 1.5°C.
In order to inform investors about the activities implemented by the Group in terms of sustainability and consolidate long-term relations, Fincantieri is taking part in the Italian Sustainability Week.
Lastly, the Group is constantly pursuing and refining its **stakeholder engagement** process, with the aim of continuously comparing and listening to the needs of those who could be affected by and/or influence the Group's decisions.

Opportunities

By consolidating relations with its stakeholders and the broader investment community, transparent reporting and adherence to specific initiatives, such as sustainability ratings, Fincantieri has the opportunity to **strengthen its image** and become a **point of reference** for its various stakeholders on sustainability and climate change issues.

Cyber Security

Fincantieri Group's focus on the issue of cyber security has gradually and further intensified in response to the ever-increasing complexity and frequency of cyber attacks carried out against companies with national and international strategic importance and to changes in the regulatory framework.
The sophistication of cyber threats, made possible by the increasingly aggressive operations of international groups organized (and occasionally sponsored) by hostile governments, requires the constant adjustment of the company's defences and processes for protecting **digital assets**, as an additional element to protect the Company's industrial know-how and market competitiveness.
The European and national regulatory framework also makes it essential to continuously adapt corporate governance, incorporating new security standards applicable in the technological, organizational and procedural areas.
A mature approach to cyber security is also essential to support the strategic development of the **naval product**, which is characterized by high technological complexity. As such, it is exposed to cyber threats requiring the engineering of appropriate security solutions, compatible with the extremely varied nature of the on-board systems.
On this front, through Fincantieri's subsidiary NexTech, an innovative cyber protection platform for shipboard infrastructures was launched in 2022, which will be able not only to monitor systems, but also to manage and react to cyber attacks directed at the ships' OT (Operational Technology) infrastructure. In view of these developments, the Group also presents itself increasingly as a business with strong know-how focused on cyber security for **naval engineering products** and the maritime domain in general.
On this latter front, close cooperation with the University of Genoa continued. The Fincantieri Group has joined the recently established SERICS university foundation with a mandate to support cyber security research for the country system, through a hub and spoke architecture involving leading Italian universities and private groups active in research and innovation in this field.
To boost the discipline, a **single cyber competence centre** for the Fincantieri Group was created in 2022 by merging Esseti, a company focused on managed operational security services, into E-PHORS, a NexTech group company founded in 2020 and specializing in cyber security engineering solutions.
In addition, an ambitious three-year investment plan (2022-2024) was approved, aimed at further improving the Group's cyber security level, through the definition of projects and services structures around the following strategic drivers:

- technological improvement of central cybersecurity architectures and infrastructures, in response to the evolving threat environment to which the Group is subject;
- insourcing of cyber security activities, processes and services in order to reduce dependence on third-party suppliers/competitors and enhance marketable intercompany capabilities and skills;
- development of features and services that improve compliance with the regulatory framework of reference and the provisions deriving from subsequent implementing decrees, while supporting the mitigation of operational risks identified and quantified within the company's ERM;
- improved "visibility" of cyber security risks arising from the involvement of direct and indirect suppliers that make up the IT supply chain and support the ship design and production processes;
- development of a comprehensive Cybersecurity Awareness plan aimed at increasing the awareness of cyber risks and the Group personnel's ability to recognise, report and prevent them.

The **ISO 27001** certification was also renewed in 2022 for Fincantieri S.p.A., Fincantieri NexTech and its main subsidiaries, including CETENA, Isselnord and IDS, 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. Further projects are underway to obtain the above certification in foreign subsidiaries such as the VARD group.

Cyber Security Governance

In order to standardize and ensure high standards of cyber security at Group level, in line with the provisions of the current regulatory framework for strategic national companies, the **Group Cyber Security function** has been placed as reporting directly to the Group's Chief Executive Officer, with the following objectives:

- defining and implementing cyber security policies applicable to the Group;
- ensuring the continuous monitoring of the logical perimeter of Fincantieri and the timely reaction to any attempt to compromise it;
- defining the strategic drivers for the development of cyber security solutions, also ensuring adequate processes for verifying and controlling the electronic and IT supply chain;
- defining and promoting the Group's methodology for cyber risk assessment and mitigation, in line with industry best practices and current policies.

Responsibility for the function is assigned to the **Chief Information Security Officer** (CISO) for the Fincantieri Group, who is responsible for:

- defining a cyber security strategy;
- establishing and maintaining an up-to-date corporate cyber security organization;
- implementing protection programs;
- designing and enforcing procedures to mitigate cyber risks;
- managing compliance with cyber security regulatory requirements;
- approve and report on the progress of major cyber security investments to the **Security Committee**, composed of members of the company's front line.

With regard to the Group cyber security plan, the following initiatives were implemented in 2022:

- security assessments carried out on digital systems on board civil and naval vessels;
- analysis of the impacts on the product supply chain of the new cyber IACS regulations;
- revision and development of new cyber policies and extension of the Group Security Operation Centre for the subsidiary VARD;
- extension of the Group e-mail protection platform to the Italian subsidiaries (Fincantieri NexTech, Fincantieri Infrastructure, FINSO, IDS, HMS, Isotta Fraschini Motori, Fincantieri Oil & Gas, Fincantieri SI, Marine Interiors, Reicom, SLS);
- adoption of a programme to protect industrial networks supporting ship production through a security assessment and the development of a new architecture for managing Operational Technology (OT) systems and implementation of more robust security measures to ensure data usability, integrity and confidentiality;
- implementation of a dedicated Digital Risk Protection structure to detect and mitigate, by scanning the surface, deep and dark web, threats and attacks against Group resources outside the corporate protection perimeter;
- information sharing with Italian and foreign subsidiaries in relation to international cyber threat trends, with the aim of identifying and preventing potential attacks and breaches.

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

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

Fincantieri, as a strategic company for the national economic system and an international leader, collaborates with the **National Cybersecurity Agency, CNAIPIC (State Police) and other important national institutions** in order to share information on relevant cyber events recorded on its IT infrastructure.
The Group has also launched other partnerships with **International governmental authorities** to counter the threat and increase the security and resilience levels of critical infrastructures in the countries where it operates.

Information and data security

To ensure full adoption of the principles of the protection of personal data, during 2018, Fincantieri launched a process of adaption to the regulation on personal data protection, 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 (General Data Protection Regulation - GDPR), which ended on 25 May 2018 with the Company's adoption of a personal data protection system.
The founding principles, on which the personal data protection system adopted by Fincantieri S.p.A. is based, are expressly contained in the Policy on General Principles of the Data Protection System (Privacy Policy) which regulates, among other things, the main processes needed to ensure the protection envisaged by the relevant legislation. With this Policy we undertake to establish and maintain over time a control model aimed at protecting the personal data collected and processed as part of the processes inherent to the activities of Fincantieri S.p.A., 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, a verification and control of the main data processing operations was carried out as well as training for employees of the Parent Company that was also extended to the Italian subsidiaries.

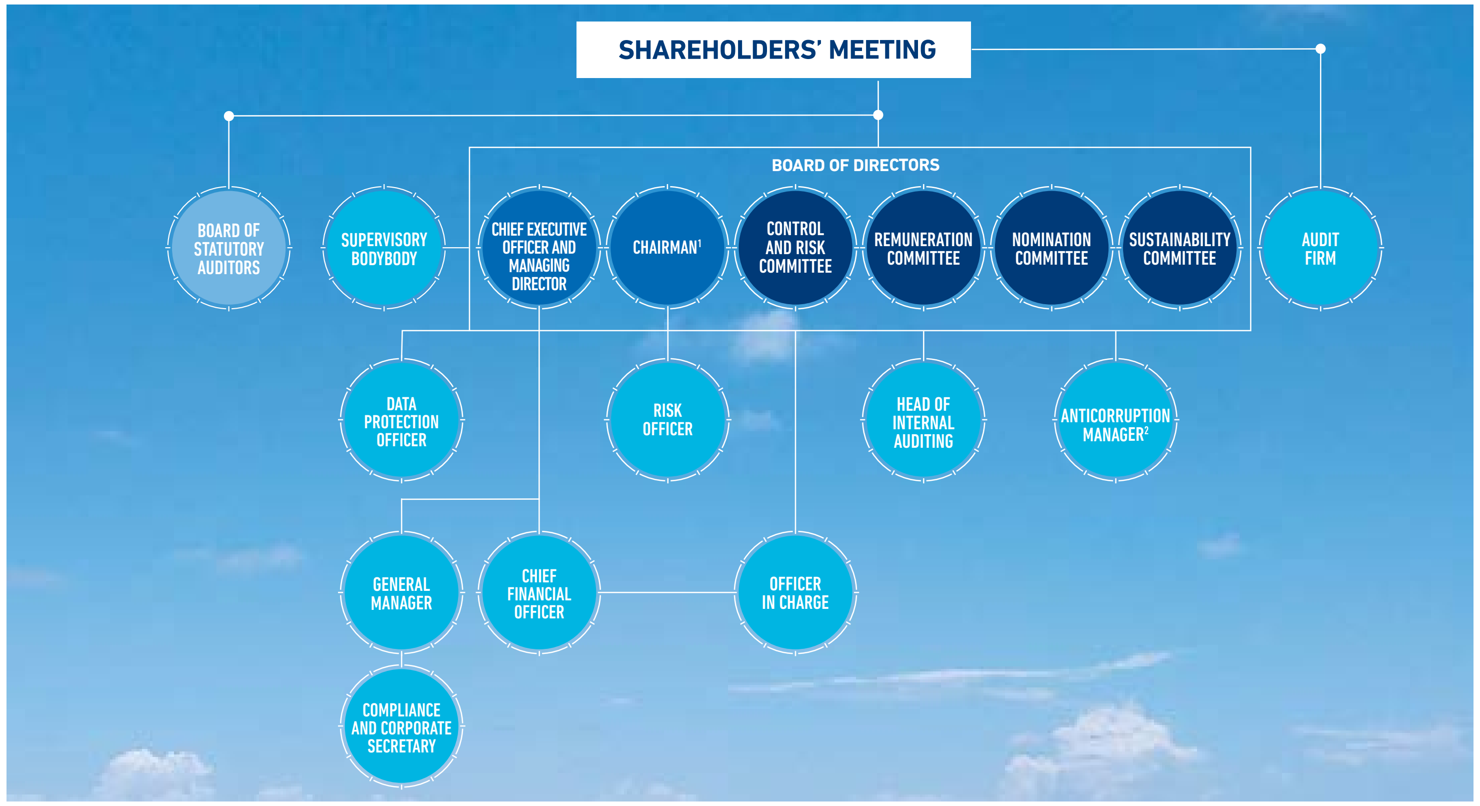
The personal data protection system was laid out in detail in a specific Data Protection System Manual and by operational procedures that identify certain processes that are especially critical such as management of data breaches and management of requests from data subjects asserting their rights.
During the 2021 financial year, confirming the Company's focus on personal data protection, Fincantieri S.p.A. appointed its own Data Protection Officer (DPO) who reports directly to the Board of Directors, and who is responsible for the following tasks, among others:

- informing/supporting Fincantieri S.p.A. and its employees on data protection regulatory obligations;
- overseeing compliance with regulatory requirements and the Company's privacy policies;
- providing opinions on Data Protection Impact Assessments (DPIAs), ensuring and documenting their conduct at company level;
- cooperating with the supervisory authority (in Italy, Garante per la Protezione dei Dati Personali);
- serving as a point of contact with the supervisory authority on matters related to data processing.

During 2022, the DPO, in continuation with the previous year, supported Fincantieri S.p.A. in the planned review and updating of the Company's Data Protection System and has provided advice and training in the field of data protection to company functions, responding to more than around two hundred requests for advice.
Moreover, in full compliance with the regulations and internal procedures, Fincantieri S.p.A. has promptly responded to the requests from data subjects exercising their rights.
As regards foreign subsidiaries, Fincantieri Marine Group LLC, complying 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. Information containing personal data is filed and accessible only to authorized personnel.

Corporate governance

The "Report on Corporate Governance and Ownership Structure" (the "Report") required by Art. 123-*bis* of the Italian Consolidated Law on Finance is a stand-alone document approved by the Board of Directors on 7 March 2023, and published in the "Ethics and Governance" section of the Company's website at www.fincantieri.com.
The Report has been prepared in accordance with the recommendations of the Corporate Governance Code and taking into account the recommendations for the format of the report on corporate governance and ownership structure drawn up by Borsa Italiana S.p.A. (IX Edition January 2022).
The Report contains a general and complete overview of the corporate governance system adopted by Fincantieri S.p.A. In particular, the Report 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 board 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. 123-*ter* of the Italian Consolidated Law on Finance and Art. 84-*quater* of the Consob Issuer Regulations, approved by the Board of Directors on 7 March 2023, and published in the "Ethics and Governance" section of the Company's website.
Below is the Corporate Governance structure of Fincantieri S.p.A.



[1] On 16 May 2022, the Board of Directors delegated powers to the Chairman concerning the internal control and risk management system.
[2] Head of the Compliance department for the prevention of corruption pursuant to UNI ISO 37001:2016 standard.

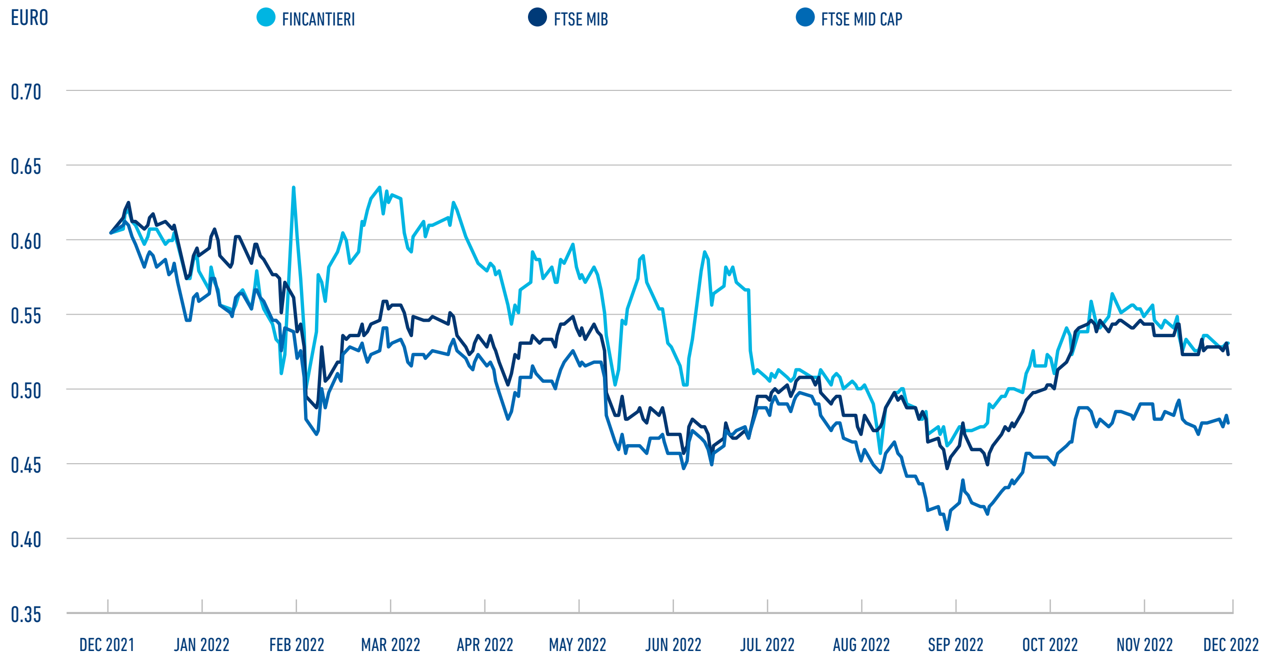
Other information

Stock performance

The performance of the stock in 2022 recorded a negative trend, falling from a price of euro 0.60 per share on 30 December 2021 to euro 0.53 per share on 30 December 2022, with a drop of around 12%. Moreover, the FTSE MIB, the index comprising Italy's 40 largest stocks, fell by 13.3% over the same period, while the FTSE Mid Cap index, which includes Fincantieri, fell by 21.0%.
The average price of the stock during the year was euro 0.55 per share, with a peak value for the period of euro 0.63 recorded on 28 February. The stock closed the year, on 30 December 2022, with a price of euro 0.53 per share corresponding to a market capitalization of approximately euro 902 million.
In terms of volumes, a total of 486 million shares were traded, with an average daily trading volume of around 1.9 million shares.
At 31 December 2022, Fincantieri's Share Capital of euro 862,980,725.70 was held as follows: 71.32% by CDP Equity S.p.A., 28.61% by the general market and 0.07% in treasury shares.

KEY FIGURES		31.12.2022	31.12.2021
Share Capital	euro	862,980,725.70	862,980,725.70
Ordinary shares issued	number	1,699,651,360	1,699,651,360
Treasury shares	number	1,128,666	3,012,414
Market capitalization*	euro/million	902	1,026
PERFORMANCE			
Price at year end	euro	0.53	0.60
Year high	euro	0.63	0.83
Year low	euro	0.46	0.51
Average price	euro	0.55	0.69

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



Other significant events in the period

JANUARY

On **11 January 2022** started, at the Muggiano (La Spezia) shipyard, the production activities for the first of 2 next-generation submarines, as part of the U212NFS (Near Future Submarine) acquisition program of the Italian Navy.

MARCH

On **10 March 2022**, started the construction of the new MSC Cruises terminal in Miami today with the "laying of the first stone". The project, built by Fincantieri Infrastructure Florida Inc. in the city considered to be the world capital in terms of cruise tourism, will be the largest and most advanced terminal in the United States, as well as one of the main ones on an international scale, and will be able to host up to three next-generation, low environmental impact ships at the same time, such as MSC Cruises' future liquefied natural gas (LNG) ships due to enter service in the coming months, handling up to 36,000 passengers a day.

JUNE

On **22 June 2022**, took place the steel cutting ceremony of the first of 2 new-concept gas powered cruise ships (Liquefied Natural Gas – LNG) for TUI Cruises, a joint venture between TUI AG and Royal Caribbean Cruises. The new vessels will be built at the Monfalcone shipyard and delivered in 2024 and 2026.

On **30 June 2022**, the Board of Directors appointed Mr Pierroberto Folgiero, Chief Executive Officer, as the Company's Managing Director following the mutual resolution of the employment relationship with Mr Fabio Gallia.

JULY

On **8 July 2022**, the subsidiary IDS - Ingegneria Dei Sistemi, in collaboration with C-CORE, was selected to develop and install the P-band Biomass Calibration Transponder (BCT) in New-Norcia, Australia. The activity is part of the contract awarded to Airbus Defence and Space Ltd. by the European Space Agency (ESA) for the construction of the Biomass satellite for its next Earth Explorer mission.

On **12 July 2022**, Fincantieri signed with Intesa Sanpaolo (IMI Corporate & Investment Banking Division) a sustainability linked revolving credit facility for a maximum amount of euro 500 million.

OCTOBER

On **12 October 2022**, Fincantieri signed at the Italian Embassy in Athens, a series of memoranda of understanding (MoUs) with a selection of potential new suppliers as part of the Hellenic Ministry of Defence's prestigious program to build four corvettes and provide Integrated Logistic Support (ILS) and In Service Support (ISS) services.

On **18 October 2022**, during Euronaval the preliminary consortium agreement for the European Modular and Multirole Patrol Corvette was signed following the selection, by the European Commission, of the proposal submitted by the consortium led by Naviris together with Fincantieri, Naval Group and Navantia for the "MMPC" - Modular and Multirole Patrol Corvette program.

DECEMBER

On **6 December 2022**, Fincantieri announced the start of the first continuous training course, at the Genoa headquarters of the Italian Academy of the Merchant Navy, for Fincantieri's technical shipyard personnel employed in sea trials, and it will be just the first of the joint development projects between the Academy and the Group. The 22 trainees attending the course will carry out their internship at the Parent Company's various Italian shipyards, implementing their skills and technical capabilities.

On **17 December 2022**, Fincantieri and ONEX Shipyards & Technologies Group signed an agreement in Athens for the establishment of a production line and life cycle maintenance for corvettes, located at the Elefsis shipyard.

Key events after the reporting period ended 31.12.2022

On 18 January 2023, Fincantieri, through its US subsidiary Fincantieri Marine Group (FMG), signed a contract with CREST Wind, a joint venture between Crowley and ESVAGT, for the design and construction of a Service Operation Vessel (SOV). The 88-metre-long ship will be built at Bay Shipbuilding and will enter into service in 2026. The vessel will serve the Dominion Energy's US wind farm Coastal Virginia Offshore Wind under a long-term lease.

On 13 February 2023, as part of the collaboration with the local industrial ecosystem and the strengthening of cooperation between Italy and Greece, Fincantieri and Leonardo signed a series of Memoranda of Understanding (MoUs) with potential new Greek suppliers, laying the foundations for the definition of possible business relationships.

On 22 February 2023, Abu Dhabi Ship Building (ADSB), a subsidiary of EDGE Group, a leader in the design, construction, repair, maintenance, refitting and conversion of naval and commercial vessels, and Fincantieri signed a cooperation agreement at IDEX 2023, one of the most important international defence exhibitions. Under the terms of the agreement, EDGE and Fincantieri will join forces in the design, construction and fleet management for naval and commercial vessels, as well as create new business opportunities in the local and international market with high value-added technology solutions.

On 3 March 2023, Fincantieri's subsidiary VARD signed a contract with Edda Wind, a new customer, for the construction of four Commissioning Service Operation Vessels (CSOVs). The first two vessels will be delivered in Q1 2025, the third in Q2 2025 and the last in Q1 2026.

On 7 March 2023, through its subsidiary VARD, Fincantieri signed a contract with an international shipping company for the design and construction of a new cable laying vessel, with scheduled delivery in 2024.

Business outlook

In the **Cruise** sector, it should be noted that the major cruise brands have brought almost all of their fleets back into service starting from the third quarter 2022, reaching 93% of global fleet capacity calculated in lower berths at the end of December 2022, with occupancy rates close to pre-pandemic values. The trend in bookings for the year 2023 is expected to return to historical levels or even reach new highs. These positive signs, accompanied by the recovery of orders even as early as 2022, support the expectations of new orders, taking also into consideration the necessary financial support provided by institutions to clients (see also Risk Management - Financial Risks on page 74).

The continuation of the Russian-Ukrainian conflict and the escalation of tensions on a large scale confirm that industrial policy in the **defence** sector cannot ignore the geopolitical situation and foreign policy orientations within a context that requires the availability of larger fleets and higher technological standards, thus creating new opportunities for industry players.

The Group's shipyards are operating at full capacity. Therefore, in order to guarantee production progress, Fincantieri will continue with risk mitigation actions in order to preserve the execution of the backlog, ensuring the availability of materials and resources, and continuing with actions to improve production efficiency and cost control, as outlined in the 2023-2027 Business Plan. Priority strategic initiatives aimed at increasing the operating performance of production processes and executive design phases, the analysis and review of procurement processes, and the governance of structural costs have already been launched in early 2023.

In order to meet the challenges imposed by the reference scenarios in its core business, the Group is working on integrating its offer through the development of digital and automation solutions (transition from a Capex supplier to a leadership role also in the provision of services) and the rationalization of its capabilities to offer itself as a prime contractor and integrator of complex systems in the defence business.

Finally, as part of the roadmap to **reduce emissions** from cruise ships, construction work will proceed on the first dual fuel ship, powered primarily by liquefied natural gas (LNG), with air lubrication systems (ALS) to reduce friction drag, scheduled for delivery in the first half of 2024.

Net of a further possible deterioration of the macroeconomic scenario and further operational and financial repercussions, particularly for the cruise business, attributable to the Russian-Ukrainian conflict and the continuing imbalances caused by the pandemic, Fincantieri expects to maintain full production capacity in 2023, which will allow a level of **revenues substantially in line with 2022**, with an improvement in marginality to around 5%.
The **Net financial position** for 2023 is expected to be substantially **in line** with that at year-end 2022, and mainly reflects the cash absorption from the construction of certain contracts in the Offshore segment and in the Infrastructure business to be delivered in early 2024.

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 ("CONSOB Regulation"), 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 Parent Company also adopted the "Management of Related Party Transactions" Procedure ("RPT Procedure") in order to describe and define the process, terms and operating procedures for the proper management of related party transactions. Both the RPT Rules and the RPT Procedure were revised, with effect from 1 July 2021, in order to incorporate the changes made by Consob with resolution no. 21624 of 10 December 2020 to the CONSOB Regulation.
Related party transactions carried out during the year 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 Financial Statements at 31 December 2022.

Purchase of treasury shares

The Shareholders' Meeting held on 16 May 2022, revoking previous resolutions, authorized the Board of Directors to purchase, on one or more occasions, for a period of eighteen months from the date of the Shareholders' Meeting, ordinary shares of Fincantieri S.p.A., for a maximum amount of shares not exceeding one-fifth of the Share Capital. In execution and in compliance with this shareholders' resolution, the Parent Company, on 15 June 2022, started the program for the purchase of treasury shares to service the incentive plan called "Performance Share Plan 2019-2021". This program ended on 24 June 2022 with the purchase on the market of 2,000,000 treasury shares, equal to about 0.12% of the Share Capital, at a weighted average net price of euro 0.5683 per share, for a total countervalue of euro 1,143 thousand. Following the Board of Directors' resolution of 30 June 2022 to allocate shares under the 1st cycle of the "Performance Share Plan 2019-2021", 3,883,748 treasury 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 countervalue of euro 3,185 thousand. The delivery of the shares took place on 18 July 2022. At 31 December 2022, the treasury shares in portfolio amounted to 1,128,666 (equal to 0.07% of the Share Capital).

Italian stock market regulations

Art. 15 of the Italian Stock Market Regulations (adopted by Consob Resolution no. 20249 of 28 December 2017) sets out the listing conditions for companies that control companies incorporated in and governed by the laws of non-EU countries. With reference to 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 2022, 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 2022.

Sustainability report

Fincantieri Group's Sustainability Report 2022 was approved by the Board of Directors on 7 March 2023 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 measures 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 might not be consistent with the configurations adopted by other companies. In 2022, the Net financial position reported by the Group has been modified and aligned to ESMA recommendations, past figures are restated. The main differences concerned the exclusion from the Net financial position monitored by the Group of payables for construction loans and the inclusion of non-current financial receivables. As a consequence, Net fixed capital, Net working capital, Net invested capital have been restated.
As required by Consob Communication no. 0092543 of 3 December 2015 which implements the ESMA Guidelines on Alternative Performance Measures (document no. ESMA/2015/1415), the components of each of these measures are described below:

- EBITDA: this is equal to earnings before taxes, before finance income and expenses, 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 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, other intangible assets and property, plant and equipment recognized as a result of impairment tests or after specific considerations on the recoverability of individual assets).
- Adjusted profit/(loss): this 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, Non-current financial assets and Other assets (including the fair value of derivatives classified in Non-current Financial assets) 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, Trade receivables, Trade payables, Provisions for other 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).
- Net invested capital: this is calculated as the sum of Net fixed, Net working capital and Assets held for sale.
- Net financial position includes:
  - Net current cash/(debt): cash and cash equivalents, current financial assets, current financial payables and current portion of medium/long-term loans and credit facilities;
  - Net non-current cash/(debt): non-current bank debt and debt instruments.
- ROI: 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 and EBITDA in the configuration monitored by the Group and described above.
- Net financial position/Total Equity: this is calculated as the ratio between the Net financial position and Total Equity.
- Revenue and income excluding pass-through activities: Revenue and income excluding the portion relating to sale contracts with pass-through activities, whose value is exactly offset by the corresponding cost; pass-through activities are defined as contracts whole value is entirely invoiced by the Group to the final customer, but whose construction activities are not managed directly by the Group.
- 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).

(euro/thousand)

	31.12.2022		31.12.2021	
	Equity	Profit/(loss) for the year	Equity	Profit/(loss) for the year
Parent Company Financial Statements	**1,320,799**	**(509,916)**	**1,770,738**	**125,225**
Share of equity and net result of consolidated subsidiaries, net of carrying amount of the related investments	(683,111)	269,614	(951,288)	(89,709)
Consolidation adjustments for difference between purchase price and corresponding book value of equity	155,159	(73,366)	234,271	(7,715)
Reversal of dividends distributed by consolidated subsidiaries		(21,951)		(581)
Joint ventures and associates accounted for using the equity method	(6,854)	(3,384)	(3,488)	(15,436)
Elimination of intercompany profits and losses and other consolidation adjustments	(88,725)	30,133	(107,157)	9,995
Exchange translation differences from line-by-line consolidation of foreign subsidiaries	(111,772)		(124,495)	
Equity and profit for the year attributable to owners of the parent	**585,495**	**(308,870)**	**818,582**	**21,779**
Non-controlling interests	1,408	(15,083)	15,655	37
Total consolidated equity and profit/(loss) for the year	**586,903**	**(323,953)**	**834,237**	**21,815**

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

Consolidated income statement

(euro/million)

	31.12.2022		31.12.2021	
	Amounts in IFRS statement	Amounts in reclassified statement	Amounts in IFRS statement	Amounts in reclassified statement
A - Revenue		**7,482**		**6,911**
Operating revenue	7,349		6,799	
Other revenue and income	133		113	
Recl. to I - Extraordinary or non-recurring income and expenses	-		(1)	
B - Materials, services and other costs		**(6,002)**		**(5,277)**
Materials, services and other costs	(6,008)		(5,311)	
Recl. to I - Extraordinary or non-recurring income and expenses	6		34	
C - Personnel costs		**(1,186)**		**(1,076)**
Personnel costs	(1,186)		(1,085)	
Recl. to I - Extraordinary or non-recurring income and expenses	-		9	
D - Provisions		**(73)**		**(63)**
Provisions	(140)		(111)	
Recl. to I - Extraordinary or non-recurring income and expenses	67		48	
E - Depreciation, amortization and impairment		**(231)**		**(206)**
Depreciation, amortization and impairment	(396)		(206)	
Recl. to I - Extraordinary or non-recurring income and expenses	165			
F - Finance income/(expenses)		**(80)**		**(105)**
Finance income/(expenses)	(80)		(105)	
G - Income/(expense) from investments		**(2)**		**(14)**
Income/(expense) from investments	(2)		(14)	
H - Income taxes		**(16)**		**(78)**
Income taxes	6		(58)	
Recl. to L - Tax effect of extraordinary or non-recurring income and expenses	(22)		(20)	
I - Extraordinary or non-recurring income and expenses		**(238)**		**(90)**
Recl. from A - Revenue and income	-		1	
Recl. from B - Materials, services and other costs	(6)		(34)	
Recl. from C - Personnel costs	-		(9)	
Recl. from D - Provisions	(67)		(48)	
Recl. from E - Depreciation, amortization and impairment	(165)			
L - Tax effect on extraordinary or non-recurring income and expenses		**22**		**20**
Recl. from H - Income taxes	22		20	
Profit/(loss) for the year		**(324)**		**22**

Consolidated statement of financial position

(euro/million)

	31.12.2022		31.12.2021	
	Partial values mandatory scheme	Amounts in reclassified statement	Partial values mandatory scheme	Amounts in reclassified statement
A - Intangible assets		**509**		**688**
Intangible assets	509		688	
B - Rights of use		**127**		**116**
Rights of use	127		116	
C - Property, plant and equipment		**1,636**		**1,518**
Property, plant and equipment	1,636		1,518	
D - Investments		**118**		**123**
Investments	118		123	
E - Non-current financial assets		**162**		**252**
Non-current financial assets	171		257	
Recl. to F – Derivative assets	(9)		(5)	
F - Other non-current assets and liabilities		**1**		**(1)**
Other non-current assets	49		47	
Recl. from E – Derivative assets	9		5	
Other non-current liabilities	(57)		(53)	
G - Employee benefits		**(54)**		**(64)**
Employee benefits	(54)		(64)	
H - Inventories and advances		**864**		**886**
Inventories and advances	864		886	
I - Construction contracts and client advances		**1,669**		**1,182**
Construction contracts - assets	3,085		2,639	
Construction contracts - liabilities and client advances	(1,152)		(1,361)	
Onerous Contracts Provision	(264)		(96)	
L - Trade receivables		**770**		**936**
Trade receivables and other current assets	1,177		1,285	
Recl. to O - Other current assets	(407)		(349)	
M - Trade payables		**(2,694)**		**(2,490)**
Trade payables and other current liabilities	(3,021)		(2,850)	
Recl. to O - Other current liabilities	327		360	
N - Provisions for other risks and charges		**(191)**		**(101)**
Provisions for risks and charges	(455)		(197)	
Onerous Contracts Provision	264		96	
O - Other current assets and liabilities		**200**		**27**
Deferred tax assets	183		108	
Income tax assets	22		15	
Derivative assets	23		15	
Recl. from L - Other current assets	407		349	
Deferred tax liabilities	(83)		(70)	
Income tax liabilities	(25)		(30)	
Recl. from M - Other current liabilities	(327)		(360)	
NET INVESTED CAPITAL		**3,118**		**3,072**
P - Equity	**587**		**834**	
Q - Net financial position	**2,531**		**2,238**	
SOURCES OF FUNDING		**3,118**		**3,072**

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Consolidated statement of financial position

(euro/thousand)

	Note	31.12.2022	of which related parties Note 33	31.12.2021	of which related parties Note 33
ASSETS					
NON-CURRENT ASSETS					
Intangible assets	6	508,724		687,993	
Rights of use	7	127,115		115,927	
Property, plant and equipment	8	1,635,602		1,518,214	
Investments accounted for using the equity method	9	85,538		96,097	
Other investments	9	32,406		26,661	
Financial assets	10	171,166	19,694	256,251	50,625
Other assets	11	50,040	723	47,416	678
Deferred tax assets	12	182,917		109,181	
Total non-current assets		**2,793,508**		**2.857.740**	
Current assets					
Inventories and advances	13	863,517	64,040	885,688	109,268
Contract Assets	14	3,085,159		2,638,946	
Trade receivables and other assets	15	1,176,661	89,624	1,285,337	86,954
Income tax assets	16	22,026		14,704	
Financial assets	17	204,273	25,062	162,939	2,611
Cash and cash equivalents	18	564,576		1,236,180	
Total current assets		**5,916,212**		**6,223,794**	
Assets classified as held for sale and discontinued operations		**703**		**-**	
TOTAL ASSETS		**8,710,423**		**9,081,534**	
EQUITY AND LIABILITIES					
Equity	19				
Attributable to owners of the parent					
Share Capital		862,981		862,981	
Reserves and retained earnings		(277,486)		(44,399)	
Total Equity attributable to owners of the parent		**585,495**		**818,582**	
Attributable to non-controlling interests		1,408		15,655	
Total Equity		**586,903**		**834,237**	
NON-CURRENT LIABILITIES					
Provisions for risks and charges	20	406,984		86,277	
Employee benefits	21	53,845		63,664	
Financial liabilities	22	1,344,554	6,322	1,913,837	14,106
Other liabilities	23	57,290	98	53,574	
Deferred tax liabilities	12	82,699		70,101	
Total non-current liabilities		**1,945,372**		**2,187,453**	
Current liabilities					
Provisions for risks and charges	20	48,278		110,526	
Employee benefits	21	28		19	
Contract liabilities	24	1,151,502		1,361,471	
Trade payables and other current liabilities	25	3,021,203	162,366	2.850.092	172.682
Income tax liabilities	26	25,443		30,069	
Financial liabilities	27	1,931,694	84,145	1.707.667	95.889
Total current liabilities		**6,178,148**		**6,059,844**	
Liabilities directly associated with Assets classified as held for sale and discontinued operations		**-**		**-**	
Total equity and liabilities		**8,710,423**		**9,081,534**	

Consolidated statement of comprehensive income

(euro/thousand)

	Note	2022	of which related parties Note 33	2021	of which related parties Note 33
Operating revenue	28	7,349,147	181,424	6,799,577	119,981
Other revenue and income	28	132,717	17,312	112,596	12,187
Materials, services and other costs	29	(6,007,932)	(370,362)	(5,310,717)	(578,908)
Personnel costs	29	(1,185,684)		(1,085,182)	
Depreciation, amortization and impairment	29	(395,108)		(205,996)	
Provisions	29	(141,394)		(111,283)	
Financial income	30	160,651	3,134	77,579	708
Financial expenses	30	(240,868)	(2,252)	(182,956)	(3,323)
Income/(expense) from investments	31	(1,406)		813	
Share of profit/(loss) of investments accounted for using the equity method	31	(785)		(14,730)	
Profit/(loss) for the year before taxes		**(330,662)**		**79,701**	
Income taxes	32	6,709		(57,886)	
Net profit/(loss) from continuing operations		**(323,953)**		**21,815**	
Net profit/(loss) from discontinued operations	36				
Profit/(loss) for the year (A)		**(323,953)**		**21,815**	
attributable to owners of the parent from continuing operations		(308,870)		21,778	
attributable to non-controlling interests from continuing operations		(15,083)		37	
Net basic earnings/(loss) per share (euro)	33	(0.18197)		0.01286	
Net diluted earnings/(loss) per share (euro)	33	(0.17985)		0.01271	
Net basic earnings/(loss) per share from continuing operations (euro)	33	(0.18197)		0.01286	
Net diluted earnings/(loss) per share from continuing operations (euro)	33	(0.17985)		0.01271	
Other comprehensive income/(losses), net of tax (OCI)					
Gains/(losses) from remeasurement of employee defined benefit plans	19-21	6,322		(1,382)	
Total gains/(losses) that will not be reclassified to profit or loss for the financial year, net of tax	19	**6,322**		**(1,382)**	
- attributable to non-controlling interests		**14**		**(5)**	
Effective portion of gains/(losses) on cash flow hedging instruments	4-19	53,154		5,799	
Gains/(losses) arising from changes in other components of comprehensive income of investments accounted for using the equity method	9				
Gains/(losses) arising from fair value assessment of securities and bonds at fair value on the statement of comprehensive income					
Exchange gains/(losses) arising on translation of foreign subsidiaries' financial statements	19	13,501		32,396	
Total gains/(losses) for the financial year that may be subsequently reclassified to profit or loss, net of tax	19	**66,655**		**38,195**	
- attributable to non-controlling interests		**1,555**		**2,142**	
Total other Comprehensive Income/(Losses), Net Of Tax (B)	19	**72,977**		**36,813**	
- attributable to non-controlling interests		**1,570**		**2,137**	
Total comprehensive income/(loss) for the financial year (A) + (B)		**(250,976)**		**58,628**	
Attributable to owners of the parent		(237,463)		56,454	
Attributable to non-controlling interests		(13,513)		2,174	

Consolidated statement of changes in equity

(euro/thousand)

	Note	Share Capital	Reserves, retained earnings and gains/(losses)	Equity attributable to owners of the Parent	Equity attributable to non-controlling interests	Total
1.1.2021	19	**862,981**	**(101,513)**	**761,468**	**15,100**	**776,568**
Business combinations						
Share capital increase						
Share capital increase - non-controlling interests						
Acquisition of non-controlling interests			(3,262)	(3,262)	(1,632)	(4,894)
Dividend distribution						
Reserve for long-term incentive plan			5,627	5,627		5,627
Reserve for purchase of treasury shares						
Put option on non-controlling interests			(1,641)	(1,641)		(1,641)
Other changes/roundings			(64)	(64)	13	(51)
Total transactions with owners			**660**	**660**	**(1,619)**	**(959)**
Net profit/(loss) for the financial year			21,778	21,778	37	21,815
OCI for the year			34,676	34,676	2,137	36,813
Total comprehensive income for the financial year			**56,454**	**56,454**	**2,174**	**58,628**
31.12.2021	19	**862,981**	**(44,399)**	**818,582**	**15,655**	**834,237**
Business combinations						
Share capital increase						
Share capital increase - non-controlling interests						
Acquisition of non-controlling interests			(167)	(167)	113	(54)
Dividend distribution						
Reserve for long-term incentive plan			1,876	1,876		1,876
Reserve for purchase of treasury shares			2,041	2,041		2,041
Put option exercised on non-controlling interests			764	764	(764)	
Other changes/roundings			(138)	(138)	(83)	(221)
Total transactions with owners			**4,376**	**4,376**	**(734)**	**3,642**
Net profit/(loss) for the financial year			(308,870)	(308,870)	(15,083)	(323,953)
OCI for the year			71,407	71,407	1,570	72,977
Total comprehensive income for the financial year			**(237,463)**	**(237,463)**	**(13,513)**	**(250,976)**
31.12.2022	19	**862,981**	**(277,486)**	**585,495**	**1,408**	**586,903**

Consolidated statement of cash flows

(euro/thousand)

	Note	31.12.2022	31.12.2021
Gross cash flows from operating activities	34	**251,467**	**497,063**
Changes to working capital			
- inventories		11,709	20,689
- contract assets and liabilities		(467,085)	719,325
- trade receivables		165,390	(276,876)
- other current assets and liabilities		20,618	(14,110)
- other non-current assets and liabilities		(16,187)	(1,084)
- trade payables		204,799	33,688
Cash flows from working capital		**170,711**	**978,695**
Dividends paid			
Interest income received		44,941	16,902
Interest expense paid		(88,091)	(74,655)
Income taxes (paid)/collected		(141,501)	16,089
Utilization of provisions for risks and charges and for employee benefits	20-21	(43,784)	(74,666)
Net cash flows from operating activities			
- Continuing operations		**(57,724)**	**862,365**
Net cash flows from operating activities			
- Discontinued operations			
Net cash flows from operating activities		**(57,724)**	**862,365**
- of which related parties		32,170	32,161
Investments in:			
- intangible assets	6	(70,781)	(47,986)
- property, plant and equipment	8	(224,095)	(309,816)
- equity investments	9	(999)	(2,976)
- disposal of business combinations, net of cash acquired		1,749	220
Disposals of:			
- intangible assets	6	184	538
- property, plant and equipment	8	2,714	1,855
- equity investments	9	9,518	137
- change in other current financial receivables	33	87,005	(61,213)
Change in non-current financial receivables			
- disbursements	33	(39,257)	(116,667)
- repayments	33	8,950	689
Cash flows from investing activities		**(225,012)**	**(535,219)**
- of which related parties		6,372	(2,399)
Change in non-current loans:			
- disbursements	33	654,219	235
- repayments	33	(40,929)	(4,069)
Change in current bank loans and credit facilities			
- disbursements	33	2,688,325	2,528,743
- repayments	33	(3,532,785)	(3,000,978)
Change in current bonds/commercial papers			
- disbursements	33	506,700	597,800
- repayments	33	(646,200)	(477,800)
Repayment of financial liabilities for leasing	33	(22,394)	(20,523)
Change in other current financial liabilities	33	4,742	831
Change in receivables for trading financial instruments	33		
Change in payables for trading financial instruments	33		
Acquisition of non-controlling interests in subsidiaries	33	(53)	(1,748)
Net capital contributions by non-controlling interests	33		
Purchase of treasury shares	33	(1,143)	
Cash flows from financing activities	33	**(389,518)**	**(377,509)**
- of which related parties		(19,528)	(22,116)
Net cash flows for the financial year		**(672,254)**	**(50,363)**
Cash and cash equivalents at the beginning of year	18	**1,236,180**	**1,274,642**
Effect of exchange rate changes on cash and cash equivalents		650	11,901
Cash and cash equivalents at the end of year	18	**564,576**	**1,236,180**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Form, contents and other general information

The Parent Company

Fincantieri S.p.A. (hereinafter "Fincantieri" or the "Company" or the "Parent Company" and, together with its subsidiaries, the "Group" or the "Fincantieri Group") is a public limited company with its registered offices in via Genova no. 1, Trieste (Italy), and is listed on Euronext Milan, organized and managed by Borsa Italiana S.p.A.
As at 31 December 2022, 71.32% of the Company's Share Capital of euro 862,980,725.70 is held by CDP Equity 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 treasury shares (of around 0.07% of shares representing the Parent Company's Share Capital). It should be noted that 100% of the Share Capital of CDP Equity S.p.A. is owned by Cassa Depositi e Prestiti S.p.A. (hereinafter also referred to as "CDP"), 82.77% of whose Share Capital is in turn owned by Italy's Ministry of Economy and Finance.
Furthermore, CDP, with registered offices in Via Goito 4, Rome, prepares the Consolidated Financial Statements of the Group to which the Company belongs and which are available on the website www.cdp.it in the "CDP Group" section.

Principal activities of the Group

The Group operates through the following three segments:

- **Shipbuilding**: encompassing the cruise ships and expedition cruise vessels and naval vessels;
- **Offshore and Specialized vessels**: encompassing the design and construction of high-end offshore support vessels for offshore wind farms and the Oil&Gas industry, specialized ships such as cable-laying vessels and ferries, crewless vessels, offering innovative products with reduced environmental impact;
- **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) Accommodation Cluster[1], which includes the fitting out of cabins, public areas, catering, wet units and windows, iii) Electronics Cluster[2], which focuses on advanced technological solutions, from the design and integration of complex systems (system integration) to telecommunications and critical infrastructure, iv) Mechatronics Cluster, i.e., integration of mechanical components and power electronics in naval and onshore applications and v) Infrastructure Cluster, which includes the design, construction and installation of steel structures for large-scale projects as well as the production and construction of maritime works and the supply of technology and facility management for the health segment, industry and the service sector.

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. 6064293 dated 28 July 2006 concerning disclosures.

[1] This business area was previously called Complete Accommodation.
[2] This business area was previously called Electronics, Systems and Software.

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 at 31 December 2022 were approved by the Company's Board of Directors on 7 March 2023.
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 2022 makes it possible for the Group to support the financial requirements expected over the next 12 months.
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 2022

A brief description of the accounting standards, amendments and interpretations applicable to financial statements as at and for the year ended 31 December 2022 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 2022

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

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

The amendments entered into force on 1 January 2022 and the adoption of these amendments has had no significant impact on the Consolidated Financial Statements and separate Financial Statements at 31 December 2022.

Accounting standards, amendments and interpretations not yet adopted but for which early application is permitted

On 7 May 2021, the IASB published "Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)". The aim of the document is to clarify the accounting for deferred tax on certain transactions such as leases and decommissioning obligations.
On 12 February 2021, the IASB published "Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2)". The aim of the document is to help companies decide which accounting policies to use in financial statements.
On 12 February 2021, the IASB published "Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)". The definition of change in accounting estimates is replaced by a definition of accounting estimate. According to the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty" and a change in accounting estimate is made as a result of new information or new developments and not to correct an error.
All the amendments will enter into force on 1 January 2023 but early adoption is permitted; however, the Group has not taken up this option. To date, no significant impact is expected from the application of these amendments.

Accounting standards, amendments and IFRS interpretations not yet approved by the European Union

At the date of this document, the relevant bodies of the European Union have not yet concluded the ratification process necessary for the adoption of the amendments and standards described below.
On 23 January 2020, the IASB published "Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendment to IAS 1 Presentation of Financial Statements)". The document aims to clarify how to classify debts and other short-term or long-term liabilities.
On 31 October 2022, the IASB published "Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements)". The purpose of the document is to clarify how the conditions that an entity must meet within twelve months of the reporting date affect the classification of a liability.
On 22 September 2022, the IASB published "Lease Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases)". The document is intended to specify how a lessee-seller should apply the subsequent measurement provisions of IFRS 16 to the lease liability arising in the sale and leaseback transaction in such a way that it recognizes no gain or loss with respect to the retained right of use. By contrast, the accounting for leases not related to sale and leaseback transactions remains unchanged.
The amendments will enter into force on 1 January 2024. These new standards, amendments and interpretations are currently being analysed to assess whether their adoption will have a significant impact on the Group's Consolidated Financial Statements.

Presentation of financial statements

As regards the method of presenting financial statements, for the statement of financial position, the Group uses a "non-current/current" distinction, for the statement of comprehensive income it uses a classification that is based on the nature of expenses, and for the statement of cash flows the indirect method is used. It is also noted that the Group has applied Consob Resolution no. 15519 of 27 July 2006 concerning financial statement formats.

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 2022 the following companies included in the scope of consolidation were incorporated:

- the subsidiary Fincantieri Marine Systems North America Inc., as part of a restructuring process aimed at increasing its corporate efficiency, incorporated two wholly-owned subsidiaries: Fincantieri Marine Repair LLC (FMR) and Fincantieri Marine Systems LLC (FMS). The two companies, based in Wilmington (USA), became operational in May. Fincantieri Marine Repair LLC (FMR) is in charge of managing the ship repairs yard in Jacksonville, Florida, while Fincantieri Marine Systems LLC (FMS) is in charge of sales and service related to mechanical production;
- on 17 February 2022 Fincantieri S.p.A. and the subsidiary Fincantieri SI S.p.A. jointly intervened in the incorporation of the joint venture 4B3 S.c.a.r.l. in which they hold an interest of 2.5% and 52.50% respectively. The duration of the Company, based in Trieste, was set until 31 December 2038 and its corporate purpose is the complete unitary execution of the BOP3 "Works Contract for Balance of Plant Group 3: Installation" at the ITER complex in Saint-Paul-Lez-Durance (France);
- on 30 March 2022, Fincantieri SI S.p.A. incorporated the subsidiary Fincantieri SI Impianti S.c.a.r.l., in which it holds 60% of the Share Capital. The limited liability consortium, based in Milan, was established to expand Fincantieri SI S.p.A.'s offering in the field of plant engineering and industrial automation;
- on 28 April 2022, Fincantieri SI S.p.A. incorporated the joint venture 4TB13 S.c.a.r.l., in which it holds 55% of the Share Capital. The duration of the company, based in Trieste, was set until 31 December 2023. The company, based in Trieste, is still inactive as at the reporting date, however it will be responsible for the execution of the contract "supply of non-pic equipment and installation of non-pic and pic equipment of hvac system of ITER TB13 project" at the ITER complex in Saint-Paul-lez-Durance (France);
- on 09 May 2022, Fincantieri Infrastructure Opere Marittime S.p.A. established the joint venture named Darsena Europa S.c.a.r.l., in which it holds 26% of the Share Capital. The duration of the Company, based in Rome, was set until 31 December 2021 and the corporate purpose is the execution of the works for the new first phase of implementation of the Europa Platform of the port of Livorno;
- on 23 November 2022, Fincantieri Infrastrutture Opere Marittime S.p.A. established the associate company PerGenova Breakwater, in which it holds 25% of the Share Capital. The duration of the consortium, based in Genoa, was set until 31 December 2035 and its corporate purpose is the construction of the new breakwater for the port of Genoa in the Sampierdarena dock.

During 2022 the following extraordinary transactions were recorded:

- on 16 December 2021, the company Seastema S.p.A., a wholly-owned subsidiary of Fincantieri NexTech S.p.A., was merged by incorporation into its parent company. As the statutory, accounting and tax effects of the merger take effect on 1 January 2022, it therefore results that Seastema S.p.A. left the scope of consolidation on that date;
- on 31 December 2021, Vard Electro Braila S.r.l., a wholly-owned subsidiary of Vard Electro AS, was merged into Vard Electro Tulcea S.r.l. (now Vard Electro Romania S.r.l.), with subsequent transfer of all assets and liabilities of Vard Electro Braila S.r.l. Although the statutory, accounting and tax effects of the merger took effect on 31 December 2021, Vard Electro Braila S.r.l. was liquidated in 2022, so it results that it left the scope of consolidation in 2022;
- on 17 February 2022, with a deed of merger signed on 26 April 2022, the subsidiary S.E.C. S.r.l. Sécurité Des Environments Complexes was merged by incorporation into the company Fincantieri NexTech S.p.A., with accounting and tax effects from 1 January 2022 and statutory effects from 1 May 2022;
- on 29 April 2022, the date of cancellation at the Companies Registry, the dissolution of the wholly-owned subsidiary Fincantieri Infrastructure Wisconsin Inc., held 100% by Fincantieri Infrastructure USA Inc. became effective;
- on 16 June 2022, the subsidiary Vard Shipholding Pte Ltd acquired 15.54% of the company Norwind Shipholding AS. Based in Ålesund, Norway, the company's purpose is the ownership and management of shipping activities;
- on 22 December 2022, the company Esseti Sistemi e Tecnologie S.r.l., a wholly-owned subsidiary of Fincantieri NexTech S.p.A., was merged by incorporation into E-Phors S.p.A., wholly-owned subsidiary of Fincantieri NexTech S.p.A. Although the deed of merger was signed on 22 December 2022, the civil law effects run from 27 December 2022, the date of the last registration of the deed with the relevant Register of Companies, whereas the accounting and tax effects run retroactively from 01 January 2022. It therefore follows that Esseti Sistemi e Tecnologie S.r.l. was removed from the scope of consolidation on that date;
- during the last quarter of 2022, Vard Aqua Sunndal AS, a wholly-owned subsidiary of Vard Group AS, and Vard Aqua Chile SA and Vard Aqua Scotland Ltd, 95% and 100% owned subsidiaries of Vard Aqua Sunndal AS, were sold, resulting in their removal from the Group's scope of consolidation.

With regard to movements in shareholdings in associates and joint ventures, consolidated using the equity method, the following transactions took place during 2022:

- Following financial restructuring, the subsidiary Vard Group AS sold its shareholdings in the associates MOKSTER SUPPLY AS, MOKSTER SUPPLY KS and DOF ICEMAN AS, which were written down in 2021. As a result, these companies were removed from the scope of consolidation;
- The subsidiary Vard Group AS sold its 46.90% shareholding in the associate company Island Discoverer AS, which was therefore removed from the Group's scope of consolidation.

The Consolidated Financial Statements at 31 December 2022 have not been affected by any significant transactions or unusual events except as reported in the Notes to the Consolidated Financial Statements.

Basis of consolidation

Subsidiaries

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

	2022		2021	
	12-month average	Closing rate at 31-Dec	12-month average	Closing rate at 31-Dec
US Dollar (USD)	1.0530	1.0666	1.1827	1.1326
Australian Dollar (AUD)	1.5167	1.5693	1.5749	1.5615
UAE Dirham (AED)	3.8673	3.9171	4.3436	4.1595
Canadian Dollar (CAD)	1.3695	1.4440	1.4826	1.4393
Brazilian Real(BRL)	5.4399	5.6386	6.3779	6.3101
Norwegian Krone (NOK)	10.1026	10.5138	10.1633	9.9888
Indian Rupee (INR)	82.6864	88.1710	87.4392	84.2292
New Romanian Leu (RON)	4.9313	4.9495	4.9215	4.9490
Chinese Yuan (CNY)	7.0788	7.3582	7.6282	7.1947
Swedish Krona (SEK)	10.6296	11.1218	10.1465	10.2503

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 statement or other statement of 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.
In the event that call and put options are granted on non-controlling interests, if the Group has already acquired the right to obtain the risks/benefits associated with the non-controlling interests, the capital and reserves attributable to non-controlling interests will not be recognized in the Consolidated Financial Statements and the Group will account for the transaction as if it had already acquired control over the aforementioned non-controlling interests subject to options (early acquisition method). A financial liability equal to the present value of the exercise price of the option will also be recognized. If, on the other hand, the non-controlling interests have retained the current right to obtain the risks/benefits associated with the non-controlling interests, the capital and reserves attributable to non-controlling interests will continue to be recognized at the value of their share of the net assets acquired and the financial liability will be recognized as an adjustment to group equity (joint ownership method). In any case, subsequent changes in the fair value of the financial liability will be recognized in profit or loss. If such options are negotiated separately from the acquisition of control with non-controlling interests or subsequent to the acquisition of control and still give rise to the acquisition of the non-controlling interests, then the transaction will be accounted for as an equity transaction, i.e. as an adjustment to Group equity, because it is not a transaction that qualifies as a business combination.
Under the early acquisition method, if the option is exercised, the financial liability will be settled by payment of the exercise price equal to its fair value at the date of exercise. If the option is not exercised, the Group will have effectively sold the related non-controlling interest without loss of control at a price equal to the value of the financial liability and the difference with respect to the carrying value of the non-controlling interest will be accounted for as an equity transaction, i.e. as an adjustment to Group equity.
In the joint interest method, if the option is exercised, there will be an increase in the shareholding of the subsidiary with the consequent elimination of the non-controlling interests with a balancing entry in Group equity, while the financial liability will be extinguished at its carrying amount equal to fair value. If the option is not exercised, the financial liability will be reclassified to the same equity component as at initial recognition.

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., has been subject to 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 2022 for another three years until financial year 2024.

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 section 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 contract 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 costs 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:	
- Industrial buildings and dry docks	33 - 47
- Plant and machinery	7 - 25
- 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 section 4 below.

4. Impairment of non-financial assets

Tangible and intangible assets are reviewed at the end of each financial statement 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 (FVTPL) 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 materials and consumables 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). Financial expenses 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. Contract assets and liabilities

The Contract assets and liabilities 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 client 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.
Contract Assets are reported as the costs incurred plus profit recognized to date, net of the related liabilities, i.e. the progress billings issued. 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 "Contract Assets", while if it is negative, the difference is classified as a liability under "Contract liabilities".
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 financial year in which it becomes reasonably foreseeable. The value of the provision, equal to the amount of the expected losses, is shown in the provisions for risks and charges as "provision for onerous contracts". Provisions and utilization of this provision for onerous contracts are included in Operating revenue under the heading "Changes in Contract assets and liabilities".
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 Annual Report. 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 on the financial statements. 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. Provision for impairment 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 components of comprehensive income for the year. 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 with impact on the statement of 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 Stage 1, Stage 2 or Stage 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 financial year. 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 capital grants 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, 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 wage 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 wage 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 is no additional financial liability for the Company to pay additional amounts.

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 financial year. 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 the end of the financial year; 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 "Financial expenses".
Provisions for credit risk for financial guarantees issued subject to the valuation rules of IFRS 9 are also included in the item under consideration.
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, financial income and expenses

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 at the year-end reporting date: 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 clients 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.

Financial income and expenses are recognized in profit or loss in the financial year in which they accrue.
Financial expenses include the interests on the extension which are recognised based on the use of reverse factoring agreements.
Cash flows related to dividends and interest income and expense are reported in the statement of cash flows under cash flows from operating activities.

16. Income taxes

Income taxes represent the sum of current and deferred taxes.
Current income taxes are calculated on taxable profit for the financial year, using tax rates that apply on the reporting date.
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 financial year 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".
Cash flows related to income tax are shown in the statement of cash flows under cash flows from operating activities.

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 treasury 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 treasury shares, and adjusting to take account of the number of potential shares that could be issued.

18. Treasury shares

Treasury shares are recognized as a reduction of Equity. The original cost of the treasury 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 these critical accounting 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 contracts with clients

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 Contract assets and margins relating to work in progress requires management to estimate correctly the costs of completion, and 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 recognized value 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 CDP national tax consolidation. 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 tangible 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 recognized 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 after the Reporting Period, the Group analyses business events occurring after the reporting date, in order to verify whether they should be used to adjust the amounts recognized in the financial statements, or to reflect elements that had not been previously recognized.

19.8 Macroeconomic scenario and Impacts of the Russian-Ukrainian conflict

During 2022, the macroeconomic environment was strongly characterized by the disruption of global geopolitical and macroeconomic scenarios, especially following Russia's aggression against Ukraine. In particular, there was an increase in the volatility of raw material and energy markets, especially for product categories whose production is concentrated in the areas affected by the conflict, also due to the suspension of energy supplies from Russia. These disruptions have contributed to an inflationary push and rising interest rates.

In recent months, volatility in raw material and energy markets has eased, with prices stabilizing substantially at levels higher than pre-pandemic levels.

With reference to the effects of the Russian-Ukrainian conflict, as explained in the 2021 annual financial statements and in the 2022 interim financial statements, the Group has no current activities or investments in Russia or Ukraine, nor financing relationships with companies or financial institutions operating in these countries. In addition, the Group has no employees based in these areas.

The Group has limited business relations with Russian clients on specific niches of services and products. In the year, these contracts developed business volumes of insignificant amounts (about 0.2% of total revenue and income). Receivables at the date from Russian clients were of a limited amount.

With regard to the effects of price increases, the Group continues to implement hedging policies on the purchase of copper, gas and energy, as well as marine fuel. In addition, the Group is constantly implementing the risk mitigation plan, already initiated close to the start of the conflict, related to the supply of strategic materials such as steel, partly from Ukraine. The plan includes strategies to diversify suppliers, including by scouting for new international partners. It should be noted that the whole-life cost estimates of the projects in the portfolio have been updated to reflect current expected price levels of raw materials, with significant impact on margins and profit or loss for the year.

On the basis of the above, and net of unexpected or currently unforeseeable developments or events, no further significant impact on the Group's activities is expected in relation to the effects of the conflict.

With reference to the effects of inflation and the related rise in interest rates, these were considered indicators of impairment, it was therefore decided to carry out the impairment test on the Group's CGUs. Except as reported in Note 6 "Intangible Assets", with respect to CGUs containing goodwill, the impairment tests performed did not result in the recognition of any impairment losses.

Lastly, it should be noted that, during the financial year, the Group finalized new long-term loans in the amount of about euro 0.6 billion, bringing total medium/long-term loans to euro 2.3 billion (net of repayments of loans falling due during the year). The rise in interest rates during 2022 only partially affected the cost of new loans thanks to the hedging and pre-hedging strategy pursued by the Group through the trading of interest rate swaps. More than 85% of the medium- to long-term loans currently in place benefit from a fixed interest rate.

19.9 Impacts of climate risk

For the purpose of preparing the Consolidated Financial Statements, the possible impacts of climate risks, as identified and described in the "Fincantieri for the climate" chapter of the Group's Report on Operations included in the Consolidated Financial Statements 2022, have been considered. In this regard, no significant impacts were identified on the main estimation processes related to the balance sheet items as at 31.12.2022. With specific reference to the estimate of the recoverable amount of non-financial assets, the plans used for the impairment tests performed take into account the assumptions developed by management on the issue of climate change, consistent with the strategic initiatives included in the Group's recently approved Business Plan and Sustainability Plan.

Although no significant medium-term impacts on the Group's operations have been identified in these documents, Management closely monitors the development of climate risks and possible effects on estimation processes for the purpose of preparing the financial statements. Furthermore, the strategies outlined in the aforementioned forecast documents reflect the directions for development consistent with the expected developments in response to these risks, with the aim of seizing market opportunities. Finally, direct physical risks on the Group's production sites potentially resulting from climate change are included in the existing insurance coverage, the adequacy of which is also constantly monitored.

Note 4 - Financial risk management

The main 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 projects, 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 Qatari Armed Forced Navy, for shipbuilding contracts.
The Fincantieri Group carries out checks on the financial stability of its customers, including through information obtained from the main credit risk assessment agencies, and constantly monitors counterparty risk, also during the construction phase of orders, reporting any critical cases to top management and assessing the action to be taken depending on the specific case. The Group also maintains a constant dialogue with its customers, undertaking initiatives to support them where deemed essential for the maintenance or growth of the order book.
The Fincantieri Group's customers often make use of credit arrangements to finalize the placement of orders, which are guaranteed by the national Export Credit Agency. This method of financing allows the Fincantieri Group to be certain that the client will have the funds to meet its contractual obligations during construction and upon delivery of the ships. The package of measures launched to support cruise operators, following the COVID-19 pandemic, includes a debt holiday on export finance granted by export credit agencies to shipowners, which included the suspension of repayment of the capital instalments from 1 April 2020 to 31 March 2022 and the consequent reshaping of the repayment plan over the subsequent five years. This facility is granted on condition that existing orders are maintained at the reporting date.
With reference to the credit risk, it should also be noted that during the execution of the contract, the Group keeps the ship at its shipyards and the contracts provide for the possibility for Fincantieri, in the event of default by the shipowner, to retain the ship and the advances received. The ship under construction represents in fact a guarantee until the delivery date when payment is made, which is, moreover, often guaranteed, as mentioned, by export credit agencies.
The provision for onerous contracts is set aside when the contract is acquired or when the costs expected to be incurred are updated and it becomes apparent that the costs necessary to complete the contract exceed the contractual revenues of the contract. The financial statements include the provision for onerous contracts among the provisions for risks and charges.
The following tables provide a breakdown by risk class of the exposure as at 31 December 2022 and 2021 based on the nominal value of receivables before any provision for impairment of receivables.

(euro/000)

		31.12.2022							
			Past due						
	Note	Not yet due	0 - 1 month	1 - 4 months	4 - 12 months	Beyond 1 year	Gross total	Provision for impairment of receivables	Net Total
Trade receivables:									
- from public entities	15	72,107	440	361	1,032	6,941	80,881		80,881
- indirectly from public entities*	15	2,085	118	457	15,919	2,460	21,039		21,039
- from private ship-owners	15	260,823	56,591	36,412	157,356	153,515	664,697	(68,733)	595,964
- from associates and joint ventures	15	20,681	1,179	3,628	9,721	36,840	72,049		72,049
Total trade receivables		**355,696**	**58,328**	**40,858**	**184,028**	**199,756**	**838,666**	**(68,733)**	**769,993**
Other receivables:									
- from associates	11	79				723	802		802
- for government grants	11-15	83,458					83,458		83,458
- from others	11-15	190,985	6,043			12,983	210,011	(23,338)	186,673
- from controlling companies (tax consolidation)	15	15,559					15,559		15,559
- from related parties	15								-
- for income and indirect taxes	15-16	91,712	5,527	277	177	905	98,598	(142)	98,456
Total other receivables		**381,793**	**11,570**	**277**	**177**	**14,611**	**408,428**	**(23,480)**	**384,948**
Contract assets	14	**3,085,159**					**3,085,159**		**3,085,159**
Financial receivables:									
- from associates and joint ventures	10-17	40,821				1,564	42,385		42,385
- other	10-17	245,756	17				245,773	(17,257)	228,516
Total current financial assets		**286,577**	**17**	**-**	**-**	**1,564**	**288,158**	**(17,257)**	**270,901**
Advances, prepayments and accrued income									**150,912**
Total		**4,109,225**	**69,915**	**41,135**	**184,205**	**215,931**	**4,620,411**	**(109,470)**	**4,661,853**

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

(euro/000)

		31.12.2021							
			Past due						
	Note	Not yet due	0 - 1 month	1 - 4 months	4 - 12 months	Beyond 1 year	Gross total	Provision for impairment of receivables	Net Total
Trade receivables:									
- from public entities	15	4,054	198	304	1,386	15,237	21,179		21,179
- indirectly from public entities*	15	13,337	798		14,058	115	28,308		28,308
- from private ship-owners	15	610,865	67,726	82,680	29,957	74,798	866,026	(62,386)	803,640
- from associates and joint ventures	15	68,090	812	918	7,703	4,928	82,451		82,451
Total trade receivables		**696,346**	**69,534**	**83,902**	**53,104**	**95,078**	**997,964**	**(62,386)**	**935,578**
Other receivables:									
- from associates	11				678		678		678
- for government grants	11-15	60,357					60,357		60,357
- from others	11-15	180,080	91	46	27	25,333	205,577	(22,420)	183,157
- from controlling companies (tax consolidation)	15	2,339					2,339		2,339
- from related parties	15								
- for income and indirect taxes	15-16	78,303	80			355	78,738	(142)	78,596
Total other receivables		**321,079**	**171**	**46**	**705**	**25,688**	**347,689**	**(22,562)**	**325,127**
Contract assets	14	**2,638,946**					**2,638,946**		**2,638,946**
Financial receivables:									
- from associates and joint ventures	10-17	49,978			1,564		51,542		51,542
- other	10-17	326,936		421		15,694	343,050	(12,071)	330,979
Total current financial assets		**376,914**	**-**	**421**	**1,564**	**15,694**	**394,592**	**(12,071)**	**382,521**
Advances, prepayments and accrued income									**167,342**
Total		**4,033,285**	**69,705**	**84,369**	**55,373**	**136,460**	**4,379,191**	**(97,019)**	**4,449,514**

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

Liquidity risk

Liquidity risk is associated with the Group's inability to repay its current financial and commercial liabilities or to meet unforeseen cash requirements, related to lower or higher than expected cash receipts or disbursements.

In 2022, the Group recorded a negative Net financial position, presented in accordance with ESMA recommendations, of euro 2,531 million (negative for euro 2,238 million in 2021).

The main debt items are loans outstanding with credit institutions, current bank debt and commercial paper related to the trend in working capital and other current financial liabilities.

The Group has a solid financial capacity with sufficient liquidity and credit facilities that are adequately diversified in terms of duration, counterparty and technical form to meet its current financial requirements.

With reference to Payables to suppliers for reverse factoring, these refer to agreements aimed at guaranteeing easier access to credit for suppliers and are based on contractual structures in which the supplier has the discretionary option to sell receivables due from the Group 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 Group to extend the due date beyond that shown in the invoice. The additional extensions granted may be either onerous or non-onerous in nature and may fall within a range of 0 to 280 additional days.

Payables to suppliers for reverse factoring at 31 December 2022 amount to euro 622 million and represent the value of invoices assigned by suppliers and formally recognized as liquid and collectable by the Group and in deferment at that date on the basis of further extensions granted by suppliers with respect to the normal contractual payment terms.

The liquidity risk associated with reverse factoring is considered to be low in view of: i) the contractual agreements, which provide that if one or more agreements are terminated, they must, by formal agreement between the parties, continue to operate for the existing contracts. Therefore, in addition to not being able to request immediate payment of the deferred amounts, the institutions will also have to keep the existing contractual relationships with the suppliers in force until natural expiry; ii) the diversification achieved with the involvement of 10 different operators and with a concentration not exceeding 31% of the value at a given date. It should also be noted, in relation to other forms of financing, that at 31 December 2022 the Group had euro 2.4 billion of unused financial capacity, including euro 0.6 billion of cash and cash equivalents and euro 1.8 billion of unused credit facilities.

The following tables show the contractual maturities of trade payables 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/000)

				31.12.2022			
	Note	On demand	Within year 1	Between 1 and 5 years	Beyond 5 years	Contractual cash flows	Carrying amount
Liabilities included among "Current and non-current financial liabilities"*							
Financing and loans**	22-27	2,925	1,820,935	1,118,535	159,189	3,101,584	2,952,164
BIIS loans	27		417	1,090	39	1,546	1,519
Bond and commercial papers	27		80,700			80,700	80,700
Financial liabilities for leasing IFRS 16	22-27	740	23,408	62,612	64,580	151,340	132,516
Other financial liabilities	22-27	1,000	37,540	12,481		51,021	52,030
Liabilities included among "Trade payables and other current liabilities"							
Payables to suppliers	25	507,219	1,560,921	3,523	52	2,071,715	2,071,715
Payables to suppliers for reverse factoring	25	11,386	610,590			621,976	621,976
Indirect tax payables	25	5,071	6,239	222		11,532	11,532
Other payables	25	10,150	317,036	9,754		336,940	336,940
Advances, prepayments and accrued income	25						51,425
Income tax liabilities							
Income tax liabilities	26	681	24,762			25,443	25,443
Total		**539,172**	**4,482,548**	**1,208,217**	**223,860**	**6,453,797**	**6,337,960**

* Does not include Derivative liabilities, for which reference should be made to the section "Fair value of derivatives".
** This item includes medium/long-term financial liabilities, bank credit facilities repayable on demand and construction loans.

(euro/000)

				31.12.2021			
	Note	On demand	Within year 1	Between 1 and 5 years	Beyond 5 years	Contractual cash flows	Carrying amount
Liabilities included among "Current and non-current financial liabilities"*							
Financing and loans**	22-27	2,637	1,373,629	1,763,707	37,155	3,177,128	3,116,123
BIIS loans	27		267	894	117	1,278	1,259
Bond and commercial papers	27		220,200			220,200	220,200
Financial liabilities for leasing IFRS 16	22-27	237	24,023	77,104	54,803	156,167	119,167
Other financial liabilities	22-27		76,350	33,500	292	110,142	102,820
Liabilities included among "Trade payables and other current liabilities"							
Payables to suppliers	25	210,059	1,670,663	16,141	21	1,896,884	1,896,884
Payables to suppliers for reverse factoring	25		593,260			593,260	593,260
Indirect tax payables	25	2,843	9,786			12,629	12,629
Other payables	25	9,138	338,432	9,877	2,267	359,714	359,714
Advances, prepayments and accrued income	25						58,412
Income tax liabilities							
Income tax liabilities	26	783	29,286			30,069	30,069
Total		**225,697**	**4,335,896**	**1,901,223**	**94,655**	**6,557,471**	**6,510,537**

* Does not include Derivative liabilities, for which reference should be made to the section "Fair value of derivatives"
** This item includes medium/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 raw material 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.

Raw material price risk

The risk that changes in the price of raw materials will impact the Group's production costs. This risk may arise, for example, as a result of catastrophic events affecting the supply chain, as a result of changes in customs policies or international import/export agreements or as a result of momentary or structural imbalances between supply and demand.
In order to prevent and protect against the impact of raw material price changes on production costs, there is a continuous review of risk exposure by monitoring price trends and implementing commercial (steel) or financial (copper and diesel) hedging policies, where necessary and possible. The Group takes into consideration predictable increases in the components of contract costs when determining the offer price and evaluates the possibility of sharing risk with customers. At the time of signing the contract, fixed-price purchase options will already have been defined for some of the vessel's principal components. In addition, the market and the Authority's resolutions on electricity and gas are actively monitored, in order to take advantage of the best conditions in good time.

Currency risk

Exposure to currency risk arises when commercial contracts are denominated in foreign currencies and 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.
Currency risk was mitigated through the use of 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.

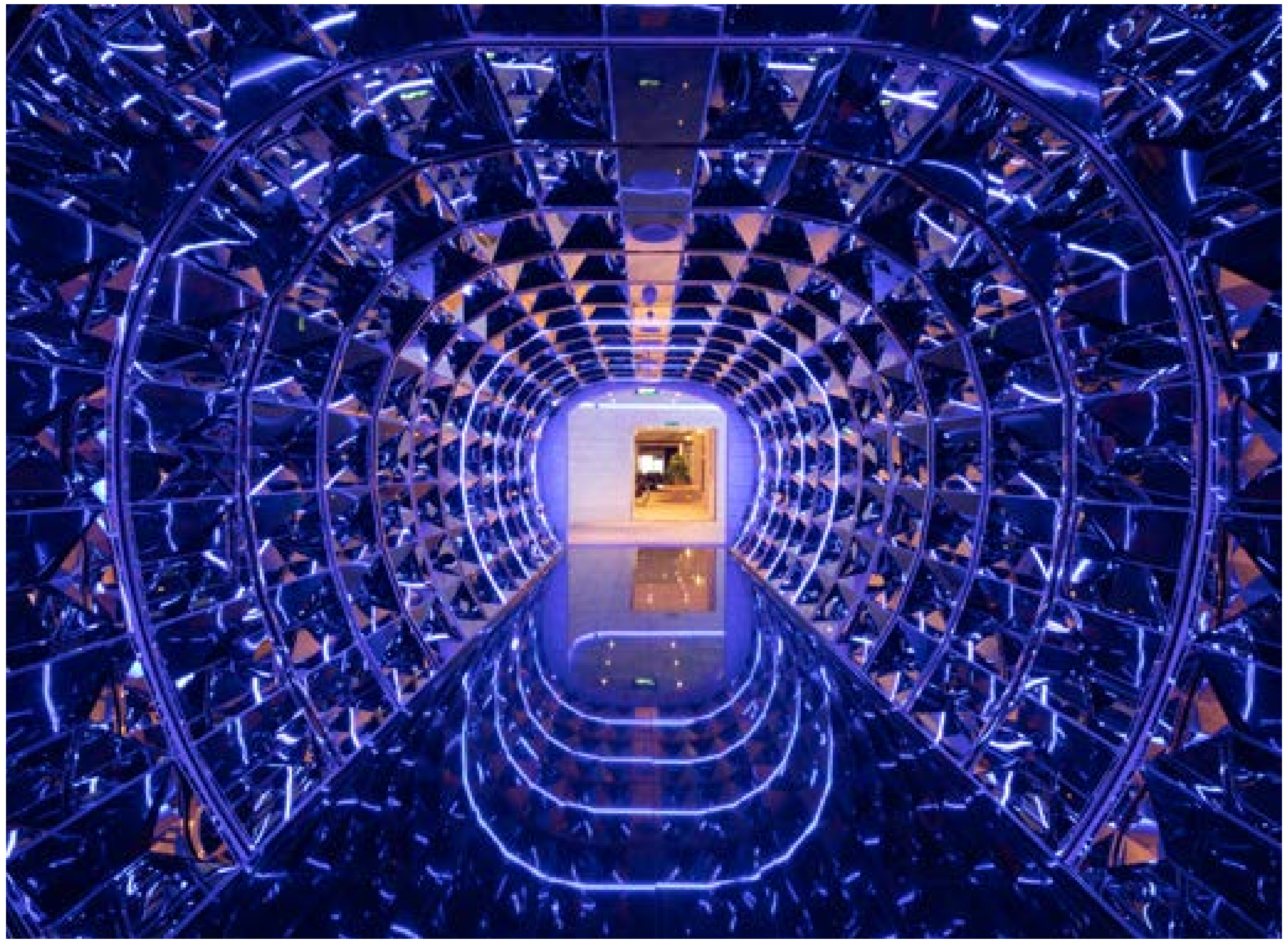
Floating-rate assets and liabilities are exposed to the first of these risks, while fixed-rate assets and liabilities are exposed to the second risk.
At 31 December 2022, twenty interest rate swaps were in place to hedge the interest rate risk on medium and long-term loans, amounting to euro 1,761 million (as a result of the hedges, more than 85% of non-current loans are at fixed rates).
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.

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 the IFRS 9 accounting standard and, if a component of ineffectiveness is found, it is recorded in profit or loss.



(euro/000)

	31.12.2022			
	Positive fair value	Notional amount	Negative fair value	Notional amount
Cash flow hedging derivatives				
Interest rate swaps	61,981	1,760,625		
Forward contracts			205	9,931
Fair value hedging derivatives				
Forward contracts	10,355	210,674	25,053	374,187
Hedging derivatives which do not qualify for hedge accounting				
Forward contracts	11,534	439,647	7,245	193,969
Futures	10,123	54,724	774	32,076

(euro/000)

	31.12.2021			
	Positive fair value	Notional amount	Negative fair value	Notional amount
Cash flow hedging derivatives				
Interest rate swaps	466	1,210,625	4,537	134,375
Forward contracts				
Fair value hedging derivatives				
Forward contracts	8,644	272,765	10,542	325,044
Hedging derivatives which do not qualify for hedge accounting				
Forward contracts	8,228	173,225	6,038	318,045
Futures	3,902	12,289	1,468	16,870

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 (negative for euro 1 million in 2022) and therefore no ineffective portion has been recognized.
The hedged items are recorded under Contract assets and 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 financial 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 amount included in these tables represents undiscounted future cash flows, which refers to just the intrinsic value.

(euro/000)

	31.12.2022			
	Within 1 year	Between 1 and 5 years	Beyond 5 years	Total
Currency risk management				
Outflow	830,347	217,943		1,048,290
Inflow	1,169,438	442,404		1,611,842
Interest rate risk management				
Outflow	774			774
Inflow	33,805	28,765		62,570
Raw material price risk management				
Outflow	52,310	34,895		87,205
Inflow	56,435	40,119		96,554

(euro/000)

	31.12.2021			
	Within 1 year	Between 1 and 5 years	Beyond 5 years	Total
Currency risk management				
Outflow	659,576	387,370		1,046,946
Inflow	707,709	382,695		1,090,404
Interest rate risk management				
Outflow	4,537	746		5,283
Inflow		1,213		1,213
Raw material price risk management				
Outflow	9,897	20,464		30,361
Inflow	11,484	21,312		32,796

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 reporting date 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:

(euro/000)

	Equity			
	Gross	Income taxes	Net	Profit or loss
1.1.2021	**(11,696)**	**1,884**	**(9,812)**	**(45,316)**
Change in fair value	(5,240)	1,227	(4,013)	
Utilizations	11,696	(1,884)	9,812	(9,812)
Other income/(expenses) for risk hedging				16,625
Financial income/(expenses) relating to trading derivatives and time-value component of hedging derivatives				(30,170)
31.12.2021	**(5,240)**	**1,227**	**(4,013)**	**(23,357)**

(euro/000)

	Equity			
	Gross	Income taxes	Net	Profit or loss
Change in fair value	64,336	(15,195)	49,141	
Utilizations	5,240	(1,227)	4,013	(4,013)
Other income/(expenses) for risk hedging				18,878
Financial income/(expenses) relating to trading derivatives and time-value component of hedging derivatives				(15,089)
31.12.2022	**64,336**	**(15,195)**	**49,141**	**(224)**

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/000)

	31.12.2022					
	A	B	C	D	Total	Fair value
Investments carried at fair value	10,769	21,637			**32,406**	**32,406**
Derivative financial assets	32,013	28,950			**60,963**	**60,963**
Other financial assets			281,445		**281,445**	**110,237**
Other non-current assets			50,040		**50,040**	**50,040**
Trade receivables and other current assets			1,176,661		**1,176,661**	**1,176,661**
Cash and cash equivalents			564,576		**564,576**	**564,576**
Derivative financial liabilities	(33,158)	(205)			**(33,363)**	**(33,363)**
Other financial liabilities	(17,727)			(3,225,158)	**(3,242,885)**	**(3,220,235)**
Other non-current liabilities				(57,201)	**(57,201)**	**(57,201)**
Trade payables and other current liabilities				(3,021,204)	**(3,021,204)**	**(3,021,204)**

(euro/000)

	31.12.2021					
	A	B	C	D	Total	Fair value
Investments carried at fair value	4,397	22,269			**26,666**	**26,666**
Derivative financial assets	20,774	466			**21,240**	**21,240**
Other financial assets			397,950		**397,950**	**405,187**
Other non-current assets			47,416		**47,416**	**47,416**
Trade receivables and other current assets			1,285,337		**1,285,337**	**1,285,337**
Cash and cash equivalents			1,236,180		**1,236,180**	**1,236,180**
Derivative financial liabilities	(18,048)	(4,537)			**(22,585)**	**(22,585)**
Other financial liabilities	(36,509)			(3,562,409)	**(3,598,918)**	**(3,602,144)**
Other non-current liabilities				(53,554)	**(53,554)**	**(53,554)**
Trade payables and other current liabilities				2,850,108	**2,850,108**	**2,850,108**

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 and 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 2022 and 2021, according to their level in the fair value hierarchy.

(euro/000)

	31.12.2022			
	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Equity instruments	4,316		6,453	10,769
Debt instruments			11,000	11,000
Financial assets at fair value through the statement of comprehensive income				
Equity instruments	913		20,724	21,637
Debt instruments				
Hedging derivatives		93,994		93,994
Trading derivatives				
Total assets	**5,229**	**93,994**	**38,177**	**137,400**
Liabilities				
Financial liabilities at fair value through profit or loss			18,827	18,827
Hedging derivatives		33,363		33,363
Trading derivatives				
Total liabilities		**33,363**	**18,827**	**52,190**

(euro/000)

	31.12.2021			
	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Equity instruments	4,255		142	4,397
Debt instruments			11,000	11,000
Financial assets at fair value through the statement of comprehensive income				
Equity instruments	1,487		20,782	22,269
Debt instruments				
Hedging derivatives		21,240		21,240
Trading derivatives				
Total assets	**5,742**	**21,240**	**31,924**	**58,906**
Liabilities				
Financial liabilities at fair value through profit or loss			36,509	36,509
Hedging derivatives		22,585		22,585
Trading derivatives				
Total liabilities		**22,585**	**36,509**	**59,094**

Financial assets at fair value through profit or loss and the statement of comprehensive income classified as Level 3 relate to equity investments carried at fair value calculated using valuation techniques whose inputs are not observable on the market. The increase of Level 3 of the financial assets at fair value through profit or loss refers mainly to the sale of a vessel previously recorded in finished products inventory against a non-controlling interest in Norwind Shipholding AS for euro 6,329 thousand.

The reduction in Financial liabilities at fair value through profit or loss at Level 3 refers to: i) the negative effect of the fair value measurement of the option held by minority shareholders of the American group FMG following the increase in discount rates (euro 17,663 thousand), partially offset by the exchange rate effect (euro 1,655 thousand), ii) the adjustment of the option held by minority shareholders of the Fincantieri NexTech group, which went from euro 8,734 thousand at 31 December 2021 to euro 8,075 thousand, and iii) the adjustment of the option held by minority shareholders of the IDS group, which went from euro 2,127 thousand at 31 December 2021 to euro 1,100 thousand.

Nota 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 Contract assets and liabilities, 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 2022 for individual exchange rates.

(euro/million)

	31.12.2022		31.12.2021	
	Effect on pre-tax profit	Pre-tax effect on equity	Effect on pre-tax profit	Pre-tax effect on equity
USD vs EUR				
Including hedging derivatives				
Appreciation of the USD vs EUR	15	14	5	5
Depreciation of the USD vs EUR	(13)	(12)	(5)	(5)
Excluding hedging derivatives				
Appreciation of the USD vs EUR	31	31	9	9
Depreciation of the USD vs EUR	(26)	(26)	(8)	(8)

(euro/million)

	31.12.2022		31.12.2021	
	Effect on pre-tax profit	Pre-tax effect on equity	Effect on pre-tax profit	Pre-tax effect on equity
EUR vs NOK				
Including hedging derivatives				
Appreciation of the EUR vs NOK	-	(45)	10	(29)
Depreciation of the EUR vs NOK	-	55	(12)	34
Excluding hedging derivatives				
Appreciation of the EUR vs NOK	(14)	(59)	-	(39)
Depreciation of the EUR vs NOK	17	72	-	46

(euro/million)

	31.12.2022		31.12.2021	
	Effect on pre-tax profit	Pre-tax effect on equity	Effect on pre-tax profit	Pre-tax effect on equity
USD vs BRL				
Including hedging derivatives				
Appreciation of the USD vs BRL	-	-	(6)	(6)
Depreciation of the USD vs BRL	-	-	6	6
Excluding hedging derivatives*				
Appreciation of the USD vs BRL	(13)	(13)	(11)	(11)
Depreciation of the USD vs BRL	13	13	11	11

* The USD/BRL exposure is expressed net of USD construction loans, contracted with the purpose of hedging USD exposures.

(euro/million)

	31.12.2022		31.12.2021	
	Effect on pre-tax profit	Pre-tax effect on equity	Effect on pre-tax profit	Pre-tax effect on equity
Other currencies				
Including hedging derivatives				
Appreciation of other currencies	(4)	(4)	(9)	(9)
Depreciation of other currencies	4	4	9	9
Excluding hedging derivatives				
Appreciation of other currencies	(6)	(6)	(9)	(9)
Depreciation of other currencies	6	6	9	9

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 3,785 million in the event of a 0.50% increase in interest rates and a positive impact of euro 3,994 million in the event of a 0.50% reduction.

Note 6 - Intangible assets

Movements in this line item are as follows:

(euro/000)

	Goodwill	Client Relationships and Order Backlog	Development costs	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Contractual costs	Other intangibles	Intangibles in progress and advances	Total
- cost	246,302	197,635	193,396	162,900	26,829	86,834	21,169	102,777	1,037,842
- accumulated amortization and impairment losses	(459)	(95,472)	(128,034)	(124,260)	(8,479)	(34,979)	(17,116)		(408,799)
Net carrying amount at 01.01.2021	**245,843**	**102,163**	**65,362**	**38,640**	**18,350**	**51,855**	**4,053**	**102,777**	**629,043**
Movements in 2021									
- change in the scope of consolidation	12,786	51,923	118	388	5,660	1,182	126	3,448	75,361
- additions			1,313	10,378	1,340		778	34,177	47,986
- net disposals			(1)		(7)		(90)	(440)	(538)
- reclassifications/other			16,804	8,077	953		(148)	(31,750)	(6,064)
- amortization		(11,207)	(26,574)	(18,733)	(2,399)	(17,753)	(1,026)		(77,692)
- impairment losses	(96)		(481)						(577)
- exchange rate differences	13,850	4,217	189	22	1,457		99	370	20,204
Closing net carrying amount	**272,383**	**147,096**	**56,730**	**38,772**	**25,354**	**35,284**	**3,792**	**108,582**	**687,993**
- cost	272,950	258,895	213,662	184,504	49,096	88,882	20,399	108,582	1,196,970
- accumulated amortization and impairment losses	(567)	(111,799)	(156,932)	(145,732)	(23,742)	(53,598)	(16,607)		(508,977)
Net carrying amount at 31.12.2021	**272,383**	**147,096**	**56,730**	**38,772**	**25,354**	**35,284**	**3,792**	**108,582**	**687,993**
Movements in 2022									
- change in the scope of consolidation	(7,392)	66	(708)	(18)			8,473	(212)	209
- additions			4,208	11,553	343	20,006	1,648	33,023	70,781
- net disposals				(31)				(153)	(184)
- reclassifications/other		1	13,033	37,782	5,813	(2)	(1,100)	(56,061)	(534)
- amortization		(14,955)	(25,943)	(20,103)	(3,079)	(15,855)	(2,381)		(82,316)
- impairment losses	(140,290)		(3,349)		(883)			(19,247)	(163,769)
- exchange rate differences	(1,399)	(2,969)	(190)	(105)	959		(136)	384	(3,456)
Closing net carrying amount	**123,302**	**129,239**	**43,781**	**67,850**	**28,507**	**39,433**	**10,296**	**66,316**	**508,724**
- cost	261,064	252,786	224,324	235,287	53,935	108,887	24,603	85,563	1,246,449
- accumulated amortization and impairment losses	(137,762)	(123,547)	(180,543)	(167,437)	(25,428)	(69,454)	(14,307)	(19,247)	(737,725)
Net carrying amount at 31.12.2022	**123,302**	**129,239**	**43,781**	**67,850**	**28,507**	**39,433**	**10,296**	**66,316**	**508,724**

With regard to changes in the scope of consolidation, please refer to Note 36.
Capital expenditure in 2022 amounted to euro 70,781 thousand (euro 47,986 thousand in 2021) and mainly related to:

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

As in previous years, capital expenditure in renewing the Group's network infrastructure and hardware continued.
Impairment losses for the year refer to development costs and intangible assets in progress (euro 22,596 thousand) refer to development projects for which the recoverability failed to materialize due to the failure to realize commercial opportunities that supported their capitalization.
During 2022, the Group also spent euro 158 million in research costs for various projects involving product and process innovations (euro 155 million in 2021) that do not qualify for capitalization but 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 16,473 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 Bay Shipbuilding); these trademarks have been allocated to the cash-generating unit (CGU) representing the American group acquired ("FMG"). These assets were tested as part of the impairment test of the FMG group CGU, which resulted in an impairment of euro 883 thousand.
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 123,302 thousand at 31 December 2022. Changes with respect to 31 December 2021 refer to: i) the impairments of goodwill allocated to the FMG group CGUs and Vard Cruise that emerged from the results of the impairment tests for a total of euro 140,290 thousand, described in more detail below, ii) the closure of the allocation process of the purchase price of the Metalsigma Tunesi business unit by MI S.p.A., following which also the portion provisionally recognized as goodwill, amounting to euro 6,178 thousand, was allocated to intangible assets, iii) the sale of the Vard Aqua group, which led to the derecognition of the related goodwill from the CGU Vard Offshore and Specialized vessels for euro 1,214 thousand, and iv) exchange rate differences for euro 1,399 thousand. More details can be found in Note 36.
The recoverable amount of goodwill recognized 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 are extrapolated according to the perpetuity growth method to determine terminal value; the growth rates used ("g rate") are in line with those for the markets in which the individual CGUs operate.
For the purpose of the impairment test, the Group uses projections of future cash flows of the CGUs derived from the 2023-2027 Business Plans approved by the Boards of Directors of the subsidiaries and prepared in accordance with the strategic planning/budgeting process and included in the Group's 2023-2027 Business Plan approved by the Board of Directors of Fincantieri S.p.A.
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 the 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 table below shows the allocation of goodwill to the different CGUs, specifying for each one the criteria for determining the recoverable amount, the discount and growth rates used and the period of the cash flows.

(euro/000)

	Goodwill 31.12.2021	Goodwill 31.12.2022	Recognition currency	Recoverable amount	WACC post-tax	g rate	Cash flow period
CGU							
FMG group	70,205	-	USD	Value in use	8.6%	2.1%	5 years
VARD Offshore and Specialized vessels	59,558	55,319	NOK	Value in use	9.0%	2.3%	5 years
VARD Cruise	65,601	-	NOK	Value in use	8.6%	2.5%	5 years
VARD Systems and Components	59,374	56,516	NOK	Value in use	10.2%	2.5%	5 years
Electronics Cluster	11,467	11,467	EUR	Value in use	9.5%	2.6%	5 years

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

FMG group CGU
Following the test, a complete goodwill impairment of around euro 75 million (of which euro 5 million due to exchange rates) was recognized in the income statement for the CGU under review, and was attributable to the effect of the discount rate rising, a variable that significantly affects the terminal value impact for impairment testing purposes.
The results obtained have been subjected to sensitivity analysis for those assumptions, changes in which might reasonably cause the test results to change materially. It has been shown that a negative change of 100 basis points deemed possible in the most significant parameters used for the aforementioned test, such as the WACC rather than the growth rate "g" and the EBITDA margin used for the purpose of calculating the terminal value, would lead to further impairment of the CGU in question, ranging from approximately euro 39 million to euro 89 million depending on the parameter considered.

VARD Offshore and Specialized vessels CGU
The impairment test has shown that the CGU's recoverable amount exceeds its carrying amount, meaning that no impairment loss needs to be recognized, even considering the rise in rates.
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 or if growth rates (g rate) or EBITDA margins used in the terminal value calculation were to decrease by 100 basis points, the recoverable amounts thus determined would still be higher than the carrying amounts.

VARD Cruise CGU
The recoverable amount was lower than the carrying amount of the CGU, and an impairment loss was recognised in the income statement equal to the entire value of goodwill (about euro 65 million).
The results obtained have been subjected to sensitivity analysis for those assumptions, changes in which might reasonably cause the test results to change materially. It has been shown a negative change of 100 basis deemed possible in the EBITDA margin used to calculate the terminal value would result in an additional impairment of the CGU in question of euro 16 million.

VARD Systems and Components CGU
The impairment test has shown that the CGU's recoverable amount exceeds its carrying amount, meaning that no impairment loss needs to be recognized, although considering the rise in rates.
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 or if 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.

Electronics Cluster CGU
The impairment test has shown that the CGU's recoverable amount exceeds its carrying amount, meaning that no impairment loss needs to be recognized, although considering the rise in rates.
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 or if 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.

Note 7 - Rights of use

Movements in this line item are as follows:

(euro/000)	Buildings ROU	State concessions ROU	Transport and lifting vehicles ROU	Passenger cars ROU	Computer equipment ROU	Other ROU	Total
- cost	74,114	26,444	3,963	4,969	991	356	110,837
- accumulated amortization and impairment losses	(18,161)	(2,229)	(1,843)	(2,723)	(515)	(201)	(25,672)
Net carrying amount at 1.1.2021	**55,953**	**24,215**	**2,120**	**2,246**	**476**	**155**	**85,165**
Movements in 2021							
- change in the scope of consolidation	8,194	58		374	58	8	8,692
- increases	32,868	1,345	1,538	1,307	84	8,326	45,468
- decreases	(5,091)	(669)		(5)	(13)	(32)	(5,810)
- reclassifications/other	8	3		(3)	1	(2)	7
- amortization	(13,616)	(1,419)	(1,805)	(1,622)	(319)	(630)	(19,411)
- exchange rate differences	1,577	148	17	16	27	31	1,816
Closing net carrying amount	**79,893**	**23,681**	**1,870**	**2,313**	**314**	**7,856**	**115,927**
- cost	105,847	27,177	4,629	5,326	969	8,524	152,472
- accumulated amortization and impairment losses	(25,954)	(3,496)	(2,759)	(3,013)	(655)	(668)	(36,545)
Net carrying amount at 31.12.2021	**79,893**	**23,681**	**1,870**	**2,313**	**314**	**7,856**	**115,927**
Movements in 2022							
- change in the scope of consolidation	(102)			(71)			(173)
- increases	30,818	4,815	1,734	1,318	8	215	38,908
- decreases	(3,107)	(1,845)	(28)	(35)	(2)		(5,017)
- reclassifications/other	(450)	(2)	(1)	59	(4)	5	(393)
- amortization	(16,922)	(1,675)	(1,672)	(1,561)	(204)	(660)	(22,694)
- exchange rate differences	410	122	(2)	(12)	4	35	557
Closing net carrying amount	**90,540**	**25,096**	**1,901**	**2,011**	**116**	**7,451**	**127,115**
- cost	129,259	29,874	5,208	5,049	379	7,942	177,711
- accumulated amortization and impairment losses	(38,719)	(4,778)	(3,307)	(3,038)	(263)	(491)	(50,596)
Net carrying amount at 31.12.2022	**90,540**	**25,096**	**1,901**	**2,011**	**116**	**7,451**	**127,115**

Increases in 2022 amounted to euro 38,908 thousand (euro 45,468 thousand in 2021) and mainly related to contracts signed by the Parent Company (euro 11 million) and Fincantieri Marine System North America (euro 16 million), 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

Movements in this line item are as follows:

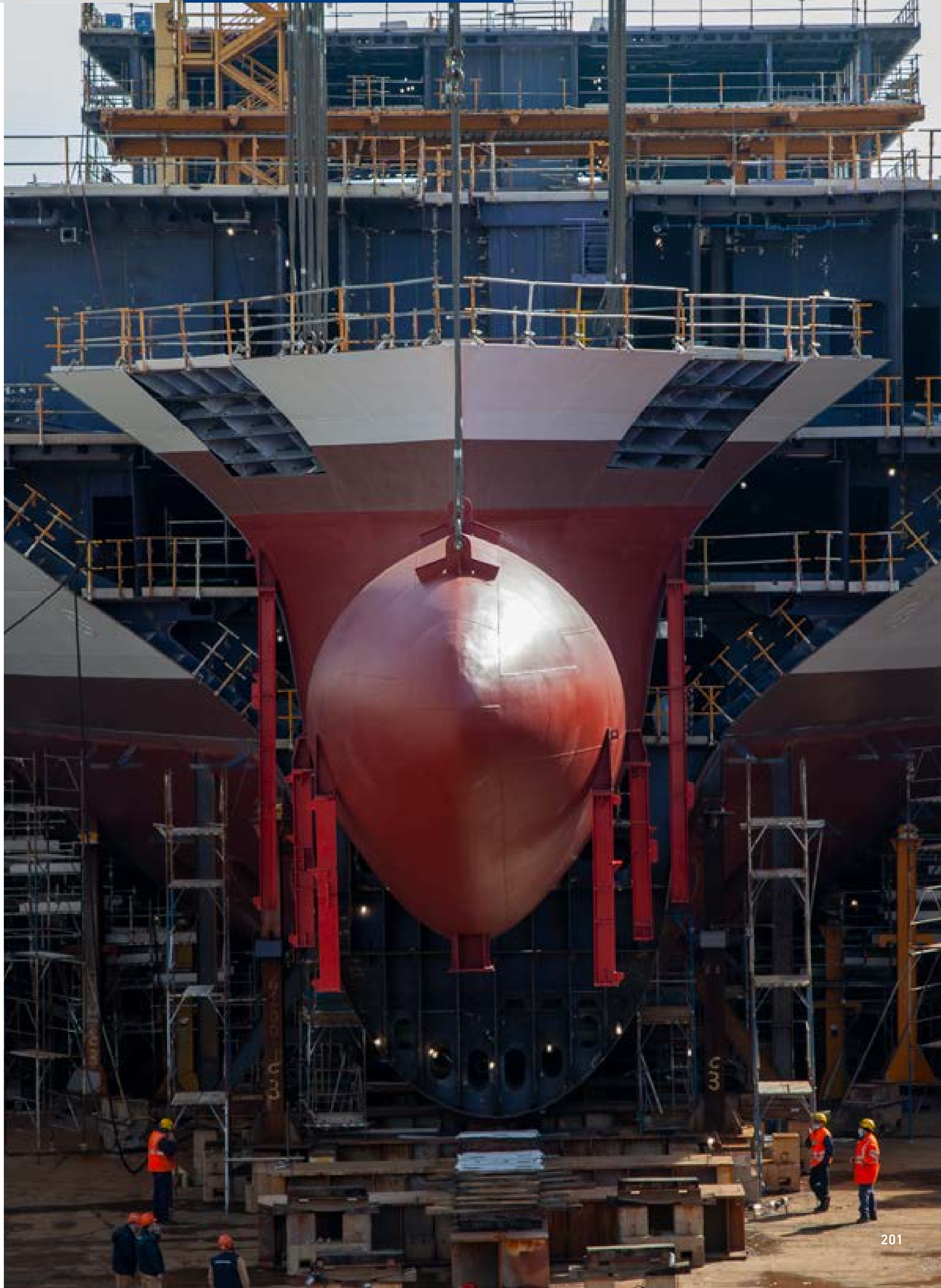
(euro/000)	Land and buildings	Industrial plant, machinery and equipment	Assets under concession	Leasehold improvements	Other assets	Assets under construction and advances to suppliers	Total
- cost	697,511	1,382,643	211,469	31,435	241,800	316,185	2,881,043
- accumulated amortization and impairment losses	(273,015)	(990,769)	(145,549)	(25,927)	(144,759)		(1,580,019)
Net carrying amount at 1.1.2021	**424,496**	**391,874**	**65,920**	**5,508**	**97,041**	**316,185**	**1,301,024**
Movements in 2021							
- change in the scope of consolidation	11,591	3,713	827	154	343	5	16,633
- additions	13,118	57,132	2,241	867	9,949	226,509	309,816
- net disposals	(361)	(1,113)	(639)	(51)	(58)	(29,173)	(31,395)
- reclassifications/other changes	107,428	130,372	9,465	1,598	31,257	(268,153)	11,967
- amortization	(21,913)	(65,631)	(6,101)	(961)	(13,599)		(108,205)
- impairment losses	(51)	(56)					(107)
- exchange rate differences	8,802	2,530			550	6,599	18,481
Closing net carrying amount	**543,110**	**518,821**	**71,713**	**7,115**	**125,483**	**251,972**	**1,518,214**
- cost	849,656	1,587,478	221,929	30,475	284,698	251,972	3,226,208
- accumulated amortization and impairment losses	(306,546)	(1,068,657)	(150,216)	(23,360)	(159,215)		(1,707,994)
Net carrying amount at 31.12.2021	**543,110**	**518,821**	**71,713**	**7,115**	**125,483**	**251,972**	**1,518,214**
Movements in 2022							
- change in the scope of consolidation		(486)			(5)		(491)
- additions	15,222	55,738	1,052	1,316	8,222	142,545	224,095
- net disposals	(36)	(1,124)			(96)	(811)	(2,067)
- reclassifications/other changes	103,052	66,186	1,165	3,374	30,149	(204,121)	(195)
- amortization	(25,929)	(75,090)	(6,532)	(1,433)	(16,796)		(125,780)
- impairment losses	(42)	(1)					(43)
- exchange rate differences	10,139	3,960	1	(22)	(276)	8,067	21,869
Closing net carrying amount	**645,516**	**568,004**	**67,399**	**10,350**	**146,681**	**197,652**	**1,635,602**
- cost	975,101	1,661,201	224,146	35,355	341,348	197,652	3,434,803
- accumulated amortization and impairment losses	(329,585)	(1,093,197)	(156,747)	(25,005)	(194,667)		(1,799,201)
Net carrying amount at 31.12.2022	**645,516**	**568,004**	**67,399**	**10,350**	**146,681**	**197,652**	**1,635,602**

With regard to changes in the scope of consolidation, please refer to Note 36.

Capital expenditure in 2022 has resulted in additions of euro 224,095 thousand, mainly related to:

- the continuation of activities to improve the operational areas and infrastructure of the Monfalcone and Marghera shipyards to enable a more efficient development of the acquired backlog. For both shipyards, the investment plan is expected to be completed in early 2023;
- the continuation, at the Riva Trigoso shipyard, of the significant interventions planned in order to increase the shipyard's production capacity and streamline shipbuilding activities for naval projects;
- the continuation of the important investment program in the US shipyards of Marinette Marine and Bay Shipbuilding shared with the US Navy, to increase their efficiency in order to develop the order backlog resulting from the Constellation program. Again, the program is scheduled for completion in 2023;
- the continuation of Fincantieri Marine Repair's investment plan at the US site in Jacksonville to equip the site with the facilities, plant and equipment needed to carry out maintenance activities for US Navy surface vessels and other vessels in the civil business;
- the launch, at the Vietnamese Vung Tau shipyard, of a significant investment program aimed at increasing the shipyard's production capacity, so as to consolidate the company's leadership position in the construction of SOVs, particularly dedicated to the wind offshore market;
- the continuation of Isotta Fraschini Motori's capital expenditure as part of the IFuture project, a program launched in 2020 by the company with the aim of studying innovative solutions for the improvement and expansion of its product portfolio;
- the process of gradually replacing obsolete assets with more technologically advanced, energy-efficient and environmentally friendly solutions;
- upgrading and improvement of the safety and energy saving standards of machinery, equipment and buildings;
- standard interventions in shipyards to maintain the efficiency and safety of production facilities in order to ensure business operations.

Assets under construction at year end mainly refer to the investments underway in the Italian shipyards of Monfalcone and Sestri and the Marinette shipyards in the US.
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 mainly reflect movements in the year by the US dollar against the euro.
As at 31 December 2022, the amount of the Group's property, plant and machinery pledged as collateral against loans received was approximately euro 96 million (euro 154 million at the end of 2021).
Contractual commitments already given to third parties as of 31 December 2022 for capital expenditure not yet reflected in the financial statements amounted to approximately euro 95 million, of which euro 84 million for Property, plant and equipment and euro 11 million for Intangible assets.



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

These are analyzed as follows:

(euro/000)

	Associates	Joint ventures	Total investments accounted for using the equity method	Other companies carried at fair value in the statement of comprehensive income	Other companies carried at fair value through profit and loss	Total other investments	Total
1.1.2021	**55,680**	**22,910**	**78,590**	**22,422**	**3,757**	**26,179**	**104,769**
Business combinations	529	152	**681**	1,019	110	1,129	**1,810**
Investments	21,892	8,676	**30,568**	10		10	**30,578**
Revaluations/(Impairment losses) through profit or loss	(8,152)	(6,578)	**(14,730)**	376		376	**(14,354)**
Revaluations/(Impairment losses) through equity			**-**			-	**-**
Disposals	(157)		**(157)**	(5)	(34)	(39)	**(196)**
Dividends from investments accounted for using the equity method			**-**			-	**-**
Reclassifications/Other	(1,169)		**(1,169)**	(1,553)	(99)	(1,652)	**(2,821)**
Exchange rate differences	2,309		**2,309**		663	663	**2,972**
31.12.2021	**70,932**	**25,160**	**96,092**	**22,269**	**4,397**	**26,666**	**122,758**
Business combinations			**-**			-	**-**
Investments	3	5,429	**5,432**		6,476	**6,476**	**11,908**
Revaluations/(Impairment losses) through profit or loss	(1,699)	(1,585)	**(3,284)**	145		**145**	**(3,139)**
Revaluations/(Impairment losses) through equity			**-**	(778)		**(778)**	**(778)**
Disposals	(9,750)		**(9,750)**			**-**	**(9,750)**
Dividends from investments accounted for using the equity method			**-**			**-**	**-**
Reclassifications/Other			**-**	1	(1)	**-**	**-**
Exchange rate differences	(2,952)		**(2,952)**		(103)	**(103)**	**(3,055)**
31.12.2022	**56,534**	**29,004**	**85,538**	**21,637**	**10,769**	**32,406**	**117,944**

Investments made during the financial year totalled euro 11,908 thousand. In particular:

- for the associates, they concerned the incorporation, on 23 November 2022, of the PerGenova Breakwater Consortium by the subsidiary Fincantieri Infrastructure Opere Marittime S.p.A., which subscribed and paid up 25% of the initial consortium fund, i.e. euro 3 thousand;
- for the joint ventures (euro 5,429 thousand) they concerned: i) the incorporation of the limited liability consortium called 4B3 S.c.a.r.l., on 17 February 2022, by Fincantieri S.p.A. and its subsidiary Fincantieri SI S.p.A., which subscribed and paid up, respectively, 2.5% of the share capital (euro 1 thousand) and 52.5% of the Share Capital (euro 26 thousand); ii) the incorporation of the limited liability consortium called 4TB13 S.c.a.r.l., on 28 April 2022, by the subsidiary Fincantieri SI S.p.A., which subscribed and paid up 55% of the share capital (euro 28 thousand); iii) the incorporation of the limited liability consortium called Darsena Europa S.c.a.r.l., on 9 May 2022, by the subsidiary Fincantieri Infrastructure Opere Marittime S.p.A, which subscribed and paid up 26% of the share capital (euro 26 thousand); iv) capital contribution from Fincantieri S.p.A. to the joint venture Naviris S.p.A., by means of waiver of credit, for euro 4,500 thousand; v) the payment by the subsidiary SEAF S.p.A. of the amount envisaged in the Restructuring Plan of the joint venture Unifer Navale S.r.l. in liquidation to contribute to the balance of the liquidation operation expected in 2023. The amount paid, previously set aside as at 31 December 2021, amounted to euro 871 thousand;
- for the other investments measured at fair value through profit or loss related to the sale of a vessel previously recorded in finished products inventory against a non-controlling interest in Norwind Shipholding AS (for euro 6,410 thousand) and the granting of a loan to the same company (for euro 5,297 thousand).

It should be noted that the column Other investments (euro 32,406 thousand at 31 December 2022) includes equity instruments measured at fair value by hierarchical level, as explained in Note 4. In particular it includes: i) for euro 913 thousand, investments carried at fair value, calculated on the basis of the related prices if quoted in active markets (Level 1); ii) for euro 20,724 thousand, investments valued based on valuation techniques whose inputs are not observable on the market (Level 3).
The item Revaluations/ (Impairment losses) through profit or loss, negative for euro 3,139 thousand, refers to the pro-rata net result for the year of the companies valued using the equity method (associates and joint venture).
The item Revaluations/(Impairment losses) through Equity, negative for euro 778 thousand, refers to the fair value measurement performed on the other non-controlling equity interests measured at fair value through a contra-entry in the statement of comprehensive income held in the company SFP Astaldi S.p.A. and Webuild S.p.A. The valuation resulted in the recognition of a total impairment of euro 778 thousand in the delta fair value reserve present in the OCI reserves of Fincantieri S.p.A.'s shareholders' equity.
Disposals, in the amount of euro 9,750 thousand, mainly refer to the sale by the subsidiary Vard Group AS of the shares held in the company Island Discoverer AS for 46.90%. As a result, this company was removed from the scope of consolidation.
For more details on the value of investments as at 31 December 2022, see the tables below.

Investments at 31 December 2022

COMPANY NAME	Registered office	% owned	Carrying amount
Investments in associates accounted for using the equity method			
Centro Servizi Navali S.p.A.	Italy	10.93	605
Prelios Solution & Technologies S.r.l.	Italy	49	24
MC4COM - Mission Critical for communications S.c.a.r.l.	Italy	50	4
Gruppo PSC S.p.A.	Italy	10	-
Decomar S.p.A.	Italy	20	-
Cisar Costruzioni S.c.a.r.l.	Italy	30	7
Nord Ovest Toscana Energia S.r.l.	Italy	34	782
S.Ene.Ca Gestioni S.c.a.r.l.	Italy	49	5
Bioteca S.c.a.r.l.	Italy	33.33	100
N.O.T.E Gestione S.c.a.r.l.	Italy	34	7
Hospital Building Technologies S.c.a.r.l.	Italy	20	2
Energetika S.c.a.r.l.	Italy	40	4
ITS Integrated Tech System s.r.l.	Italy	51	-
Dido S.r.l.	Italy	30	43
2F Per Vado S.c.a.r.l.	Italy	49	5
PerGenova Breakwater S.c.a.r.l.	Italia	25	3
Castor Drilling Solution AS	Norway	34.13	202
Brevik Technology AS	Norway	34	72
Island Diligence AS	Norway	39.38	5,865
Island Offshore XII SHIP AS	Norway	46.90	48,884
CSS Design Ltd.	British Virgin Islands	31	-
Total investments in associates accounted for using the equity method			**56,534**

The investments held in these companies, which are consolidated using the equity method, are considered to carry significant influence based on the shareholder agreements signed with the other shareholders.
As at 31 December 2022, the investments Gruppo PSC S.p.A. (10% owned by the Parent Company), Decomar S.p.A. (20% owned by the Parent Company), ITS Integrated Tech System S.r.l. (51% owned by the subsidiary Rob.Int S.r.l.) and CSS Design Ltd. (31% owned by the subsidiary Vard Marine Inc.) were fully written down as their carrying value was not deemed recoverable.

COMPANY NAME	Registered office	% owned	Carrying amount
Investments in joint ventures accounted for using the equity method			
Orizzonte Sistemi Navali S.p.A.	Italy	51	17,582
BUSBAR4F S.c.a.r.l.	Italy	60	29
PERGENOVA S.c.p.a.	Italy	50	500
Naviris S.p.A.	Italy	50	300
4TCC1 S.c.a.r.l.	Italy	80	80
FINMESA S.c.a.r.l.	Italy	50	10
Power4Future S.p.A.	Italy	52	1,467
Nuovo Santa Chiara Hospital S.c.a.r.l.	Italy	50	150
Vimercate Salute Gestione S.c.a.r.l.	Italy	52.75	2
ERSMA 2026 S.r.l.	Italy	20	2
4B3 S.c.a.r.l.	Italy	55	27
4TB13 S.c.a.r.l.	Italy	55	28
Darsena Europa S.c.a.r.l.	Italy	26	3
Etihad Ship Building LLC	Arab Emirates	35	648
Issel Middle East Information Technology Consultancy LLC	Arab Emirates	49	17
CSSC - Fincantieri Cruise Industry Development Ltd.	Hong Kong	40	8,159
Total investments in joint ventures accounted for using the equity method			**29,004**

The investments held in these companies, which are consolidated using the equity method, are considered jointly controlled based on the agreements entered into with the other shareholders.

COMPANY NAME	Registered office	% owned	Carrying amount
Other investments in companies carried at fair value through comprehensive income			
Genova Industrie Navali S.p.A.	Italy	15	15,000
Consorzio CONAI	Italy	(1)	1
Consorzio MIB	Italy	(1)	3
Astaldi S.p.A. SFP	Italy	(2)	4,335
Webuild S.p.A.	Italy	0.066	913
Distretto Ligure delle Tecnologie Marine S.c.a.r.l.	Italy	13.18	115
International Business Science Company S.c.a.r.l.	Italy	22.22	10
MARE[TC] FVG – Maritime Technology cluster FVG S.c.a.r.l.	Italy	17.29	65
SIIT- Distretto Tecnologico Ligure sui Sistemi Intelligenti Integrati S.c.p.a	Italy	12.30	76
Consorzio MedITech - Mediterranean Competence Centre 4 Inno-vation	Italy	5.71	25
Consorzio IMAST S.c.a.r.l.	Italy	3.64	22
Consorzio Ricerca Innovazione Tecnologica SiciliaTrasporti Navali S.c.a.r.l.	Italy	6.21	28
DigITAlog S.p.A. (formerly UIRNET S.p.A.)	Italy	0.88	10
Vimercate Salute S.p.A.	Italy	5	453
Empoli Salute S.p.A.	Italy	5	202
Summano Sanità S.p.A.	Italy	0.04	5
Banca Pisa e Fornacette	Italy	0.04	5
S.Ene.Ca S.r.l.	Italy	5	356
EEIG Euroyards	Brussels	14.29	10
Banque Populaire Mediterranee	France	(3)	4
Total other investments in companies carried at fair value through comprehensive income			**21,637**
Other investments in companies carried at fair value through profit and loss			
Friulia S.p.A.	Italy	0.58	4,316
Norwind Offshore AS	Norway	12	6,329
Other intangibles	Italy Romania Norway	-	125
Total other investments in companies carried at fair value through profit and loss			**10,769**

[1] Percentage interest not shown, as consortium membership is subject to continuous change.
[2] The investment in Astaldi S.p.A. represents 0.21% of the shares and 0.83% for the Participating Financial Instruments.
[3] The Share Capital is subject to continuous change, making it impossible to determine the percentage of interest.

Disclosures relating to investments in associates

In 2022, the associate Gruppo PSC S.p.A. filed for composition with creditors and, therefore, the carrying value of the investment was written off as it was deemed not recoverable (impairment in the income statement of euro 2,721 thousand).

The shareholding in Island Offshore XII SHIP AS relates to a Norwegian company of the VARD group operating in the chartering of offshore service vessels, which in turn wholly owns the companies Island Victory AS and Island Defender AS, also operating in the same segment. The company's assets amount to euro 150 million while the equity amounts to euro 96 million. The difference between the share of shareholders' equity and the book value of the investment is due to the consolidation of the economic results of the subsidiaries. As at 31 December 2022, the Group's share of the result for the year was a profit of euro 2,249 thousand.

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/000)	
Profit/(loss) for the year	(1,228)
Other components of the statement of comprehensive income	
Total of the statement of comprehensive income	**(1,228)**

The accounting data for non-material associates have been prepared on the basis of the information made available by the investees.

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 condensed economic-financial information for Orizzonte Sistemi Navali S.p.A., a joint venture that at 31 December 2022 is material to the Group. The figures shown reflect amounts reported in the company's financial statements as adjusted for the Group's accounting standards.

Orizzonte Sistemi Navali S.p.A.

(euro/000)

	31.12.2022
Balance sheet	
Current assets	144,436
of which cash and cash equivalents	108,063
Non-current assets	352
Current liabilities	(108,850)
of which current financial liabilities	
Non-current liabilities	(187)
of which non-current financial liabilities	
Statement of comprehensive income	
Revenue	**367,090**
Depreciation, amortization and impairment	(78)
Interest income and expenses	(402)
Income taxes	(93)
Profit/(loss) for the year	**224**
OCI for the year	
Total of the statement of comprehensive income	**224**
Reconciliation with carrying amount	
Equity	**35,751**
Interest @ 51%	18,233
Other movements	(651)
Carrying amount	**17,582**

No dividends were received from Orizzonte Sistemi Navali S.p.A. during 2022.
With regard to investments in joint ventures accounted for using the equity method, the following table reports the aggregate share of the profits and losses attributable to the Group for all joint ventures that are not individually material.

(euro/000)

Profit/(loss) for the year	(1,585)
Other components of the statement of comprehensive income	
Total of the statement of comprehensive income	**(1,585)**

The accounting data for non-material joint ventures have been prepared on the basis of the information made available by the investees.
At the reporting date, the Group has not assumed commitments for financing relating to its investments in joint ventures.

Note 10 - Non-current financial assets

These are analyzed as follows:

(euro/000)

	31.12.2022	31.12.2021
Receivables for loans to joint ventures		22,000
Derivative assets	37,728	5,939
Other non-current financial receivables	113,744	199,687
Non-current financial receivables from associates	19,694	28,625
Non-current financial assets	**171,166**	**256,251**

The decrease in "Receivables for loans to joint ventures" relates to the shareholder loan made to the joint venture CSSC – Fincantieri Cruise Industry Development Ltd. being reclassified as a current asset based on the expected due date of the receivable.
The item "Derivative assets" shows the fair value of derivatives contract in place at the reporting date with a maturity of more than 12 months. The fair value of derivative financial instruments has been calculated considering market parameters and using widely accepted measurement techniques (Level 2). The increase is mainly attributable to the positive fair value of interest rate swaps. Further details can be found in Note 4.
"Other non-current financial receivables" refer to the non-current portion of loans to third parties bearing market rates of interest. The decrease is mainly due to the reclassification as short-term of euro 127 million net of a new disbursement of USD 45 million made during the financial year.
"Non-current financial receivables from associates" relate to receivables for market rate loans disbursed to Group companies that are not consolidated on a line-by-line basis. The amount refers mainly to loans granted to associates of Vard Group AS (approximately euro 18 million). For more information on the counterparties, refer to Note 33 and the analysis of related party transactions.
It should be noted that, during 2022, the non-current financial receivables were subject to impairment of euro 1,997 thousand.

Note 11 - Other non-current assets

Other non-current assets are analyzed as follows:

(euro/000)

	31.12.2022	31.12.2021
Other receivables from investee companies	723	678
Government grants receivable	30,514	33,740
Firm commitments	7,385	1,924
Other receivables	11,418	11,074
Other non-current assets	**50,040**	**47,416**

Other non-current assets are all stated net of the related provision for impairment amounting to euro 9,462 thousand.
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/000)

	31.12.2022	31.12.2021
- between one and two years	6,289	4,457
- between two and three years	6,289	5,005
- between three and four years	6,249	11,846
- between four and five years	6,076	12,432
- beyond five years	5,610	
Total	**30,513**	**33,740**

"Firm commitments" of euro 7,385 thousand (euro 1,924 thousand at 31 December 2021) 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 11,418 thousand (euro 11,074 thousand at 31 December 2021) mainly include the receivable from the Iraqi Ministry of Defence (euro 4,694 thousand). Please refer to the specific section on litigation in Note 33 for a more detailed explanation. The remaining balance of euro 6,724 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/000)

	Provision for impairment of other receivables
Balance at 1.1.2021	**8,188**
Business combinations	394
Utilizations	
Increases/(Releases)	130
Total at 31.12.2021	**8,712**
Business combinations	
Utilizations	
Increases/(Releases)	750
Total at 31.12.2022	**9,462**

Note 12 - Deferred tax assets and liabilities

Deferred tax assets are analyzed as follows:

(euro/000)

	Sundry impairment losses	Provisions for risks and charges - Product warranty	Provisions for risks and charges - Other risks and charges	Fair value of derivatives	Actuarial valuation employee severance benefit	Loss carried forward	Other temporary differences	Total
1.1.2021	**17,307**	**7,991**	**4,720**	**1,884**	**3,974**	**9,621**	**32,466**	**77,963**
Changes in 2021								
- business combinations						215		215
- through profit or loss	11,644	4,189	534		(311)	2,230	10,199	28,485
- impairment losses								
- through other comprehensive income				(657)	386			(271)
- tax rate and other changes	256	23	1		(1)		(294)	(15)
- exchange rate differences	166	15	4			262	2,357	2,804
31.12.2021	**29,373**	**12,218**	**5,259**	**1,227**	**4,048**	**12,328**	**44,728**	**109,181**
Changes in 2022								
- business combinations	(253)	(154)	(991)			(242)	1,091	(549)
- through profit or loss	14,818	3,388	18,753		(730)	(560)	59,131	94,800
- impairment losses	(5,627)						(25)	(5,652)
- through other comprehensive income				(16,422)	(1,798)			(18,220)
- tax rate and other changes	(2,226)	(4)	29	1	48	3,417	(198)	1,067
- exchange rate differences	875	3	(2)		(44)	268	1,190	2,290
31.12.2022	**36,960**	**15,451**	**23,048**	**(15,194)**	**1,524**	**15,211**	**105,917**	**182,917**

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.

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 278 million (euro 228 million at 31 December 2021) 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/000)

	Deferred taxes from business combinations	Other temporary differences	Total
1.1.2021	**33,075**	**17,453**	**50,527**
Changes in 2021			
- business combinations	8,986	2,171	11,157
- through profit or loss	(6,859)	12,169	5,310
- impairment losses			
- through other comprehensive income			
- tax rate and other changes	4,224	(4,319)	(95)
- exchange rate differences	1,687	1,514	3,201
31.12.2021	**41,113**	**28,988**	**70,101**
Changes in 2022			
- business combinations	2,391		2,391
- through profit or loss	(4,210)	13,112	8,902
- impairment losses			
- through other comprehensive income			
- tax rate and other changes	64	937	1,001
- exchange rate differences	(131)	435	304
31.12.2022	**39,227**	**43,472**	**82,699**

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 the carrying amount and the fiscal values of fixed assets, mainly for the American subsidiaries.

Note 13 - Inventories and advances

These are analyzed as follows:

(euro/000)

	31.12.2022	31.12.2021
Raw materials and consumables	458,534	367,271
Work in progress and semi-finished goods	23,698	45,987
Finished products	15,378	25,597
Total inventories	**497,610**	**438,855**
Advances to suppliers	365,907	446,833
Total inventories and advances	**863,517**	**885,688**

The amount recorded for Raw materials and consumables basically represents the volume of stock considered sufficient to ensure the normal conduct of production activities. The increase compared to 2021 is attributable to the higher production volumes developed in 2022 and those planned for 2023.
The items Work in progress and semi-finished goods and Finished products include the manufacture of engines and spare parts. The change in the item compared to 31 December 2021 is mainly attributable to the sale of the two vessels previously recorded in the Finished Goods inventory and the Work in Progress inventory, respectively. In particular, one of the two naval vessels was sold in exchange for a non-controlling interest in Norwind Offshore AS (for euro 6,218 thousand) and with the granting of a loan to the same purchasing company (for euro 5,297 thousand). More information can be found in Note 9.
Inventories and advances are stated net of relevant provisions for impairment. The following table presents the amount of and movements in such provisions for impairment:

(euro/000)

	Provision for impairment - raw materials	Provision for impairment - work in progress and semi-finished goods	Provision for impairment - finished products
1.1.2021	**13,933**	**4,104**	**11,356**
Changes in the scope of consolidation	623	1,372	107
Provisions	3,205		3,446
Utilizations	(2,321)		(20)
Releases	(1,737)	(2,168)	
Exchange rate differences	(7)	201	1,080
31.12.2021	**13,696**	**3,509**	**15,969**
Changes in the scope of consolidation			
Provisions	5,927		551
Utilizations	(1,254)	(2,347)	(12,879)
Releases			
Exchange rate differences	7	164	1,049
31.12.2022	**18,376**	**1,326**	**4,690**

"Provision for impairment - raw materials" includes the adjustments made to align the carrying amount of slow-moving materials still in stock at the end of the financial year with the estimated realizable value.

Note 14 - Contract assets

These are analyzed as follows:

(euro/000)

	31.12.2022			31.12.2021		
	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	8,553,130	(5,564,056)	2,989,074	8,056,426	(5,442,346)	2,614,080
Other contracts for third parties	543,427	(447,342)	96,085	372,933	(348,067)	24,866
Total	**9,096,557**	**(6,011,398)**	**3,085,159**	**8,429,359**	**(5,790,413)**	**2,638,946**

"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 impairment and expected advance losses.
The item reflects the negative effect (euro 32,812 thousand) attributable to the impairment of work in progress (in accordance with standard IFRS9) to show the updated assessment of the counterparty risk of the cruise shipowners.
With reference to the performance obligations still to be met, please refer to the information provided in Note 28 on Revenue and income.

Note 15 - Trade receivables and other current assets

These are analyzed as follows:

(euro/000)

	31.12.2022	31.12.2021
Trade receivables	769,930	935,578
Receivables from controlling companies (tax consolidation)	15,559	2,339
Government grants receivable	52,944	26,617
Other receivables	175,340	172,083
Indirect tax receivables	76,430	63,892
Firm commitments	6,245	5,285
Accrued income	80,064	79,401
Prepayments	149	142
Total trade receivables and other current assets	**1,176,661**	**1,285,337**

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. In particular, it should be noted that Fincantieri has receivables, which originally arose from Astaldi, whose value amounted to euro 26.4 million, subsequently reduced to euro 26.1 million following collections. When Astaldi entered into an arrangement with creditors, Fincantieri requested, and obtained in July 2020, admission to the Fondo Salva Opere (Save Works Fund), intended to satisfy, to a maximum extent of 70%, unsatisfied creditors. After the assignment by the procedure of shares and equity instruments in favour of Fincantieri as unsecured creditor for a value of euro 5.5 million, the Company also collected from the Fund the first tranche of the admitted amount, equal to euro 6.4 million. Subsequently, the Ministry of Infrastructure and Transport requested the repayment of this tranche, on the assumption that Fincantieri's unsecured claim against Astaldi had been fully repaid with the assignment of the equity financial instruments and shares. An appeal against this request is currently pending before the ordinary courts. On the basis of the opinion of the appointed lawyers, Fincantieri is confident that its reasons will be upheld, and it considers the impairment recognised in the financial statements of euro 7.7 million (equal to 30% of the original receivable) to be appropriate. The risk to which the Company is exposed in the event that its claims are not recognised is therefore euro 12.9 million. 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:

(euro/000)

	Provision for impairment of trade receivables	Provision for past due interest	Provision for impairment of other receivables	Total
1.1.2021	**34,045**	**63**	**10,339**	**44,447**
Changes in the scope of consolidation	13,908	77	523	14,508
Utilizations	(6,505)	50	(631)	(7,086)
Provisions	20,972		3,614	24,586
Releases	(301)	(6)		(307)
Exchange rate differences	83		5	88
31.12.2021	**62,202**	**184**	**13,850**	**76,236**
Changes in the scope of consolidation	(55)			(55)
Utilizations	(2,141)	(63)	(700)	(2,904)
Provisions	21,175	1,308	1,197	23,680
Releases	(13,791)		(329)	(14,120)
Exchange rate differences	(86)			(86)
31.12.2022	**67,304**	**1,429**	**14,018**	**82,751**

For considerations regarding credit risk, reference is made to Note 4.
"Government grants receivable" of euro 52,944 thousand mainly include grants receivable by the Parent Company and the subsidiary Cetena for research and innovation and the receivables recognized by the FMG group for operating and capital grants from the state of Wisconsin for the LCS project.
"Other receivables" of euro 175,340 thousand mainly refer to:

- receivables for supplies on behalf of shipowners (euro 67,241 thousand), for insurance compensation (euro 20,433 thousand), other receivables from suppliers (euro 11,169 thousand), various receivables from personnel (euro 11,735 thousand), for research grants, and other sundry receivables, mainly relating to the Parent Company, totalling euro 147,271 thousand (euro 167,904 thousand at 31 December 2021);
- receivables from social security institutions for euro 2,186 thousand (euro 1,572 thousand at 31 December 2021), 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 76,430 thousand (euro 63,892 thousand at 31 December 2021) 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 6,245 thousand (euro 5,285 thousand at 31 December 2021) 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 is covered by a fair value hedge used by the VARD group.
"Accrued Income" mainly refer to insurance premiums and other expenses relating to future periods.

Note 16 - Income tax assets

(euro/000)

	31.12.2022	31.12.2021
Italian corporate income taxation (IRES)	6,185	2,857
Italian regional tax on productive activities (IRAP)	2,304	482
Foreign tax	13,537	11,315
Other substitute taxes		50
Total income tax assets	**22,026**	**14,704**

The provision for impairment of income tax assets reports the following amounts and movements:

(euro/000)

	Provision for impairment of income tax assets
Balance at 1.1.2021	**185**
Provisions	
Releases	
Utilizations	(185)
Total at 31.12.2021	**-**
Provisions	
Releases	
Utilizations	
Total at 31.12.2022	**-**

Note 17 - Current financial assets

These are analyzed as follows:

(euro/000)

	31.12.2022	31.12.2021
Derivative assets	56,266	15,301
Other receivables	114,772	131,292
Current financial receivables from associates and joint ventures	22,691	917
Accrued interest income	9,993	14,808
Prepaid interest and other financial expense	551	621
Total current financial assets	**204,273**	**162,939**

The item "Derivative assets" shows the fair value of derivatives contract in place at the reporting date with a maturity of more than 12 months. The fair value of derivative financial instruments has been calculated considering market parameters and using widely accepted measurement techniques (Level 2). The increase is mainly attributable to the positive fair value of interest rate swaps. Further details can be found in Note 4.
"Other receivables" refers to loans to third parties bearing market rates of interest. The change in the item is due to the reclassification as short-term of the instalments due in 2023 in the amount of euro 127 million, net of the euro 138 million collected during the period (see Note 10 for the non-current portion). This item also includes the euro 11 million convertible loan that Fincantieri S.p.A. granted to T. Mariotti S.p.A., part of the Genova Industrie Navali group, in the year 2021 and reclassified as short-term in the year 2022. These receivables are adjusted by a provision for impairment of euro 15,260 thousand, which was increased by euro 5,219 thousand in 2022.
"Current financial receivables from associates and joint ventures" relates to the shareholder loan made to the joint venture CSSC – Fincantieri Cruise Industry Development Ltd. for euro 22 million.

Note 18 - Cash and cash equivalents

These are analyzed as follows:

(euro/000)

	31.12.2022	31.12.2021
Bank and postal deposits	564,378	1,235,989
Checks		
Cash on hand	198	191
Total cash and cash equivalents	**564,576**	**1,236,180**

Cash and cash equivalents at the end of the year refer to the balance of on-demand and time bank deposits (the latter amounting to euro 150 million) held with leading banks, as well as term deposits as collateral for euro 4 million.

Note 19 - Equity

The composition of equity is analyzed in the following table:

(euro/000)

	31.12.2022	31.12.2021
Attributable to owners of the Parent		
Share Capital	862,981	862,981
Reserve of treasury shares	(926)	(2,967)
Share premium reserve	110,499	110,499
Legal reserve	65,066	58,805
Cash flow hedge reserve	49,141	(4,013)
Financial asset fair value reserve through Other Comprehensive Income	(1,176)	(398)
Currency translation reserve	(111,772)	(124,496)
Other reserves and retained earnings	(79,447)	(103,607)
Profit/(loss) for the year	(308,870)	21,778
	585,495	**818,582**
Attributable to Non-Controlling Interests		
Capital and reserves	6,628	7,310
Financial asset fair value reserve through Other Comprehensive Income	(7)	(7)
Currency translation reserve	9,870	8,315
Profit/(loss) for the year	(15,083)	37
	1,408	**15,655**
Total equity	**586,903**	**834,237**

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 1,128,666 treasury shares in portfolio), with no par value.
On 30 June 2022, the Board of Directors approved the closure of the first cycle of the "2019-2021 Performance Share Plan" incentive plan, allocating 3,883,748 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%, the "Total Shareholder Return" with a weighting of 15% and the sustainability index with a weighting of 15%) had been achieved. The allocation of shares took place, using solely treasury shares in portfolio, on 18 July 2022.
As at 31 December 2022, 71.32% of the Company's Share Capital, amounting to euro 862,980,725.70, was held by CDP Equity S.p.A.; the remainder was distributed on the indistinct market (except for 0.07% of shares owned by Fincantieri as own shares). None of the other private investors holds a significant stake equal to or greater than 3%. It should be noted that 100% of the Share Capital of CDP Equity S.p.A. is owned by Cassa Depositi e Prestiti S.p.A., 82.77% of whose Share Capital is in turn owned by Italy's Ministry of Economy and Finance.

Reserve of treasury shares

The reserve is negative for euro 926 thousand and comprises the value of the treasury shares for the Company's incentive plans called "Performance Share Plan" (described in more detail in Note 33).
The Shareholders' Meeting held on 16 May 2022, revoking previous resolutions, authorized the Board of Directors to purchase, on one or more occasions, for a period of eighteen months from the date of the Shareholders' Meeting, ordinary shares of Fincantieri S.p.A., for a maximum amount of shares not exceeding one-fifth of the Share Capital. In execution and in compliance with this shareholders' resolution, the Parent Company, on 15 June 2022, started the program for the purchase of treasury shares to service the incentive plan called" 2019-2021 Performance Share Plan". This program ended on 24 June 2022 with the purchase on the market of 2,000,000 treasury shares, equal to about 0.12% of the Share Capital, at a weighted average net price of euro 0.5683 per share, for a total countervalue of euro 1,143 thousand.
Following the Board of Directors' resolution of 30 June 2022 to allocate shares under the 1st cycle of the "2019-2021 Performance Share Plan", 3,883,748 treasury shares in portfolio were allocated free of charge to beneficiaries (net of those withheld to meet the taxation obligation of the assignees), for a countervalue of euro 3,185 thousand. The delivery of the shares took place on 18 July 2022.
At 31 December 2022, the treasury shares in portfolio amounted to 1,128,666, equal to 0.07% 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 outstanding shares in Fincantieri S.p.A. at 31 December 2022.

	N° shares
Ordinary shares issued	1,699,651,360
less: treasury shares purchased	(3,012,414)
Ordinary shares outstanding at 31.12.2021	**1,696,638,946**
Changes in 2022	
plus: treasury shares allocated	3,883,748
less: treasury shares purchased	(2,000,000)
Ordinary shares outstanding at 31.12.2022	**1,698,522,694**
Ordinary shares issued	1,699,651,360
less: own shares purchased	(1,128,666)

Share premium reserve

This reserve has been recorded as a result of the Share Capital increase accompanying the Company's listing on the Mercato Telematico Azionario (MTA) of Borsa Italiana S.p.A. on 3 July 2014. Listing costs of euro 11,072 thousand (net of tax effects) referring to the capital increase have been accounted for as a deduction from the share premium reserve, in compliance with IAS 32.

Cash flow hedge reserve

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

Currency translation reserve

The currency translation reserve reflects exchange rate 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) the extraordinary reserve, to which surplus earnings are allocated after making allocations to the legal reserve and distributions in the form of shareholder dividends; ii) the reserve to cover the issue of shares for the 1st cycle of the Long Term Incentive Plan (LTIP); iii) actuarial gains and losses on employee benefits in accordance with IAS 19 Revised; iv) the reserve for the share-based incentive plan for management.
The Ordinary Shareholders' Meeting held on 16 May 2022 resolved to allocate the net profit for the financial year 2021 of euro 125,225 thousand, of which euro 6,261 thousand to the legal reserve and euro 118,964 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 "2016-2018 Performance Share Plan", 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".
The reserve related to the management share incentive plan, amounting to euro 8,815 thousand, increased in 2022 by euro 6,727 thousand as a result of the portion recorded in the costs of personnel and directors of the Parent Company for beneficiaries of the plan and decreased by euro 7,708 thousand for the portion reclassified to increase revenue reserves following the settlement of the 1st cycle of the "2019-2021 Performance Share Plan" incentive plan. For further details on the incentive plan, please refer to Note 33 - Other information, in the section "Medium/long-term incentive plan".
The increase is mainly attributable to the carry forward of the 2021 result.

Non-controlling interests

The change with respect to 31 December 2021 is attributable to the overall result for the financial year for non-controlling interests.

Other comprehensive income/losses

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

(euro/000)

	31.12.2022			31.12.2021		
	Gross amount	Tax (expense)/ benefit	Net amount	Gross amount	Tax (expense)/ benefit	Net amount
Effective portion of profits/(losses) on cash flow hedging instruments	69,576	(16,422)	53,154	6,456	(657)	5,799
Gains/(losses) from remeasurement of employee defined benefit plans	8,120	(1,798)	6,322	(1,768)	386	(1,382)
Gains/(Losses) from fair value measurement of investments measured at FVTOCI	(778)		(778)			
Gains/(losses) arising on translation of financial statements of foreign operations	14,279		14,279	32,396		32,396
Total other comprehensive income/ (losses)	**91,197**	**(18,220)**	**72,977**	**37,084**	**(271)**	**36,813**

(euro/000)

	31.12.2022	31.12.2021
Effective portion of profits/(losses) arising in period on cash flow hedging instruments	64,385	(5,191)
Effective portion of profits/(losses) on cash flow hedging instruments reclassified to profit or loss	5,191	11,647
Effective portion of profits/(losses) on cash flow hedging instruments	**69,576**	**6,456**
Tax effect of other components of comprehensive income	**(16,422)**	**(657)**
total other comprehensive income/(losses), net of tax	**53,154**	**5,799**

Note 20 - Provisions for risks and charges

These are analyzed as follows:

(euro/000)

	Litigation	Product warranty	Onerous contracts	Risks for financial guarantees	Business reorganization	Other risks and charges	Total
1.1.2021	**15,048**	**38,691**			**2,026**	**16,787**	**72,552**
Business combinations	1,500	31	40,388			6,923	48,842
Provisions for onerous contracts			57,461				57,461
Risk provisions	51,140	43,681				4,312	99,133
Utilizations	(47,088)	(20,184)	(1,935)		(807)	(3,480)	(73,494)
Releases	(150)	(4,486)				(3,478)	(8,114)
Other movements	(378)	(4)			(1)	45	(338)
Exchange rate differences	38	459			84	180	761
31.12.2021	**20,111**	**58,188**	**95,914**		**1,302**	**21,288**	**196,803**
Business combinations						(138)	(138)
Provisions for onerous contracts			211,377				211,377
Risk provisions	55,633	40,831		8,675		38,863	144,002
Utilization for onerous contracts			(50,365)				(50,365)
Utilizations	(46,892)	(21,505)		(569)		(1,467)	(70,433)
Releases	(2,224)	(7,274)	(175)			(2,113)	(11,786)
Other movements	(1)	(318)	9,970	30,000		(706)	38,945
Exchange rate differences	(28)	(382)	(2,533)		(65)	(135)	(3,143)
31.12.2022	**26,599**	**69,540**	**264,188**	**38,106**	**1,237**	**55,592**	**455,262**
- of which non-current portion	25,606	60,121	228,653	38,106		54,498	406,984
- of which current portion	993	9,419	35,535		1,237	1,094	48,278

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, authori-ties or third parties.

The "Product warranty" provision includes amounts set aside for 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 increase in this item compared to the previous financial year is due to provisions in relation to the significant number of vessels delivered during the last two years.

The item "Provisions for onerous contracts" includes the amount of estimated losses to completion with respect to existing construction contracts. The increase recorded in 2022 is mainly attributable to the worsening of margins and the consequent expected losses recorded on some projects relating to: i) the Infrastructure Hub, also as a result of an updated risk analysis carried out during the first part of the year by the new management on the basis of the information acquired during the half-year, and ii) the US subsidiary FMG, mainly due to the rise in raw material prices and labour cost in the US market. Provisions for/utilization of the provision for onerous contracts are included in the item "Change in Contract assets and liabilities" included in operating revenue in Note 28. Other changes refer to the classification from the provision for expected losses of the project to the provision for onerous contracts.

The provision for financial guarantees refers to the liability for credit risk related to a financial guarantee issued in favour of a third party. The provision, initially recognized based on the premium received during the financial year, amounting to euro 30,000 thousand, was released to profit or loss in the amount of euro 569 thousand based on the maturity period of the guarantee and was increased by euro 8,675 thousand in relation to the estimated credit risk of the counterparty at the reporting date. Further details can be found in Note 33 on guarantees given.

The "Business reorganization" provision has been set aside in previous financial years for the cost of the reorganization programs initiated by VARD in its Norwegian shipyards, which was not utilized during 2022.

The balance of "Other risks and charges" relates to 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. The item includes the provisions to cover the risks of environmental remediation (euro 5 million) and losses on investments in non-consolidated companies (euro 4 million). The increase in provisions for Other risks and charges is attributable to the provision made to cover the risk of non-performance of obligations under offset agreements (euro 20 million) and contractual risks (euro 12 million).

More information can be found in Note 33.

Note 21 - Employee benefits

Movements in this line item are as follows:

(euro/000)	2022	2021
Opening balance	**63,688**	**59,692**
Business combinations		4,153
Interest cost	591	339
Actuarial (gains)/losses	(8,112)	1,834
Utilizations for benefits and advances paid	(3,418)	(3,106)
Staff transfers and other movements	1,129	776
Closing balance	**53,878**	**63,688**
Plan assets	(5)	(5)
Closing balance	**53,873**	**63,683**

The balance at 31 December 2022 of euro 53,873 thousand is mainly comprised of the employee severance benefit pertaining to the Group's Italian companies (euro 53,670 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:

	31.12.2022	31.12.2021
Economic assumptions		
Cost of living increase	2.30%	1.75%
Discount rate	3.77%	0.98%
Increase in employee severance benefit	3.23%	2.81%
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/000)	Expected payments
Within 1 year	5,002
Between 1 and 2 years	4,384
Between 2 and 3 years	4,139
Between 3 and 4 years	4,345
Between 4 and 5 years	2,948
Total	**20,818**

The Group paid a total of euro 45,828 thousand into defined contribution plans in 2022 (euro 40,668 thousand in 2021).

Note 22 - Non-current financial liabilities

These are analyzed as follows:

(euro/000)

	31.12.2022	31.12.2021
Bank loans and credit facilities - non-current portion	1,190,982	1,765,354
Liabilities to other lenders	11,603	27,562
Financial liabilities for leasing IFRS 16 - non-current portion	114,245	101,246
Fair value of options on equity investments	10,602	13,377
Derivative liabilities	17,122	6,298
Total non-current financial liabilities	**1,344,554**	**1,913,837**

The decrease in non-current financial liabilities is mainly attributable to the reclassification to current financial liabilities of the portions of medium- and long-term bank loans due within 2023 (euro 1,114 million), net of the non-current portion of new loans finalized by the Group during the year (euro 540 million).
The following table shows the breakdown of bank loans and credit facilities, indicating the non-current and current portions:

(euro/000)

	31.12.2022	31.12.2021
Intesa Sanpaolo	363,827	230,022
Banca Nazionale del Lavoro	362,500	400,000
Unicredit	357,384	292,604
Banca Popolare dell'Emilia Romagna	237,644	208,333
Bayerische Landesbank	211,625	271,000
Banca BPM	172,500	190,000
Banco di Sondrio	137,500	100,000
Banco do Brazil	66,220	66,045
China Construction Bank	60,000	60,000
Monte dei Paschi di Siena	57,500	62,500
Mediobanca	50,000	50,000
ICCREA	50,000	-
CAIXA Bank	50,000	-
Friuladria	30,000	-
Bank of China	30,000	30,000
Santander Bank	20,997	-
ABC Bank	20,000	-
BNP Paribas	15,313	17,500
Cassa Depositi e Prestiti	14,867	20,771
Banca Mediocredito del Friuli Venezia Giulia	-	30,000
Credito Valtellinese	-	20,047
Other loans and credit facilities	(12,408)	(14,213)
Total bank loans and credit facilities	**2,295,469**	**2,034,609**
Non-current portion	1,190,982	1,765,354
Current portion	1,104,487	269,255

The exposure to Intesa Sanpaolo refers to a medium/long-term unsecured loan disbursed to the Parent Company in August 2018 for euro 100 million, repayable in a single instalment in July 2023. With the same bank, the ordinary portions of three loans taken out in 2014 for technological innovation projects under Law 46/1982 known as "Environmental Logistics", "Payload" and "Production Engineering" for euro 3,853 thousand were fully drawn down between 2015 and 2018. The remaining instalments of these loans are expected to be repaid between 2023 and 2024. Furthermore, the bank signed with Fincantieri S.p.A. the ordinary portion of the loan related to the research and development project in the technology sector and for the implementation of the Italian Digital Agenda referred to in the Decree of the Ministry of Economic Development of 15 October 2014 called "Systems and technologies for the development of after-sales services", for a total amount of euro 1,231 thousand, of which euro 506 thousand was drawn down in July 2022. This loan is expected to be repaid between 2023 and 2027.
Following the merger of UBI Banca into Intesa Sanpaolo, the following loans held by Fincantieri S.p.A. were reclassified:

- euro 1,617 thousand out of a total of euro 2,021 thousand which, in December 2016, UBI Banca disbursed the first ordinary portion of a loan agreed in 2014 for a technological innovation project under Law 46/1982 called "Environment". The remaining portions of this loan will be repaid in semi-annual instalments due between 2023 and 2024;
- euro 125 million related to the portion disbursed in October 2020 by UBI Banca of the loan under Decree Law No. 23 of 2020, of which euro 15.6 million was repaid in December 2022 as provided for in the repayment plan.

The exposure to Banca Nazionale del Lavoro refers to a medium/long-term unsecured loan of euro 100 million taken out in 2018 by the Fincantieri S.p.A. and converted in December 2021 into a sustainability linked loan whose cost can vary based on the achievement of specific Key Performance Indicators (KPIs) in the Parent Company's 2018-2022 Sustainability Plan. The loan is repayable in a single instalment in July 2023. Furthermore, the exposure refers to the portion of the loan pursuant to Decree Law No. 23 of 2020 taken out by the Parent Company in the amount of euro 300 million, of which euro 37.5 million was repaid in December 2022 as provided for in the repayment plan.
The exposure to Unicredit refers to two medium/long-term loans. Unicredit disbursed to the Parent Company a portion of euro 292.5 million of the loan pursuant to Decree Law No. 23 of 2020, of which euro 36.6 million was repaid in December 2022 as per the repayment plan. In addition, in June 2022 Unicredit disbursed to the Parent Company a sustainability linked loan in the amount of euro 100 million, repayable in a single instalment in June 2025 by exercising an extension option agreed with the bank.
The exposure towards Banca Popolare dell'Emilia Romagna refers to the residual debt of two medum/long-term loans taken out by Fincantieri S.p.A. In October 2020, Banca Popolare dell'Emilia Romagna granted a loan of euro 100 million pursuant to Decree Law No. 23 of 2020, of which euro 12.5 million was repaid in December 2022 as per the repayment plan. In June 2022, Banca Popolare dell'Emilia Romagna disbursed to the Parent Company a sustainability linked loan in the amount of euro 150 million, repayable in two instalments due in June 2025 and June 2026. After this new loan was granted, the following medium/long-term loans outstanding with the Parent Company were repaid in advance: the first loan disbursed in August 2018, for an amount of euro 50 million, with scheduled repayment in six semi-annual instalments starting from February 2021 until August 2023, and the second loan of euro 70 million disbursed in March 2020 by UBI Banca with a single instalment due in March 2023; the latter was then transferred in February 2021 to Banca Popolare dell'Emilia Romagna.
Furthermore, in January 2022, the last semi-annual instalment of the euro 30 million loan granted in 2018 was repaid according to the schedule that started in July 2019.
The exposure to Bayerische Landesbank relates to three medium/long-term loans in place with 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 "Schuldschein" loans were taken out with Bayerische Landesbank acting as Arranger and Paying Agent: the first for euro 29 million with a duration of 3 years (fully repaid in November 2021) and the second for euro 71 million with a duration of 5 years (expiry November 2023). "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. Furthermore, in August 2019 Bayerische Landesbank disbursed a euro 50 million loan that was fully repaid at its natural expiry in July 2022. Lastly, the bank granted a loan of euro 75 million pursuant to Decree-Law No. 23 of 2020 in October 2020, of which euro 9.4 million was repaid in December 2022, as per the repayment plan.
In May 2020, Banco BPM granted the Company a medium/long-term unsecured loan for euro 50 million, repayable in a single instalment in May 2025. In addition, in October 2020, Banco BPM granted Fincantieri S.p.A. a portion of euro 140 million of the loan pursuant to Decree Law No. 23 of 2020, of which euro 17.5 million was repaid in December 2022 as provided for in repayment plan.
The exposure to Banca Popolare di Sondrio refers to the portion of the loan pursuant to Decree Law No. 23 of 2020 taken out by the Parent Company in the amount of euro 100 million, of which euro 12.5 million was repaid in December 2022 as provided for in the repayment plan. In addition, in June 2022, Banca Popolare di Sondrio disbursed to the Company a loan in the amount of euro 50 million, repayable in six semi-annual instalments due from December 2024 to June 2026.
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.
The exposure to Monte dei Paschi di Siena relates to the residual debt on a medium/long-term unsecured loan disbursed to Fincantieri S.p.A. in July 2020 for euro 70 million, repayable in semi-annual instalments ending in June 2023.
In March 2020, Mediobanca granted the Company a new medium/long-term unsecured loan for euro 50 million, repayable in a single instalment in March 2023.
The exposure to Credito Valtellinese at 31 December 2021 consisted of the residual debt on a medium/long-term unsecured loans for euro 30 million disbursed in 2018 to the Parent Company and repayable, after a grace period of 36 months, in 3 semi-annual instalments ending in September 2022. This loan was fully repaid in May 2022 following the granting by Friuladria of a medium/long-term sustainability-linked unsecured loan of euro 30 million, the repayment of which is scheduled in four semi-annual instalments from November 2023 to May 2025.
In February 2019, Banca Mediocredito del Friuli Venezia Giulia granted the Parent Company with an unsecured medium/long-term loan of euro 30 million, which was duly repaid in a single instalment in February 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 four technological innovation projects under Law 46/1982 known as "Environmental Logistics", "Payload", "Production Engineering" and "Environment" and for a research and development project in the technology sector and for the implementation of the Italian Digital Agenda referred to in the Decree of the Ministry of Economic Development of 15 October 2014 called "Systems and technologies for the development of after-sales services".
The following loans have been granted to the Parent Company under this Fund through the Cassa Depositi e Prestiti:

- 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 "Production 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;
- for the "Systems and technologies for the development of after-sales services" project, a loan for up to euro 7,019 thousand, partially disbursed in July 2022 for euro 2,887 thousand. The loan is unsecured and must be repaid in semi-annual instalments by 31 December 2027.

In relation to the development project pursuant to Law 46/1982 called "Superpanamax Cruise Ship", of an original amount of euro 12,217 thousand, the Company, as provided for in the repayment plan, fully repaid the loan in June 2022.
In May 2019, Fincantieri S.p.A. 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 exposure to BNP Paribas refers to the portion of the loan pursuant to Decree Law No. 23 of 2020 taken out with the bank in the amount of euro 17.5 million, of which euro 2.2 million was repaid in December 2022 as provided for in the repayment plan.
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 2022 amounts to euro 66 million.
The item "Bank loans and credit facilities - non-current portion" is detailed below by year of maturity:

(euro/000)

	31.12.2022			31.12.2021		
	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
- between one and two years	8,528	487,412	495,940	407,388	781,546	1,188,934
- between two and three years	70,183	218,276	288,459	8,871	462,808	471,679
- between three and four years	20,846	164,867	185,713	55,541	100	55,641
- between four and five years	21,509	52,540	74,049	6,233	100	6,333
- beyond five years	146,821		146,821	42,492	275	42,767
Total	**267,887**	**923,095**	**1,190,982**	**520,525**	**1,244,829**	**1,765,354**

See Note 33 for the disclosures required by IAS 7 about changes in current and non-current financial liabilities.
It should be noted that there are no covenant clauses included in the loan agreements. In addition, for existing loan agreements, no events occurred during the financial year that would trigger accelerated repayment clauses.
The item "Other liabilities to other lenders" includes the amount owed to Esseti - Sistemi e Tecnologie Holding S.r.l. for the payment in instalments of part of the shares of the subsidiary Fincantieri NexTech S.p.A. acquired in 2020 in implementation of the agreements with the minority shareholders. This liability was reclassified at 31 December 2021 under "Other current financial liabilities" for euro 6,733 thousand, equal to the portion due in 2022. The item includes euro 5,533 thousand for the payable to the extraordinary commissioners for the payment of the price for the acquisition of the business unit owned by INSO - Sistemi per le INfrastrutture SOciali S.p.A., and its subsidiary SOF by FINSO - Fincantieri INfrastrutture Sociali.
"Financial liabilities for leasing IFRS 16 – non-current portion" refers to the non-current portion of the financial liabilities for lease payments falling within the scope of IFRS 16. For the current portion see Note 27. Note 7 contains details on related rights of use.
"Fair value of options on equity investments" is due to the recognition of liabilities to minority share-holders of IDS Ingegneria Dei Sistemi S.p.A., Team Turbo Machines SAS and Fincantieri INfrastrutture SOciali S.p.A. following the put options granted to them as part of the acquisition of the subsidiaries.
"Derivative liabilities" represent the year-end reporting date fair value of derivatives with a maturity of more 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.
See Note 33 for the disclosures required by IAS 7 about changes in current and non-current financial liabilities.

Note 23 - Other non-current liabilities

These are analyzed as follows:

(euro/000)	31.12.2022	31.12.2021
Capital grants	48,674	46,136
Other liabilities	6,096	4,881
Firm commitments	2,520	2,537
Total other non-current liabilities	**57,290**	**53,554**

"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 - Contract liabilities

These are analyzed as follows:

(euro/000)

	31.12.2022			31.12.2021		
	Construction contracts - gross	Invoices issued	Construction contracts - net liabilities	Construction contracts - gross	Invoices issued	Construction contracts - net liabilities
Shipbuilding contracts	9,537,399	10,588,084	1,050,685	7,112,360	8,349,647	1,237,287
Other contracts for third parties				46,401		46,401
Advances from customers		100,817	100,817		170,585	170,585
Total	**9,537,399**	**10,688,901**	**1,151,502**	**7,158,761**	**8,520,232**	**1,361,471**

"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 compared to those expected for the completion of the contract.

During 2022, Contract liabilities at 31 December 2021 saw the development of production volumes and therefore of operating revenue amounting to euro 1,761 million.

"Client advances" refer to contracts on which work had not started at the year-end reporting date.

With reference to the performance obligations still to be met, please refer to the information provided in Note 28 on Revenue and income.

See Note 14.

Note 25 - Trade payables and other current liabilities

These are analyzed as follows:

(euro/000)

	31.12.2022	31.12.2021
Payables to suppliers	2,071,625	1,896,864
Payables to suppliers for reverse factoring	621,976	593,260
Social security payables	53,757	54,308
Other payables to employees for deferred wages and salaries	130,883	118,941
Other payables	121,116	111,644
Other payables to Parent Company	188	43,172
Indirect tax payables	11,532	12,629
Firm commitments	3,588	2,989
Accrued expenses	2,479	2,702
Deferred income	4,058	13,583
Total trade payables and other current liabilities	**3,021,203**	**2,850,092**

"Payables to suppliers for reverse factoring" report the liabilities sold to factoring companies by suppliers. These liabilities are classified among "Trade payables and other current liabilities" since they are related to obligations for the supply of goods and services used during the normal operating cycle. The sale is agreed with the supplier and envisages the possibility for the latter to give further extensions for consideration or not. With regard to the presentation in the Statement of Cash Flows, it should be noted that the cash flows related to these transactions are included in the Net cash flows from operating activities described in Note 34. For more details on the risks related to these payables, please refer to Note 4 on Liquidity risk.

"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 2022 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.

"Other payables to the Parent Company" refers to the payables to Cassa Depositi e Prestiti 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/000)

	31.12.2022	31.12.2021
Italian corporate income taxation (IRES)	1,106	2,247
Italian regional tax on productive activities (IRAP)	249	10,179
Other income tax liabilities	24,088	17,643
Total income tax liabilities	**25,443**	**30,069**

The item "Other income tax liabilities" includes euro 1,965 thousand for the tax risk provision relating to income tax assessments.

Note 27 - Current financial liabilities

These are analyzed as follows:

(euro/000)

	31.12.2022	31.12.2021
Payables for commercial paper	80,700	220,200
Bank loans and credit facilities - current portion	1,104,487	269,255
Loans from BIIS - current portion	405	267
Bank loans and credit facilities - Construction loans	645,000	1,075,000
Other short-term bank debt	20,878	57,562
Other financial liabilities to others - current portion	21,666	18,781
Bank credit facilities repayable on demand	1,784	1,830
Payables to joint ventures	2,671	1,966
Financial liabilities for leasing IFRS 16 - current portion	18,209	17,862
Fair value of options on equity investments	7,125	23,133
Derivative liabilities	16,241	16,287
Deferred interest and other financial items	6,229	2,840
Accrued interest expense	6,299	2,684
Total current financial liabilities	**1,931,694**	**1,707,667**

Regarding the Euro-Commercial Paper Step Label financing program set up by the Parent Company at the end of 2017 for a maximum amount of euro 500 million, the total drawdown amounts to euro 80.7 million as of December 2022.
With reference to the item "Bank loans and credit facilities - current portion" at 31 December 2022, the bank loans amounting to euro 1,114 million and due within the next 12 months (gross of amortized cost deferrals) have been reclassified from non-current to the current portion, while the instalments due during the period have been fully paid. See also Note 22.
"Construction loans" are analyzed as follows at 31 December 2022:

(euro/000)

	31.12.2022	31.12.2021
Construction loans		
Italy	645,000	1,015,000
Norway		60,000
Total construction loans	**645,000**	**1,075,000**

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.

Bank loans and credit facilities - Construction loans, which amounted to euro 645 million as at 31 December 2022, refer to:

- for euro 215 million to the loan the Parent Company took out with Intesa Sanpaolo and Cassa Depositi e Prestiti in December 2021 for a sustainability-linked construction loan for up to euro 300 million to finance the construction of a cruise ship;
- for euro 330 million to the loan taken out by the Parent Company in June 2022 with a leading Italian bank for a sustainability-linked revolving credit facility to finance the construction of cruise ships for up to euro 500 million maturing in June 2025;
- for euro 100 million to the one taken out by the Parent Company, also in June 2022, with a pool of leading national banks, as a sustainability-linked construction loan for up to euro 200 million to finance the construction of a cruise ship.

The construction loans drawn down at 31 December 2022 are all variable-rate loans.
The credit facilities in place for construction loans that were not drawn down as at 31 December 2022 are shown below:

- 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;
- in July 2022, the Parent Company agreed with a leading national bank and Cassa Depositi e Prestiti, a committed sustainability-linked construction loan for up to euro 400 million to finance the construction of a cruise ship;
- in December 2022, Vard Group AS finalized a credit facility for construction loans with a leading international credit institution for euro 80 million.

At 31 December 2022, “Other short-term bank debt” includes the drawing down of uncommitted credit facilities.
At 31 December 2022, the Group also had a total of euro 230 million in other committed credit facilities Italian and international banks maturing between 2023 and 2024. At 31 December 2022, these revolving credit facilities had not been drawn down. In addition to committed credit facilities, the Group has access to additional uncommitted credit facilities with leading Italian and international banks (for about euro 464 million).
The item “Other financial liabilities to others - current portion” includes the amount due in 2023 for the debt i) with Esseti - Sistemi e Tecnologie Holding S.r.l. for the payment in instalments for part of the shares of the subsidiary Fincantieri NexTech S.p.A. amounting to euro 6,236 thousand and ii) with the extraordinary commissioners for the payment of the purchase price for the acquisition of the business unit of INSO – Sistemi per le INfrastrutture SOciali S.p.A. and its subsidiary SOF by FINSO – Fincantieri INfrastrutture SOciali for euro 7,475 thousand.
“Payables to joint ventures” relate to the negative balance on the intercompany current account with Orizzonte Sistemi Navali and Naviris.
“Fair value of options on equity investments” (Level 3) amounting to euro 7,125 thousand (euro 23,133 thousand at 31 December 2021) is related to the option held by minority shareholders of the American group FMG, the decrease, compared to 2022, is due to the adjustment of its Fair Value recognized under financial income for euro 17,663 thousand, partially offset by the positive effect of translating the balance expressed in foreign currency.
“Financial liabilities for leasing IFRS 16 – current portion” refers to the current portion of the financial liability for lease payments falling within the scope of IFRS 16. For the current portion see Note 22. Note 7 contains details on related rights of use.

“Derivative liabilities” refers to the fair value of derivative financial instruments, which was calculated considering market parameters and using valuation models widely used in the financial sector (Level 2). 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/000)	2022	2021
Sales and service revenue	4,504,935	5,500,401
Change in Contract assets and liabilities	2,844,212	1,299,176
Operating revenue	**7,349,147**	**6,799,577**
Gains on disposal	1,195	1,077
Sundry revenue and income	97,849	77,789
Government grants	33,673	33,730
Other revenue and income	**132,717**	**112,596**
Total revenue and income	**7,481,864**	**6,912,173**

"Operating revenue" mainly includes revenue arising from contractual obligations satisfied "over time", i.e. over the gradual progress of activities. Revenue and income increased compared to the previous year (+8.2%), with production volumes in line with those generated in 2021. It should be noted that this item includes the positive impact of progress on sales contracts for two naval vessels, whose sales contracts 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, although it retains the risk deriving from the execution of the contract.
For more details on the breakdown of revenues by business segment, please refer to Note 35.
The aggregate value of contracts acquired relating to performance obligations that have not been fulfilled or have been partially fulfilled at 31 December 2022 is the order backlog, i.e. the residual value of orders not yet completed. This is calculated as the difference between the total value of the order (including any addenda and order variations) and the accumulated value of work in progress ("Construction contracts – gross", both assets and liabilities) developed at the reporting date. The order backlog at 31 December 2022 stands at euro 23.8 billion and guarantees about 3.2 years of work if related to 2022 operating revenues. For further information please refer to the Group Report On Operations.
Change in Contract assets and liabilities includes provisions for/utilization of the provision for onerous contracts included in the Provisions for risks and charges in Note 20.

Sundry revenue and income comprise:

(euro/000)	2022	2021
Penalties charged to suppliers	9,877	13,722
Rental income	1,154	1,030
Insurance claims	25,256	17,309
Recharged costs	26,293	19,501
Income from third parties relating to personnel	144	209
Other sundry income	34,808	25,564
Gains on hedging derivatives not qualifying for hedge accounting	-	216
Gains on trading foreign currency derivatives	-	-
Other income	317	238
Total	**97,849**	**77,789**

"Recharged costs", of euro 26,293 thousand, mainly refer to various kinds of recharge to customers and suppliers not attributable to specific cost categories.
"Other sundry income" of euro 34,808 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 financial year.
"Government grants" mainly includes the grants related to income (euro 29,381 thousand) and capital (euro 4,292 thousand) relating to the Parent Company and the subsidiaries CETENA S.p.A., Isotta Fraschini Motori S.p.A., IDS Ingegneria Dei Sistemi S.p.A., Seastema S.p.A. and the US subsidiaries Fincantieri Marine Group LLC and Bay Shipbuilding Co.

Note 29 - Operating costs

Materials, services and other costs

Materials, services and other costs are analyzed as follows:

(euro/000)	2022	2021
Raw materials and consumables	(3,834,388)	(3,631,818)
Services	(2,162,472)	(1,634,273)
Leases and rentals	(42,867)	(36,055)
Change in inventories of raw materials and consumables	63,134	26,414
Change in work in progress	(12,912)	221
Sundry operating costs	(39,464)	(45,546)
Cost of materials and services capitalized in fixed assets	21,037	10,340
Total materials, services and other costs	**(6,007,932)**	**(5,310,717)**

The item Raw materials and consumables includes the costs for the construction of the two naval vessels mentioned in Note 28 above.
The increase in the cost of raw materials and services reflects the upward price trend, particularly with reference to the effects of the current macroeconomic context, though offset by the Group's purchasing hedging policies.
Details of the cost of services are as follows:

(euro/000)	2022	2021
Subcontractors and outsourced services	(979,373)	(651,731)
Insurance	(69,920)	(60,516)
Other personnel costs	(41,151)	(31,506)
Maintenance costs	(36,717)	(31,445)
Commissioning and trials	(12,624)	(11,367)
Outsourced design costs	(116,794)	(98,935)
Licenses	(8,431)	(8,347)
Transportation and logistics	(58,199)	(37,281)
Technical and other services	(681,240)	(598,031)
Cleaning services	(57,221)	(59,934)
Electricity, water, gas and other utilities	(120,439)	(63,999)
Utilization of product warranty and other provisions	19,637	18,819
Total cost of services	**(2,162,472)**	**(1,634,273)**

It should be noted that "Technical and other services" includes charges related to the "Performance Share Plan" (euro 1,037 thousand) for the portion for the Parent Company's Chief Executive Officer. More details on the operation can be found in Note 33.
"Leases and rentals" mainly includes costs relating to short-term leasing contracts and the remainder to leasing contracts in which the underlying asset is of modest value.
"Sundry operating costs" also include euro 826 thousand in losses on the disposal of non-current assets (euro 10,084 thousand at 31 December 2021) and tax charges for euro 13,122 thousand (euro 11,593 at 31 December 2021).

Personnel costs

(euro/000)	2022	2021
Personnel costs		
- wages and salaries	(876,396)	(812,081)
- social security	(235,942)	(211,956)
- costs for defined contribution plans	(45,828)	(40,668)
- costs for defined benefit plans	(755)	(296)
- other personnel costs	(36,674)	(30,230)
Personnel costs capitalized in fixed assets	9,911	10,049
Total personnel costs	**(1,185,684)**	**(1,085,182)**

"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. These costs are in line with those reported in 2021.
It should be noted that "Other personnel costs" includes charges related to the "Performance Share Plan" (euro 5,690 thousand). More details on the operation can be found in Note 33.

Headcount

Employees are distributed as follows:

(number)	2022	2021
Employees at year end		
Total at year end	20,792	20,774
- of whom in Italy	10,905	10,681
- of whom in Parent Company	8,936	8,806
- of whom in VARD	7,251	7,779
Average number of employees	20,783	20,520
- of whom in Italy	10,756	10,397
- of whom in Parent Company	8,836	8,636
- of whom in VARD	7,501	7,993

Depreciation, amortization and impairment and provisions

(euro/000)		
	2022	2021
Depreciation and amortization		
- amortization of intangible assets	(82,357)	(77,692)
- depreciation of rights of use	(22,693)	(19,411)
- depreciation of property plant and equipment	(126,246)	(108,209)
Impairment:		
- impairment of goodwill	(140,290)	(96)
- impairment of intangible assets	(23,479)	(481)
- closure of lease contracts		
- absorption of impairment of tangible assets		
- impairment of property plant and equipment	(43)	(107)
Total depreciation, amortization and impairment	**(395,108)**	**(205,996)**
Provisions		
- impairment of contractual assets	(3,054)	(3,614)
- impairment of receivables	(19,493)	(17,435)
- increases in provisions for risks and charges	(144,002)	(98,642)
- release of provisions for risk and impairment reversals	25,155	8,408
Total provisions	**(141,394)**	**(111,283)**

A breakdown of depreciation and amortization is provided in Notes 6, 7 and 8.
With regard to the impairment of goodwill, please refer to Note 6.
"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 40,831 thousand (euro 43,681 thousand at 31 December 2021), and provisions for litigation for euro 55,633 (euro 51,140 thousand at 31 December 2021). The remainder of the item refers to provisions made against risks for various kinds of disputes, mostly of a contractual, technical and tax nature. More details about the nature of the provisions made can be found in Note 20 and Note 33.

Note 30 - Financial income and expenses

These are analyzed as follows:

(euro/000)		
	2022	2021
Financial income		
Interest and fees from joint ventures and associates	2,331	816
Bank interest and fees and other income	37,883	20,127
Income from derivative financial instruments	207	127
Interest and other income from financial assets	22,484	6,383
Foreign exchange gains	97,746	50,126
Total financial income	**160,651**	**77,579**
Financial expenses		
Interest and fees charged by joint ventures	(159)	(107)
Interest and fees from related parties	(3,688)	(3,774)
Interest and fees charged by controlling companies	(1,372)	(751)
Expenses from derivative financial instruments	(15,733)	(25,013)
Unrealized financial expenses - delta fair value	(5,170)	-
Interest on employee benefit plans	(564)	(201)
Interest and fees on bonds and commercial papers	(1,035)	(882)
Interest and fees on construction loans	(11,126)	(13,616)
Bank interest and fees and other expense	(82,603)	(61,074)
Interest paid on leases IFRS 16	(2,397)	(3,135)
Impairment of financial receivables IFRS 9	(13,264)	(25,205)
Foreign exchange losses	(103,757)	(49,198)
Total financial expenses	**(240,868)**	**(182,956)**
Total financial income and expenses	**(80,217)**	**(105,377)**

"Bank interest and fees and other income" mainly includes interest at market rates on loans granted to third parties by the Parent Company during the period. The increase compared to last year is due to the different time exposure of the financial receivables, which were disbursed in the second half of 2021 and generated interest for the entire 2022 year.
The change in the item "Interest and other income from financial assets" mainly refers to the adjust-ment of the fair value of the option to the minority shareholders of the American FMG group.
The decrease in the item "Expenses from derivative financial instruments" is mainly attributable to the closure of derivatives (recognized in cash flow hedge and reversed to the income statement as the un-derlying transaction progresses) to hedge revenues in US dollars related to a ship order, delivered by the Parent Company in 2021.
The increase in the item "Bank interest and fees and other expense" is mainly attributable to the in-crease in the Group's borrowings and the rise in interest rates in the Euro Zone. This phenomenon was partially mitigated by the benefit generated by interest rate hedges, the recognition of which in the in-come statement is included in the item "Expenses from derivative financial instruments".
Changes in foreign exchange gains and losses reflect the effects of changes in the currencies to which the Group is exposed. The net negative impact of euro 6,011 thousand is substantially in line with 2021.
Financial expenses include the impairment of existing financial receivables determined on the basis of the expected credit loss model in application of the IFRS 9 accounting standard.

Note 31 - Income and expense from investments

These are analyzed as follows:

(euro/000)	2022	2021
Income		
Dividends from associates	25	
Dividends from other companies	117	35
Gains from sale of investments	71	499
Fair value measurement gains		657
Other income from investments	1,255	375
Total income	**1,468**	**1,566**
Expense		
Investment impairment losses	(2,874)	(637)
Other losses from investments		(116)
Total expense	**(2,874)**	**(753)**
Income/(expense) from investments	**(1,406)**	**813**
Share of profit/(loss) of investments accounted for using the equity method		
Profit	10,136	4,985
Loss	(10,921)	(19,715)
Share of profit/(loss) of investments accounted for using the equity method	**(785)**	**(14.730)**
Total income and expense from investments	**(2,191)**	**(13,917)**

"Share of profit/(loss) of investments accounted for using the equity method", amounting to a loss of euro 785 thousand, includes:

- gains of euro 10,136 thousand mainly relate to the Group's share for the financial year of the results for the joint venture CSSC – Fincantieri Cruise Industry Development Limited (euro 3,450 thousand) and the associates Island Offshore XII Ship AS (euro 2,249 thousand) and Island Discoverer AS (euro 1,582 thousand);
- losses of euro 10,921 thousand mainly reflect the Group's share of the results for the financial year of the joint venture Naviris S.p.A. (euro 4,200 thousand) and the associates PSC group (euro 2,721 thousand) and Unifer Navale (euro 871 thousand).

For more details on the changes to investments, see Note 9.

Note 32 - Income taxes

These are analyzed as follows:

(euro/000)	2022		2021	
Current taxes		**(73,537)**		**(81,061)**
Deferred tax assets:				
– sundry impairment losses	9,191		11,644	
– product warranty	3,388		4,189	
– other risks and charges	18,753		534	
– fair value of derivatives	(730)			
– carry forward tax losses	(560)		2,230	
– other items	59,106		9,808	
– tax rate and other changes				
		89,148		**28,485**
Deferred tax liabilities:				
– business combinations	4,210		6,859	
– other items	(13,112)		(12,169)	
– tax rate and other changes				
		(8,902)		**(5,310)**
Total deferred taxes		**80,246**		**23,175**
Total income taxes		**6,709**		**(57,886)**

Note: Negative figures indicate the recognition of deferred tax liabilities or release 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:

(euro/000)	2022	2021
Theoretical corporate income tax rate (IRES)	**24%**	**24%**
Profit/(loss) before tax	(330,662)	79,701
Theoretical corporate income tax (IRES)	**79,359**	**(19,128)**
Impact of taxes relating to prior periods	5,175	(2,703)
Impact of tax losses	(44,193)	(29,606)
Impairment of deferred tax assets	(9,044)	
Impact of permanent differences and unrecognized temporary differences	(16,371)	10,855
Impact of temporary differences not recognized in previous years	1,625	1,288
Effect of change in tax rates	(19)	(189)
Impact of different tax rates applicable to foreign entities	4,348	(136)
Increases/Releases of provisions for tax risks	(1,497)	49
Tax credit on R&D costs	165	85
Other taxes charged to profit or loss	**(12,838)**	**(18,401)**
Total income taxes through profit or loss	**6,709**	**(57,886)**
Current taxes	(73,537)	(81,061)
Deferred tax assets/liabilities	80,246	23,175

The following table shows a breakdown of current and deferred income taxes in Italy and other countries:

(euro/000)

	2022	2021
Current taxes	**(73,537)**	**(81,061)**
- Italian companies	(47,919)	(75,351)
- Foreign companies	(25,618)	(5,710)
Deferred tax assets/liabilities	**80,246**	**23,175**
- Italian companies	50,019	16,317
- Foreign companies	30,227	6,858
Total	**6,709**	**(57,886)**

Note 33 - Other information

Net financial position

For the purposes of complying with Consob Communication no. DEM/6064293/2006, the following table shows the Net financial position as per ESMA recommendation. The table and information provided below have been adjusted to reflect the updates in the document ESMA 32-382-1138 dated 4 March 2021.

(euro/000)

	31.12.2022	31.12.2021
A. Cash	564,576	1,236,180
B. Cash equivalents		
C. Other current financial assets	181,038	147,638
- of which related parties	25,062	2,611
D. Cash and cash equivalents (A)+(B)+(C)	**745,614**	**1,383,818**
E. Current financial liabilities (including debt instruments, but excluding current portion of non-current financial liabilities)	(811,058)	(1,427,021)
- of which related parties	(84,145)	(95,889)
- of which Construction loans	(645,000)	(1,075,000)
- of which Current portion of debt instruments	(80,700)	(220,200)
F. Current portion of non-current financial liabilities	(1,120,636)	(280,646)
- of which related parties	(8,659)	(8,816)
G. Current debt (E)+(F)	**(1,931,694)**	**(1,707,667)**
H. Net current debt (D)+(G)	**(1,186,080)**	**(323,849)**
I. Non-current financial liabilities (excluding current portion of debt instruments)	(1,344,554)	(1,913,837)
- of which related parties	(6,322)	(14,106)
J. Debt instruments		
K. Trade payables and other non-current financial liabilities		
L. Non-current debt (I)+(J)+(K)	**(1,344,554)**	**(1,913,837)**
M. Total net debt (H)+(L)	**(2,530,634)**	**(2,237,686)**

For indirect debt and/or conditional debt not reflected in the table, reference should be made: i) to Note 20 and Note 21 for the provisions recognized in the financial statements ; ii) to Note 25 and Note 4 for payables for reverse factoring (amounting to euro 621,976 thousand at 31 December 2022).
Lastly, commitments related to lease agreements not recognized as liabilities in the financial statements since they do not fall under IFRS 16 amount to euro 22.5 million at 31 December 2022.
For more details see Notes 4, 10, 22 and 27.

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/000)

	1.1.2021	Business combinations	Cash flows	Changes in fair value	Exchange rate differences	Other non-monetary changes	31.12.2021
Non-current financial liabilities	2,061,622	16,982	(3,834)		771	(280,497)	1,795,044
Current bank loans and credit facilities	1,577,377	4,119	(472,235)		15,050	282,214	1,406,525
Other current financial liabilities	8,712	10,441	831		(3)	8,216	28,197
Current bonds/commercial papers	100,200		120,000				220,200
Financial liabilities for leasing IFRS 16	86,670	8,694	(20,523)		2,056	42,211	119,108
Receivables/payables for held-for-trading financial instruments							
Total liabilities from financing activities	**3,834,581**	**40,236**	**(375,761)**	**-**	**17,874**	**52,144**	**3,569,074**
Purchase of non-controlling interests in VARD			(1,748)				
Purchase of treasury shares							
Third party capital							
Cash flows from financing activities			**(377,509)**				

(euro/000)

	1.1.2022	Business combinations	Cash flows	Changes in fair value	Exchange rate differences	Other non-monetary changes	31.12.2022
Non-current financial liabilities	1,795,044	(1,658)	613,290		7,774	(1,211,853)	1,202,597
Current bank loans and credit facilities	1,406,525	(409)	(844,460)		(1,807)	1,219,897	1,779,746
Other current financial liabilities	28,197		4,742		(3)	(3,155)	29,781
Current bonds/commercial papers	220,200		(139,500)				80,700
Financial liabilities for leasing IFRS 16	119,108	(87)	(22,394)		525	35,302	132,454
Receivables/payables for held-for-trading financial instruments							
Total liabilities from financing activities	**3,569,074**	**(2,154)**	**(388,322)**	**-**	**6,489**	**40,191**	**3,225,278**
Acquisition of non-controlling interests in subsidiaries			(53)				
Purchase of treasury shares			(1,143)				
Third party capital							
Cash flows from financing activities			**(389,518)**				

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 2022.

Atypical and/or unusual transactions

In accordance with the disclosures required by Consob Communication no. DEM/6064293 dated 28 July 2006, it is reported that no atypical and/or unusual transactions were carried out during 2022.

Related party transactions

Intragroup transactions, transactions with CDP Equity S.p.A and its subsidiaries, with Cassa Depositi e Prestiti S.p.A. and its subsidiaries, with companies controlled by Italy's Ministry of Economy and Finance and with other related parties in general, do not qualify as either atypical or unusual, since they fall within the normal course of business of the Fincantieri Group and are conducted on an arm's length basis.
The figures for related party transactions and balances are reported in the following tables:

Consolidated statement of financial position

(euro/000)

					31.12.2022				
	Non-current financial assets	Current financial receivables	Advances[1]	Trade receivables and other non-current assets	Trade receivables and other current assets	Non-current financial liabilities	Current financial payables	Trade payables and other current liabilities	Trade payables and other non-current liabilities
CASSA DEPOSITI E PRESTITI S.p.A.					15,559	(6,322)	(80,326)	(233)	
TOTAL PARENT COMPANY	**-**	**-**	**-**	**-**	**15,559**	**(6,322)**	**(80,326)**	**(233)**	**-**
ORIZZONTE SISTEMI NAVALI S.p.A.					27,780		(2,200)	(57,288)	
UNIFER NAVALE S.r.l.					1,491			(5)	
CSSC - FINCANTIERI CRUISE INDUSTRY DEVELOPMENT Ltd.		24,664			3,655			(383)	
ETIHAD SHIP BUILDING LLC					6,742			(324)	
CONSORZIO F.S.B.					(120)				
BUSBAR4F S.c.a.r.l.			1,269		589			(524)	(28)
FINCANTIERI CLEA BUILDING S.c.a.r.l. in liquidation					1,469			(41)	
PERGENOVA S.c.p.a.					1,700			(1,635)	
ISSEL MIDDLE EAST INFORMATION TECNOLOGY CONSULTANCY LLC		4					(17)		
NAVIRIS S.p.A.		6			893		(502)		
4TCC1 S.c.a.r.l.			3,357		490			(3,594)	(70)
POWER4FUTURE S.p.A.			170		132			(2,456)	
VIMERCATE SAL. GESTIONE S.c.a.r.l.					7,978			(5,842)	
ENERGETIKA S.c.a.r.l.								(9)	
NSC HOSPITAL S.c.a.r.l.					3,111			(3,330)	
FINMESA S.c.a.r.l.								(3)	
ERSMA 2026 S.c.a.r.l.			1,086		58			(1,456)	
TOTAL JOINT VENTURES	**-**	**24,674**	**5,882**	**-**	**55,968**	**-**	**(2,719)**	**(76,860)**	**(98)**
PSC GROUP			985		283			(10,572)	
CENTRO SERVIZI NAVALI S.p.A.					2,301			(1,276)	
BREVIK TECHNOLOGY AS	176								
DOF ICEMAN AS					2				
CSS DESIGN				723					
ISLAND DILIGENCE AS	4,612				143				
DECOMAR S.p.A.					104				
CASTOR DRILLING SOLUTION AS		388							
OLYMPIC GREEN ENERGY KS					1				
ISLAND OFFSHORE XII SHIP AS	13,342								
BRIDGE EIENDOM AS									
ISLAND VICTORY AS									
CISAR MILANO S.p.A.					295				
CISAR COSTRUZIONI S.c.a.r.l.								(171)	
NORD OVEST TOSCANA ENERGIA S.r.l.	1,564				2,741			(79)	
S.ENE.CA. GESTIONE S.c.a.r.l.					1,854			(2,345)	
BIOTECA S.c.a.r.l.								11	
NOTE GESTIONI S.c.a.r.l.					4,015			(3,822)	
HBT S.c.a.r.l.					4,330			(164)	
TOTAL ASSOCIATES	**19,694**	**388**	**985**	**723**	**16,069**	**-**	**-**	**(18,418)**	**-**
SACE S.p.A.								(11)	
SACE FCT					30				
VALVITALIA S.p.A.			1,255		4			(1,636)	
TERNA RETE ITALIA S.p.A.					5				
SUPPLEMENTARY PENSION FUND FOR EXECUTIVES OF FINCANTIERI S.p.A.								(1,643)	
COMETA NATIONAL SUPPLEMENTARY PENSION FUND								(4,509)	
SOLIDARIETÀ VENETO - PENSION FUND								(133)	
HORIZON S.A.S.								(1)	
ANSALDO ENERGIA S.p.A.									
WEBUILD S.p.A.					138			(2)	
TOTAL CDP GROUP	**-**	**-**	**1,255**	**-**	**177**	**-**	**-**	**(7,935)**	**-**
LEONARDO GROUP			55,918		1,492			(58,837)	
ENI GROUP					247		(1,100)	(42)	
ENEL GROUP					40			1	
OTHER COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE					72			(42)	
TOTAL RELATED PARTIES	**19,694**	**25,062**	**64,040**	**723**	**89,624**	**(6,322)**	**(84,145)**	**(162,366)**	**(98)**
TOTAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION	**171,166**	**204,273**	**365,907**	**50,040**	**1,176,661**	**(1,344,554)**	**(1,931,694)**	**(3,021,204)**	**(57,290)**
% on consolidated statement of financial position	12%	12%	18%	1%	8%	0%	4%	5%	0%

Consolidated statement of financial position

(euro/000)

					31.12.2021				
	Non-current financial assets	Current financial receivables	Advances[1]	Trade receivables and other non-current assets	Trade receivables and other current assets	Non-current financial liabilities	Current financial payables	Trade payables and other current liabilities	Trade payables and other non-current liabilities
CASSA DEPOSITI E PRESTITI S.p.A.					2,485	(11,979)	(93,816)	(42,854)	
TOTAL PARENT COMPANY	**-**	**-**	**-**	**-**	**2,485**	**(11,979)**	**(93,816)**	**(42,854)**	**-**
ORIZZONTE SISTEMI NAVALI S.p.A.					53,943		(2,056)	(35,776)	
UNIFER NAVALE S.r.l.					1,491			(5)	
CSSC - FINCANTIERI CRUISE INDUSTRY DEVELOPMENT Ltd.	22,000	1,694			2,752			(383)	
ETIHAD SHIP BUILDING LLC					6,203			(268)	
CONSORZIO F.S.B.					(116)				
BUSBAR4F S.c.a.r.l.			1,638		726			(1,055)	
FINCANTIERI CLEA BUILDING S.c.a.r.l. in liquidation					1,336			(41)	
PERGENOVA S.c.p.a.					3,327			(1,707)	
ISSEL MIDDLE EAST INFORMATION TECNOLOGY CONSULTANCY LLC		4					(17)		
NAVIRIS S.p.A.		504			1,003			(40)	
4TCC1 S.c.a.r.l.			1,826		153			(2,422)	
POWER4FUTURE S.p.A.			520						
VIMERCATE SAL. GESTIONE S.c.a.r.l.					960				
ENERGETIKA S.c.a.r.l.								(2)	
NSC HOSPITAL S.c.a.r.l.					2,188			1	
FINMESA S.c.a.r.l.									
ERSMA 2026 S.c.a.r.l.									
TOTAL JOINT VENTURES	**22,000**	**2,202**	**3,984**	**-**	**73,966**	**-**	**(2,073)**	**(41,698)**	**-**
PSC GROUP			2,333		106			(13,482)	
CENTRO SERVIZI NAVALI S.p.A.					73			(1,717)	
BREVIK TECHNOLOGY AS	177								
DOF ICEMAN AS					9				
CSS DESIGN				678					
ISLAND DILIGENCE AS	4,757								
DECOMAR S.p.A.	5,117							(103)	
CASTOR DRILLING SOLUTION AS		409							
OLYMPIC GREEN ENERGY KS					10				
ISLAND OFFSHORE XII SHIP AS	13,260								
BRIDGE EIENDOM AS								(1)	
ISLAND VICTORY AS	3,750								
CISAR MILANO S.p.A.					98				
CISAR COSTRUZIONI S.c.a.r.l.								(111)	
NORD OVEST TOSCANA ENERGIA S.r.l.	1,564				2,140				
S.ENE.CA. GESTIONE S.c.a.r.l.					2,057			(2,245)	
BIOTECA S.c.a.r.l.								2	
NOTE GESTIONI S.c.a.r.l.					631				
HBT S.c.a.r.l.					2,959				
TOTAL ASSOCIATES	**28,625**	**409**	**2,333**	**678**	**8,083**	**-**	**-**	**(17,657)**	**-**
SACE S.p.A.								(11)	
SACE FCT					33				
VALVITALIA S.p.A.			1,354		6			(406)	
TERNA RETE ITALIA S.p.A.									
SUPPLEMENTARY PENSION FUND FOR EXECUTIVES OF FINCANTIERI S.p.A.								(1,490)	
COMETA NATIONAL SUPPLEMENTARY PENSION FUND					(1)			(4,327)	
SOLIDARIETÀ VENETO - PENSION FUND								(116)	
HORIZON S.A.S.								(1)	
ANSALDO ENERGIA S.p.A.					1				
WEBUILD S.p.A.									
TOTAL CDP GROUP	**-**	**-**	**1,354**	**-**	**39**	**-**	**-**	**(6,351)**	**-**
LEONARDO GROUP			101,597		1,770			(63,980)	
ENI GROUP					547	(2,127)		(139)	
ENEL GROUP					29			2	
OTHER COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE					35			(5)	
TOTAL RELATED PARTIES	**50,625**	**2,611**	**109,268**	**678**	**86,954**	**(14,106)**	**(95,889)**	**(172,682)**	**-**
TOTAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION	**256,251**	**162,939**	**446,833**	**47,416**	**1,285,337**	**(1,913,837)**	**(1,707,667)**	**(2,850,108)**	**(53,574)**
% on consolidated statement of financial position	20%	2%	24%	1%	7%	1%	6%	6%	0%

Consolidated statement of comprehensive income

(euro/000)

	2022				
	Operating revenue	Other revenue and income	Materials, services and other costs	Financial income	Financial expenses
CASSA DEPOSITI E PRESTITI S.p.A.			(42)		(1,178)
TOTAL PARENT COMPANY	**-**	**-**	**(42)**	**-**	**(1,178)**
ORIZZONTE SISTEMI NAVALI S.p.A.	173,318	806	(21,665)		(157)
UNIFER NAVALE S.r.l.					
CSSC - FINCANTIERI CRUISE INDUSTRY DEVELOPMENT Ltd.	2,563	4,163		671	
ETIHAD SHIP BUILDING LLC	141	409	(70)		
BUSBAR4F S.c.a.r.l.		288	(1,815)		
CONSORZIO F.S.B.	45	254	(391)		
PERGENOVA S.c.p.a.	36		88		
NAVIRIS S.p.A.	171	2,140		6	(2)
4TCC1 S.c.a.r.l.	96	218	(7,972)		
POWER4FUTURE S.p.A.	26	320	(4,269)		
FINMESA S.c.a.r.l.			(3)		
VIMERCATE SAL. GESTIONE S.c.a.r.l.	1,330		(6,013)		
NSC HOSPITAL S.c.a.r.l.	255	1,207	(12,166)		
2F PER VADO S.c.a.r.l.			(11,192)		
ERSMA 2026 S.c.a.r.l.		57	(101)		
TOTAL JOINT VENTURES	**177,981**	**9,862**	**(65,569)**	**677**	**(159)**
PSC GROUP		479	(19,713)	10	
CENTRO SERVIZI NAVALI S.p.A.	7	4,609	(24,308)		
DECOMAR S.p.A.			(99)	91	
BREVIK TECHNOLOGY AS				8	
ISLAND DILIGENCE AS				95	(17)
ISLAND OFFSHORE XII SHIP AS				775	(394)
ISLAND VICTORY AS				451	
OLYMPIC CHALLENGER KS					14
OLYMPIC GREEN ENERGY KS					45
CISAR MILANO S.p.A.	111	65			
CISAR COSTRUZIONI S.c.a.r.l.	21	189	(359)		
TOTAL ASSOCIATES	**139**	**5,342**	**(44,479)**	**1,430**	**(352)**
SACE S.p.A.					(501)
SACE FCT		116			(62)
VALVITALIA S.p.A.		203	(9,623)		
TERNA RETE ITALIA S.p.A.			(70)		
SNAM S.p.A.			(36)		
SIA S.p.A.		89	(2)		
COMETA FUND			(15)		
TOTAL CDP GROUP	**-**	**408**	**(9,746)**	**-**	**(563)**
LEONARDO GROUP	772	1,577	(245,142)		
ENI GROUP	2,532	29	(1,047)	1,027	
ENEL GROUP			(3,459)		
OTHER COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE		94	(878)		
TOTAL RELATED PARTIES	**181,424**	**17,312**	**(370,362)**	**3,134**	**(2,252)**
TOTAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION	**7,349,147**	**132,717**	**(6,007,932)**	**160,651**	**(240,868)**
% on consolidated statement of comprehensive income	2%	13%	6%	2%	1%

Consolidated statement of comprehensive income

(euro/000)

	2021				
	Operating revenue	Other revenue and income	Materials, services and other costs	Financial income	Financial expenses
CASSA DEPOSITI E PRESTITI S.p.A.		146	(83)		(749)
TOTAL PARENT COMPANY	**-**	**146**	**(83)**	**-**	**(749)**
ORIZZONTE SISTEMI NAVALI S.p.A.	113,294	849	(238,744)		(107)
UNIFER NAVALE S.r.l.			(2,173)		
CSSC - FINCANTIERI CRUISE INDUSTRY DEVELOPMENT Ltd.	5,033	3,861		669	
ETIHAD SHIP BUILDING LLC		177	(25)		
BUSBAR4F S.c.a.r.l.		406	(1,854)		
CONSORZIO F.S.B.	45	294	(378)		
PERGENOVA S.c.p.a.	95	55	(8,792)		
NAVIRIS S.p.A.	1,146	730	(40)	4	
4TCC1 S.c.a.r.l.		192	(2,783)		
POWER4FUTURE S.p.A.			(2,737)		
FINMESA S.c.a.r.l.					
VIMERCATE SAL. GESTIONE S.c.a.r.l.					
NSC HOSPITAL S.c.a.r.l.					
2F PER VADO S.c.a.r.l.					
ERSMA 2026 S.c.a.r.l.					
TOTAL JOINT VENTURES	**119,613**	**6,564**	**(257,526)**	**673**	**(107)**
PSC GROUP		777	(35,906)		
CENTRO SERVIZI NAVALI S.p.A.	5	2,626	(10,097)		
DECOMAR S.p.A.			(280)	125	
BREVIK TECHNOLOGY AS					
ISLAND DILIGENCE AS					
ISLAND OFFSHORE XII SHIP AS					
ISLAND VICTORY AS					
OLYMPIC CHALLENGER KS					
OLYMPIC GREEN ENERGY KS					
CISAR MILANO S.p.A.					
CISAR COSTRUZIONI S.c.a.r.l.					
TOTAL ASSOCIATES	**5**	**3,403**	**(46,283)**	**125**	**-**
SACE S.p.A.					(2,303)
SACE FCT		107			(164)
VALVITALIA S.p.A.	6	161	(10,792)		
TERNA RETE ITALIA S.p.A.			(136)		
SNAM S.p.A.		50			
SIA S.p.A.					
COMETA FUND					
TOTAL CDP GROUP	**6**	**318**	**(10,928)**	**-**	**(2,467)**
LEONARDO GROUP	88	1,595	(262,313)		
ENI GROUP	269	50	(1,522)		
ENEL GROUP		41	(25)		
OTHER COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE		70	(228)		
TOTAL RELATED PARTIES	**119,981**	**12,187**	**(578,908)**	**798**	**(3,323)**
TOTAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION	**6,799,577**	**112,596**	**(5,310,717)**	**77,579**	**(182,956)**
% on consolidated statement of comprehensive income	2%	11%	11%	1%	2%

[1] "Advances" are classified in "Inventories", as detailed in Note 13.

Costs for contributions incurred in 2022 and included in the item "Personnel costs" totalled euro 2,403 thousand for the Supplementary Pension Fund for Executives of Fincantieri S.p.A. and euro 2,584 thousand for the Cometa National Supplementary Pension Fund.

Credit facilities and loan agreements

The Parent Company has ordinary correspondence accounts with its Italian and foreign subsidiaries, through which it settles reciprocal financial assets and liabilities. In order to achieve better management of the company's treasury operations, the Parent Company has centralized the management of all incoming and outgoing financial resources of some of its subsidiaries (cash pooling). These relationships are remunerated at the market rate.
It should be noted that during 2022 Fincantieri S.p.A. granted a loan to the subsidiaries Fincantieri NexTech for euro 11,410 thousand, Fincantieri Infrastructure for euro 16,783 thousand and Vard Group AS for euro 145,000 thousand.
It should be noted that the 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 2021 Financial Statements, committing itself to providing the financial resources that may be necessary to enable it to continue operations.
The main related party relationships refer to:

- the Group's transactions with Orizzonte Sistemi Navali S.p.A., under the agreement signed in 2006 with the Italian Navy relating to the first phase of the "Renaissance" (or FREMM) program. This program involves the construction of 10 ships, with design and production activities performed by the Parent Company and its subsidiaries. The financial liabilities with Orizzonte Sistemi Navali S.p.A. at 31 December 2021 and 2020 relate to its current account with the Company 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, involves the transfer of two vessels in the FREMM program that Orizzonte Sistemi Navali S.p.A. purchased as prime con-tractor for the Italian Navy under agreements with OCCAR (Organisation for Joint Armament Co-operation). As part of the operation, Orizzonte Sistemi Navali S.p.A. has ordered two more platforms for the construction of two new FREMM vessels for the Italian Navy under the above program;
- the Group's relations with the company PerGenova, a joint venture between Salini Impregilo and Fincantieri Infrastructure, are aimed at rebuilding the bridge over the Polcevera river in Genoa;
- the Group's relations with the company Naviris arose in the context of the study of the Middle Life upgrade for the Orizzonte class. The financial liabilities relate to the loan granted by the Parent Company;
- relations with the joint venture CSSC - Fincantieri Cruise Industry Development Ltd., prime contractor for the construction of new cruise ships at the CCSC group's Chinese shipyard, refer to the supply of specialist services and components to support CSSC shipyards;
- the FINSO group's relations with the joint venture NSCH - Nuovo Santa Chiara Hospital S.c.a.r.l., arise chiefly from participation in the temporary grouping of enterprises, of which FINSO is a member with a share of 50%. The company was incorporated in order to carry out the construction works for the new hospital awarded by the Azienda Ospedaliera-Universitaria Pisana. It carries out the services and works on its own and/or by entrusting them to its members and/or by subcontracting them to third parties. NSCH S.c.a.r.l., while acting in its own name, operates in the interest of its members and, given its consortium nature and as laid down in its Articles of Association, it allocates costs to its members, in proportion to their interest held in the Share Capital;
- the FINSO group's relations with Vimercate Salute Gestioni S.c.a.r.l. (VSG) arise mainly from the contract awarded by Vimercate Salute S.p.A., in compliance with the concession to design, build and manage the new Vimercate hospital complex concluded between Vimercate Salute S.p.A. and Infrastrutture Lombarde S.p.A. The purpose of this agreement is to coordinate the activity of the members to provide non-medical support services, manage the retail spaces and all other technical economic and functional activities;
- the FINSO group's relations with its associates arise mainly from the contract awarded by the special purpose vehicle, in compliance with the Concession to design, build and manage the new hospital complex;
- relations with the subsidiary Centro Servizi Navali mainly relate to shipyard and prefabrication activities;
- the Group's relations with the PSC group refer mainly to the supply of turnkey models of air conditioning systems (engineering, supply of ventilation machines, accessories and ducts, their installation on board, start-up and commissioning);
- the Group's relations with the LEONARDO group, in connection with agreements to supply and install combat systems for naval vessels under construction;
- as regards relations with the ENI group, the framework agreement was finalized in 2018 under which studies were launched for new technologies related to gas utilization and exploitation, some of which were completed during the year. The rest refers chiefly to the sale of products and services and purchases of fuel with ENI S.p.A.;
- costs and revenue or receivables and payables with other related parties at 31 December 2021 refer chiefly to the supply of goods or services used in the production process.

The following transaction is also reported in accordance with art. 13, par. 3(c) of the Consob Regulations concerning related party transactions: in June 2019 Fincantieri S.p.A. was granted a five-year revolving credit facility by Mediocredito Centrale to cover financial needs for ordinary activities. At 31 December 2022, Fincantieri S.p.A. also had a total of euro 230 million in committed credit facilities with leading Italian and international banks maturing between 2023 and 2024. At 31 December 2022, these revolving credit 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 328 million. These credit lines were unused as at 31 December 2022.
Also in the context of the transactions concluded pursuant to art. 13, par. 3(c) of the Consob Regulations concerning related party transactions the following transaction is reported: the signing by the Company, in August 2022, of a corporate guarantee in favour of SACE for a maximum amount of euro 300 million in relation to the issuance by the latter of a policy to guarantee the disbursement of a pooled bank loan in favour of a shipowner.
The most significant standard transactions include the following:

- in July 2022, Cassa Depositi e Prestiti S.p.A., in syndicate with a leading national bank, granted Fincantieri S.p.A. a sustainability-linked construction loan for a maximum of euro 400 million (including euro 200 million from Cassa Depositi e Prestiti S.p.A.), to finance construction of a cruise ship to be delivered in 2023. As at 31 December 2022, this loan had not been drawn down;
- in December 2021, the Company agreed with Intesa Sanpaolo and Cassa Depositi e Prestiti a "sustainability-linked" construction loan for a maximum of euro 300 million (including euro 100 million from Cassa Depositi e Prestiti S.p.A.), to finance construction of a cruise ship to be delivered in 2023. As at 31 December 2022, euro 215 million of this loan had been drawn down.

Furthermore, during the period, Directors, Statutory Auditors, Managing Directors and other Key Management Personnel were paid a total of euro 7,304 thousand in remuneration by the Parent Company, of which euro 4,421 thousand classified in personnel costs and euro 2,883 thousand in the cost of services.
A detailed description of the medium/long-term share-based incentive plan for management, called the Performance Share Plan is given below.

Remuneration of the board of directors, board of statutory auditors, independent auditors and key management personnel

(euro/000)

	Emoluments of office[1]	Non-monetary benefits	Bonuses and other incentives	Other remuneration	Severance pay
2022					
Board of Directors of Parent Company	971		1,037[2]		
Board of Statutory Auditors of Parent Company	89				
Managing Directors and Key Management Personnel		207	2,606[2]	2,387	4,000
Independent Auditors for Parent Company	378			66	
2021					
Board of Directors of Parent Company	2,126	5	1,901[2]		
Board of Statutory Auditors of Parent Company	89				
Managing Directors and Key Management Personnel		67	3,012[2]	2,973	
Independent Auditors for Parent Company	346			362	

[1] Excluding amounts paid on behalf of subsidiaries.
[2] This figure includes euro 1,037 thousand for the Board of Directors and euro 1,426 thousand for the Managing Directors and Key Management Personnel, the fair value accrued at 31 December 2022 of the rights assigned under the medium/long-term share-based incentive plans for management (2019-2021 Performance Share Plan and 2022-2024 Performance Share Plan).
[3] This figure includes euro 1,148 thousand for the Board of Directors and euro 1,631 thousand for the Managing Directors and Key Management Personnel, the fair value accrued at 31 December 2021 of the rights assigned under the medium/long-term share-based incentive plans for management (2016-2018 Performance Share Plan and 2019-2021 Performance Share Plan).

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

Basic earnings per share have been calculated by dividing the profit for the period attributable to the Group by the weighted average number of Fincantieri S.p.A. shares outstanding during the period, excluding treasury shares.
Diluted earnings per share have been calculated by dividing the profit for the period attributable to the Group by the weighted average number of Fincantieri S.p.A. shares in circulation during the period, excluding treasury shares, plus the number of shares that could potentially be issued. At 31 December 2022, the shares that could potentially be issued concerned the shares assigned under the 2019-2021 and 2022-2024 Performance Share Plan described below.

(euro/000)

		31.12.2022	31.12.2021
Basic/Diluted Earnings/(Loss) Per Share			
Earnings/(loss) attributable to owners of the Parent Company		(308,870)	21,815
Weighted average number of shares outstanding to calculate the basic earnings/(loss) per share	number	1,697,336,171	1,695,872,839
Weighted average number of shares outstanding to calculate the diluted earnings/(loss) per share	number	1,717,328,998	1,716,910,541
Basic earnings/(loss) per share	euro	(0.18197)	0.01286
Diluted earnings/(loss) per share	euro	(0.17985)	0.01271

Guarantees

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

(euro/000)

	2022	2021
Sureties	11,506	11,535
Other guarantees	318,842	253,026
Total	**330,348**	**264,561**

Sureties at 31 December 2022 refer mainly to guarantees issued on behalf of the joint venture Orizzonte Sistemi Navali S.p.A. (euro 11,506 thousand).
Other guarantees concern, for euro 300 million, a corporate guarantee issued by Fincantieri S.p.A. in favour of SACE in relation to the issuance by the latter of a policy to guarantee the disbursement of a pooled bank loan in favour of a shipowner, as better described in the section on related party transactions. The remainder refers to guarantees issued on behalf of Orizzonte Sistemi Navali S.p.A. (euro 11,328 thousand), 4TCC1 (euro 4,752 thousand), BUSBAR4F (euro 2,742 thousand), and Consorzio F.S.B. (euro 20 thousand).
It should be noted that the 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 2022 Financial Statements, committing itself to providing the financial resources that may be necessary to enable it to continue operations. During 2022, the Company provided the necessary financial support to the VARD group through a committed loan, granted in 2020, in the form of a revolving credit facility, in the amount of euro 230 million, of which euro 145 million was drawn down as at 31 December 2022.

Medium/long-term incentive plan

2016-2018 Performance Share Plan

On 19 May 2017, the Shareholders' Meeting of Fincantieri S.p.A. approved the medium/long-term share-based incentive plan for management, called the Performance Share Plan 2016-2018 (the "Plan") and related Terms and Conditions. It should be noted that the project had been previously approved by the Board of Directors on 10 November 2016.
The Plan, structured in three-year cycles, provides for the free grant, to the beneficiaries identified by the Board of Directors, of entitlements to receive a maximum of 50,000,000 ordinary shares in Fincantieri S.p.A. without nominal value, based on the achievement of specific performance targets for the three-year periods

2016-2018 (first cycle), 2017-2019 (second cycle) and 2018-2020 (third cycle). The performance targets for all three cycles have been identified as Total Shareholder Return ("TSR") and EBITDA, deemed to represent objective criteria for measuring long-term value creation for the Company.
The Plan provides for a three-year vesting period for all beneficiaries from the date the entitlements are awarded to the date the shares are allotted to the beneficiaries. Therefore, if the performance targets are achieved and the other conditions of the Plan's Terms & Conditions satisfied, the shares vesting for the first cycle were allotted and delivered to beneficiaries by 31 July 2019, while those vesting for the second and third cycles were allotted and delivered by 3 July 2020 and 2 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 of the Plan.
The fair value amount determined on the grant date for each cycle of the Plan is illustrated below.

(euro)

	Grant date	No. shares awarded	Fair value
First cycle of the Plan	19 May 2017	9,101,544	6,866,205
Second cycle of the Plan	25 July 201 7	4,170,706	3,672,432
Third cycle of the Plan	22 June 2018	3,604,691	3,963,754

With reference to the 2016-2018 Performance Share Plan, it should be noted that:

- on 27 June 2019, the Board of Directors approved the closure of the first cycle of the "2016-2018 Performance Share Plan" incentive plan, allocating free of charge to the recipients 10,104,787 ordinary Fincantieri shares through the use of 2,572,497 treasury 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 "2016-2018 Performance Share Plan" incentive plan, allocating free of charge to the recipients 4,822,542 ordinary Fincantieri shares through the use of treasury shares in portfolio. The net shares actually allocated amounted to 2,685,862 shares (net of those withheld to meet the tax obligations of the assignees). The delivery of the shares took place on 3 July 2020;
- on 10 June 2021, the Board of Directors approved the closure of the third cycle of the "Performance Share Plan 2016-2018" incentive plan, allocating free of charge to the recipients 2,787,276 ordinary Fincantieri shares. The net shares actually allocated amounted to 1,528,027 shares (net of those withheld to meet the tax obligations of the assignees). The allocation of shares took place, using solely treasury shares in portfolio, on 2 July 2021.

The Plan's features, outlined above, are described in detail in the special document prepared by the Company under art. 84-*bis* of Consob Regulation No. 11971 of 14 May 1999, made available to the public on the website www.fincantieri.it in the section "Governance and Ethics – Shareholders' Meeting – Shareholders' Meeting 2017".

2019-2021 Performance Share Plan

On 11 May 2018, the Shareholders' Meeting of Fincantieri S.p.A. approved the medium/long-term share-based incentive plan for management, the 2019-2021 Performance Share Plan (the "Plan"), and the related Terms and Conditions, the structure of which was defined by the Board of Directors at the meeting held on 27 March 2018.
The Plan, structured in three-year cycles, provides for the free grant, to the beneficiaries identified by the Board of Directors, of entitlements to receive a maximum of 25,000,000 ordinary shares in Fincantieri S.p.A. without nominal value, based on the achievement of specific performance targets for the three-year periods 2019-2021 (first cycle), 2020-2022 (second cycle) and 2021-2023 (third cycle).
The Plan provides for a three-year vesting period for all beneficiaries from the date the entitlements are awarded to the date the shares are allotted to the beneficiaries. Therefore, if the performance targets are achieved and the other conditions of the Plan's Terms & Conditions satisfied, the shares vesting for the first cycle will be allotted and delivered to beneficiaries by 31 July 2022, while those vesting for the second and third cycles will be allotted and delivered by 31 July 2023 and 31 July 2024 respectively.
The Plan also provides for a lock-up period for part of the shares given to members of the Board of Directors or Key Management Personnel of the Company. The free award of a number of rights is left to the Board of Directors, which also has the power to identify the number and names of the beneficiaries.
With reference to the Plan's first cycle, 6,842,940 ordinary shares in the Company were awarded to the beneficiaries identified by the Board of Directors on 24 July 2019; while, for the second cycle, 11,133,829 ordinary shares in the Company were awarded to the beneficiaries identified by the Board of Directors on 30 July 2020; and lastly, for the third and last cycle, 9,796,047 ordinary shares in the Company were awarded to the beneficiaries identified by the Board of Directors on 10 June 2021.
Among the Plan's targets, in addition to the EBITDA and TRS already included in the 2016-2018 Performance Share Plan, the Group introduced another parameter, the sustainability index, to measure achievement of the sustainability objectives 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 objectives are market parameters such as the "CDP" (Carbon Disclosure Project) and a second rating by another agency which evaluates the entire basket of sustainability aspects.

The fair value amount determined on the grant date for each cycle of the Plan is illustrated below.

(euro)

	Grant date	No. shares awarded	Fair value
First cycle of the Plan	24 July 2019	6,842,940	6,668,616
Second cycle of the Plan	30 July 2020	11,133,829	5,958,937
Third cycle of the Plan	10 June 2021	9,796,047	7,416,783

With reference to the 2019-2021 Performance Share Plan, it should be noted that on 30 June 2022, the Board of Directors approved the closure of the 1st cycle of the "2019-2021 Performance Share Plan" incentive plan, allocating free of charge to the recipients 6,818,769 ordinary Fincantieri shares. The net shares actually allocated amounted to 3,883,748 shares (net of those withheld to meet the tax obligations of the assignees). The allocation of shares took place, using solely treasury share in portfolio, on 18 July 2022.

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 "Governance and Ethics – Shareholders' Meeting – Shareholders' Meeting 2018".

2022-2024 Performance Share Plan

On 8 April 2021, the Shareholders' Meeting of Fincantieri S.p.A. approved the medium/long-term share-based incentive plan for management, the 2022-2024 Performance Share Plan (the "Plan"), and the related Terms and Conditions, the structure of which was defined and approved by the Board of Directors on 25 February 2021.
The Plan, consistent with the previous plan 2019-2021, is structured in three-year cycles and provides for the free grant, to the beneficiaries identified by the Board of Directors, of entitlements to receive a maximum of 64,000,000 ordinary shares in Fincantieri S.p.A. without nominal value, based on the achievement of specific performance targets for the three-year periods 2022-2024 (first cycle), 2023-2025 (second cycle) and 2024-2026 (third cycle).
The Plan provides for a three-year vesting period for all beneficiaries from the date the entitlements are awarded to the date the shares are allotted to the beneficiaries. Therefore, if the performance targets are achieved and the other conditions of the Plan's Terms & Conditions satisfied, the shares vesting for the first cycle will be allotted and delivered to beneficiaries by 31 July 2025, while those vesting for the second and third cycles will be allotted and delivered by 31 July 2026 and 31 July 2027 respectively.
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, 12,282,025 ordinary shares in the Company were awarded to the beneficiaries identified by the Board of Directors on 26 July 2022. In particular, the beneficiaries for the second cycle will be identified by the grant date for the second cycle, namely by 31 July 2023; and the beneficiaries for the third cycle will be identified by the grant date for the third cycle, namely by 31 July 2024.
Among the Plan's targets and in particular as regards the first cycle, as already included in the 2019-2021 Performance Share Plan, in addition to the EBITDA and TRS, the Group defined another parameter, the sustainability index, to measure achievement of the sustainability objectives 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 objectives are based on the percentage of achievement of the Sustainability Plan targets that the Company has set itself during the reference period. In addition, an access gate has been included which has to be achieved in order to receive the bonus. This gate is linked to the rating targets that the Company has set itself and are: obtaining at least a B rating in the "Carbon Disclosure Project" (CDP) and inclusion in the Advanced band of the "Vigeo Eiris" ranking.
The fair value amount determined on the grant date for each cycle of the Plan is illustrated below.

(euro)

	Grant date	No. shares awarded	Fair value
First cycle of the Plan	June 2025	12,282,025	5,738,776

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 "Governance and Ethics – Shareholders' Meeting – Shareholders' Meeting 2021".

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. Before the Italian courts, Fincantieri's recovery of its credit from the Iraqi state continued.
With reference to the claim brought by the Brazilian subsidiary Vard Promar S.A. against Petrobas Transpetro S.A., after the losses incurred on eight shipbuilding contracts, on 22 June 2021 the Court of the State of Rio de Janeiro ordered Transpetro to pay BRL 240,340,782.02 (approximately EUR 40 million) to Vard Promar in compensation for damages and related interest. In addition, the same Court ordered Transpetro to pay back BRL 29,392,427.72 (approximately EUR 4.9 million) to Vard Promar in relation to the penalties applied by Transpetro for an amount above that agreed in the contract. As a result of a calculation error in the quantification of the interest, the Brazilian court adjusted the amount of the compensation to BRL 310,039,577.36 (approximately EUR 48.5 million). Transpetro appealed against the first instance judgment.
With reference to the "Al Jaber" litigation, Al-Jaber group LLC sued, before the civil court of Doha (Qatar), Fincantieri and Fincantieri Services Middle East LLC (a wholly-owned subsidiary of Fincantieri based in Qatar), to request the payment of an alleged agency fee, claiming to have carried out certain activities as Fincantieri's agent that would have, in its opinion, led to the award to Fincantieri of a contract with the Qatar Armed Forces. Fincantieri completely rejected the counterparty's arguments. The claim amounts to euro 264 million. Following several postponements, the first hearings were held at the beginning of 2021, after which the judge appointed a technical expert in defence tendering procedures, who filed his expert opinion at the start of March 2022. The Court of First Instance ruled on 20 April 2022, rejecting Al-Jaber's claim and ordering it to pay the costs of the proceedings. On 29 November 2022, the Court of Appeal upheld the judgment issued by the court. On 6 March 2023, the Court of Cassation definitively rejected Al-Jaber's appeal against the appeal court judgement. The judgement has therefore become res judicata.

Italian litigation

Client credit recovery

With reference to legal action against customers that are insolvent, bankrupt or the subject of other reorganization measures, with whom disputes have arisen, it is reported that legal actions are continuing against Tirrenia and Siremar, both under special administration.
It should also be noted that Fincantieri has receivables which originally arose with Astaldi, a company operating in the infrastructure sector, which subsequently became subject to an arrangement with creditors, now concluded. Fincantieri's claim is disputed and the Company has undertaken legal action to protect it. Based on the opinion of the legal counsel engaged, the Company is confident that its claims will be accepted by the relevant courts. For further details on this process, please refer to Note 15.
In any case, 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 negative assessment actions against such alleged claims.
A provision for risks and charges has been recognized for those disputes thought to probably not be settled in the Group's favour.

Employment litigation

This refers to cases brought by employees and former employees of contractors and subcontractors, which involve the Company under the "customer co-liability" principle (art. 1676 of the Italian Civil Code and art. 29 of Legislative Decree 276/2003).
Litigation relating to asbestos continued to be settled both in and out of court in 2022. The provision set aside for this has been estimated in relation to litigation pending at the reference date for the estimate. The total liability relating to cases that have not yet emerged or are not yet known cannot be reliably estimated based on the information currently available and therefore is not reported in the Notes to the financial statements.

Other litigation

Other litigation includes: i) appeals against claims by social security authorities, including litigation against INPS for claims arising from the non-payment of contributions by contractors and subcontractors under the customer co-liability principle; ii) compensation for direct and indirect damages arising from the production process; iii) civil actions for injury compensation claims.
Whenever the outcome of such litigation is thought 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 six criminal prosecutions brought under Legislative Decree no. 231/2001 in the Court of Gorizia (two additional prosecutions for which information is provided concluded in 2022, one in the Court of Agrigento and one in the Court of Venice):

- in January 2014, Fincantieri S.p.A. received notice of a request for extension of the deadline for the preliminary investigations, under art. 406 of the Code of Criminal Procedure, into the former manager of the Monfalcone shipyard for the alleged infringement of art. 256, par. 1, letters a) and b) of Legislative Decree No. 152/2006, as well as into the Company, being investigated under art. 25-*undecies* of Legislative Decree No. 231/2001 in relation to its alleged management of areas of sorting, temporary deposit and storage of hazardous waste at the Monfalcone shipyard without the required authorization, and the alleged disposal of such waste with documentation that would not permit it to be traced. As part of these proceedings, in October 2017, the former managers of the Monfalcone shipyard, the former Managing Directors 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 to in art. 256, paragraph 1(a) and 1(b) of Legislative Decree No. 152/2006 ("Unauthorized waste management activities"); in April 2018, the Company was also notified of the conclusion of the investigations for the offence referred to in art. 25-*undecies* of Legislative Decree No. 231/2001 ("Environmental Offences").
In September 2018 the writ of summons to appear in court was served on all those under investigation. At the hearing of 6 March 2019, the judge ruled that no action should be taken against the former manager of the Monfalcone shipyard in office until 30 June 2013, the former Managing Directors 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. The proceedings were therefore continued against the Company alone (as to the facts ascertained in February 2015) and at the hearing of 13 July 2022, the judge acquitted Fincantieri, declaring that the administrative offence alleged against it did not exist because the alleged offence did not exist. The judgment was not appealed and thus became final;
- in September 2015, notices of the conclusion of preliminary investigations were served not only on the former Monfalcone shipyard manager and three other employees under investigation for violation of art. 19, letter f), and art. 71 of Legislative Decree no. 81/2008 (respectively concerning breach of management obligations and failure to provide suitable personal protective equipment) and in general of art. 2087 of the Italian Civil Code (Failure to adopt suitable measures to protect worker health), but also on the Company itself, under art. 25-*septies*, par. 1, 2 and 3, of Legislative Decree no. 231/2001, in connection with an accident on 24 November 2009 at the Monfalcone shipyard involving an employee, resulting in a sprained shoulder that took a year to heal;
- in March 2016, notices of conclusion of preliminary investigation were served on the former Monfalcone shipyard manager, under investigation for the offense of "bodily harm 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 29 March 2012 at the Monfalcone shipyard involving an employee with an injury to the little finger on his left hand that healed in eight months;
- in June and July 2016, notices of conclusion of preliminary investigation were served on the former Monfalcone shipyard manager, under investigation for the offence 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 adopt suitable measures to protect worker health), and on the Company under art. 25-*septies*, paragraph 3, of Legislative Decree No. 231/2001, in connection with an accident on 25 August 2010 at the Monfalcone shipyard involving an employee of a contractor with a contusion to his left knee, which took more than forty days to heal;
- in June 2018, notifications were served of the conclusion of the preliminary investigations into the management and disposal of waste, involving many persons and companies, including the Company's Chief Executive Officer, the former manager and two employees of the Palermo shipyard for the offence referred to in art. 452-*quaterdecies* of the Criminal Code ("Illegal waste trafficking activities") and the Company for the offence referred to in art. 25-*undecies*, paragraph 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 hearing was held on 23 February 2021 at the Court of Agrigento: the next hearing will be held on 24 May 2023 for the continuation of the preliminary investigation;

- in February 2020, notices of conclusion of preliminary investigation were served on the manager of the Monfalcone shipyard, the manager of the Marghera shipyard and the production manager at the Marghera shipyard, all accused of the offences referred to in art. 256, paragraph 1, of Legislative Decree No. 152/06 ("Unauthorized Waste Management Activities"), art. 137 of Legislative Decree No. 152/06 ("Unauthorized discharges of industrial waste water"), art. 279 of Legislative Decree No. 152/06 ("Unauthorized emissions into the atmosphere") and, with regard to the manager of the Monfalcone shipyard alone, the offence referred to in art. 29-*quattuordecies*, paragraph 4(b) of Legislative Decree No. 152/06 ("Failure to comply with the requirements of the AIA"). The Company is instead accused of violation of art. 25-*undecies*, paragraph 2(b)(1) and (2) in relation to art. 5, paragraph 1(a) and (b) of Legislative Decree 231/01 ("Environmental Offences"). The direct summons was served and, during the hearing held on 28 February 2023, the Judge cancelled the notifications of the conclusion of preliminary investigations and the notifications of the decree ordering the trial against Fincantieri, and ordered that the documents be returned to the Public Prosecutor. Therefore, the trial only continues against natural persons, and the next hearing will take place on 3 October 2023;
- between March and May 2020, notices of conclusion of preliminary investigation were served, among others, on the manager of the Monfalcone shipyard, the Project Manager in charge of the project on behalf of the Company, and the legal representative at the time of the events of the subsidiary Fincantieri SI, for the offence of "Manslaughter" under art. 589, paragraph 1 and 2 of the Italian Criminal Code in relation to the violation of certain provisions of Legislative Decree No. 81/2008 and in general art. 2087 of the Italian Civil Code (Failure to take suitable measures to protect worker health), and on the Company under art. 25-*septies*, par. 2, of Legislative Decree No. 231/2001, in connection with a fatal accident that took place on 2 March 2017 at the Monfalcone shipyard involving an employee of a subcontractor. The Judge for the Preliminary Hearing, after rejecting the exceptions of nullity of the service raised by Fincantieri SI's counsel, ordered the committal for trial of all the accused natural and legal persons, setting the hearing for the start of the trial on 6 February 2023, during which the Company's defence requested the exclusion of the trade unions that had joined as civil parties. The judge reserved their decision and the trial was adjourned until 10 July 2023 to dissolve the reservation;
- in November 2020, notices of conclusion of preliminary investigation were served on the Manager of the hull manufacturing centre area, under investigation for the offence 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), as well as the Company under art. 25-*septies*, paragraph 3, of Legislative Decree No. 231/2001, in connection with an accident on 13 April 2018 at the Monfalcone shipyard involving an employee with bruising and contusions on the elbow and right knee that took over two months to heal;
- in November 2021, as part of proceedings initiated following the discovery of buried material containing asbestos within the Monfalcone Shipyard, notices of the conclusion of preliminary investigations were served on the former manager of the Monfalcone Shipyard, accused of the crimes of "Removal and negligent omission of measures to prevent accidents at work" under art. 437 of the Italian Criminal Code and "Unauthorized waste management activities" under art. 256, paragraph 1(b) of Legislative Decree No. 152/2006, and on the Company, accused of violation of art. 25-*undecies*, paragraph 2(b)(2) in relation to art. 5 paragraph 1 of Legislative Decree No. 231/2001 ("Environmental Offences"). At the hearing held on 22 May, the Preliminary Hearing Judge ruled that there was no need to proceed against both the company and the former shipyard manager. The judgment was not appealed and thus became final;
- in November 2021, in the context of criminal proceedings involving, among others, a number of Company employees in relation to the alleged offences of bribery among private individuals pursuant to article 2635, paragraph 2, of the Italian Civil Code and unlawful intermediation and exploitation of labour pursuant to article 603 *bis* of the Italian Criminal Code for acts committed in Marghera between 2015 and 2019, the Company was also served notice of the conclusion of the investigations for the alleged offence under article 25-*quinquies*, paragraph 1, letter a) of Legislative Decree no. 231/2001 (Crimes against the individual) with reference to the offence under article 603-*bis* of the Italian Criminal Code. The committal for trial was served together with the order setting the preliminary hearing, which was held on 24 November and postponed for continuation 11 January. During said hearing, the Company filed its statement of claim as civil plaintiff against two former employees. The preliminary hearing will take place during the next hearing, to be held on 22 March 2023. The Judge announced that he will dissolve the reservation made regarding the requests for the establishment of a civil action filed by the offended parties during the next hearing.

Tax position

National tax consolidation

Fincantieri S.p.A., Fincantieri Oil & Gas S.p.A. and Isotta Fraschini Motori S.p.A. take part in the National tax consolidation of Cassa Depositi e Prestiti S.p.A.

Audits and assessments

Fincantieri S.p.A.

The Indian Tax Authority has notified Fincantieri S.p.A. of a measure relating to the tax period 01.04.2019 - 31.03.2020 that reclassifies the role of the local Project Office set up to support the P17 project with the MDSL shipyard, attributing to it, on a lump-sum basis, a higher income than that determined and taxed on an analytical basis. This reconstruction appears to be unfounded and the defensive steps provided for in the local tax system have been taken.

Marine Interiors Cabins S.p.A.

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

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

Headcount

The Group's average workforce numbered 20,783 employees in 2022 (20,520 in 2021), distributed between the various contractual grades as follows:

(number)	2022	2021
Average number of employees:		
- Executives	446	421
- Middle managers	1,187	1,074
- White collars	9,243	8,753
- Blue collars	9,907	10,272
Total average number of employees	**20,783**	**20,520**

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 2022:

(euro/000)

Type	Grantor	Reason	Amount received
Non-repayable	MIT	Virgin project	2,958
Non-repayable	MIT	Polar project	2,385
Non-repayable	MIT	Technology Leadership project	748
Non-repayable	MIT	Agorà project	745
Non-repayable	MISE	ISDM Digital Agenda project	386
Non-repayable	MISE	SHIELD	314
Non-repayable	MISE	ATLAS 2014/2015	180
Non-repayable	MISE	ENVIS ETS 2012/2013	126
Non-repayable	MISE	ENVIS ETS 2011	116
Non-repayable	MUR	TETI research project	114
Non-repayable	MISE	ATENS 2014/2015	111
Non-repayable	MISE	ATENS 2012	109
Non-repayable	MISE	ATENS 2011	107
Non-repayable	MUR	EOMAT - Training	99
Non-repayable	MISE	MATRAKA	92
Non-repayable	MISE	TESTER 2009	88
Non-repayable	FILSE S.p.A.	CYBER research project	84
Non-repayable	MISE	ATLAS 2012/2013	79
Non-repayable	MISE	ENVIS 2014	72
Non-repayable	Friuli Venezia Giulia Region	CONFCAB project	70
Non-repayable	MUR	PRADE research project	52
Non-repayable	MUR	CLARA	44
Non-repayable	MISE	ENVIS 2009	44
Non-repayable	START 4.0 Competence Centre Association	CYMON research project	25
Non-repayable	MISE	ATLAS 2011	20
Non-repayable	MUR	GESTEC research project	17
Non-repayable	POR-ERDF Liguria	AWARE project	13

Low cost financing

(euro/000)

Grantor	Reason	Subsidized interest rate %	Amount funded
MISE	After-Sales Services project	0.8	2,888
MISE	Digital Agenda project	0.8	2,247
MISE	SHIELD project	0.8	482
MUR	CLARA project	0.5	40

Donations and contributions

Under art. 1 paragraph 126 of Law no. 124 of 2017 the tables below give information on gifts and contributions made by the Group during 2022:

(euro/000)

Beneficiary	Reason	Amount paid
Municipality of Monfalcone	Contribution	50
Bocconi University in Milan	Contribution	50
Amici del Gonfalone Association	Contribution	40
Atlantic Council	Contribution	30
Democratic Governors Association	Donation	28
Darueiste Aripi Association of Constanta	Donation	24
Friends of the Heart Association for the Advancement of Cardiology	Donation	22
Atena Foundation Onlus	Donation	15
INRC - National Institute for Cardiovascular Research	Donation	14
Peschiere University Student Accommodation Foundation of the Rui Foundation	Contribution	10
Saving Lives Humanitarian Centre - Logistics hub in Poland to distribute humanitarian aid in Ukraine	Donation	10
Catholic University of the Sacred Heart	Contribution	10
Anastasia School of Constanta	Donation	10
Pastel Association in Romania	Donation	10

In addition, it should be noted that 19,000 FFP2 masks to contain the spread of COVID-19 were donated to four hospitals in 2022 (I.R.C.C.S. Burlo Garofolo Children's Hospital in Trieste, Gaslini Association Onlus for Gaslini Hospital in Genoa, A.O.R.N. Santobono-Pausilipon Hospital in Naples and "G. Di Cristina" Children's Hospital in Palermo) for a total value of euro 51 thousand.

Note 34 - Cash flows from operating activities

These are analyzed as follows:

(euro/000)

	31.12.2022	31.12.2021
Profit/(loss) for the year	(323,953)	21,815
Depreciation and amortization	230,935	205,308
(Gains)/losses from disposal of property, plant and equipment	(169)	9,008
(Revaluation)/impairment of property, plant and equipment, intangible assets and equity investments	166,971	14,381
(Revaluation)/impairment of working capital	5,219	25,205
Increases/(releases) of other provisions for risks and charges	132,391	91,017
Interest on employee benefits	1,198	1,109
Interest income	(43,691)	(27,325)
Interest expense	105,059	83,339
Income taxes	(6,692)	57,886
Long-term share-based incentive plan	6,727	6,576
Non-monetary operating income and expenses	(20,692)	1,266
Impact of unrealized exchange rate changes	(1,836)	7,478
Gross cash flows from operating activities	**251,467**	**497,063**

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 and naval vessels.
Offshore and Specialized vessels: encompassing the design and construction of high-end offshore support vessels for offshore wind farms and the oil & gas industry, specialized ships such as cable-laying vessels and ferries, crewless vessels, offering innovative products with reduced environmental impact.
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) Accommodation Cluster, which includes the fitting out of cabins, public areas, catering, wet units and windows, iii) Electronics Cluster, which focuses on advanced technological solutions, from the design and integration of complex systems (system integration) to telecommunications and critical infrastructure, iv) Mechatronics Cluster, i.e., integration of mechanical components and power electronics in naval and onshore applications and v) Infrastructure Cluster, which includes the design, construction and installation of steel structures for large-scale projects as well as the production and construction of maritime works and the supply of technology and facility management for the health segment, industry and the service sector.
Other Activities primarily refer to the cost of corporate activities which have not been allocated to other operating segments.
The Group evaluates the performance of its operating segments and the allocation of financial resources on the basis of revenue and EBITDA, 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) Financial expenses, v) Financial 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 of the COVID-19 outbreak, x) Other extraordinary income and expenses.
The results of the operating segments at 31 December 2022 and 31 December 2021 are reported in the following pages.

(euro/000)

	2022				
	Shipbuilding	Offshore and Specialized vessels	Equipment, Systems and Services	Other Activities	Group
Segment revenue	**5,952,690**	**751,456**	**1,658,549**	**2,427**	**8,365,122**
Intersegment elimination	(171,009)	(9,225)	(700,990)	(2,034)	(883,258)
Revenue	**5,781,681**	**742,231**	**957,559**	**393**	**7,481,864**
EBITDA	**271,585**	**22,133**	**(28,044)**	**(44,686)**	**220,988**
EBITDA margin	**4.6%**	**2.9%**	**-1.7%**		**3.0%**
Depreciation, amortization and impairment					(395,108)
Financial income					160,651
Financial expenses					(240,868)
Income/(expense) from investments					(1,406)
Share of profit/(loss) of investments accounted for using the equity method					(785)
Income taxes					6,709
Costs not included in EBITDA					(74,134)
Profit/(loss) for the year					**(323,953)**

Details of "Costs not included in EBITDA" gross of the tax effect (positive for euro 17,772 thousand) are given in the following table.

(euro/000)

	2022
Provisions for costs and legal expenses associated with asbestos-related lawsuits[1]	(52,372)
Costs relating to the impacts deriving from the spread of COVID-19	
Other extraordinary income and expenses[2]	(21,762)
Costs not included in EBITDA	**(74,134)**

[1] Of which euro 4 million included in "Materials, services and other costs" and euro 48 million in "Provisions".
[2] Of which euro 2 million included in "Materials, services and other costs" and euro 20 million in "Provisions".

(euro/000)

	2021				
	Shipbuilding	Offshore and Specialized vessels	Equipment, Systems and Services	Other Activities	Group
Segment revenue	**5,903,413**	**456,233**	**1,404,404**	**2,314**	**7,766,364**
Intersegment elimination	(245,418)	(10,312)	(597,703)	(1,910)	(855,343)
Revenue	**5,657,995**	**445,921**	**806,701**	**404**	**6,911,021**
EBITDA	**467,486**	**9,744**	**61,480**	**(43,748)**	**494,962**
EBITDA margin	**7.9%**	**2.1%**	**4.4%**		**7.2%**
Depreciation, amortization and impairment					(205,996)
Financial income					77,579
Financial expenses					(182,956)
Income/(expense) from investments					813
Share of profit/(loss) of investments accounted for using the equity method					(14,730)
Income taxes					(57,886)
Costs not included in EBITDA					(89,971)
Profit/(loss) for the year					**21,815**

Details of "Costs not included in EBITDA" gross of the tax effect (positive for euro 20,202 thousand) are given in the following table.

(euro/000)

	2021
Provisions for costs and legal expenses associated with asbestos-related lawsuits[1]	(55,409)
Costs relating to the impacts deriving from the spread of COVID-19[2]	(30,040)
Other extraordinary income and expenses[3]	(4,522)
Costs not included in EBITDA	**(89,971)**

[1] Of which euro 7 million included in "Materials, services and other costs" and euro 49 million in "Provisions".
[2] Of which euro 26 million included in "Materials, services and other costs" and euro 4 million in "Personnel costs".
[3] Of which euro 1 million included in "Revenue and Income", euro 1 million in "Materials, services and other costs" and euro 5 million in "Personnel 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)

	31.12.2022	31.12.2021
Italy	1,001	976
Other countries	635	542
Total Property, plant and equipment	**1,636**	**1,518**

(euro/million)

Capital expenditure	31.12.2022	31.12.2021
Shipbuilding	218	298
Offshore and Specialized vessels	19	6
Equipment, Systems and Services	46	30
Other activities	12	24
Total	**295**	**358**

Capital expenditure in 2022 on Intangible assets and Property, plant and equipment amounted to euro 295 million (euro 358 million in 2021), of which euro 169 million related to Italy (euro 184 million in 2021) and the remainder to other countries.

The following table shows a breakdown of Revenue and income between Italy and other countries, according to client country of residence:

(euro/million)

	31.12.2022		31.12.2021	
	Revenue and income	%	Revenue and income	%
Italy	993	13	891	13
Other countries	6,489	87	6,021	87
Total Revenue and income	**7,482**		**6,912**	

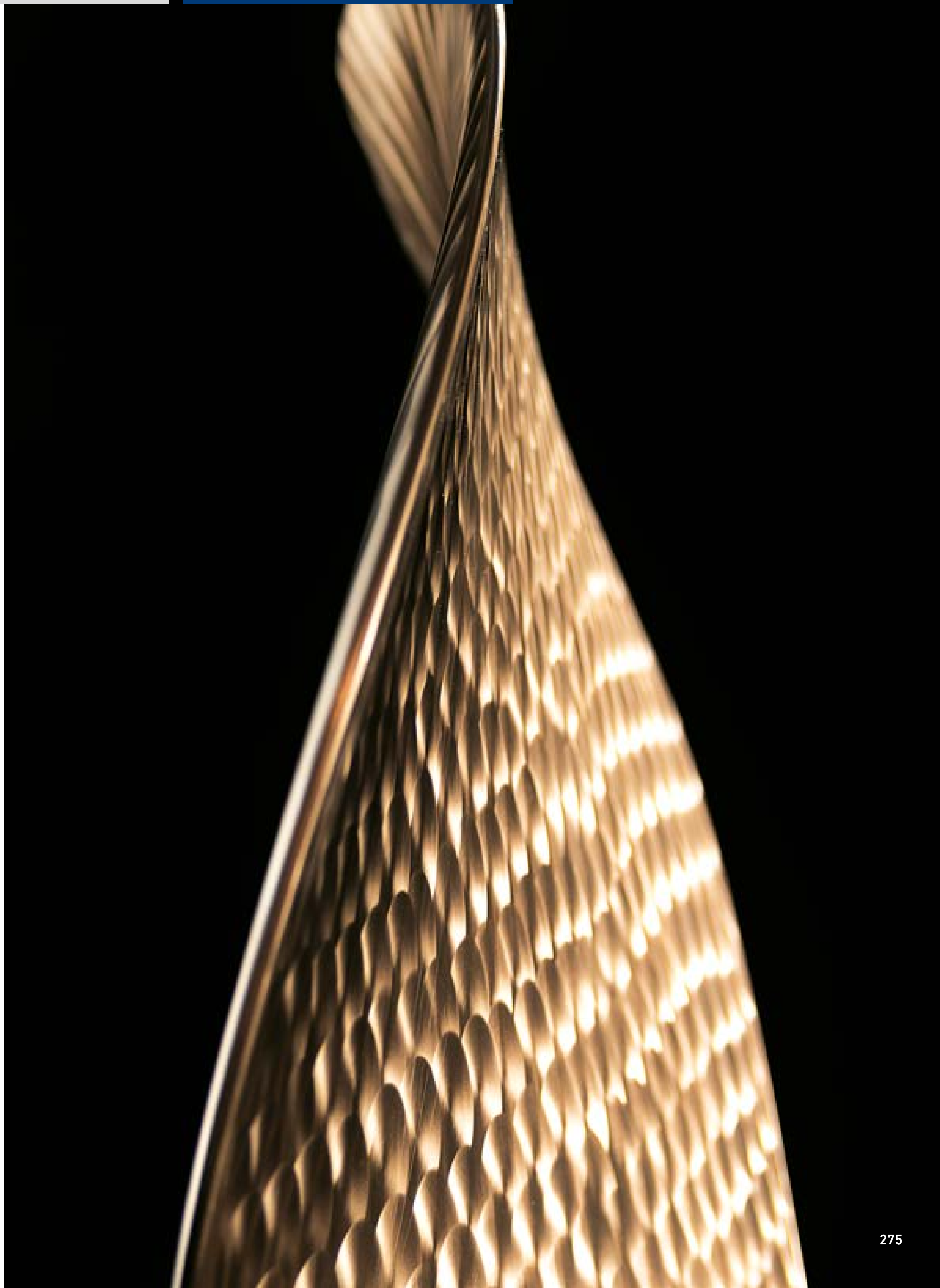
(euro/million)

	31.12.2022		31.12.2021	
	Revenue and income	%	Revenue and income	%
Italy	5,866	78	5,525	80
Norway	691	9	718	10
Romania	406	5	395	6
Rest of Europe	66	1	33	1
North America	720	10	640	9
South America	57	1	24	
Asia and Oceania	379	5	205	3
Consolidation adjustments	(704)	(9)	(628)	(9)
Total Revenue and income	**7,482**	**100**	**6,912**	**100**

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

(euro/million)

	31.12.2022		31.12.2021	
	Revenue and income	%	Revenue and income	%
Client 1	1,391	19	805	12
Client 2			744	11
Client 3			695	10
Total	**7,482**		**6,912**	



Note 36 - Acquisitions and divestments

No acquisitions were made during the financial year, but the purchase price of Metalsigma's naval branch was definitively allocated as described below.

Acquisition of Metalsigma's naval branch

Description of the operation

On 16 December 2021, MI S.p.A. finalized the acquisition of the naval branch of Metalsigma S.r.l. (already leased from August 2020), with the object of providing glass processing services as a component of naval accommodation. The consideration paid for the acquisition of the business unit was euro 523 thousand.

Accounting for the acquisition

The surplus of the purchase price over the net assets of the business unit acquired at the date of acquisition was euro 9,754 thousand. The purchase price allocation process resulted in the recognition of amortizable intangible assets for euro 13,529 thousand (Order backlog for euro 5,026 thousand and Know-how for euro 8,503 thousand) and Deferred tax liabilities for euro 3,775 thousand. The provisional allocation made as at 31 December 2021 provided for the recognition of Intangible assets in the amount of euro 4,960 thousand, Deferred tax liabilities in the amount of euro 1,384 thousand and Goodwill in the amount of euro 6,178 thousand.

Divestment of the Vard Aqua group

Description of the operation

In December 2022, Vard Group AS sold its wholly-owned subsidiary Vard Aqua Sunndal AS and its subsidiaries Vard Aqua Chile SA and Vard Aqua Scotland Ltd. The companies are active in the supply of equipment and technology solutions for aquaculture. The consideration paid for the acquisition of the business unit was approximately euro 2 million.

Accounting for the divestment

The carrying amount of net assets and liabilities at the date of disposal are detailed below:

(euro/000)	
Non-current assets	4,098
of which goodwill	1,214
Current assets	4,128
Total assets	**8,226**

(euro/000)	
Non-current liabilities	1,624
Current liabilities	2,351
Total liabilities	**3,975**

Note 37 - Events after 31 December 2022

On 18 January 2023, Fincantieri, through its US subsidiary Fincantieri Marine Group (FMG), signed a contract with CREST Wind, a joint venture between Crowley and ESVAGT, for the design and construction of a Service Operation Vessel (SOV). The 88-metre-long ship will be built at Bay Shipbuilding and will enter into service in 2026. The vessel will serve the Dominion Energy's US wind farm Coastal Virginia Offshore Wind under a long-term lease.

On 13 February 2023, as part of the collaboration with the local industrial ecosystem and the strengthening of cooperation between Italy and Greece, Fincantieri and Leonardo signed a series of Memoranda of Understanding (MoUs) with potential new Greek suppliers, laying the foundations for the definition of possible business relationships.

On 22 February 2023, Abu Dhabi Ship Building (ADSB), a subsidiary of EDGE group, a leader in the design, construction, repair, maintenance, refitting and conversion of naval and commercial vessels, and Fincantieri signed a cooperation agreement at IDEX 2023, one of the most important international defence exhibitions. Under the terms of the agreement, EDGE and Fincantieri will join forces in the design, construction and fleet management for naval and commercial vessels, as well as create new business opportunities in the local and international market with high value-added technology solutions.

On 3 March 2023, the VARD subsidiary signed a contract with a new customer, Edda Wind, for the construction of four Commissioning Service Operation Vessels (CSOV). The first two ships will be delivered in the first quarter of 2025, the third in the second quarter of 2025 and the fourth in the first quarter of 2026.

On 7 March 2023, through its subsidiary VARD, Fincantieri signed a contract with an international shipping company for the design and construction of a new cable-laying ship, with delivery scheduled for 2024.

The aforementioned events had no impact on the valuations prepared for the purpose of preparing the Financial Statements.

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	100	Fincantieri S.p.A.	100
GESTIONE BACINI LA SPEZIA S.p.A. Dry-dock management	La Spezia	Italy	EUR	260,000	99.89	Fincantieri S.p.A.	99.89
ISOTTA FRASCHINI MOTORI S.p.A. Design, construction and sale of fast medium-duty diesel engines	Bari	Italy	EUR	3,300,000	100	Fincantieri S.p.A.	100
FINCANTIERI HOLDING B.V. Holding company for foreign investments	Netherlands	Netherlands	EUR	9,529,384.54	100	Fincantieri S.p.A.	100
FINCANTIERI INDIA Pte. Ltd. Design, technical support and marketing	India	India	INR	10,500,000	99 1	Fincantieri Holding B.V. Fincantieri S.p.A.	100
SOCIETÀ PER L'ESERCIZIO DI ATTIVITÀ FINANZIARIE - S.E.A.F. S.p.A. Financial support for Group companies	Trieste	Italy	EUR	6,562,000	100	Fincantieri S.p.A.	100
FINCANTIERI SI S.p.A. Electric, electronic and electromechanical industrial solutions	Trieste	Italy France	EUR	500,000	100	Società per l'Esercizio di Attività Finanziarie - S.E.A.F. S.p.A.	100
FINCANTIERI SI IMPANTI S.c.a.r.l. Electric, electronic and electromechanical industrial solutions	Milan	Italy	EUR	20,000	60	Fincantieri SI S.p.A.	60
BOP6 S.c.a.r.l. Complete execution of contract ITER BOP6	Trieste	Italy France	EUR	40,000	5 95	Fincantieri S.p.A. Fincantieri SI S.p.A.	100
FINCANTIERI SWEDEN AB Sale, maintenance and after-sales service	Sweden	Sweden	SEK	5,000,000	100	Fincantieri S.p.A.	100
FINCANTIERI AUSTRALIA Pty Ltd. Trade activities	Australia	Australia	AUD	2,400,100	100	Fincantieri S.p.A.	100
FINCANTIERI SERVICES MIDDLE EAST LLC Project management services	Qatar	Qatar	EUR	200,000	100	Fincantieri S.p.A.	100
FINCANTIERI (SHANGHAI) TRADING Co. Ltd. Engineering design, consulting and development	China	China	CNY	35,250,000	100	Fincantieri S.p.A.	100
FINCANTIERI DRAGAGGI ECOLOGICI S.p.A. Eco-dredging, construction and maintenance of river, lake and maritime works	Rome	Italy	EUR	500,000	55	Fincantieri S.p.A.	55
FINCANTIERI SERVICES DOHA LLC Maintenance of waterborne transport vessels	Qatar	Qatar	QAR	2,400,000	100	Fincantieri S.p.A.	100
TEAM TURBO MACHINES SAS Repair, maintenance and installation of gas turbines	France	France	EUR	250,000	85	Fincantieri S.p.A.	100

Principal activity	Registered office	Countries in which they operate		Share Capital	% interest held		% consolidated by Group
MARINE INTERIORS S.p.A. Ship interiors	Trieste	Italy Romania Norway	EUR	1,000,000	100	Fincantieri S.p.A.	100
MARINE INTERIORS CABINS S.p.A. Ship interiors	Trieste	Italy Romania Norway	EUR	5,120,000	100	Marine Interiors S.p.A.	100
MI S.p.A. Ship interiors	Trieste	Italy France	EUR	50,000	100	Marine Interiors S.p.A.	100
MARINE PROJECT SOLUTIONS S.r.l. Ship interiors	Trieste	Italy France Norway	EUR	366,500	100	MI S.p.A.	100
SEAENERGY A MARINE INTERIORS COMPANY S.r.l. Research, development, design and production of equipment for catering areas	Pordenone	Italy Romania Norway	EUR	50,000	85	Marine Interiors S.p.A.	85
FINCANTIERI INFRASTRUCTURE S.p.A. Production, marketing and installation of metal products and carpentry	Trieste	Italy Romania	EUR	500,000	100	Fincantieri S.p.A.	100
FINCANTIERI INFRASTRUCTURE USA Inc. Holding company	USA	USA	USD	100	100	Fincantieri Infrastructure S.p.A.	100
FINCANTIERI INFRASTRUCTURE FLORIDA Inc. Legal activities	USA	USA	USD	100	100	Fincantieri Infrastructure USA Inc.	100
FINCANTIERI INFRASTRUCTURE OPERE MARITTIME S.p.A. Design, construction and maintenance of civil, maritime and hydraulic infrastructures	Trieste	Italy	EUR	100,000	100	Fincantieri Infrastructure S.p.A.	100
FINCANTIERI INFRASTRUTTURE SOCIALI S.p.A. Construction of buildings and supply of technological systems	Florence	Italy Chile France Serbia S. Marteen Greece Qatar	EUR	20,000,000	90	Fincantieri Infrastructure S.p.A.	90
SOF S.p.A. Installation of plumbing, heating and air conditioning systems	Florence	Italy	EUR	5,000,000	100	Fincantieri INfrastrutture SOciali S.p.A.	90
ERGON PROJECTS Ltd. Design, construction and management of healthcare facilities and infrastructure	Malta	Malta	EUR	896,000	99 1	Fincantieri INfrastrutture SOciali S.p.A. SOF S.p.A.	90
FINSO ALBANIA S.h.p.k. Design, construction and management of healthcare facilities and infrastructure	Albania	Albania	LEK	4,000,000	100	Fincantieri INfrastrutture SOciali S.p.A.	90
CONSTRUCTORA FINSO CHILE S.p.A. Administrative and management activities for civil and healthcare infrastructure	Chile	Chile	CLP	10,000,000	100	Fincantieri INfrastrutture SOciali S.p.A.	90
EMPOLI SALUTE GESTIONE S.c.a.r.l. Non-medical support services, management of retail space and other activities	Florence	Italy	EUR	50,000	95 4.5	Fincantieri INfrastrutture SOciali S.p.A. SOF S.p.A.	89.55
FINCANTIERI NEXTECH S.p.A. Automation systems	Milan	Italy Switzerland	EUR	12,000,000	100	Fincantieri S.p.A.	100

Principal activity	Registered office	Countries in which they operate		Share Capital	% interest held		% consolidated by Group
E-PHORS S.p.A. Design, production of products or services in the field of IT security	Milan	Italy	EUR	500,000	100	Fincantieri NexTech S.p.A.	100
REICOM S.r.l. Design, development, supply, installation and maintenance for on-board systems	Milan	Italy	EUR	600,000	100	Fincantieri NexTech S.p.A.	100
C.S.I. CONSORZIO STABILE IMPIANTI S.r.l. in liquidation In liquidation	Milan	Italy	EUR	40,000	75.65	Fincantieri NexTech S.p.A.	75.65
HMS IT S.p.A. Design, supply and integration of IT technology infrastructures	Rome	Italy	EUR	1,500,000	60	Fincantieri NexTech S.p.A.	60
MARINA BAY S.A. Industrial, commercial, financial, property and real estate transactions	Luxembourg	Luxembourg	EUR	31,000	100	Fincantieri NexTech S.p.A.	100
S.L.S.- SUPPORT LOGISTIC SERVICES S.r.l. Design and construction of electronic and telecommunication systems	Guidonia Montecelio (RM)	Italy	EUR	131,519	100	Fincantieri NexTech S.p.A.	100
ISSEL NORD S.r.l. Production and supply of means and services related to integrated logistic support	Follo (SP)	Italy	EUR	400,000	100	Fincantieri NexTech S.p.A.	100
CENTRO PER GLI STUDI DI TECNICA NAVALE - CETENA S.p.A. Ship research and experimentation	Genoa	Italy	EUR	1,000,000	86.10	Fincantieri NexTech S.p.A.	86.10
IDS INGEGNERIA DEI SISTEMI S.p.A. Design, production and maintenance of systems for both civil and military applications	Pisa	Italy	EUR	13,171,240	90	Fincantieri NexTech S.p.A.	90
IDS INGEGNERIA DEI SISTEMI (UK) Ltd. Installation, repair and maintenance of gas turbines	United Kingdom	United Kingdom	GBP	180,000	100	IDS Ingegneria Dei Sistemi S.p.A.	90
IDS AUSTRALASIA PTY Ltd. Installation, repair, maintenance and gas turbine installation	Australia	Australia	AUD	100,000	100	IDS Ingegneria Dei Sistemi S.p.A.	90
IDS NORTH AMERICA Ltd. Installation, repair, maintenance and gas turbine installation	Canada	Canada	CAD	5,305,000	100	IDS Ingegneria Dei Sistemi S.p.A.	90
IDS KOREA Co. Ltd. Installation, repair, maintenance and gas turbine installation	Asia	Asia	KRW	434,022,000	100	IDS Ingegneria Dei Sistemi S.p.A.	90
IDS TECHNOLOGIES US Inc. Installation, repair, maintenance and gas turbine installation	USA	USA	USD	-	100	IDS Ingegneria Dei Sistemi S.p.A.	90
ROB INT S.r.l. Manufacture of air and spacecraft and related devices n.e.c.	Pisa	Italy	EUR	100,000	100	IDS Ingegneria Dei Sistemi S.p.A.	90
TRS SISTEMI S.r.l. Manufacture of computers and peripheral equipment	Rome	Italy	EUR	90,000	100	IDS Ingegneria Dei Sistemi S.p.A.	90
SKYTECH ITALIA S.r.l. Information technology consultancy	Rome	Italy	EUR	90,000	100	IDS Ingegneria Dei Sistemi S.p.A.	90
FLYTOP S.r.l. in liquidation in liquidation	Rome	Italy	EUR	50,000	100	IDS Ingegneria Dei Sistemi S.p.A.	90

Principal activity	Registered office	Countries in which they operate		Share Capital	% interest held		% consolidated by Group
FINCANTIERI USA HOLDING LLC Holding company	USA	USA	USD	-	100	Fincantieri S.p.A.	100
FINCANTIERI USA Inc. Holding company	USA	USA	USD	1,030	65 35	Fincantieri S.p.A. Fincantieri USA Holding LLC	100
FINCANTIERI SERVICES USA LLC After-sales services	USA	USA	USD	300,001	100	Fincantieri USA Inc.	100
FINCANTIERI MARINE GROUP HOLDINGS Inc. Holding company	USA	USA	USD	1,028	87.44	Fincantieri USA Inc.	87.44
FINCANTIERI MARINE GROUP LLC Shipbuilding and ship repairs	USA	USA	USD	1,000	100	Fincantieri Marine Group Holdings Inc.	87.44
MARINETTE MARINE CORPORATION Shipbuilding and ship repairs	USA	USA	USD	146,706	100	Fincantieri Marine Group LLC	87.44
ACE MARINE LLC Building of small aluminium ships	USA	USA	USD	1,000	100	Fincantieri Marine Group LLC	87.44
FINCANTIERI MARINE SYSTEMS NORTH AMERICA Inc. Sale and after-sale services relating to mechanical products	USA	USA Bahrain	USD	501,000	100	Fincantieri USA Inc.	100
FINCANTIERI MARINE REPAIR LLC Sale and after-sale services relating to mechanical products	USA	USA	USD	-	100	Fincantieri Marine Systems North America Inc.	100
FINCANTIERI MARINE SYSTEMS LLC Sale and after-sale services relating to mechanical products	USA	USA	USD	-	100	Fincantieri Marine Systems North America Inc.	100
FMSNA YK Marine diesel engine maintenance service	Japan	Japan	JPY	3,000,000	100	Fincantieri Marine Systems North America Inc.	100
FINCANTIERI OIL & GAS S.p.A. Holding company	Trieste	Italy	EUR	21,000,000	100	Fincantieri S.p.A.	100
ARSENAL S.r.l. IT consulting	Trieste	Italy	EUR	10,000	100	Fincantieri Oil & Gas S.p.A.	100
VARD HOLDINGS Ltd. Holding company	Singapore	Singapore	SGD	932,200,000	98.37	Fincantieri Oil & Gas S.p.A.	98.37
VARD SHIPHOLDING SINGAPORE Pte. Ltd. Charter of boats, ships and barges	Singapore	Singapore	USD	1	100	Vard Holdings Ltd.	98.37
VARD GROUP AS Shipbuilding	Norway	Norway	NOK	26,795,600	100	Vard Holdings Ltd.	98.37
SEAONICS AS Offshore handling systems	Norway	Norway	NOK	46,639,721	100	Vard Group AS	98.37
SEAONICS POLSKA Sp. Z.o.o. Engineering services	Poland	Poland	PLN	400,000	100	Seaonics AS	98.37
CDP TECHNOLOGIES AS Technological research and development	Norway	Norway	NOK	500,000	100	Seaonics AS	98.37

Principal activity	Registered office	Countries in which they operate		Share Capital	% interest held		% consolidated by Group
CDP TECHNOLOGIES ESTONIA OÜ Automation and control systems	Estonia	Estonia	EUR	5,200	100	CDP Technologies AS	98.37
VARD ELECTRO AS Electrical/automation installation	Norway	Norway UK	NOK	1,000,000	100	Vard Group AS	98.37
VARD ELECTRO ITALY S.r.l. Design and installation of naval electrical systems	Trieste	Italy	EUR	200,000	100	Vard Electro AS	98.37
VARD ELECTRO ROMANIA S.r.l. (formerly VARD ELECTRO TULCEA S.r.l.) Electrical installation	Romania	Romania	RON	6,333,834	100	Vard Electro AS	98.37
VARD ELECTRICAL INSTALLATION AND ENGINEERING (INDIA) Pvt. Ltd. Electrical installation	India	India	INR	14,000,000	99.50 0.50	Vard Electro AS Vard Electro Romania S.r.l.	98.37
VARD ELECTRO BRAZIL (INSTALAÇÕES ELETRICAS) Ltda. Electrical installation	Brazil	Brazil	BRL	3,000,000	99 1	Vard Electro AS Vard Group AS	98.37
VARD PROMAR SA Shipbuilding	Brazil	Brazil	BRL	1,109,108,180	99.999 0.001	Vard Group AS Vard Electro Brazil Ltda.	98.37
VARD NITEROI RJ S.A. (formerly FINCANTIERI DO BRASIL PARTICIPAÇÕES SA) Dormant	Brazil	Brazil	BRL	354,887,790	99.99 0.01	Vard Group AS Vard Electro Brazil (Instalacoes Eletricas) Ltda	98.37
VARD INFRAESTRUTURA Ltda. Dormant	Brazil	Brazil	BRL	10,000	99.99 0.01	Vard Promar SA Vard Group AS	98.37
ESTALEIRO QUISSAMÃ Ltda. Dormant	Brazil	Brazil	BRL	400,000	50.50 49.50	Vard Group AS Vard Promar SA	98.37
VARD ELECTRO CANADA Inc. Installation and integration of electrical systems	Canada	Canada	CAD	100,000	100	Vard Electro AS	98.37
VARD ELECTRO US Inc. Installation and integration of electrical systems	USA	USA	USD	10	100	Vard Electro Canada Inc.	98.37
VARD RO HOLDING S.r.l. Holding company	Romania	Romania	RON	82,573,830	99.995 0.000126	Vard Group AS Vard Electro AS	98.37
VARD TULCEA SA Shipbuilding	Romania	Romania	RON	151,606,459	99.996 0.004	Vard RO Holding S.r.l. Vard Group AS	98.37
VARD BRAILA SA Shipbuilding	Romania	Romania Italy	RON	165,862,177,50	94.12 5.88	Vard RO Holding S.r.l. Vard Group AS	98.37
VARD INTERNATIONAL SERVICES S.r.l. Dormant	Romania	Romania	RON	100,000	100	Vard Braila SA	98.37
VARD ENGINEERING CONSTANTA S.r.l. Engineering	Romania	Romania	RON	1,408,000	70 30	Vard RO Holding S.r.l. Vard Braila SA	98.37
VARD SINGAPORE Pte. Ltd. Sales and holding company	Singapore	Singapore	USD	6,000,000	100	Vard Group AS	98.37
VARD VUNG TAU Ltd. Shipbuilding	Vietnam	Vietnam	USD	9,240,000	100	Vard Singapore Pte. Ltd.	98.37
VARD ACCOMMODATION AS Ship accommodation installation	Norway	Norway	NOK	500,000	100	Vard Group AS	98.37

Principal activity	Registered office	Countries in which they operate		Share Capital	% interest held		% consolidated by Group
VARD ACCOMMODATION TULCEA S.r.l. Ship accommodation installation	Romania	Romania Italy	RON	436,000	99.77 0.23	Vard Accommodation AS Vard Electro Tulcea S.r.l.	98.37
VARD PIPING AS Pipe installation	Norway	Norway	NOK	100,000	100	Vard Group AS	98.37
VARD DESIGN AS Design and engineering	Norway	Norway	NOK	4,000,000	100	Vard Group AS	98.37
VARD DESIGN LIBURNA Ltd. Design and engineering	Croatia	Croatia	HRK	20,000	51	Vard Design AS	50.17
VARD ENGINEERING BREVIK AS Design and engineering	Norway	Norway	NOK	105,000	100	Vard Group AS	98.37
VARD ENGINEERING GDANSK Sp. Z.o.o. Offshore design and engineering activities	Poland	Poland	PLN	50,000	100	Vard Engineering Brevik AS	98.37
VARD MARINE Inc. Design and engineering	Canada	Canada	CAD	9,783,700	100	Vard Group AS	98.37
VARD MARINE US Inc. Design and engineering	USA	USA	USD	1,010,000	100	Vard Marine Inc.	98.37
Joint ventures consolidated using the equity method							
ORIZZONTE SISTEMI NAVALI S.p.A. Provision of naval surface vessels equipped with weapons systems	Genoa	Italy Algeria	EUR	20,000,000	51	Fincantieri S.p.A.	51
ETIHAD SHIP BUILDING LLC Design, production and sale of civilian and naval ships	Arab Emirates	Arab Emirates	AED	2,500,000	35	Fincantieri S.p.A.	35
NAVIRIS S.p.A. Design, manufacture, maintenance and conversion of ships for naval or government use	Genoa	Italy	EUR	5,000,000	50	Fincantieri S.p.A.	50
NAVIRIS FRANCE SAS Shipbuilding	France	France	EUR	100,000	100	Naviris S.p.A.	50
CSSC - FINCANTIERI CRUISE INDUSTRY DEVELOPMENT LIMITED Design and marketing of cruise ships	China	China	EUR	140,000,000	40	Fincantieri S.p.A.	40
CSSC - FINCANTIERI (SHANGHAI) CRUISE DESIGN LIMITED Engineering, Project Management and Supply Chain Management	China	China	RMB	1,000,000	100	CSSC - Fincantieri Cruise Industry Development Limited	40
CONSORZIO F.S.B. Construction	Marghera (VE)	Italy	EUR	15,000	58.36	Fincantieri S.p.A.	58.36
BUSBAR4F S.c.a.r.l. Installation of electrical systems	Trieste	Italy France	EUR	40,000	10 50	Fincantieri S.p.A. Fincantieri SI S.p.A.	60
4TCC1 S.c.a.r.l. ITER project	Trieste	Italy France	EUR	100,000	5 75	Fincantieri S.p.A. Fincantieri SI S.p.A.	80
4B3 S.c.a.r.l. Complete execution of contract BOP3	Trieste	Italy France	EUR	50,000	2.50 52.50	Fincantieri S.p.A. Fincantieri SI S.p.A.	55
4TB13 S.c.a.r.l. Dormant	Trieste	Italy France	EUR	50,000	55	Fincantieri SI S.p.A.	55

Principal activity	Registered office	Countries in which they operate		Share Capital	% interest held		% consolidated by Group
FINMESA S.c.a.r.l. Design and realization of power generation plants from photovoltaic renewable sources	Milan	Italy	EUR	20,000	50	Fincantieri SI S.p.A.	50
POWER4FUTURE S.p.A. Design, production and installation of electricity storage products	Calderara di Reno (BO)	Italy	EUR	3,200,000	52	Fincantieri SI S.p.A.	52
ERSMA 2026 S.c.a.r.l. Demolition and dismantling of buildings and other structures	Piacenza	Italy	EUR	10,000	20	Fincantieri SI S.p.A.	20
FINCANTIERI CLEA BUILDINGS S.c.a.r.l. in liquidation In liquidation	Milan	Italy	EUR	10,000	51	Fincantieri Infrastructure S.p.A.	51
PERGENOVA S.c.p.a. Realization of works related to the reconstruction of the new viaduct over the Polcevera river	Genoa	Italy	EUR	1,000,000	50	Fincantieri Infrastructure S.p.A.	50
DARSENA EUROPA S.c.a.r.l. Execution of the Europa Platform of the Port of Livorno	Rome	Italy	EUR	10,000	26	Fincantieri Infrastructure Opere Marittime S.p.A.	26
NUOVO SANTA CHIARA HOSPITAL S.c.a r.l. Construction of hospital buildings	Florence	Italy	EUR	300,000	50	Fincantieri INfrastrutture SOciali S.p.A.	45
VIMERCATE SALUTE GESTIONI S.c.a.r.l. Other business support service activities n.e.c.	Milan	Italy	EUR	10,000	49.10 3.65	Fincantieri INfrastrutture SOciali S.p.A. SOF S.p.A.	47.48
ISSEL MIDDLE EAST INFORMATION TECHNOLOGY CONSULTANCY LLC IT consultancy and Oil & Gas services	Arab Emirates	Arab Emirates	AED	150,000	49	Issel Nord S.r.l.	49
Associates consolidated using the equity method							
CENTRO SERVIZI NAVALI S.p.A. Steelworking	San Giorgio di Nogaro (UD)	Italy	EUR	5,620,618	10.93	Fincantieri S.p.A.	10.93
GRUPPO PSC S.p.A. Design and installation of systems	Maratea (PZ)	Italy Qatar Romania Colombia Spain	EUR	1,431,112	10	Fincantieri S.p.A.	10
DECOMAR S.p.A. Eco-dredging	Massa	Italy	EUR	2,500,000	20	Fincantieri S.p.A.	20
DIDO S.r.l. Support for the design and development of advanced computer applications	Milan	Italy	EUR	142,800,57	30	Fincantieri S.p.A.	30
PRELIOS SOLUTIONS & TECHNOLOGIES S.r.l. Realization and management of technological installations in the industrial, civil and defence sectors	Milan	Italy	EUR	50,000	49	Fincantieri NexTech S.p.A.	49
STARS Railway Systems Design and marketing of radar products for railway safety	Rome	Italy	EUR	300,000	48 2	IDS Ingegneria Dei Sistemi S.p.A. TRS Sistemi S.r.l.	45
ITS Integrated Tech System S.r.l. Dormant	La Spezia	Italy	EUR	10,000	51	Rob Int S.r.l.	45.90

Principal activity	Registered office	Countries in which they operate		Share Capital	% interest held		% consolidated by Group
MC4COM - MISSION CRITICAL FOR COMMUNICATIONS SOCIETÀ CONSORTILE S.r.l. Engineering	Milan	Italy	EUR	10,000	50	HMS IT S.p.A.	30
UNIFER NAVALE S.r.l. in liquidation In liquidation	Finale Emilia (MO)	Italy	EUR	150,000	20	Società per l'Esercizio di Attività Finanziarie - S.E.A.F. S.p.A.	20
2F PER VADO S.c.a.r.l. Execution of works for the construction of the "New Vado Ligure Breakwater"	Genoa	Italy	EUR	10,000	49	Fincantieri Infrastructure S.p.A.	49
CITTÀ SALUTE RICERCA MILANO S.p.A. Execution of construction activities and other civil engineering works n.e.c.	Milan	Italy	EUR	5,000,000	30	Fincantieri INfrastrutture SOciali S.p.A.	27
CISAR COSTRUZIONI S.c.a.r.l. Execution of works for the construction of the City of Health and research	Milan	Italy	EUR	100,000	30	Fincantieri INfrastrutture SOciali S.p.A.	27
NOTE GESTIONE S.c.a.r.l. Installation of plumbing, heating and air conditioning systems	Reggio Emilia	Italy	EUR	20,000	34	SOF S.p.A.	30.60
NORD OVEST TOSCANA ENERGIA S.r.l. Other business support service activities n.e.c.	Vicopisano (PI)	Italy	EUR	2,300,000	34	SOF S.p.A.	30.60
S.ENE.CA GESTIONI S.c.a.r.l. Other business support service activities n.e.c.	Florence	Italy	EUR	10,000	49	SOF S.p.A.	44.10
HOSPITAL BUILDING TECHNOLOGIES S.c.a.r.l. Sale and purchase of real estate on own properties	Florence	Italy	EUR	10,000	20	SOF S.p.A.	18
BIOTECA S.c.a.r.l. Performance of contracts for the supply and installation of furniture and furnishings	Carpi (MO)	Italy	EUR	100,000	33.33	SOF S.p.A.	30
ENERGETIKA S.c.a.r.l. Dormant	Florence	Italy	EUR	10,000	40	SOF S.p.A.	36
PER GENOVA BREAKWATER Construction of the new breakwater for the port of Genoa in the Sampierdarena dock	Genoa	Italy	EUR	10,000	25	Fincantieri Infrastructure Opere Marittime S.p.A.	25
BREVIK TECHNOLOGY AS Technology licences and patents	Norway	Norway	NOK	1,050,000	34	Vard Group AS	33.45
SOLSTAD SUPPLY AS (formerly REM SUPPLY AS) Shipowner	Norway	Norway	NOK	345,003,000	26.66	Vard Group AS	26.23
OLYMPIC GREEN ENERGY KS Shipowner	Norway	Norway	NOK	4,841,028	29.50	Vard Group AS	29.02
ISLAND OFFSHORE XII SHIP AS Shipowner	Norway	Norway	NOK	404,097,000	46.90	Vard Group AS	46.14
ISLAND DILIGENCE AS Shipowner	Norway	Norway	NOK	17,012,500	39.38	Vard Group AS	38.74
CASTOR DRILLING SOLUTION AS Offshore drilling technology	Norway	Norway	NOK	229,710	34.13	Seaonics AS	33.57
CSS DESIGN LIMITED Design and engineering	United Kingdom	United Kingdom	GBP	100	31	Vard Marine Inc.	30.49

Management representation on the Consolidated Financial Statements

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 Pierroberto Folgiero, 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 2022.

2. The adequacy of the administrative and accounting processes for preparing the consolidated financial statements at 31 December 2022 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.

7 March 2023

CHIEF EXECUTIVE OFFICER

Pierroberto Folgiero

MANAGER RESPONSIBLE
FOR PREPARING FINANCIAL REPORTS

Felice Bonavolontà

Report by the independent auditors

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Fincantieri S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Fincantieri S.p.A. and its subsidiaries ("Fincantieri Group" or "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended 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.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia).
Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Fincantieri S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Impairment test pertaining to the Cash Generating Units "Vard Offshore and Specialized Vessels", "Vard Cruise", "Vard Systems and Components" and "FMG Group"	
Description of the key audit matter	The consolidated financial statements as at 31 December 2022, include, within Intangible assets, goodwill totaling Euro 123 million, out of which Euro 55 million pertaining to the Cash Generating Unit ("CGU") "Vard Offshore and Specialized Vessels" and Euro 57 million pertaining to the CGU "Vard Systems and Components".Goodwill comparative figures allocated to the CGU "Vard Cruise" (Euro 66 million) and the CGU "FMG Group" (Euro 70 million) have been fully written down in the fiscal year as a result of the impairment test performed by the Group. Such goodwill is not amortized but, as provided by IAS 36 Impairment of assets, subject, at least annually, to an impairment test comparing the recoverable value of such CGUs – as value in use, determined using the Discounted Cash Flows (DCF) method – with the net invested capital of those CGUs, which includes goodwill as well as other assets, tangible and intangible, allocated therein. The impairment test process is complex and is based upon assumptions pertaining, among others, to the forecast of expected cash flows of the CGUs, derived from the Group business plan 2023-2027 approved in Decembre 2022, the definition of an appropriate discount rate (WACC) and long-term growth rate (g-rate). Such assumptions depend upon future expectations and market conditions which can vary upon time, with consequent effects, potentially significant, with respect to judgements made by the Directors. Due to the subjectivity of estimates pertaining to the definition of CGUs cash flows and key parameters of the impairment test model, as well as in light of losses incurred by Vard Group, we considered the impairment test to be a key audit matter for the Group consolidated financial statements. 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 impairment test deriving from changes in the key variables used in performing the 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;

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- 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 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.

Contract Assets and Liabilities

Description of the key audit matter

Consolidated financial statements as at 31 December 2022 include contracts assets and liabilities totaling Euro 3,085 million and Euro 1,152 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 reasonabably predicted.

The valuation of construction contracts under such method requires the application of estimates with regards to the total costs and costs to complete 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;
- multi-annual duration of the contracts;
- 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 contracts assets and liabilities to be a key audit matter for the Group’s consolidated financial statements as of 31 December 2022.

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Disclosures related to contracts assets and 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

Our audit 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 with regards to potential lawsuits related to contracts;
- examination of appropriateness of disclosures included in the notes to the consolidated financial statements and compliance with applicable accounting standards.

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 Fincantieri S.p.A. 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.

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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. 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.

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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, actions taken to eliminate threats or safeguards applied.

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of Fincantieri S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the consolidated financial statements as at 31 December 2022, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at 31 December 2022 have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

Due to certain technical limitations, some information contained in the illustrative notes to the consolidated financial statements, when extracted from XHTML format in an XBRL instance, may not be reproduced in the same way as the corresponding information displayed in the consolidated financial statements in XHTML format.

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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 2022, 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. 720B 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 2022 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 2022 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
22 March 2023

As disclosed by the Directors on page 2 of the Annual Report 2022, the accompanying consolidated financial statements of Fincantieri S.p.A. constitute a non-official version which has not been prepared in accordance with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

GLOSSARY

1 - Operations

Shipowner
Person who operates the ship, regardless of whether they are the owner or not.

Dry-dock
Tank housing ships under construction or in for repair.

Order backlog
Residual value of orders not yet completed. This is calculated as the difference between the total value of the order (including any addenda and order variations) and the accumulated value of work in progress at the reporting date.

Order intake
Value of new ship orders, order modifications and additions acquired by the Company during each financial year.

Order book
Value of orders for main contracts, order modifications and additions not yet delivered or executed.

Soft Backlog
Value of contract options, existing letters of intent and projects at an advanced stage of negotiation, not yet reflected in the order backlog.

Total order book
This is calculated as the sum of the order book and the soft backlog.

Total backlog
This is calculated as the sum of the order backlog and the soft backlog.

Refitting/Refurbishment
Activity aimed at "bringing back into use" obsolete vessels or vessels that have become unsuitable due to changes in rules and/or regulations.

GRT - Gross Registered Tonnage
Unit of measurement of the volume of a vessel; this includes all the internal volumes of the vessel, including the engine room, fuel tanks and crew areas. It is measured from the external surface of the bulkheads.

CGT - Compensated Gross Tonnage
An international unit of measurement that provides a common yardstick for assessing the commercial output of shipbuilding activity. It is calculated from the GRT taking into account the type and size of vessel.

2 - Administration and Finance

Impairment test
Activity carried out by the Company to assess, at each year-end reporting date, whether there is any indication that an asset may be impaired and to estimate its recoverable amount.

Business combination
Merger of separate entities of corporate activities into a single reporting entity.

Net fixed capital
This indicates the fixed capital employed in the Company's operations and includes Intangible assets, Rights of use, Property, plant and equipment, Investments, Non-current financial assets and Other assets (including the fair value of derivatives included in Non-current financial assets) net of the provision for employee benefits.

Net working capital
This indicates the capital employed in ordinary operations which includes Inventories and advances, Construction contracts and client advances, 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).

Net invested capital
Represents the total of Net fixed capital and Net working capital.

CGU
Acronym for Cash Generating Unit. This is the smallest identifiable group of company assets that generates cash inflows that are independent of the cash inflows generated by other 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 of investments accounted for using the equity method, iii) Income/(expense) from investments, iv) Financial expenses, v) Financial income, vi) impairment of Intangible assets and Property, plant and equipment recognized as a result of impairment tests, i.e. after specific assessments on the recoverability of the individual assets, 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 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
Fair value, defined as 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, respectively, adopted by the Company.

Net expenditure/disposals
They represent investments and disposals of tangible and intangible assets, equity investments and other non-operating net investments.

Operating investments
They represent investments in tangible and intangible assets excluding those resulting from the acquisition of a business combination allocated to tangible or intangible assets.

Net financial position
Statement of financial position item which summarizes the financial position of the Company, and includes:

- Net current cash/(debt): cash and cash equivalents, current financial assets, current financial payables and current portion of medium/long-term loans;
- Net non-current cash/(debt): non-current financial debt and other non-current financial liabilities.

Statement of cash flows
A statement that examines all the flows that led to a change in cash and cash equivalents, up to the determination of the "Net cash flows for the period", as the difference between the income and expenditure for the period considered.

Revenue
The item Revenue on the Income Statement includes revenues accrued on construction contracts and miscellaneous sales of products and services.

Revenues and income excluding pass-through activities
The item Revenues 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.

Basic or diluted earnings per share
Basic earnings per share is calculated by dividing the profit or loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.
The calculation of diluted earnings per share is consistent with the calculation of basic earnings per share, but takes into account all ordinary shares with potential dilutive effects outstanding during the period, i.e.:

- 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 ordinary shares with potential dilutive effects and adjusted for any other changes in income or expenses resulting from the conversion of the ordinary shares with potential dilutive effects;
- the weighted average number of ordinary shares outstanding is increased by the weighted average number of additional ordinary shares that would be outstanding if all ordinary shares with potential dilutive effects were converted.

WACC
Acronym for Weighted Average Cost of Capital. This represents the average cost of the company's different sources of funding, both in the form of debt and equity.

FINCANTIERI

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